

Public Review Draft

Seattle Affordable Housing Incentive Program Economic Analysis



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DAVID PAUL ROSEN & ASSOCIATES
DEVELOPMENT, FINANCE AND POLICY ADVISORS



SUBMITTED TO:

City of Seattle
Legislative Department
PO Box 34025
Seattle, WA 98124-4025

SUBMITTED BY:

David Paul Rosen & Associates

1330 Broadway, Suite 937
Oakland, CA 94612
510-451-2552
510-451-2554 Fax
david@draconsultants.com
www.draconsultants.com

3941 Hendrix Street
Irvine, CA 92614
949-559-5650
949-559-5706 Fax
nora@draconsultants.com
www.draconsultants.com





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Executive Summary

1. Background and Introduction

In May 2013, the Seattle City Council adopted Resolution 31444, which sets out a work program for reviewing and potentially revising the current affordable housing incentive program and reviewing best practices for affordable housing production and preservation. Review of national best practices was conducted by Otak and Peninger Consulting.

Pursuant to Resolution 31444, the City of Seattle retained DRA to conduct an economic analysis for the purpose of advising the City on revision and potential expansion of its affordable housing incentive programs for commercial and residential development, currently in place in the Downtown and South Lake Union Urban Centers and other areas of the City that have been upzoned since 2006. The City's current programs provide developers with bonus floor area in exchange for the provision of housing for households with incomes up to 80% of Area Median Income (AMI) for rental housing and up to 100% of AMI for homeownership housing. The payment of a fee in lieu of providing units is allowed in some areas, including the Downtown and South Lake Union Urban Centers. For commercial projects in the Downtown and South Lake Union areas and residential development in South Lake Union the program imposes other requirements, including the purchase of transfer of development rights (TDR) and, for commercial development only, payment of a childcare fee.

DRA worked closely with City staff to develop twelve residential and commercial office development prototypes that reflect current underlying zoning designations in the City. Each prototype is examined in a base case "no incentive" version that reflects the requirements of the underlying zoning, and a "with incentive" version that reflects the additional bonus floor area and other guidelines associated with the incentive program. The prototypes include mid- and high-rise residential and office prototypes appropriate to zoning designations in the Downtown and South



Lake Union areas of the City. They also include low- and mid-rise prototypes consistent with zoning designations found in areas surrounding the Downtown and in target Urban Centers and Villages. These 24 prototypes form the basis of DRA's economic analysis of the current incentive program and alternative policies, and were examined under several economic scenarios. The findings of the analysis will assist the City in evaluating alternative policy options for the incentive programs that will generate affordable housing and/or in lieu fees while being sensitive to current and future real estate market conditions.

As part of the assignment, DRA prepared a market subarea analysis that examined residential apartment, residential condominium and commercial market conditions in target geographies in and around Downtown Seattle. The market analysis was used to assist in developing assumptions on rents and sales prices for the development prototypes. In addition to formulating assumptions for the Downtown and South Lake Union prototypes, DRA used the findings of this analysis to develop "low," "middle" and "high" scenarios reflecting the range of rents and land costs encountered in the target areas outside of Downtown and South Lake Union. The six low- and mid-rise prototypes representing these target areas were analyzed under these "low," "middle" and "high" scenarios.

DRA also worked closely with a Technical Advisory Committee (TAC) of local developers and City staff to review the assumptions and methodology used in the analysis. DRA facilitated three meetings with the TAC to obtain their input on review materials provided to members in advance of each meeting. At the first meeting, DRA reviewed the first draft of the prototypes. At the second meeting, DRA reviewed preliminary development cost and revenue assumptions. The preliminary economic analysis was reviewed at the third and final meeting. DRA incorporated comments received at each meeting into subsequent materials.

2. Program Option Scenarios for Analysis

Program options for analysis in this report were provided by the City of Seattle based on input from the Affordable Housing Incentive Program consulting team. The program option scenarios analyzed in this report are summarized in **Table 1** below.



