SPECTRUM
DEVELOPMENT SOLUTIONS, LLC

SOUTH LAKE UNION AFFORDABLE HOUSING BONUS PROGRAM REVIEW

Seattle, WA

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Introduction

In late December of 2012, Spectrum Development Solutions (Spectrum) was engaged by Community Attributes (CAI) to support the analysis of the South Lake Union Affordable Housing Bonus Program as contracted by The City of Seattle Legislative Department. CAI's scope of work addressed the macro workforce housing policy context characterization and projected future demand for workforce housing in South Lake Union while Spectrum's scope of work focused primarily on an Affordable Housing Variable Analysis. Spectrum's methodology consisted of using both existing internal market information as well as external market research data to create conceptual development scenarios for the analysis. The analysis is predicated on current market data garnered through resources such as:

- Dupre & Scott
- Loop Net
- Hendricks and Partners
- CBRE
- Gardner Economics
- O'Connor Consulting Group Apartment Market Forecast
- Apartment Insights
- Downtown Seattle Association Development Guide
- Personal communications with a variety of real estate professionals ranging from property managers to developers and general contractors active in both South Lake Union as well as the greater Seattle area.

Many of the individuals who provided either quantitative or qualitative information supporting the analysis opted to keep their identities confidential due to the potential sensitivity around the results of the study relative to their roles professionally in the real estate industry. We are very grateful to all of the individuals and entities who took the time to help support the analysis.

The primary intent of Spectrum's scope of work under this assignment is to provide an objective analysis of the SLU Affordable Housing Bonus Program absent of making any specific recommendations to alter or modify the current incentive zoning program as it exists today. Any data derived from the analysis performed by Spectrum is for the use of The City of Seattle as it sees appropriate.

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Background

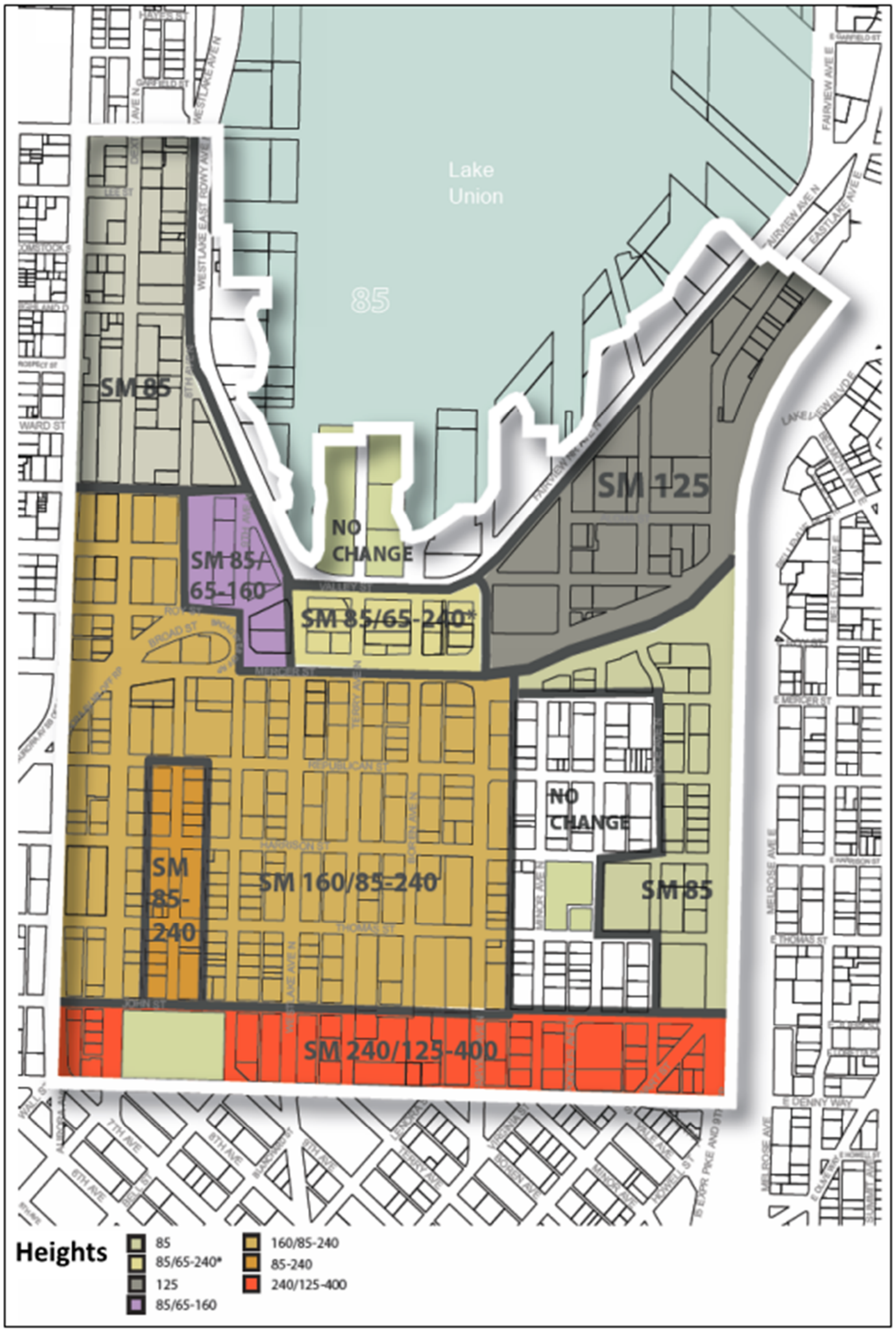
On December 15, 2008 the Seattle City Council passed a new land use & zoning ordinance (#122882) establishing a framework to provide developers with incentives to help facilitate the creation of workforce housing in support of the City's long term Comprehensive Plan. The current Incentive Zoning program allows for additional development capacity if the applicant either 1. provides affordable housing or 2. makes a payment in lieu under the following summary of terms:

1. **Bonus (Performance) Option:**
   a) Provide affordable housing with a floor area equal to the greater of
      - 17.5% of 60% of the net extra residential floor area of all stories above a base (for a 240' tower in South Lake Union this would be approximately 5% of all residential floor area)

   b) Affordable unit shall serve moderate-income households for a minimum of 50 years.
      - Households with incomes no higher than 80% of median
      - Housing costs shall not exceed 30% of applicable income limit for the unit (including rent and basic utilities) for a minimum of 50 years.

2. **Payment in Lieu Option:**
   a. Applicant may pay to the City $18.94/net square foot (NSF) in stories wholly or in part above the base height limit. The NSF is computed by multiplying gross residential floor area by an efficiency factor of 80%.
   b. Cash payments shall be made prior to, and as a condition to issuance, of any building permit after the first permit for a project, and before any permit for any construction activity other than excavation/shoring is issued.
   c. If an Applicant elects to defer payment, the issuance of any CO for the project will be conditioned up payment of full amount of cash payment plus an interest factor equal to amount multiplied by the increase in the Consumer Price Index, All Urban Consumers, West Region, as published monthly from last month prior to date when payment would have been required.

The current Incentive Zoning policy is under review by the City of Seattle as it relates to the proposed rezone of the South Lake Union neighborhood and beyond. The 340 acre neighborhood is primarily zoned Seattle Mixed (SM) which allows a mix of both commercial and residential uses for buildings ranging from 40’ to 125’. The proposed rezone would increase the height limits up to 400’ in areas per the parcel map below with only one tower being allowed per block (first number refers to maximum commercial height/second number refers to base and maximum residential height)[1]:

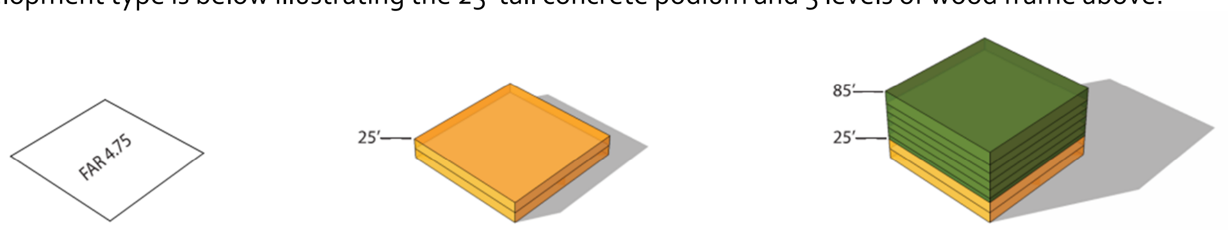


[1] Source: Seattle Department of Planning & Development. *Director’s Report – Zoning Changes for the South Lake Union Urban Center*. January 18th, 2013.

