



June 11, 2020

Ms. Shari Reed
Vice President
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Suite 300
Portland, Oregon 97224

Dear Shari,

At your request, I have reviewed the conceptual site plan prepared by MG2 Architects labeled as “NW Option” dated April 27, 2020, and have the following observations as it relates to the viability of that site plan for development of a retail shopping center on the property located at 2500-2600 Block of Boone Rd. SE, Salem Oregon 97306.

I have worked as a commercial broker in the Pacific Northwest market since 2004. That market includes Salem, Oregon. In my capacity as a commercial broker, I have assisted large and small retailers with site selection and design. Over my career working with retailers on site selection and design, I have gained significant experience with and knowledge of the critical site layout design elements that are required for a viable retail development. I am a member of the International Council of Shopping Centers (ICSC), the Retail Brokers Network (RBN) and I am on the Board of Directors for the Commercial Association of Brokers (CAB). I am a licensed real estate broker in the state of Oregon and Washington. The observations in this letter pertain to retail shopping centers in general and apply equally to a Costco anchored shopping center as well as other similarly anchored shopping centers.

In my professional opinion, the “NW Option” layout is unsafe and includes significant disadvantages to the extent that no reasonable retailer (large or small) would locate there – whether it be a major anchor like Costco or smaller retailers featured on retail pads. It is economically unviable. The reasons follow:

Site Layout/Curb Appeal

- The “NW Option” orients the anchor retail buildings such that the back of the buildings face Kuebler Blvd. The positioning of the anchor retail buildings with backs facing the primary artery of Kuebler Blvd creates a challenging and unsafe layout, which will significantly impact leasing the project. A significant component of a successful retail shopping center is potential customers having a desire to shop there which begins with a sense of welcome at the shopping center. The “NW Option” exposes the backside of the buildings, service access, storage, and trash enclosures along Kuebler Blvd, thus inhibiting customer ability to see the retail storefronts, location of site access, and if there is adequate parking (retail customers are unwilling to drive around to find distant parking). Those initial disadvantages will discourage customers from shopping at the property and incentivize them to pursue other shopping options, such as shopping online. Retailers are acutely aware of this. Accordingly, retail businesses and retail property owners spend enormous amounts of time and money to create an attractive shopping center and the perception (and reality) of a pleasing shopping experience, especially in the post-Covid landscape with substantial e-commerce competition. Retail tenants will only select sites in which they may create an inviting atmosphere

where customers can easily find their store and quickly see that parking is available, and feel relatively at ease. Local examples include other anchored retail along S. Commercial in Salem, including Fred Meyer, Walmart, WinCo and Trader Joe's, all of whom have storefronts with exposure to the main traffic flow and parking between the entry points and the primary street.

- The "NW Option" with/without Costco places the anchor retail buildings along Kuebler Blvd., which requires a fire lane on the backside of the building, along with an area for deliveries, back-of-house storage and trash enclosures, significantly diminishing the curb-appeal of the shopping center along Kuebler Blvd.

Safety

- A reasonably safe parking lot is essential to retailers. This "NW Option" site does not create a reasonably safe parking lot. Rather, the "NW Option" plan puts a major barrier of large trees in the middle of the main parking field that obscures the view for parking and parked vehicles. Accordingly, customers have to navigate around the tree barrier, through this obscured area of the parking lot to access the retail businesses. This layout creates a lack of visibility for vehicles attempting to park as well as for pedestrians to see such vehicles and increases the likelihood of pedestrian / vehicle collisions. It is well-established that retail shopping centers must maintain line of sight through parking areas to enhance safety. The lack of line of sight visibility through the tree barrier may create safety concerns for customers.
- Parking to the south of the tree grove will be viewed by customers and retailers alike as inconvenient and potentially unsafe due to impaired visibility to the storefronts, particularly for seniors, customers with disabilities and/or shopping with small children.

Parking Adequacy/Convenience

- The shopping center is inadequately parked for any retail anchor, as well is inconvenient and unsafe for customer and employee parking with the tree barrier located in the middle of the primary parking field.
- The parking is inadequate both in number of stalls and the depth of the parking field. Sufficient parking is essential to ensure the success of a suburban shopping center. Anchor and general retail tenants expect the amount of available parking to be no less than 5 stalls per 1,000 sf (5/1,000 sf) of gross leasable area (GLA), but preferably closer to 7 stalls per 1,000 sf (7/1,000 sf). The parking demand for restaurants is significantly higher at 10- stalls per 1,000 sf (10/1,000 sf). Furthermore, sophisticated national and regional retailers will generally not count on their customers utilizing parking that is not immediately proximate and visible to their store entry. Shared parking needs to be truly convenient and safe for the intended users, and sufficient in numbers for all of the anticipated uses, accounting for both customers and employees. In order to ensure the best possible opportunity for leasing the retail space on the western portion of the site, a minimum of 7 stalls per 1,000 sf (7/1,000 sf) must be guaranteed there and preferably more. The "NW Option" fails to meet the expectations of today's retailers and customers for sufficient convenient parking. With 9.9 stalls per 1,000 sf (9.9/1,000 sf) on the west and only 3.13 stalls per 1,000 sf (3.13/1,000 sf) on the east, this option has a significant parking deficit, which means that it is not economically viable. The "NW Option" must be contrasted with the Preferred Plan that has 9.9 stalls per 1,000 sf (9.9/1,000 sf) on the west and 5.12 stalls per 1000 sf (5.12/1,000) on the east for a total overall parking provided for the shopping center of 5.6 per 1,000 sf, which is the bare minimum in my opinion for economic viability for the reasons explained.