**Table 1
Affordable Housing Incentive Program
Options for Analysis**

| Variables | % Set Aside for Residential Development | Affordability Levels | In lieu Fee Payment (Per GSF of Bonus Floor Area) |
|---|--|--|--|
| Current Program: Continuation of Existing Program | 14% of bonus GFA (works out to about 5% of units in bldg. fully utilizing bonus Downtown and in SLU) | <ul style="list-style-type: none"> ▪ 80% AMI Rental ▪ 100% AMI Ownership | <ul style="list-style-type: none"> ▪ Residential Downtown/ SLU = \$21.68 ▪ Residential Elsewhere = \$15.15 ▪ Commercial Downtown/ SLU = \$24.95 |
| Scenario 1: Residential - Same % Set-aside with Fee Set at Actual Gap Cost Commercial – Inflation Adjusted 2001 Nexus Gap Cost | 14% of bonused GFA (works out to about 5% of units in bldg. fully utilizing bonus downtown and in SLU) | <ul style="list-style-type: none"> ▪ 80% AMI Rental ▪ 100% AMI Ownership | <ul style="list-style-type: none"> ▪ Fee Equals Estimated Gap Cost from Analysis ▪ Commercial: Downtown / SLU = \$40.00 |
| Scenario 2: Residential - Increased % Set Aside with Fee Set at Actual Gap Cost | Set aside % = approximately 10% of units in development fully utilizing bonus floor area | <ul style="list-style-type: none"> ▪ 80% AMI Rental ▪ 100% AMI Ownership | |

Gap cost = the subsidy needed to make market-rate housing affordable to low-income households.
Source: City of Seattle; DRA



3. Summary of Recent Market Trends and Conditions

The Seattle/Tacoma economy added 39,300 jobs in 2013, an increase of 2.3%, down slightly from 2.5% in 2012. ¹

Seattle's strong job growth and income growth has fueled a substantial amount of new apartment supply over the past few years. The Seattle-Bellevue-Everett Metropolitan Division (MD), composed of King and Snohomish Counties, is expected to see approximately 8,000 new units come on line in 2014, followed by almost as many again in 2015. In 2013, over 6,200 new units were absorbed, with 72% of those units (4,500) located in the Seattle submarket².

According to the REALFACTS database of Seattle properties, the average asking rent increased 8.2% from the fourth quarter of 2011 to the fourth quarter of 2012, and then another 9.7% by the fourth quarter of 2013. As more new supply enters the market over the coming years, the pace of rent increases is expected to slow. In its 2014 forecast published in January, 2014 Hendricks Berkadia projects an increase in average asking rents of 2.8% in the Seattle-Tacoma metro area by the end of 2014 and 2.3% in 2015. The Downtown/Capitol Hill/Queen Ann submarket is expected to lead all subareas in the metro area in rent increases.

The growth of Amazon.com has had an undeniable effect on the Downtown and South Lake Union apartment markets. Amazon occupies over 3 million square feet of office space and employs about 18,000 people in the Downtown area. Construction has started on the first phase of a three-phase development project that will double the amount of Amazon's office space and employees. Amazon's growth will particularly impact the SLU, Downtown, Capitol Hill and Queen Anne neighborhoods.

Seattle's growth is bringing institutional and international investment to the Seattle landscape, which has provided further competition to purchase development sites and upward pressure on land prices. International money may have more liberal

¹ Hendricks Berkadia Apartment Update Seattle Tacoma January 2014

² O'Connor Consulting Group, LLC, Seattle MD Apartment Market Report, Volume 12, Issue 2.



underwriting standards than many U.S. investors and lenders, leading to the financing of more projects based on speculation of continued increase in rents.

Interest in the condo market appears to be picking up but is generally still in the “talking” phase. From January 2013 through December 2013, the average sale price for condos in King County increased by 17.5%, while sales increased by 22%.² With continued employment growth and increases in rents and single-family home prices, condo development will at some point become feasible again on a more widespread basis.