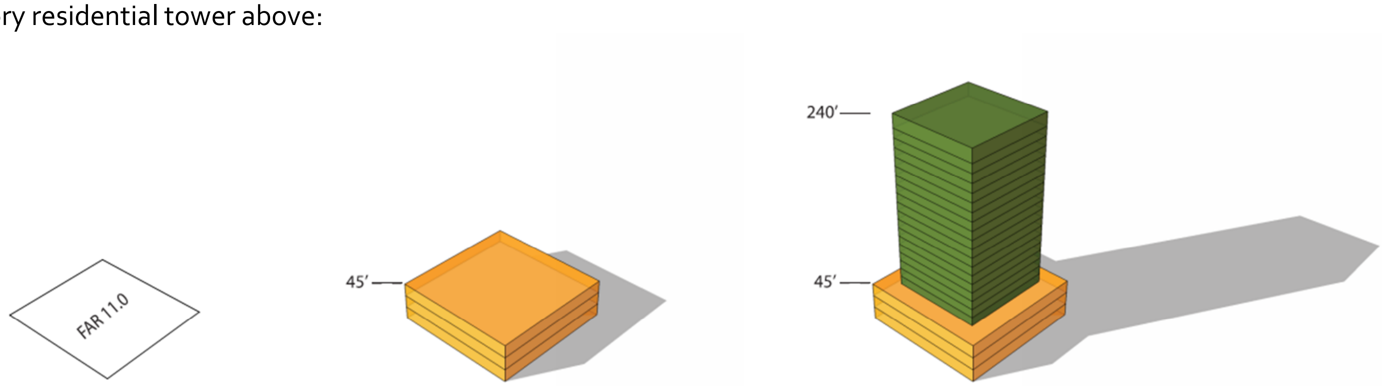
Approach & Methodology

Spectrum's approach to the scope of work consisted of developing pro forma models for two primary hypothetical developments:

i. 85' Mixed Use Midrise Development: The most cost effective and prevalent approach for this development type consists of 5 Levels of Type V wood frame construction over a podium with 2 Levels of a Type I concrete construction. A Floor Area Ratio (FAR) of 4.75 was assumed for this development type per the current zoning code. The FAR is used to calculate the maximum allowable gross square footage by multiplying the size of the site times the FAR (XX,XXX SF x 4.75 = gross allowable square footage). For the purposes of this analysis we assumed a 21,000 square foot site which yields a maximum allowable building envelope size of 99,750 gross square feet. This site size was selected as a fairly standard half acre development site size that is both large enough and efficient in supporting the floor plates. Any below grade square footage for garage or ancillary use areas does not count against the maximum allowable FAR. A typical massing study of this development type is below illustrating the 25' tall concrete podium and 5 levels of wood frame above:



ii. 240' Mixed Use Highrise Development: This development type utilizes Type I concrete and steel construction for both the podium and the tower. This change in construction type coupled with highrise mechanical and code requirements increase the construction costs substantially from a typical midrise development. For the purposes of the model we used the same size site, 21,000 square feet, and an FAR of 11.0 which results in a maximum allowable gross square footage of 231,000. There are a few key differences in the code provisions for this development type as the floors below the podium cannot exceed 75% of the lot area. As such, the floors within the podium are typically used for commercial purposes which have a greater floor to floor height than a residential floor. A minimum floor to floor height of 15 feet would allow 3 floors below a 45 foot high podium. Additionally, Section 23.48.013 (A) of the proposed zoning code limits the average gross floor area of the tower above the podium to 50% of the lot area or 12,500 square feet whichever is less. In this case, with a 21,000 square foot site, the floors in the tower above the podium would be limited to 10,500 square feet per floor. A typical massing study of this development type is below illustrating a 45' tall podium and a 19 story residential tower above:



The methodology for creating the pro forma models for the conceptual midrise (85’) and high rise (240’) developments consisted of analyzing the following elements:

- Zoning
- Parking requirements
- Parcel size
- Other parameters that affect feasibility
- Development program for optimal scenario(s)
- Projected hard costs (construction)
- Projected soft costs (permits, design fees, financing fees, taxes)
- Projected residential, commercial, and ancillary income
- Projected sources, uses, net operating income, operating expenses, & financial returns
- Key financial metrics, including Return on Equity (ROE), residual land value, and capitalization rates used to derive the projected market value of a project

The underwriting assumptions used to create the models are intended to reflect the current financial, construction, and rental market in Seattle and South Lake Union. The models reflect a stabilized project with permanent financing in place. The use of Internal Rate of Return (IRR) as a metric for gauging the financial return of a conceptual project relies on an income stream over a designated period of time. As such, projected IRR’s can vary greatly from project to project depending on assumptions for year of sale and assumed capitalization (cap) rate at time of sale. Instead, the stabilized models reflect the projected stabilized Return on Equity (ROE) in year one and assign a cap rate based on the current Net Operating Income (NOI) to derive an estimated market value. Detailed proformas reflecting 10 year operating NOI and IRR were also developed to support the conceptual models and check all financial return assumptions.

The pro forma models were then used for the following analyses:

II. Demonstrate economic feasibility of a midrise and highrise project;
III. Model and analyze feasibility parameters based on current rental market data (rents, vacancy rates, operating expenses) and current development information (unit sizes, land costs, construction costs, development costs, stabilized financing parameters, capitalization rates, etc.);
IV. Conduct sensitivity analysis that demonstrates impact on development feasibility of varying the percentage of affordable housing requirements.

A variety of sources, as identified in Appendix A – Technical Memorandum, were used to derive both current cost and revenue assumptions as well as other salient underwriting assumptions. Spectrum also reviewed Housing Analysis Affordability reports from Seifel Consulting Inc. in San Francisco developed at the request of the City of San Francisco. Both Spectrum and Seifel utilized similar methodologies to calculate the project values and affordability comparisons.

Analysis & Results

The analysis utilizes a conceptual baseline midrise project (85') and a conceptual highrise project (240') in South Lake Union, both on a 21,000 square foot site, to identify the potential change in residual land value and net project value derived from a bonus height increase by participating in the Incentive Zoning program either through performance or payment in lieu. The fundamental question targeted by the analysis is as follows:

How many housing units can be created that are affordable to moderate income workers while providing real estate developers with a reasonable return on their investment?

The conceptual models created allow for a sensitivity analysis of the affordability included in a 240' highrise project relative to a blended pay in lieu fee of $18.85 per NSF (60% at $18.94/NSF for Affordable Housing & 40% at $18.75/NSF for TDR[2]). All of the underwriting assumptions used to create the conceptual models can be found in Appendix A – Technical Memorandum of the report.

The baseline midrise project program was set up as follows:

	Mid Rise Apartment - 85'
Project Program	
Site (SF):	21,000
Zoning:	SM 85
Height Limit:	85
Allowable FAR:	4.75
Gross SF	94,950
Total Units:	105
Land Value:	$ 5,250,000
Total Estimated Development Cost:	$ 29,052,000
Total Estimated Project Value (5.5% CAP Rate):	$ 32,905,000
Stabilized Return on Equity (ROE):	5.6%
Residual Land Value Increase:	0
Net Project Value Increase	$ 3,853,000
Total Project Value Increase ($):	$ 3,853,000

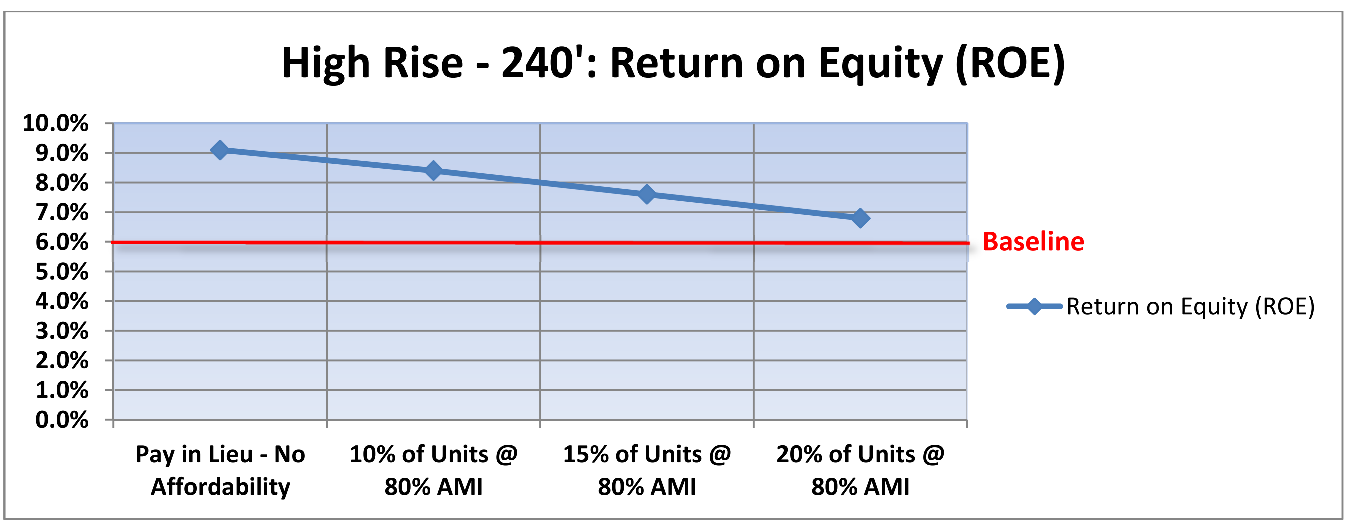
The midrise conceptual model assumes a developer builds to the base 85' height with no affordability included in the project. The project value increase ($3.85 million) reflects the difference between the total development cost and the stabilized value at a 5.5% cap rate of the project upon completion, occupancy, and procurement of permanent financing.