- There is approx. 74 (18%) fewer parking spaces in the primary parking field on the “NW Option” than are in the primary field of the existing Salem Costco store. It is well known that the existing Salem Costco store has insufficient parking and only has two points to enter/exit the parking lot, one of which conflicts with customers trying to reach the fueling stations. One of the reasons Costco wishes to relocate to this site is to greatly improve their customer shopping experience by having more opportunities to access the parking lot and fueling positions, sufficient safe, and easily accessible parking, and pedestrian safety .
- The approx. 175 parking stalls to the east of the major retail building will be viewed by retailers largely as “employee parking” and not realistic customer parking given the distance from the primary retail business storefront, and the fact that it is separated from the anchor tenant not only by such distance but also a major entrance (the right in off of Kuebler).
- Because the “NW Option” provides inadequate parking for Costco this creates untenable competition for the parking that does exist between the Costco and the small shop retailers at the NE corner of the site.

Retail Shop Pads

- Placing the fueling positions on the SE corner of the site along Boone, facing the residential neighborhood is not a viable design. Noise, traffic, fuel deliveries, and vehicle headlights facing the neighbors’ homes are incompatible. Moreover, this “NW Option” creates unsafe traffic conflicts for customers who wish to reach the fueling positions from the NE parking field because they must cross over the major access drive to reach the fueling positions, enter the parking field and to exit the site. This will make it unsafe and difficult not only for customers from the NE parking field, but also for customers attempting to enter the site from the roundabout on 27th St.
- If Costco were replaced with anchor retailers that did not have fueling stations, in my opinion, the supporting retail pad(s) would replace the fueling center on the SE corner of the site. This location will make this site undesirable for tenants and customers alike. Small shop retail tenants have a greater chance of survival if they have visibility, and so they seek to lease space where they are in front of the major retail business, along the major arterial. This “NW Option” places the retail pad(s) in the SE corner where grade separation and landscape requirements greatly impair visibility from Kuebler Blvd., and therefore fails to offer a viable retail space.
- Retail shops and pads would be disjointed and disconnected from the larger shopping center, diminishing the continuity of the shopping center experience. This is a significant problem in and of itself; when combined with the other site disadvantages, the disjointed and disconnected site plan offers little to no chance of retail success for those retailers and, as stated previously, they are unleaseable.

Vehicle/Pedestrian Conflicts at Main Entrance

- The main entrance off the roundabout on 27th Street is congested and creates unacceptable conflicts between pedestrians trying to navigate through the parking field to and from Costco.
- The main entrance off of 27th Street is congested and creates unacceptable vehicle movement conflicts between vehicles attempting to enter and exit the site, vehicles moving within the site

trying to find parking in the south and east fields and vehicles attempting to gain access to the fueling positions and to the exit on Boone.

- Vehicles entering the shopping center off of 27th street headed to the fuel positions located in the SE corner are immediately forced to turn left across the flow of pedestrian and traffic exiting the shopping center to the 27th Street roundabout.

In summary, based upon my extensive experience working with retail and developer clients in the Pacific Northwest, I believe that the retail clientele in Salem, Oregon will not tolerate anything but a safe, adequately parked shopping experience with excellent ingress and egress. Today's shopping center formats are designed to maximize the shopping experience for their customers and to provide financial viability of the retailers. Unattractive, inefficient, and/or unsafely parked retail developments have a significant chance of failure. From a leasing perspective, the "NW Option" site plan is not safe, under-parked and inefficient for deliveries, and shopping such that retailers would conclude that it does not promote success or for tenants to compete with online retailers. It is simply not an economically viable retail shopping center layout in any respect.

Sincerely,



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June 12, 2020

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**Re: Kuebler Gateway Shopping Center
Salem, Oregon**

Dear Shari,

Thank you for this opportunity to comment on the proposed Plans designated as the NW Option and the Proposed Site Plan for Kuebler Gateway Shopping Center in Salem, Oregon.