4. Economic Analysis Scenarios for Analysis

DRA worked closely with the Technical Advisory Committee (TAC) to develop assumptions for the analysis. Both costs and rents have been rising in the past several years. Construction costs are rising in large part because of the “hot” market in recent years. The analyses in this report calculate the value of rental prototypes (residential and commercial) at a point in time based on the estimated stabilized net operating income of the prototype upon lease-up and stabilization. Projects beginning construction now will not reach this stabilization point until several years from now.

Baseline (Version A): Version A is intended to represent estimated economic conditions for new projects ready to begin construction in the current market. It uses estimated current construction costs for projects bidding construction contracts recently or currently. It escalates apartment rents at an estimated increase of 5.2% from now until the project is leased up, based on the Hendricks Bercadia forecast through year-end 2015. It escalates office rents by approximately 9.4% until stabilization based on input from the TAC, and condo prices by 5% in a roughly parallel increase to apartment rents. Land prices in Version A are slightly lower than the estimated current asking/sales prices reflected in Version B, assuming the sites were purchased a year or more ago.

Version B: Version B uses more conservative assumptions based on underwriting standards of many lenders and investors that require use of current rents. It assumes current land purchase prices and construction costs, and current average contract rents for recently built and leased up apartments developments. Using current rents and prices doesn’t account for the potential for rents to rise by the time projects starting construction now are completed and leasing up, but may be required in underwriting by lenders and investors since future increases are uncertain and speculative.



Version C: Version C uses the same land prices as Version A. It increases apartment rents by 9% from now until the project is leased up, a rate that is higher than Version A but approximately one-half of the historical growth in the last two years. Commercial office rents are escalated by 18.7% from estimated current rents, again based on input from the TAC, and condo prices by 7%, a rate slightly lower than the assumed increase in apartment rents.

The key variations in economic assumptions between the scenarios are summarized in **Table 2**.

DRA also used a range of capitalization rates (cap rates) in the analysis. Current cap rates for residential development are estimated to be in the 4.25% range, which is historically low as it has been for the last several years. However, lenders and investors underwriting new projects may require higher cap rates. DRA used 4.25% as the “low” cap rate for the rental residential analysis and 5.00% for the “high” cap rate scenario. Lenders and investors often require use of a higher cap rate than the current rate because of the potential of future increases.

For office development, current cap rates are estimated in the 5.00% range, while underwriting new projects again may require a higher cap rate. For the office prototypes, DRA used 5.00% as the “low” cap rate for the rental residential analysis and 5.50% for the “high” cap rate scenario.

Cap rate assumptions are based on input from the TAC, local appraisers, and published reports from CBRE and Realty Rates for the Seattle area. The results of the Return on Equity (ROE) and Residual Land Value (RLV) analysis are quite sensitive to the cap rate used.



Table 2
Economic Scenarios
Seattle Affordable Housing Incentive Program Economic Analysis

| | Baseline (Version A) | Version B | Version C |
|---------------------------|---|--|--|
| Apartment Rents | Estimated escalation of rents by 5.2% for 2014 through 2015 based on Hendricks Berkadia | Estimated average monthly contract rents for recently leased up properties | Estimated escalation of rents by 9%, approximately one-half of the historical growth in last two years |
| By Prototype: | | | |
| Downtown 1A | \$3.42/SF | \$3.25/SF | \$3.54/SF |
| Downtown 1B | \$3.31/SF | \$3.20/SF | \$3.43/SF |
| SLU 4A | \$3.38/SF | \$3.20/SF | \$3.49/SF |
| SLU 4B | \$3.00/SF | \$2.85/SF | \$3.11/SF |
| Low-Rise/Mid-Rise | | | |
| Low: | \$2.42/SF | \$2.30/SF | \$2.51/SF |
| Medium: | \$2.74/SF | \$2.60/SF | \$2.83/SF |
| High | \$3.00/SF | \$2.85/SF | \$3.11/SF |
| Office Rents | Estimated escalation of rents by 9.4% | Estimated average monthly contract rents for recently leased up properties | Estimated escalation of rents by 18.7% |
| By Prototype: | | | |
| Downtown 3A/B | \$35/SF | \$32/SF | \$38/SF |
| SLU 3A/B | \$35/SF | \$32/SF | \$38/SF |
| Condo Prices | Estimated escalation of rents by | | |
| Land Costs | Land price of \$800 per SF in Downtown and \$375 per SF in SLU | Land price of \$850 per SF in Downtown and \$400 per SF in SLU | Same as Version A |
| Construction Costs | Estimated costs for projects beginning construction in the next several months | Estimated costs for projects beginning construction in the next several months | |