[2] TDR is an acronym for Transfer of Development Rights. TDR is intended to help preserve rural land and resources by targeting development growth away from rural land into designated urban growth areas through the transfer of development rights.

The baseline highrise (240') model utilizes the same approach as the midrise model but with appropriate adjustments in the underwriting assumptions given the change to highrise. The summary table below assumes a 240' highrise development where the developer opts to participate in the Incentive Zoning program through payment in lieu versus performance:

	High Rise Apartment - 240'			
Project Program				
Site (SF):	21,000			
Zoning:	SM 240			
Height Limit:	240			
Allowable FAR:	11			
Gross SF	226,965			
Total Units:	225			
Affordability Sensitivity Summary				
	Pay in Lieu - No Affordability			
Number of affordable units:				**0**
Land Value:	$	10,141,463		
Total Estimated Development Cost:	$	80,285,000		
Total Estimated Project Value (5.5% CAP Rate):	$	101,716,000		
Stabilized Return on Equity (ROE):	9.1%			
Residual Land Value Increase:	$	4,891,463		
Net Project Value Increase	$	21,431,000		
Total Project Value Increase ($):	$	26,322,463		
Incentive Zoning Program Analysis	**Total**		**Per NSF**	
Pay in Lieu Fee (*$18.85/NSF Bonus Height*):	$	(1,990,786)	$	(18.85)
Pay in Lieu Fee Equal to Impact of Affordability:	$	1,990,786	$	19
Pay in Lieu Fee TDR portion (40% at $18.75)	$	792,090	$	18.75
Pay in Lieu Fee Affordable Housing (60% at $18.94)	$	1,198,696	$	18.94

The stabilized ROE of 9.1% reflects the cash-on-cash return upon full 95% residential occupancy and a 63% loan to value ratio assuming a 5.5% cap rate. The Total Project Value Increase of $26.3 million is 13 times greater than the current pay in lieu fee of $1.99 million. Our sensitivity analysis explored the potential impact of performance options ranging from the inclusion of 5% -20% of the apartments at 80% of Area Median Income (AMI). An ROE of 6% is used as the baseline threshold return to reflect the typical minimum return yield requirement upon stabilization accepted by developers & investors in the current market (6% - 10% target range). The graph below reflects the ROE impact of increasing the affordability within the project:



The Affordability Sensitivity Summary table below reflects both the residual land value increase by increasing the height from 85' to 240' as well as the net project value increase (estimated market value of project less total estimate development cost). The Total Project Value Increase number is a summation of both the residual land value and net project value increase. The Pay in Lieu Fee Equal to Impact of Affordability reflects the difference in value between a 240' project with no workforce affordable apartments and a project with workforce affordable apartments. For example, Scenario 4 (20% of the units at 80% of AMI) calculates that the impact on value per net square foot of bonus area is approximately $85 per net square foot which is roughly 4 times greater than the current pay in lieu fee.

	High Rise Apartment - 240'									
Project Program										
Site (SF):	21,000									
Zoning:	SM 240									
Height Limit:	240									
Allowable FAR:	11									
Gross SF	226,965									
Total Units:	225									
Affordability Sensitivity Summary										
	Pay in Lieu		**Scenario 1**		**Scenario 2**		**Scenario 3**		**Scenario 4**	
	No Affordability		**5% of Units @ 80% AMI**		**10% of Units @ 80% AMI**		**15% of Units @ 80% AMI**		**20% of Units @ 80% AMI**	
Number of affordable units:		**0**		**11**		**23**		**34**		**45**
Land Value:	$ 10,141,463		$ 10,141,463		$ 10,141,463		$ 10,141,463		$ 10,141,463	
Total Estimated Development Cost:	$ 80,285,000		$ 78,293,000		$ 78,293,000		$ 78,293,000		$ 78,293,000	
Total Estimated Project Value (5.5% CAP Rate):	$ 101,716,000		$ 99,460,000		$ 97,205,000		$ 94,950,000		$ 92,695,000	
Stabilized Return on Equity (ROE):	9.1%		9.2%		8.4%		7.6%		6.8%	
Residual Land Value Increase:	$ 4,891,463		$ 4,891,463		$ 4,891,463		$ 4,891,463		$ 4,891,463	
Net Project Value Increase	$ 21,431,000		$ 21,167,000		$ 18,912,000		$ 16,657,000		$ 14,402,000	
Total Project Value Increase ($):	$ 26,322,463		$ 26,058,463		$ 23,803,463		$ 21,548,463		$ 19,293,463	
Incentive Zoning Program Analysis	**Total**	**Per NSF**	**Total**	**Per NSF**	**Total**	**Per NSF**	**Total**	**Per NSF**	**Total**	**Per NSF**
Pay in Lieu Fee (*$18.85/NSF Bonus Height*):	$ (1,990,786)	$ (18.85)								
Pay in Lieu Fee Equal to Impact of Affordability:	$ 1,990,786	$ 19	$ 2,256,000	$ 21	$ 4,511,000	$ 43	$ 6,766,000	$ 64	$ 9,021,000	$ 85
Pay in Lieu Fee TDR portion (40% at $18.75)	$ 792,090	$ 18.75	$ 792,090	$ 18.75	$ 792,090	$ 18.75	$ 792,090	$ 18.75	$ 792,090	$ 18.75
Pay in Lieu Fee Afford. Housing (60% @ $18.94)	$ 1,198,696	$ 18.94	$ 1,463,910	$ 23.10	$ 3,718,910	$ 58.69	$ 5,973,910	$ 94.27	$ 8,228,910	$ 129.86

The results of the above table suggest that, in answering the original question posed for the analysis, there is room to either increase the pay in lieu fee to more closely capture the value created by increasing the height from 85' to 240' or make program changes to better incentivize the inclusion of workforce affordable housing units within the project while still providing developers with a reasonable rate of return on their investment. While this report does not make any specific recommendations, if the goal of the City is to incentivize performance under Incentive Zoning to create mixed-income communities then, from a policy standpoint, the pay in lieu fee should be set higher than the Impact of Affordability of the targeted percentage of affordability to induce performance.

Appendix A – Technical Memorandum

The following information is intended to provide further market context and source detail for information gathered during the study used to inform the conceptual models.

Land Costs: A per unit land value of $50,000 per unit/$250 per square foot for the 85' midrise scenario and $45,000 per unit/$483 per square foot for the highrise scenario were used based on qualitative conversations with developers and brokers as well as recent land sale transactions in and around the South Lake Union neighborhood. The table below provides a sample of recent land comps (Sources: Loop Net and Hendricks & Partners):

Location	Date Sold	Est. Units	Land Size (sf)	Zoning	Present Use	Sale Price	$/Unit	$/SF Land
Cascade Multifamily Site*	Under Contract	250	43,200	**SM/R**	Commercial Space	$12,500,000	$50,000	$289.35
205 - 239 Minor Ave N				55/75				
Seattle								
901 Dexter Bldg*	5/31/2011	285	52,321	SM-65	Mixed Use Under Const.	$16,700,000	$58,596	$319.18
935 Dexter Ave N.								
Seattle								
Fisher Broadcasting Lot*	5/31/2011		13,939	DMR/R	Parking Lot	$3,900,000		$279.79
2720 4th Avenue								
Seattle								
Third & Vine*	5/15/2011		13,068	DMR/R	Retail/Wholesale	$5,500,000		$420.88
2603 3rd Ave				240/65				
Seattle								
Third & Cedar*	8/6/2012	318	12,960	DMR/R	Office Bldg	$13,200,000	$41,509	$1,018.52
2625 3rd Avenue				240/65				
Seattle								
201 Westlake Ave N.**	2/25/2013		12,960	SM-85	Private School	$5,550,000		$428.24
Seattle								
1511 Dexter Ave N**	11/28/2011		12,431	NC3-40	Parking Lot/Ofc Bldg	$1,250,000		$100.56
Seattle								
2521 Western Ave**	1/31/2013		14,400	DMR/C	Vacant	$3,600,000		$250.00
Seattle				125/65				

Construction & Development Costs: These costs were derived from internal construction market data on 85' midrise projects as well as through auditing of both recently completed and under-construction high rise projects. Since Spectrum is close to a number of current midrise projects, and therefore has very good cost input, we bolstered our research efforts on the highrise apartment product type to ensure an accurate representation of the market. While it is often challenging for both contractors and developers to publicly divulge their actual costs due to sensitivities with their clients, investors, partners, lenders, and others, we are both thankful and appreciative to the many who took the time to provide us with detail and information to better inform the study. A summary table of our market survey for current high rise construction and development costs is below:

SEATTLE HIGH RISE CONSTRUCTION & DEVELOPMENT COST MARKET SURVEY

	Developer	Project Name	Location	Start of Construction	# of Apt. Units	# of Parking Stalls	Gross SF , including parking.	Commercial Area (SF)	Total Construction Cost**		Total Development Cost ***	
									Total ($)	$/GSF	Total ($)	$/Unit
1	**Harbor Urban**	Alto*	Belltown	Nov-10	184	99	185,000	2,500	$ 26,500,000	$ 143	$ 40,000,000	$ 217,391
2	**Pine Street Group**	Via6	Downtown	May-11	654	435	740,000	16,000	$ 140,000,000	$ 189	$ 200,000,000	$ 305,810
3	**Walsh**	509 Fairview	SLU	TBD	280-290	288-300	429,000	15,000	$ 72,225,000	$ 168	$ 109,700,000	$ 384,912
4	**Holland**	Coppins Well	First Hill	Fall 2012	237	142	236,148		$ 41,547,150	$ 176	Unkown	Unknown
5	**Goodman**	Viktoria Apartments	Belltown	Spring 2012	249	226	297,440	3,690	Unknown	Unknown	$ 95,000,000	$ 381,526
6	**Confidential**	XXXX	Downtown	Summer 2012	208	124	276,277		$ 41,441,550	$ 150	Unkown	Unknown
								AVERAGE		**$ 169**		**$ 322,410**
7	**Vulcan**	**DID NOT RESPOND TO REQUEST FOR INFORMATION**										
8	**Touchstone**	**DID NOT RESPOND TO REQUEST FOR INFORMATION**										
9	**Skanska**	**DID NOT RESPOND TO REQUEST FOR INFORMATION**										
10	**Alliance Residential**	**DID NOT RESPOND TO REQUEST FOR INFORMATION**										
11	**Avalon Bay**	**DID NOT RESPOND TO REQUEST FOR INFORMATION**										

** Low cost of delivery due to timing of construction pricing & no HVAC system. Per Harbor Urban, construction cost would likely be approx. $5 million higher today ($30 MM/$170 Per GSF)*

***Total Construction Cost excludes: WA State Sales Tax, Contingency, extraordinary site development costs such as, demolition, environmental cleanup, offsite improvements, special foundations such as piling or over excavation.*

**** Total Development Cost includes: Total Construction Cost, sales tax, contingency, Land, site development costs, soft costs such as design fees, permit fees, insurance, utility hookup fees, impact fees and project management fees. Total Development Cost excludes: Cost of capital, financing costs, guarantee fees, preferred return, operating reserves, capital repair reserves.*

To help account for both potential inflation in the current construction market as well as other pricing factors we have assumed a construction cost of $175 per gross square foot and a total development cost of $347,404 per unit assuming no pay in lieu fee ($78.3 million total development cost). It is important to note that the hard costs (construction) and soft costs (permits, utilities, A/E fees, financing costs, etc.) can vary on each project pending on a variety of factors: timing, lending environment & financing costs, target market, construction environment, design, finishes, etc. Our conceptual models do not assume significant demolition, environmental remediation, extraordinary foundation requirements, or offsite improvements as these factors are project specific.

It should be noted that following Spectrum's presentation to City Council on February 25th, Heartland sent both Spectrum and Councilmember Conlin follow-up e-mails correcting their analysis of Spectrum's assumed construction cost per gross square foot used in the models. After further comparison and review, Heartland's construction cost assumptions are now very close to those of Spectrum's used in developing the models for this report.

Market Rate Residential Rents: A number of recently built midrise and highrise apartment projects in and around the South Lake Union neighborhood were surveyed to provide an accurate sampling of the rental market. The properties selected for the market survey were chosen based on the following selection criteria:

- Location
- Quality of Project & Target Market Relative to South Lake Union
- Year of Construction Completion

The summary tables for the midrise rental market survey are as follows:

Midrise Apartment Market Rent Survey Summary				
	STUDIO	**1 BDRM/1 BATH**	**2 BDRM/1 BATH**	**2 BDRM/2 BATH**
Average Unit Size	545	774	1,010	1,134
Average Rent/SF	$ 2.67	$ 2.56	$ 2.38	$ 2.23
Average Rent	$ 1,397	$ 1,961	$ 2,337	$ 2,551

Baseline Midrise (85') Model Rental Assumptions				
	STUDIO	**1 BDRM/1 BATH**	**2 BDRM/1 BATH**	**2 BDRM/2 BATH**
Average Unit Size	500	650	N/A	1,000
Average Rent/SF	$ 2.55	$ 2.85	N/A	$ 2.35
Average Rent	$ 1,275	$ 1,853	N/A	$ 2,350

The properties identified in the midrise rental market survey are below:

MIDRISE APARTMENTS															
Project Name*	**Alcyone**			**Alley 24**			**Equinox**			**Rollins St. Flats**			**The Cairns**		
STUDIO															
Avg. SF	503	to	858	367	to	410	N/A	to	N/A	N/A	to	N/A	566	to	566
Avg. Current Rent	$1,395	to	$1,798	$1,200	to	$1,255	N/A	to	N/A	N/A	to	N/A	$1,368	to	$1,368
Avg. Rent/SF	$2.77	to	$2.10	$3.27	to	$3.06	N/A	to	N/A	N/A	to	N/A	$2.42	to	$2.42
1 BDRM / 1 BATH															
SF	598	to	905	564	to	906	650	to	690	667	to	1,167	795	to	795
Current Rent	$1,695	to	$2,095	$1,600	to	$2,000	1,558	to	2,141	$1,971	to	$3,204	$1,672	to	$1,672
Rent/SF	$2.83	to	$2.31	$2.84	to	$2.21	$2.40	to	$3.10	$2.96	to	$2.75	$2.10	to	$2.10
2 BDRM / 1 BATH															
SF	858	to	953	1,246	to	1,660	875	to	961	903	to	948	849	to	849
Current Rent	$2,095	to	$2,495	$2,300	to	$2,700	2,413	to	3,062	$2,158	to	$2,572	$1,788	to	$1,788
Rent/SF	$2.44	to	$2.62	$1.85	to	$1.63	$2.76	to	$3.19	$2.39	to	$2.71	$2.11	to	$2.11
2 BDRM / 2 BATH															
SF	881	to	1122	864	to	1272	N/A	to	N/A	1,307	to	1,617	961	to	1051
Current Rent	$2,095	to	$2,695	$2,270	to	$2,290	N/A	to	N/A	$3,035	to	$4,324	$1,758	to	$1,938
Rent/SF	$2.38	to	$2.40	$2.63	to	$1.80	N/A	to	N/A	$2.32	to	$2.67	$1.83	to	$1.84

** All surveyed projects were built in 2005 or newer*

The summary tables for the highrise rental market survey are as follows:

Highrise Aparment Market Rent Survey Summary				
	STUDIO	1 BDRM/1 BATH	2 BDRM/1 BATH	2 BDRM/2 BATH
Average Unit Size	539	866	1,029	1,047
Average Rent/SF	$ 3.04	$ 2.98	$ 3.27	$ 2.99
Average Rent	$ 1,646	$ 2,596	$ 3,334	$ 3,184

Baseline Highrise (240') Model Rental Assumptions				
	STUDIO	1 BDRM/1 BATH	2 BDRM/1 BATH	2 BDRM/2 BATH
Average Unit Size	500	650	N/A	1,000
Average Rent/SF	$ 3.30	$ 3.20	N/A	$ 3.15
Average Rent	$ 1,650	$ 2,080	N/A	$ 3,150

The properties identified in the highrise rental market survey are below:

HIGHRISE APARTMENTS															
Project Name**	Via6			Coppins Well			Olivian			Aspira			Metropolitan Tower		
STUDIO															
SF	405	to	598	437	to	588	N/A	to	N/A	540	to	556	585	to	604
Current Rent	$1,175	to	$2,120	$1,300	to	$2,000	N/A	to	N/A	1,405	to	$1,750	1,480	to	$1,935
Rent/SF	$2.90	to	$3.55	$2.97	to	$3.40	N/A	to	N/A	$2.60	to	$3.15	$2.53	to	$3.20
1 BDRM / 1 BATH															
SF	644	to	983	578	to	1,008	900	to	1,100	733	to	1,034	825	to	850
Current Rent	$1,600	to	$3,930	$1,640	to	$3,090	$2,323	to	$2,478	$1,886	to	$3,198	$2,732	to	$3,087
Rent/SF	$2.48	to	$4.00	$2.84	to	$3.07	$2.58	to	$2.25	$2.57	to	$3.09	$3.31	to	$3.63
2 BDRM / 1 BATH															
SF	825	to	876	914	to	914	972	to	1,552	1,002	to	1,252	976	to	1,003
Current Rent	$2,050	to	$4,580	$2,355	to	$2,790	2,908	to	$4,177	2,890	to	$4,208	3,645	to	$3,740
Rent/SF	$2.48	to	$5.23	$2.58	to	$3.05	$2.99	to	$2.69	$2.88	to	$3.36	$3.73	to	$3.73
2 BDRM / 2 BATH															
SF	856	to	1,094	956	to	1,280	N/A	to	N/A	N/A	to	N/A	N/A	to	N/A
Current Rent	$2,100	to	$3,795	$2,641	to	$4,200	N/A	to	N/A	N/A	to	N/A	N/A	to	N/A
Rent/SF	$2.45	to	$3.47	$2.76	to	$3.28	N/A	to	N/A	N/A	to	N/A	N/A	to	N/A