As a licensed Architect for 37-years in 7-states (Oregon, Washington, Alaska, California, Idaho, Montana and Colorado) and a member of the American Institute of Architects (AIA), and the National Council of Architectural Registration Boards (NCARB) who has completed countless shopping center projects, I have extensive experience in the design and layout of retail shopping centers. There is a list of criteria that professional architects run through whenever the layout of a site begins. There are the four key principles that are kept in mind throughout the process of designing a shopping center: Fire, Life, Safety and Parking. First, one always wants to design with ease of firefighting, fire access and fire exiting. Second, Life which comes in the face of preserving, resolving and extending the life of those using the site as well as the proper use of material, and enhancement of the quality of the surroundings as these type of developments are thoughtfully placed within our communities. Third, Safety, which comes in the manner of everything from a very well laid out and functional site parking arrangement to an ease of circulation for all those who will navigate around the site on foot, bike or in a motorized vehicle. Fourth, is a shopping center site must have adequate parking. A shopping center with less than an average of 5 parking spaces per 1,000 sq.ft. of leased space will fail to meet the parking requirements of today's sophisticated tenants. This is well-established in the shopping center industry. I have reviewed the Proposed Site Plan submitted by the applicants. At slightly greater than 5 parking spaces per 1,000 sq.ft, any less parking spread across the various areas as proposed is not viable. The retail pads to the west require a minimum of 7 spaces per 1,000 sq.ft. because sought after retail tenants such as shops, cafes, fast casual or full-service restaurant, will simply require minimum parking within that ratio.

We have all had numerous shopping center experiences, and know that when the parking is well laid out and straightforward, locating a parking stall is much easier; it feels and is, in fact, safer and ultimately is a place where people will shop given the competing alternatives of e-commerce. Customers feel significantly less stress finding a parking space when they have a clear view of aisles and drives showing places available to park.

Re: Kuebler Gateway Shopping Center
Salem, Oregon
June 12, 2020
Page 2 of 3

This comment is particularly relevant to the trees that are shown to be retained on the NW Option. Retaining those trees require customers to navigate around the central grove of trees in the NW Option and obstacles they create, which results in an untenable shopping experience that is both unsafe and frustrating. Customers will not only burn more of our natural resources by staying in their cars for a longer period of time, but also the trees create a visual obstacle that produces unsafe conflicts in circulating where customers cannot see parking spaces or pedestrians with shopping bags/carts/kids, etc., and vice versa. A well-planned shopping center is also safer from a fire protection/emergency response standpoint. If the parking lot is not planned well, shoppers struggle to find parking and often circle the lot searching for parking. That congestion is unsafe if there is ever a need for emergency vehicles to access the shopping center. Moreover, one can only imagine a senior citizen with limited eyesight and abilities, but still very independent, trying to navigate their way in an area that is poorly laid out. This in itself is begging for safety issues to arise and should there be a lack of parking, that only exaggerates the situation.

In my opinion, based on my 37 years of experience, a qualified architect or design professional would not layout a retail shopping center consistent with the NW Option. As I explained above, it would not function well for customers and retailers. Consequently, I do not feel the NW Option results in an economically viable shopping center. It would not attract retailers that generate the rent one needs to sustain a shopping center and would not attract customers needed to sustain a high-quality shopping center. Professional architects are trained and accept that what we have today is on a path for something better. This of course comes with a lot of thoughtful planning and creative solutions.

The significant challenges presented in the NW Option can be completely avoided by adoption of the Proposed Site Plan. Unquestionably, the organization and simplicity of the applicant's Proposed Site Plan is far superior to the NW Option. In the Proposed Site Plan, one understands the overall organization of the entire site in a very short period of time. The site is well organized and is safe to navigate whether on foot or in a vehicle.

Allowing the placement of the Costco store along Boone Road, as the Proposed Site Plan illustrates, the setback and buffers can be well defined and the landscaping would complement the back wall of the building, which will help to quiet the activities along the north side of the building. In addition, having the defined access points and the convenience of the access to the western portion of the site once again allows for easy access, which equates to more efficient movements for all vehicles entering the site.

One must also look at the overall longevity of any shopping center site plan layout, its relation to its surroundings and the economic viability of the plan. Sites that lend themselves to thoughtful organization, which develop safer situations, have historically been more successful and an asset to

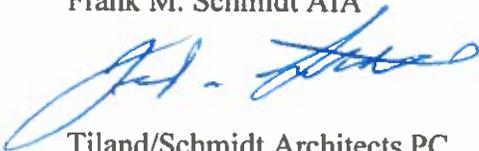
Re: Kuebler Gateway Shopping Center
Salem, Oregon
June 12, 2020
Page 2 of 3

the community which cannot be said of the NW Option. Poorly designed sites like the "NW Option" are not viable and the owner will struggle to attract and retain tenants, if at all. We have all seen similar shopping centers that face constant tenant turnover and owners are forced to offer below market rents in order to attract whatever tenants they can. These factors negatively impact the financial viability of a shopping center and thus the neighboring community.

As I conclude here, one project comes to mind that we did in West Linn, Oregon. Unfortunately, the community involvement was rather confrontational at times. The developer knew that this was a center that would thrive in this community and be appreciated far beyond its current condition of disrepair. This project of course took some time to get approved and built. The greatest day was when the one individual who was the most vocal, against it, had an opportunity to talk to the developer again. What proceeded was a surprise to all when he literally apologized for his actions. He recognized that that the developer did bring an outstanding project to the area and when it came to the trees, that raised the largest issue, there were many more trees as part of the development than were ever cut down. I can see that happening here also. The Proposed Site Plan addresses the code issues, will provide a well-organized and complete shopping center along with trees for not only now but the future of this area.

Please feel free to contact me on this should you like to discuss further.

Sincerely,
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Cc: file