Source: DRA



5. Summary of Findings from the Economic Analysis

a. Definition of Key Terms

The findings of the analysis with respect to the financial feasibility of the prototypes and the impact of program options based on the economic assumptions used in this analysis are summarized below. General findings are followed by specific findings for the prototypes.

As described further in the Economic Analysis and Methodology Section of this report, project feasibility was measured using both a Return on Equity (ROE) analysis and land residual analysis. For the ROE analysis, feasibility threshold returns are estimated at 6% to 8% for the apartment prototypes and 10% to 12% for the commercial office prototypes. For the land residual analysis, feasibility is measured by residual land values that approach or exceed current market land sales prices. Key terms used in this analysis are defined as follows:

Return on Equity (ROE): For the purposes of this analysis, ROE is measured as net project value (capitalized net operating income for the rental/commercial prototypes or net sales proceeds for the condo prototypes, less total development costs), averaged over the estimated term of the equity investment, divided by the total amount of the equity investment. Equity is assumed to finance 40% of total development costs, including both developer equity and investor equity.

Residual land value (RLV): Land residual analysis calculates the value of a development based on its income potential and subtracts the costs of development and developer profit to yield the underlying value of the land. When evaluating alternative land uses, the alternative that generates the highest value to a site is considered its highest and best use. An alternative that generates a value to the land that is negative, or well below market land sales prices, is financially infeasible. RLV is generally measured as the dollar value per square foot of site area. In this analysis, we also calculate RLV per square foot of bonus gross floor area, where noted.

Cap rate: A capitalization (or “cap”) rate is the ratio of net operating income to project fair market value, or project sales price, exhibited in the market and reflects the rate of return required by investors in rental property. Cap rates are tracked by land use and market area based on observed property sales. This analysis uses cap rates to estimate the fair market value of the prototypes that



involve rents or leases (residential apartment and commercial office). Net operating income for the apartment and office uses is capitalized at estimated capitalization rates to determine the estimated fair market value of the developed property.

Net project value: For this analysis, net project value is calculated by subtracting total project development costs from the capitalized market value of the prototype (or total combined sales prices for the condominium prototypes). Net project value represents the gross return to the developer and equity investor, above the base level of developer overhead assumed in the development costs.

b. General Market Findings

Apartment Market

- A high level of apartment demand is being generated by employment growth in the Seattle/Tacoma Metro Area, with a high capture of employment growth and demand in the Seattle apartment market, particularly the Downtown and South Lake Union areas.
- The high level of apartment demand has led to a substantial increase in the apartment supply, including projects that are already leased up and stabilized and many others currently in the construction pipeline.
- Land prices have been bid up to peak prices.
- Construction and development costs are rising due to an increase in some materials costs and the higher costs general contractors are able to command because of high demand in the “hot” real estate market.
- Rents have been rising rapidly because of high demand but rent increases are expected to slow as the large influx of new supply enters the market over the next few years.
- The combination of higher land and construction costs and slowing rent increases is making it more difficult for new projects to “pencil” based on conservative assumptions used by lenders and investors who typically require use of current rents and development costs and higher cap rates in their underwriting.