*** All surveyed projects were built in 2001 or newer*

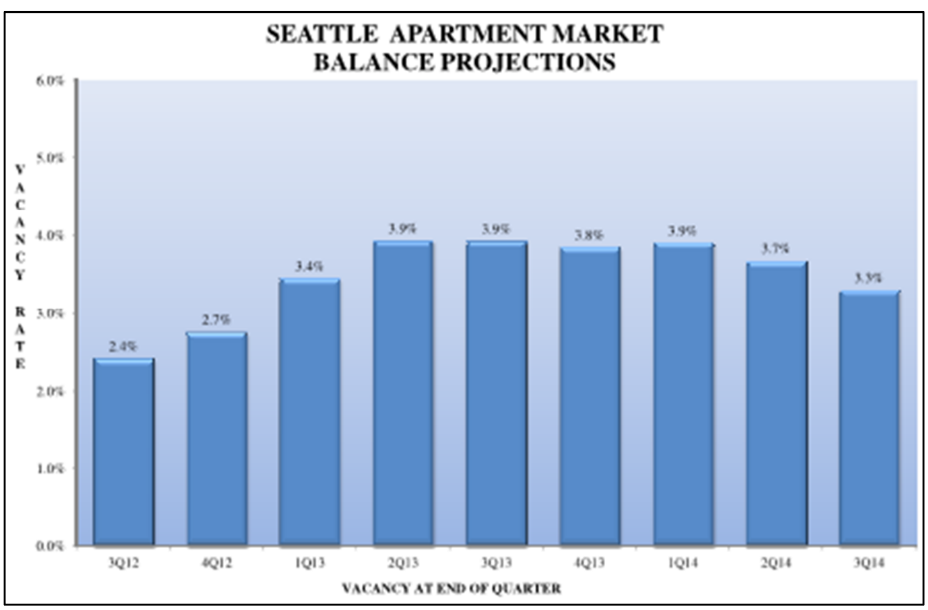
Workforce Residential Rents: The workforce level rents used in the model are sourced from the City of Seattle Office of Housing 2013 Multifamily Rent Limits per the table below:

2013 Multifamily Property Tax Exemption Program Income Limits									
Family Size	**60%**	**65%**	**70%**	**75%**	**80%**	**85%**	**90%**	**100%**	**120%**
1 Person	$36,420	$39,455	$42,490	$45,525	$48,560	$51,595	$54,630	$60,700	$72,840
2 Persons	$41,640	$45,110	$48,580	$52,050	$55,520	$58,990	$62,460	$69,400	$83,280
3 Persons	$46,860	$50,765	$54,670	$58,575	$62,480	$66,385	$70,290	$78,100	$93,720
4 Persons	$52,020	$56,355	$60,690	$65,025	$69,360	$73,695	$78,030	$86,700	$104,040
5 Persons	$56,220	$60,905	$65,590	$70,275	$74,960	$79,645	$84,330	$93,700	$112,440
2013 Multifamily Property Tax Exemption Program Maximum Rent Limits									
Unit Size	**60%**	**65%**	**70%**	**75%**	**80%**	**85%**	**90%**		
Studio	$910	$986	$1,062	$1,138	$1,214	$1,289	$1,365		
1 Bedroom	$1,041	$1,127	$1,214	$1,301	$1,388	$1,474	$1,561		
2+ Bedroom	$1,171	$1,269	$1,366	$1,464	$1,562	$1,659	$1,757		

The amounts shown in the above table assume that the costs of basic utilities are included in the rent. If the tenant pays basic utilities, this amount needs to be subtracted from the numbers above which we've done on the model rents.

Effective 1/1/2013

Vacancy Rate: Current vacancy rates for well-located rental properties in and around the South Lake Union neighborhood remain below 5%. The majority of the stabilized midrise and highrise apartment projects surveyed all had vacancy rates at 3% or lower. Dupre and Scott's Apartment Advisor Report from December 2012 (Vol. 35 No.6) notes that the region's vacancy rate was 4.8%. The 4th Quarter 2012 Apartment Insights Report for Metropolitan Seattle also notes that the lowest vacancy rates in King County are in Seattle where many of the prime submarket neighborhoods have vacancies under 3.5%. For our conceptual models we have assumed a 5% residential vacancy rate and a 7% commercial vacancy rate. Below is a vacancy rate projection graphic for the Seattle Apartment Market projecting sub 4% vacancy rates through 3Q 2014 (*O'Connor Consulting Group Apartment Forecast - 11/6/12*):



Capitalization Rates: Capitalization rates (cap rates) are used to estimate the value of an income-producing property. The range of cap rates reflects the current Seattle market as of Q4 2012/Q1 2013 for well located, stabilized, low vacancy apartment projects. According to the Dupre & Scott Apartment Advisor from December 2012 report, the average capitalization rate for King County is 5.3%. Capitalization rates fluctuate as they are heavily influenced by overall market demand for a specific product type, investor/lender appetite, and current cost of capital (interest rates). Based on our survey of developers and recent property acquisitions we assumed a capitalization rate of 5.5% for the models to derive the projected market value of a project. This assumed capitalization rate is likely conservative given the current market conditions.

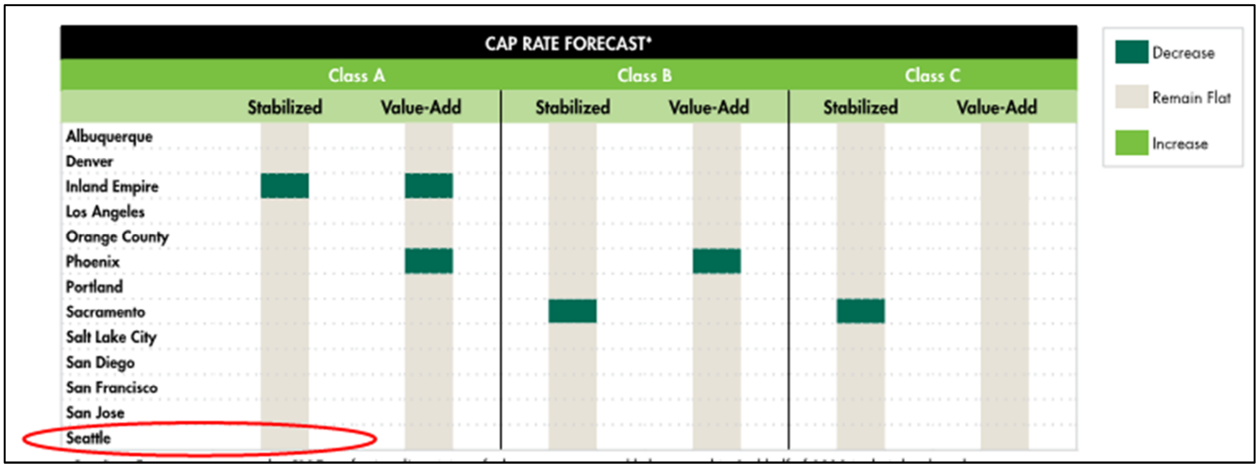
The table below represents a comprehensive CBRE survey of the current cap rates for Class A and Class B apartment projects throughout the country. For Class A stabilized urban infill apartment projects in Seattle the survey identifies a cap rate range of 3.75% - 4.25% with older (10 – 25 years+) less desirable stabilized Class B urban infill apartments trading between 5.00% - 5.5%[3]. Any newly developed, highrise apartment project in South Lake Union would be considered a Class A asset.

