

Development Demystified

Pre-selling projects key to fixing downtown

To most people developers seem to be somewhat akin to a secret priesthood, possessed of arcane knowledge that mere mortals cannot access.

Essentially developers serve as team captains, putting together a collaborative effort to accomplish a given building project. The prime challenge of development is managing the significant risk, which is why developers make such huge profits – when they are successful.



Credibility is a huge component of development, so the success rate of a given developer – success being defined as the lenders getting their investments returned – rests on her track record. Nothing gets built without the lenders. And this is why development is one of the most conservative components of the economy. If something has worked in the past in terms of return on investment, there is very little incentive to do something new. This is why developers ask for government subsidies for anything perceived as new or different – because managing the risk is their primary job. And since every market is different, even successful new ideas in other areas do not necessarily translate into financial success in a new location.

So development is conservative because it manages risk, and it is less risky to continue to build the same kind of things that have paid off in the past.

The nature and location of any development depends on a market study that shows there is a reasonable chance of financial success. A business like Whole Foods, for example, has an essentially formulaic way of deciding where to build. The company uses a standard store size, and it looks for a certain number of people living within x distance of a location, with y demographics. Which is why, looking at downtown Eugene, Whole Foods asked for a subsidized parking structure. The company's standard model has huge amounts of parking in locations with lower land costs. So it asked that the public pay to encourage more driving to downtown to bring in the needed customer base. And because Whole Foods is quite successful with its existing model, there is little incentive to alter it.

But the alternative is to get more people living downtown who do not have to drive – this is why in-town population growth drives downtown business development. A larger local food store would be quite feasible if more people lived downtown, and it would not have to be the huge footprint of a Whole Foods.

So how do we get more downtown housing without the subsidies and profit guarantees that developers are asking for? You minimize risk, which is what development is all about. The easiest way to get financing for a project is to pre-sell it. If you get a group of people together who are committed to living downtown along with businesses willing to locate or expand downtown, and come up with a design that meets their needs, then the financing becomes a minimal risk for lenders. If the large profits developers enjoy for managing risk are gone, then it becomes possible to do things the users want in a financially sound way and to push the limits of affordability and sustainability.

If the City of Eugene wants to encourage downtown development, it can provide many of the development team functions such as planning, public-private financing arrangements, legal work and streamlining of the process as well as providing associated public amenities. What we need to do is find people actually committed to living downtown, get them together to develop design guidelines, and either find a developer willing to follow these guidelines or bypass the developer and hire the architects and other team members to do the necessary work.

None of this is meant to disparage developers or the important work they do, but it is important for the public to understand that there are ways to finance what we really want downtown without the inordinate costs and profit guarantees developers want to cover their risk – by creating a pre-sold project that works financially for the users, the city's needs and the lenders. Eugene has the professional expertise to accomplish what it needs downtown without importing developers from Portland or anywhere else. It just needs the confidence to design what it wants and for the city to support that effort.

Bob Ransom has worked as a builder and designer. He now works as an alternative transportation planner, is active in the Eugene Bicycle Coalition and doesn't own a car.

Torrey spoke about revitalizing downtown business. And then I watched to see if he ever shopped in the bookstore where I worked. A consensus among my fellow coworkers and me concluded that if he did, we never saw him.

When my former bookstore coworker and I opened a new independent bookstore — Books Without Borders — in downtown Eugene, we listened with interest as you spoke about revitalizing downtown business. And then we watched to see if you ever shopped in our bookstore.

I still remember the time you walked in. A couple of years ago, the store acted as a nesting place for one of the large ducks on the Duck Walk scavenger hunt in downtown Eugene. On a tour and photo-op with the event organizers and some other folks, you briefly stopped in to visit the duck. Perhaps you had your Duck Card stamped. Then you left again.

Grandiose plans for revitalizing downtown Eugene are exciting, and we wait in anticipation for the day when the housing development down the block opens and the day when the Enterprise Call Center opens. Hopefully, more people downtown will translate into greater sales for our business and others. Likewise, the recent story in *The Register-Guard* about redevelopment of decrepit city blocks is a hopeful sign for downtown.

But the bigger problem, as I see it, is getting people who already live and work downtown to shop in the businesses that are

already here. Maybe we don't need much that is new and better; maybe we need more appreciation of what we already have.

Please, Mayor Piercy, consider the impact that you and others could have simply by shopping in locally owned downtown businesses and by encouraging other people to do the same. We are mere blocks from City Hall. You and the city council members could stop by on your lunch break to pick up a magazine or a book.

In fact, why not make a commitment to shop at every existing locally owned downtown business in the next year? It would doubtless give you some good insight into the actual state of downtown businesses — all of them, not just the two or three that get constant media exposure — and the real concerns of all downtown business owners.

Thank you for your commitment to downtown and to all of Eugene. We look forward to seeing you downtown soon.

*Amelia Reising
Books Without Borders*

SURVIVAL 102

In Survival 101, James Johnston wisely insists on maps but says “You don't need a compass.” Perhaps not, but maps are far more informative when oriented with a compass. Especially in unfamiliar country. I use compass to navigate to unique off trail places like stream forks, outcrops and tiny lakes. A Silva Ranger with adjustable

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