Commercial Office Market

- Employment growth and demand in the Seattle metro area and high capture by City of Seattle submarkets will fuel additional demand for office space in the Downtown and South Lake Union areas.
- Office vacancy rates have been declining since 2012, reaching their lowest level since 2009 and providing some upward pressure in rents. According to Reis Reports, the vacancy rate in the Downtown is projected to decline slightly from 13.6% in the fourth quarter of 2013 to 13.5% by year-end 2014. The average asking rent is projected to increase to \$33.34, up from \$32.09 in the fourth quarter of 2013.
- Since zoning in the Downtown and South Lake Union areas allows both residential and commercial land uses, commercial developers and apartment developers must compete for the same sites. Land prices have been bid up to peak prices due to strong apartment demand and construction.
- As for apartments, construction and development costs are rising due to an increase in some materials costs and the higher costs general contractors are able to command because of high demand in the “hot” real estate market, leading to decreased financial feasibility of new office development based only on current rents.

Residential Condominium Market

- The condo market has not rebounded since the Great Recession, and in most areas condo prices do not yet support new construction.
- Warranty and liability issues continue to plague the condo market.
- As home prices and apartment rents continue to rise, condominium prices will rise and new construction will become feasible again.
- Even where condominium prices are at levels that may support new construction, there may be insufficient demand to support large condominium developments at this time.



c. Comparison of In Lieu Fees and the Cost of Performance Options

- As evidenced from the results in Table 9, the estimated cost of the performance option under the current program substantially exceeds the current in lieu for all of the Downtown and South Lake Union prototypes, suggesting that development using the incentive program in these areas will virtually always select the in lieu fee option over the on-site performance option. To encourage on-site performance, the in lieu fee would need to be raised substantially.
- For the low and mid-rise rental housing prototypes, the estimated cost of the performance option under the current program also exceeds the current in lieu, though at a smaller margin than for the Downtown and South Lake Union prototypes, suggesting that most apartment development using the incentive program in these areas would also select the in lieu fee over the performance option, if it were available to them.
- Because of the higher target income level of the current program, the reverse is true for the low and mid-rise condominium housing prototypes. For these prototypes, the estimated cost of the performance option is lower than the in lieu fee. This suggests suggesting that most condominium development using the incentive program in these areas would select, and are not disadvantaged by, the current performance requirement. The performance cost is lowest under the “low” scenario, where affordable condominium prices are nearly equal to estimated market prices, and the performance cost is at or near zero for some prototypes.

d. Estimated Value of the Incentive

- Across most prototypes and versions of the economic assumptions, the estimated value of the incentive does not exceed the cost of the in lieu fee payment under the current program. This suggests that the incentive program will not result in most projects making use of the incentive, and thereby limiting the production of both affordable units and in lieu fee revenue for affordable housing.
- One major exception is the downtown rental prototype, which produces a significant positive value of the incentive after the payment of the current in

lieu fee, but not after the current performance option (Scenario 1), or after the 10% performance requirement in Scenario 2.

- A second major exception is the downtown condominium prototype, which produces a significant positive value of the incentive after payment of the current in lieu fee and the current performance option (Scenario 1), but not after the 10% performance requirement in Scenario 2.
- Other exceptions are the Downtown and South Lake Union commercial prototypes, which experience improved returns from use of the incentive assuming payment of the current in lieu fee and the higher \$40 in lieu fee in Scenario 1.
- For the low- and mid-rise prototypes, there are a few instances in which the incentive generates a positive value assuming payment of the in lieu fee or under the Scenario 1 performance option.

e. Impact of the Program on Prototype Financial Feasibility

- The findings of the financial feasibility analysis are mixed, depending on the economic scenario, as described below. In general, using the lower cap rates they indicate there is some room to raise the in lieu fee to approximate the performance cost of Scenario 1, but in few cases do the prototypes remain feasible under the higher performance cost of Scenario 2.