CAP RATE SURVEY
Multihousing Infill/Urban | Current Cap Rates

		Class A		Class B	
		Stabilized	Value-Add	Stabilized	Value-Add
EAST	Atlanta	4.75% - 5.25%	5.50% - 6.00%	5.25% - 5.75%	6.00% - 6.50%
	Baltimore	3.80% - 4.30%	5.00% - 5.50%	5.50% - 6.00%	6.00% - 6.50%
	Boston	4.00% - 4.50%	4.25% - 4.75%	4.75% - 5.25%	5.50% - 6.00%
	Charlotte	4.50% - 5.00%	5.00% - 5.50%	5.75% - 6.25%	6.00% - 6.50%
	Jacksonville	4.75% - 5.00%	4.65% - 4.85%	6.00% - 6.25%	5.75% - 6.25%
	Memphis	5.75% - 6.50%	5.75% - 6.25%	6.00% - 7.00%	6.00% - 7.00%
	Miami	4.25% - 4.75%	4.75% - 5.25%	5.00% - 5.25%	5.25% - 5.75%
	Nashville	5.00% - 5.50%	5.50% - 6.00%	6.00% - 6.50%	6.25% - 6.75%
	New York City	3.50% - 4.50%	4.00% - 5.00%	4.00% - 5.00%	4.50% - 5.50%
	Orlando	5.00% - 5.75%	5.25% - 6.00%	5.75% - 6.50%	6.00% - 7.00%
	Philadelphia	5.00% - 5.25%	4.75% - 5.00%	6.00% - 6.75%	6.00% - 6.75%
	Pittsburgh	6.25% - 6.75%	6.75% - 7.25%	6.50% - 7.25%	7.00% - 7.75%
	Raleigh	4.50% - 5.00%	5.00% - 5.50%	5.75% - 6.25%	6.00% - 6.50%
	Tampa	5.00% - 5.50%	5.50% - 6.00%	6.00% - 6.50%	6.00% - 6.50%
	Washington, DC	3.80% - 4.30%	5.00% - 5.50%	5.50% - 6.00%	6.00% - 6.50%
CENTRAL	Austin	4.75% - 5.50%	4.50% - 5.25%	5.50% - 6.00%	5.25% - 5.75%
	Chicago	4.25% - 4.50%	4.00% - 4.25%	4.75% - 5.00%	4.50% - 4.75%
	Cincinnati	5.50% - 6.00%	6.25% - 6.75%	6.50% - 7.00%	8.00% - 8.50%
	Cleveland	6.25% - 6.75%	6.75% - 7.25%	7.25% - 7.50%	8.00% - 9.00%
	Columbus	6.00% - 6.25%	6.25% - 6.50%	7.25% - 7.75%	7.50% - 8.00%
	Dallas	4.50% - 5.00%	5.00% - 5.50%	6.00% - 6.50%	6.25% - 6.75%
	Detroit	6.75% - 7.75%	7.50% - 8.00%	7.50% - 8.50%	8.00% - 9.00%
	Houston	4.50% - 5.00%	5.00% - 5.50%	6.00% - 6.50%	6.25% - 6.75%
	Indianapolis	5.50% - 6.00%	5.75% - 6.25%	6.00% - 6.50%	6.50% - 7.00%
	Kansas City	5.50% - 6.00%	5.25% - 5.75%	6.75% - 7.25%	6.25% - 6.75%
	Oklahoma City	5.75% - 6.75%	6.25% - 7.00%	7.00% - 8.00%	7.50% - 8.25%
	Minneapolis	4.75% - 5.25%	5.00% - 5.25%	5.75% - 6.00%	5.50% - 5.75%
	San Antonio	5.25% - 6.00%	5.25% - 6.25%	6.00% - 7.00%	6.25% - 7.25%
WEST	Albuquerque	5.95% - 6.20%	6.15% - 6.50%	6.25% - 6.75%	6.50% - 7.00%
	Denver	4.50% - 5.00%	5.00%	5.25% - 5.75%	5.25% - 5.75%
	Inland Empire	4.75% - 5.25%	5.00% - 5.50%	5.00% - 5.50%	5.25% - 5.75%
	Los Angeles	3.75% - 4.25%	3.75% - 4.25%	4.25% - 4.75%	4.25% - 4.75%
	Orange County	3.75% - 4.25%	3.75% - 4.25%	4.75% - 5.25%	4.75% - 5.25%
	Phoenix	4.75% - 5.00%	5.00% - 5.25%	5.75% - 6.25%	5.75% - 6.25%
	Portland	4.50% - 5.50%	4.75% - 5.25%	5.00% - 5.50%	5.25% - 5.75%
	Sacramento	5.25% - 5.75%	5.25% - 5.75%	6.00% - 6.50%	5.50% - 6.00%
	Salt Lake City	5.50% - 6.00%	6.00%	6.00%	6.25% - 6.50%
	San Diego	3.75% - 4.25%	3.75% - 4.25%	4.75% - 5.25%	4.75% - 5.25%
	San Francisco	4.00% - 4.50%	4.50% - 5.00%	5.00% - 5.50%	5.50% - 6.00%
	San Jose	4.00% - 4.50%	4.00% - 4.50%	5.00% - 5.50%	5.50% - 6.00%
	Seattle	3.75% - 4.25%	4.00% - 4.50%	5.00% - 5.50%	4.75% - 5.25%

3 *CBRE Cap Rate Survey August 2012. Class A refers to newly developed buildings, within the last 10 years, located in desirable neighborhoods with a high quality of living.*

The CBRE survey also projects the cap rates for Class A stabilized urban infill apartment projects in Seattle to remain flat (3.75% - 4.25%) throughout 2013:



Operating Expenses: According to Dupre and Scott (March 2103 Apartment Advisor Vol. 26 No. 1), operating costs for typical multifamily properties increased 5.3% to $4,965 per unit per year excluding capital expenses and replacement reserves. Based on our market survey research and conversations with local property managers we have assumed annual operating expenses of $6,500 per unit for the conceptual midrise development and $7,500 per unit for the conceptual highrise development. These numbers are both higher than Dupre & Scott's findings but we feel it is important to have sufficient cushion in the model as well as account for the potentially higher level of operating costs in the South Lake Union neighborhood than in other neighborhoods in the region. Additionally, we bolstered the operating expense per unit on the highrise model to account for the higher level of management service typically expected with this development type.

Appendix B – Pro Forma Models

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	Mid Rise Apartment - 85'	High Rise Apartment - 160'				High Rise Apartment - 240'				
Project Program										
Site (SF):	21,000	21,000				21,000				
Zoning:	SM 85	SM 160				SM 240				
Height Limit:	85	160				240				
Allowable FAR:	4.75	7.75				11				
Gross SF	94,950	162,002				226,965				
Total Units:	105	145				225				
Affordability Sensitivity Summary										
		Pay in Lieu	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Pay in Lieu**	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 4**
		No Affordability	**10% of Units @ 80% AMI**	**15% of Units @ 80% AMI**	**20% of Units @ 80% AMI**	**No Affordability**	**5% of Units @ 80% AMI**	**10% of Units @ 80% AMI**	**15% of Units @ 80% AMI**	**20% of Units @ 80% AMI**
Number of affordable units:		**0**	**14**	**22**	**29**	**0**	**11**	**23**	**34**	**45**
Land Value:	$ 5,250,000	$ 6,510,000	$ 6,510,000	$ 6,510,000	$ 6,510,000	$ 10,141,463	$ 10,141,463	$ 10,141,463	$ 10,141,463	$ 10,141,463
Total Estimated Development Cost:	$ 29,052,000	$ 53,013,000	$ 52,001,000	$ 52,001,000	$ 52,001,000	$ 80,285,000	$ 78,293,000	$ 78,293,000	$ 78,293,000	$ 78,293,000
Total Estimated Project Value (5.5% CAP Rate):	$ 32,905,000	$ 67,783,000	$ 65,157,000	$ 63,844,000	$ 62,530,000	$ 101,716,000	$ 99,460,000	$ 97,205,000	$ 94,950,000	$ 92,695,000
Stabilized Return on Equity (ROE):	5.6%	9.7%	8.7%	8.0%	7.3%	9.1%	9.2%	8.4%	7.6%	6.8%
Residual Land Value Increase:	0	$ 1,260,000	$ 1,260,000	$ 1,260,000	$ 1,260,000	$ 4,891,463	$ 4,891,463	$ 4,891,463	$ 4,891,463	$ 4,891,463
Net Project Value Increase:	$ 3,853,000	$ 10,917,000	$ 9,303,000	$ 7,990,000	$ 6,676,000	$ 21,431,000	$ 21,167,000	$ 18,912,000	$ 16,657,000	$ 14,402,000
Total Project Value Increase ($):	$ 3,853,000	$ 12,177,000	$ 10,563,000	$ 9,250,000	$ 7,936,000	$ 26,322,463	$ 26,058,463	$ 23,803,463	$ 21,548,463	$ 19,293,463

Incentive Zoning Program Analysis		**Total**	**Per NSF**	**Total**	**Per NSF**	**Total**	**Per NSF**	**Total**	**Per NSF**	**Total**	**Per NSF**	**Total**	**Per NSF**	**Total**	**Per NSF**	**Total**	**Per NSF**	**Total**	**Per NSF**
Pay in Lieu Fee (*$18.85/NSF Bonus Height*):		$ (1,011,144)	$ (18.85)							$ (1,990,786)	$ (18.85)								
Pay in Lieu Fee Equal to Impact of Affordability:		$ 1,011,144	$ 19	$ 2,626,000	$ 49	$ 3,939,000	$ 73	$ 5,253,000	$ 98	$ 1,990,786	$ 19	$ 2,256,000	$ 21	$ 4,511,000	$ 43	$ 6,766,000	$ 64	$ 9,021,000	$ 85
Pay in Lieu Fee TDR portion (40% at $18.75)		$ 402,312	$ 18.75	$ 402,312	$ 18.75	$ 402,312	$ 18.75	$ 402,312	$ 18.75	$ 792,090	$ 18.75	$ 792,090	$ 18.75	$ 792,090	$ 18.75	$ 792,090	$ 18.75	$ 792,090	$ 18.75
Pay in Lieu Fee Afford. Housing (60% @ $18.94)		$ 608,832	$ 18.94	$ 2,223,688	$ 69.09	$ 3,536,688	$ 109.89	$ 4,850,688	$ 150.71	$ 1,198,696	$ 18.94	$ 1,463,910	$ 23.10	$ 3,718,910	$ 58.69	$ 5,973,910	$ 94.27	$ 8,228,910	$ 129.86