Findings By Prototype

| | |
|--|--|
| Downtown High-Rise Apartments, Prototypes 1A, 1B | <ul style="list-style-type: none"> • Under Baseline economic assumptions and the lower cap rate, the Downtown apartment prototype without the incentive meets feasibility thresholds. • Under these same assumptions the Downtown apartment prototype with the incentive also meet threshold feasibility thresholds, assuming payment of the current in lieu fee. • Returns drop below the feasibility thresholds for the prototype with the incentive assuming the performance options in Scenarios 1 and 2. |
|--|--|



| | |
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| | <ul style="list-style-type: none"> • Under the more conservative Version B assumptions, the prototype does with the incentive not meet feasibility thresholds, even before consideration of program costs. • Using the higher rent assumptions in Version C, the prototype with the incentive meets feasibility thresholds for the in lieu fee payment and Scenario 1 performance option, but not under the higher Scenario 2 performance requirement. |
| Downtown High-Rise Condos, Prototypes 2A, 2B | <ul style="list-style-type: none"> • Under Baseline economic assumptions, the Downtown high-rise apartment prototypes meet threshold feasibility thresholds at the lower 4.25% cap rate, assuming payment of the current in lieu fee or the Scenario 1 performance option. • Returns drop below the feasibility thresholds under the performance options in Scenario 2, at the 10% on-site performance requirement. • The same is true under the Version B and the Version C economic assumptions. |
| Downtown Commercial Development, Prototypes 3A, 3B | <ul style="list-style-type: none"> • Under the Baseline economic assumptions and lower cap rate, the Downtown commercial prototype is not feasible without the incentive. • Returns improve but remain below thresholds with the incentive. • Only under the higher Version C commercial rents do returns exceed thresholds, assuming payment of the current in lieu fee or higher Scenario 2 in lieu fee. • Under the Baseline economic assumptions and lower cap rate, the Downtown commercial prototype is not feasible without the incentive. • Returns improve but remain below thresholds with the incentive. |



| | |
|--|--|
| | <ul style="list-style-type: none"> • Only under the higher Version C commercial rents do returns exceed thresholds, assuming payment of the current in lieu fee or higher Scenario 2 in lieu fee. |
| South Lake Union Mid-Rise and High-Rise Apartment Development, Prototypes 4A, 4B | <ul style="list-style-type: none"> • The South Lake Union mid-rise prototype without the incentive (Prototype 4B) generates the highest returns of the prototypes examined, due to the relatively high rents and lower development costs of this prototype compared to the high-rise prototypes. • Using the 4.25% cap rate and Baseline (Version A) economic assumptions, the prototype with the incentive meets feasibility thresholds under the in lieu fee and the performance options in Scenarios 1 and 2. • Under Version B of the economic assumptions, returns for this remain above thresholds drop below thresholds under the Scenario 2 performance option. |
| South Lake Union Commercial Development, Prototypes 5A, 5B | <ul style="list-style-type: none"> • Findings for the South Lake Union commercial prototype parallel those for the Downtown commercial prototype. • Under the Baseline economic assumptions and lower cap rate, the South Lake Union commercial prototype is not feasible without the incentive. • Returns improve but remain below thresholds with the incentive. • Only under the higher Version C commercial rents do returns exceed thresholds, assuming payment of the current in lieu fee or the higher Scenario 2 in lieu fee. |
| Low- and Mid-Rise Apartment Development (Prototypes 7, 9, 11) | <ul style="list-style-type: none"> • Under the Baseline economic assumptions and 4.25% cap rate, rates of return for the low-rise and mid-rise prototypes without the incentive generally exceed threshold returns for the low, middle and high scenarios. • Returns for the prototypes with the incentive also exceed thresholds for all of the rental prototypes after payment of |



| | |
|--|--|
| | <p>the in lieu fee or the performance option under Scenarios 1 and 2. The exception is Prototype 11 (6 stories to 7 stories), which drops below feasibility thresholds in some cases assuming the higher Scenario 2 performance requirement.</p> <ul style="list-style-type: none">• Under Versions B and C, rates of return exceed threshold rates for the low, middle and high scenarios, for all program scenarios using the 4.25% cap rate. These prototypes also reach threshold feasibility levels at the 5.00% cap rate under Version C economic assumptions for all program options under the high rent/cost scenario. |
|--|--|