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APARTMENT PRO FORMA TEMPLATE

PROJECT PROGRAM

Project Type: **Mixed-Use Mid Rise Apartment Building**
Construction Type: **Type V over 2 Levels of Type I**

Land			Cost/Unit	Cost/SF
Site Size (SF):		21,000		
Land Cost:	$	5,250,000	$ 50,000	$ 250
Zoning:	SM 85			
Height Limit:	85			
Floor Area Ratio (FAR):	4.75			
Total Gross Floor Area Allowed (SF):		99,750		
Net Residential SF:		73,500		
Avg SF/Unit (Inclusive of Efficiency Factor):	950			
Total Units:	**105**			

BUILDING DIMENSIONS (Square Footage)

		SF	%
Housing			%
	Net Rentable	73,500	
	Common Area	14,700	20%
Sub Total		88,200	
Commercial			%
	Net Rentable	5,000	
	Mngr Office	500	
	Common Area	1,250	25%
Sub Total		6,750	
	GSF Sub Total (Above Grade)	**94,950**	
Other			
	Parking	20,790	
	Storage, wrk shp, tra	5,000	
Sub Total		25,790	
	Total Project GSF	**120,740**	

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UNIT MIX AND AFFORDABILITY RANGES

UNIT MIX

Unit Types:	Studio	1 BDRM	2 BDRM	
(%)	25%	50%	25%	
Total Unit Count:	26	53	26	105
Percent Affordable:	0%	0%	0%	

MARKET UNITS

Unit Types:	Studio	1 BDRM	2 BDRM	
Market Rate Units:	26	53	26	105
Avg. Unit Size:	500	650	1,000	
Avg. Market Rate Monthly Rent (SF):	$ 2.55	$ 2.85	$ 2.35	
Avg. Market Rate Monthly Rent:	$ 1,275	$ 1,853	$ 2,350	

WORKFORCE UNITS

Unit Types:	Studio	1 BDRM	2 BDRM	
Workforce Units:	0	0	0	0
% of AMI*:	80%	80%	80%	
Avg. Below Market Rate Monthly Rent (SF):	$ 2.23	$ 1.98	$ 1.42	
Avg. Below Market Rate Monthly Rent**:	$ 1,114	$ 1,288	$ 1,422	

- Blue Font = Input Cell
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**AMI lookup range 60% - 90% AMI*
***Accounts for utility allowances ($100 per Studio & 1 BDRM/$140 per 2 BDRM)*

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APARTMENT PRO FORMA TEMPLATE

DEVELOPMENT SUMMARY

	Rate	Total	GSF	Per Unit
Acquistion Costs				
Land	18%	$ 5,250,000	$ 43	$ 50,000
Subtotal	**18%**	**$ 5,250,000**	**$ 43**	**$ 50,000**
Hard Costs				
Construction Cost	$ 135	$ 16,299,900	$ 135	$ 155,237
Contingency	5.0%	$ 814,995	$ 7	$ 7,762
WSST	9.5%	$ 1,625,915	$ 13	$ 15,485
Subtotal	**65%**	**$ 18,740,810**	**$ 155**	**$ 178,484**
Soft Costs				
Permits	0.6%	$ 143,945	$ 1	$ 1,371
Utility Connection Fees	1.0%	$ 239,908	$ 2	$ 2,285
A/E + Consultants	6.5%	$ 1,559,403	$ 13	$ 14,851
Developer Fee	5.0%	$ 1,199,541	$ 10	$ 11,424
Financing/Insurance/Interest	6.0%	$ 1,439,449	$ 12	$ 13,709
Miscellaneous	1.0%	$ 239,908	$ 2	$ 2,285
Subtotal	**17%**	**$ 4,822,153**	**$ 40**	**$ 45,925**
TOTAL DEVELOPMENT COST	**100%**	**$ 28,812,963**	**$ 239**	**$ 274,409**

OPERATING SUMMARY

	Rate	Total	GSF	Per Unit
Annual Income (Stabilized)				
Gross Residential - Market		$ 2,308,950	$ 19	$ 21,990
Gross Residential - Affordable		$ -	$ -	$ -
Gross Commercial	$ 25	$ 125,000	$ 1	$ 1,190
Gross Ancillary	7.5%	$ 182,546	$ 2	$ 1,739
			$ -	$ -
Less Residential Vacancy	5%	$ (115,448)	$ (1)	$ (1,100)
Less Commercial Vacancy	7%	$ (8,750)	$ (0)	$ (83)
Effective Gross Income		**$ 2,492,299**	**$ 21**	**$ 23,736**
Annual Operating Expenses				
Operating Expenses	27%	$ (682,500)	$ (6)	$ (6,500)
Subtotal		**$ (682,500)**	**$ (6)**	**$ (6,500)**
NET OPERATING INCOME (NOI)		**$ 1,809,799**	**$ 15**	**$ 17,236**

FINANCIAL SUMMARY

	Rate	Total	GSF	Per Unit
Sources				
Debt	80%	$ 23,050,370	$ 191	$ 219,527
Equity	20%	$ 5,762,593	$ 48	$ 54,882
Total Sources	**100%**	**$ 28,812,963**	**$ 239**	**$ 274,409**
Debt Service & Distributions				
Annual Debt Service	5.0%	$ (1,484,872)	$ (12)	$ (14,142)
Subtotal		**$ (1,484,872)**	**$ (12)**	**$ (14,142)**
ANNUALIZED CASHFLOW		**$ 324,926**	**$ 3**	**$ 3,095**

PROJECT RETURNS

Return on Equity (ROE)* **5.6%**

Sensitivity Valuation Analysis	Cap Rate**	Market Value of Project
	4.0%	$ 45,244,969
	4.5%	$ 40,217,750
	5.0%	$ 36,195,975
	5.5%	$ 32,905,432
	6.0%	$ 30,163,313

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APARTMENT PRO FORMA TEMPLATE

PROJECT PROGRAM

Project Type: **Mixed-Use High Rise Apartment Tower**
Construction Type: **Type IB**

Land			Cost/Unit	Cost/SF
Site Size (SF):		21,000		
Land Cost:	$	6,510,000	$ 45,000	$ 310
Pay in Lieu Fee (60% of Bonus NSF):	$	-	$ -	$ -
TDR Fee (40% of Bonus NSF):	$	-	$ -	$ -
TOTAL	**$**	**-**		
Zoning:		SM 160		
Height Limit:		160		
Floor Area Ratio (FAR):		7.75		
Total Gross Floor Area Allowed (SF):		162,750		
Residential SF:		101,267		
Total Units:		**145**		

BUILDING DIMENSIONS (Square Footage)

			%
Housing			%
	Residential SF	101,267	
	Common Area	15,190	15%
Sub Total		116,457	
Commercial			%
	Net Rentable	40,950	
	Mngr Office	500	
	Common Area	4,095	10%
Sub Total		45,545	
	GSF Sub Total (Above Grade)	**162,002**	
Other			
	Parking	28,644	
	Storage, wrk shp, tra	5,000	
Sub Total		33,644	
	Total Project GSF	**195,646**	

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UNIT MIX AND AFFORDABILITY RANGES

UNIT MIX

Unit Types:	Studio	1 BDRM	2 BDRM	
(%)	25%	50%	25%	
Total Unit Count:	36	72	36	**145**
Percent Affordable:	20%	20%	20%	

MARKET UNITS

Unit Types:	Studio	1 BDRM	2 BDRM	
Market Rate Units:	29	58	29	**116**
Avg. Unit Size:	500	650	1,000	
Avg. Market Rate Monthly Rent (SF):	$ 3.15	$ 3.00	$ 2.90	
Avg. Market Rate Monthly Rent:	$ 1,575	$ 1,950	$ 2,900	

WORKFORCE UNITS

Unit Types:	Studio	1 BDRM	2 BDRM	
Workforce Units:	7	14	7	**29**
% of AMI*:	80%	80%	80%	
Avg. Below Market Rate Monthly Rent (SF):	$ 2.23	$ 1.98	$ 1.42	
Avg. Below Market Rate Monthly Rent**:	$ 1,114	$ 1,288	$ 1,422	

- *Blue Font = Input Cell*
- *Black Font = Fixed Formula Cell*

**AMI lookup range 60% - 90% AMI*
***Accounts for utility allowances ($100 per Studio & 1 BDRM/$140 per 2 BDRM)*

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APARTMENT PRO FORMA TEMPLATE

DEVELOPMENT SUMMARY

	Rate	Total	GSF	Per Unit
Acquistion Costs				
Land	13%	$ 6,510,000	$ 33	$ 45,000
Subtotal	**13%**	**$ 6,510,000**	**$ 33**	**$ 45,000**
Hard Costs				
Construction Cost	$ 165	$ 32,281,535	$ 165	$ 223,144
Contingency	5.0%	$ 1,614,077	$ 8	$ 11,157
WSST	9.5%	$ 3,220,083	$ 16	$ 22,259
Subtotal	**71%**	**$ 37,115,695**	**$ 190**	**$ 256,560**
Soft Costs				
Pay in Lieu/TDR Fee	0.0%	$ -	$ -	$ -
Permits	0.5%	$ 218,128	$ 1	$ 1,508
Utility Connection Fees	0.7%	$ 305,380	$ 2	$ 2,111
A/E + Consultants	6.0%	$ 2,617,542	$ 13	$ 18,094
Developer Fee	5.0%	$ 2,181,285	$ 11	$ 15,078
Financing/Insurance/Interest	6.0%	$ 2,617,542	$ 13	$ 18,094
Miscellaneous	1.0%	$ 436,257	$ 2	$ 3,016
Subtotal	**16%**	**$ 8,376,133**	**$ 43**	**$ 57,900**
TOTAL DEVELOPMENT COST	**100%**	**$ 52,001,828**	**$ 266**	**$ 359,460**

OPERATING SUMMARY

	Rate	Total	GSF	Per Unit
Annual Income (Stabilized)				
Gross Residential - Market		$ 3,351,522	$ 17	$ 23,167
Gross Residential - Affordable		$ -	$ -	$ -
Gross Commercial	$ 27	$ 1,105,650	$ 6	$ 7,643
Gross Ancillary	7%	$ 312,002	$ 2	$ 2,157
			$ -	
Less Residential Vacancy	5%	$ (167,576)	$ (1)	$ (1,158)
Less Commercial Vacancy	7%	$ (77,396)	$ (0)	$ (535)
Effective Gross Income		**$ 4,524,202**	**$ 23**	**$ 31,273**
Annual Operating Expenses				
Operating Expenses	24%	$ (1,085,000)	$ (6)	$ (7,500)
Subtotal		**$ (1,085,000)**	**$ (6)**	**$ (7,500)**
NET OPERATING INCOME (NOI)		**$ 3,439,202**	**$ 18**	**$ 23,773**

FINANCIAL SUMMARY

	Rate	Total	GSF	Per Unit
Sources				
Debt	80%	$ 41,601,463	$ 213	$ 287,568
Equity	20%	$ 10,400,366	$ 53	$ 71,892
Total Sources	**100%**	**$ 52,001,828**	**$ 266**	**$ 359,460**
Debt Service & Distributions				
Annual Debt Service	5.0%	$ (2,679,908)	$ (14)	$ (18,525)
Annual Replacement Reserves	$ -	$ -	$ -	$ -
Subtotal		**$ (2,679,908)**	**$ (14)**	**$ (18,525)**
ANNUALIZED CASHFLOW		**$ 759,294**	**$ 4**	**$ 5,249**

PROJECT RETURNS

Return on Equity (ROE)*	**7.3%**	
Sensitivity Valuation Analysis	**Cap Rate****	**Market Value of Project**
	4.0%	**$ 85,980,051**
	4.5%	**$ 76,426,712**
	5.0%	**$ 68,784,041**
	5.5%	**$ 62,530,946**
	6.0%	**$ 57,320,034**

** See ROE description on Comparison Summary Tab*
*** See capitalization rate description on Comparison Summary Tab*

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APARTMENT PRO FORMA TEMPLATE

PROJECT PROGRAM

Project Type: **Mixed-Use High Rise Apartment Tower**
Construction Type: **Type IB**

Land			Cost/Unit	Cost/SF
Site Size (SF):		21,000		
Land Cost:	$	10,141,463	$ 45,000	$ 483
Pay in Lieu Fee (60% of Bonus NSF):	$	1,200,170	$ 18.94	$ 5,325
TDR Fee (40% of Bonus NSF):	$	792,087	$ 18.75	$ 3,515
TOTAL	**$**	**1,992,257**		
Zoning:		SM 240		
Height Limit:		240		
Floor Area Ratio (FAR):		11.00		
Total Gross Floor Area Allowed (SF):		231,000		
Residential SF:		157,756		
Total Units:		**225**		

BUILDING DIMENSIONS (Square Footage)

Housing			%
	Residential SF	157,756	
	Common Area	23,663	15%
Sub Total		181,420	
Commercial			%
	Net Rentable	40,950	
	Mngr Office	500	
	Common Area	4,095	10%
Sub Total		45,545	
	GSF Sub Total (Above Grade)	**226,965**	
Other			
	Parking	44,622	
	Storage, wrk shp, tra	5,000	
Sub Total		49,622	
	Total Project GSF	**276,587**	

UNIT MIX AND AFFORDABILITY RANGES

UNIT MIX

Unit Types:	Studio	1 BDRM	2 BDRM	
(%)	25%	50%	25%	
Total Unit Count:	56	113	56	225
Percent Affordable:	0%	0%	0%	

MARKET UNITS

Unit Types:	Studio	1 BDRM	2 BDRM	
Market Rate Units:	56	113	56	225
Avg. Unit Size:	500	650	1,000	
Avg. Market Rate Monthly Rent (SF):	$ 3.30	$ 3.20	$ 3.15	
Avg. Market Rate Monthly Rent:	$ 1,650	$ 2,080	$ 3,150	

WORKFORCE UNITS

Unit Types:	Studio	1 BDRM	2 BDRM	
Workforce Units:	0	0	0	0
% of AMI*:	80%	80%	80%	
Avg. Below Market Rate Monthly Rent (SF):	$ 2.23	$ 1.98	$ 1.42	
Avg. Below Market Rate Monthly Rent**:	$ 1,114	$ 1,288	$ 1,422	

- Blue Font = Input Cell
- Black Font = Fixed Formula Cell
**AMI lookup range 60% - 90% AMI*
***Accounts for utility allowances ($100 per Studio & 1 BDRM/$140 per 2 BDRM)*

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APARTMENT PRO FORMA TEMPLATE

DEVELOPMENT SUMMARY

	Rate	Total	GSF	Per Unit
Acquistion Costs				
Land	13%	$ 10,141,463	$ 37	$ 45,000
Subtotal	**13%**	**$ 10,141,463**	**$ 37**	**$ 45,000**
Hard Costs				
Construction Cost	$ 175	$ 48,402,716	$ 175	$ 214,774
Contingency	5.0%	$ 2,420,136	$ 9	$ 10,739
WSST	9.5%	$ 4,828,171	$ 17	$ 21,424
Subtotal	**69%**	**$ 55,651,023**	**$ 201**	**$ 246,936**
Soft Costs				
Pay in Lieu/TDR Fee	2.5%	$ 1,992,257	$ 7	$ 8,840
Permits	0.5%	$ 296,066	$ 1	$ 1,314
Utility Connection Fees	0.6%	$ 361,859	$ 1	$ 1,606
A/E + Consultants	6.0%	$ 3,947,549	$ 14	$ 17,516
Developer Fee	5.0%	$ 3,289,624	$ 12	$ 14,597
Financing/Insurance/Interest	6.0%	$ 3,947,549	$ 14	$ 17,516
Miscellaneous	1.0%	$ 657,925	$ 2	$ 2,919
Subtotal	**18%**	**$ 14,492,830**	**$ 52**	**$ 64,308**
TOTAL DEVELOPMENT COST	**100%**	**$ 80,285,317**	**$ 290**	**$ 356,244**

OPERATING SUMMARY

	Rate	Total	GSF	Per Unit
Annual Income (Stabilized)				
Gross Residential - Market		$ 6,057,834	$ 22	$ 26,880
Gross Residential - Affordable		$ -	$ -	$ -
Gross Commercial	$ 27	$ 1,105,650	$ 4	$ 4,906
Gross Ancillary	7%	$ 501,444	$ 2	$ 2,225
Less Residential Vacancy	5%	$ (302,892)	$ (1)	$ (1,344)
Less Commercial Vacancy	7%	$ (77,396)	$ (0)	$ (343)
Effective Gross Income		**$ 7,284,641**	**$ 26**	**$ 32,324**
Annual Operating Expenses				
Operating Expenses	23%	$ (1,690,244)	$ (6)	$ (7,500)
Subtotal		**$ (1,690,244)**	**$ (6)**	**$ (7,500)**
NET OPERATING INCOME (NOI)		**$ 5,594,397**	**$ 20**	**$ 24,824**

FINANCIAL SUMMARY

	Rate	Total	GSF	Per Unit
Sources				
Debt	80%	$ 64,228,253	$ 232	$ 284,995
Equity	20%	$ 16,057,063	$ 58	$ 71,249
Total Sources	**100%**	**$ 80,285,317**	**$ 290**	**$ 356,244**
Debt Service & Distributions				
Annual Debt Service	5.0%	$ (4,137,494)	$ (15)	$ (18,359)
Annual Replacement Reserves	$ -	$ -	$ -	$ -
Subtotal		**$ (4,137,494)**	**$ (15)**	**$ (18,359)**
ANNUALIZED CASHFLOW		**$ 1,456,903**	**$ 5**	**$ 6,465**

PROJECT RETURNS

Return on Equity (ROE)* **9.1%**

Sensitivity Valuation Analysis	Cap Rate**	Market Value of Project
	4.0%	**$ 139,859,923**
	4.5%	**$ 124,319,932**
	5.0%	**$ 111,887,939**
	5.5%	**$ 101,716,308**
	6.0%	**$ 93,239,949**