Economic Analysis Methodology and Assumptions

A. Background

The City of Seattle retained DRA to advise the City on revision and potential expansion of its affordable housing incentive programs for commercial and residential development, currently in place in the Downtown, South Lake Union and other Urban Villages that have been upzoned since 2006. The City's current programs provide developers with bonus floor area in exchange for the provision of housing for households with incomes up to 80% of Area Median Income (AMI) for rental housing and up to 100% of AMI for homeownership housing. The payment of a fee in lieu of providing units is allowed in some areas, including the Downtown and South Lake Union Urban Centers. For commercial projects in the Downtown and South Lake Union areas and residential development in South Lake Union the program imposes other requirements, including the purchase of transfer of development rights (TDR) and, for commercial development only, payment of a childcare fee.

This study describes the economic analysis prepared by DRA to compare the value of additional "bonus" floor area provided by the program with the costs of the program, both under current program requirements and policy options under consideration by the City.

DRA worked closely with a Technical Advisory Committee (TAC) of local developers and City staff to review the assumptions and methodology used in the analysis. DRA facilitated three meetings with the TAC to obtain their input on review materials provided to members in advance of each meeting. At the first meeting, DRA reviewed the first draft of the prototypes. At the second meeting, DRA reviewed preliminary development cost and revenue assumptions. The preliminary economic analysis was reviewed at the third and final meeting. DRA incorporated comments received at each meeting into subsequent materials.

B. Methodology and Data Sources

This economic analysis uses twelve residential and commercial office development prototypes that reflect current underlying zoning designations in the City. Each prototype is examined in a base case "no incentive" version that reflects the requirements of the underlying zoning, and in a "with incentive" version that



reflects the additional bonus floor area and other requirements provided by the incentive program.

The methodology used for the economic analysis of the prototypes is outlined below.

1. Calculate bonus floor area

The bonus floor area provided by the incentive is calculated by subtracting the total gross square feet of building area above grade, excluding parking, for each prototype “with the incentive” from the gross square feet of the same prototype “without the incentive”.

2. Determine performance requirements for residential prototypes

The housing performance requirement under the current program is calculated for each residential prototype, based on the program’s requirement of 14% of bonus gross floor area for housing. This results in an affordable housing requirement of approximately 5% of total units in the project.

The housing performance requirement is also calculated for other policy option scenarios analyzed in this study.

3. Calculate in lieu fees, transfer of development rights costs, and childcare costs

DRA calculated affordable housing in lieu fees under current program requirements. In addition, transfer of development rights (TDR) costs are calculated under current requirements for the commercial prototypes and the South Lake Union residential prototypes. In addition, required childcare fees are calculated for the commercial prototypes.

4. Calculate on-site performance costs for residential prototypes

For the residential prototypes, DRA calculated the estimated cost of the performance option for providing on-site affordable housing units under current program requirements. The cost of providing the affordable units on-site is calculated using an affordability “gap” analysis approach that measures the difference between what households at targeted income levels can afford to pay for renter and ownership housing and what it costs to produce such housing in the City of Seattle.



5. Estimate economic impact of program requirements on the prototypes “with incentives”

DRA calculated the impact of paying an in lieu fee versus absorbing the costs of on-site performance on the economic feasibility of the development prototypes under current economic assumptions.

DRA calculated the income from each land use prototype based on estimated market rents and condominium sales prices. Net operating income for the apartment and office uses is capitalized at estimated current capitalization rates to determine the value of the developed property. The capitalization rate is the ratio of net operating income to project fair market value, or sales price, observed in property sales in the market and reflects the rate of return required by investors in rental property. Total development costs are then subtracted from the capitalized value to yield the estimated net project value, representing the gross return to the developer and equity investors. For the condominium prototypes, projected market sales prices of the condo units are used to determine the market value of the prototypes.

C. Development Prototypes

DRA worked closely with City staff to develop twelve residential and commercial office development prototypes that reflect current underlying zoning designations in the City. Each prototype is further examined in a base case “no incentive” version that reflects the requirements of the underlying zoning, and a “with incentive” version that reflects the additional bonus floor area provided by the incentive program. The prototypes include mid- and high-rise residential and office prototypes appropriate to zoning designations in the Downtown and South Lake Union areas of the City. They also include low- and mid-rise prototypes consistent with zoning designations found in areas surrounding the Downtown and in target Urban Centers and Urban Villages.

The twelve development prototypes used in the analysis with and without incentives are summarized in **Table 3** by zoning and the estimated stories.

The “A” version of each prototype assumes use of the incentive, while the “B” versions assume no incentive



Table 3
Summary of Development Prototypes
Affordable Housing Incentive Program Economic Analysis
City of Seattle
2014

| Prototype | | Zoning | Stories | |
|-----------------------|-----|-------------------|------------------------|----|
| Residential Rental | 1A | With Incentive | DMC 240/290-400 and HR | 40 |
| | 1B | Without Incentive | DMC 240/290-400 and HR | 24 |
| Residential Ownership | 2A | With Incentive | DMC 240/290-400 and HR | 40 |
| | 2B | Without Incentive | DMC 240/290-400 and HR | 24 |
| Commercial Office | 3A | With Incentive | DMC 340/290-400 | 8 |
| | 3B | Without Incentive | DMC 340/290-400 | 4 |
| Residential Rental | 4A | With Incentive | SM 160/85-240 | 24 |
| | 4B | Without Incentive | SM 160/85-240 | 7 |
| Residential Ownership | 5A | With Incentive | SM 160/85-240 | 24 |
| | 5B | Without Incentive | SM 160/85-240 | 7 |
| Commercial Office | 6A | With Incentive | SM 160/85-240 | 8 |
| | 6B | Without Incentive | SM 160/85-240 | 7 |
| Residential Rental | 7A | With Incentive | MR | 7 |
| | 7B | Without Incentive | LR3 | 4 |
| Residential Ownership | 8A | With Incentive | MR | 7 |
| | 8B | Without Incentive | LR3 | 4 |
| Residential Rental | 9A | With Incentive | NC 65 | 6 |
| | 9B | Without Incentive | NC 40 | 4 |
| Residential Ownership | 10A | With Incentive | NC 65 | 6 |
| | 10B | Without Incentive | NC 40 | 4 |
| Residential Rental | 11A | With Incentive | NC 85 | 7 |
| | 11B | Without Incentive | NC 65 | 6 |
| Residential Ownership | 12A | With Incentive | NC 85 | 7 |
| | 12B | Without Incentive | NC 65 | 6 |

Source: City of Seattle; DRA.



Table 4 (included with the remaining tables at the end of the text) provides detailed characteristics of the development prototypes, including net and gross building square footage and required number of parking spaces by land use, floors of underground and above-grade structured parking, construction type, site and building efficiency assumptions, and the number of housing units by bedroom count and unit size for the residential prototypes. The number of parking spaces provided is based on zoning requirements or, in zones where they are no parking requirements, represents the amount of parking typically required by tenants/buyers and investors, based on input from the TAC. The number of underground parking levels is based on zoning requirements and incentives provided by FAR calculations.

D. Analysis of Program Incentives and Requirements

1. Bonus Floor Area

The Incentive Housing Program provides bonus floor area for developments that agree to meet program requirements. The “A” version prototypes are intended to approximate the maximum building envelope that can be built under existing program requirements with the incentive, while the “B” version prototypes are intended to approximate the maximum building envelope that can be built under existing zoning without the incentive.

The amount of the bonus floor area provided by the incentive is estimated by subtracting the gross square feet of floor area above grade, excluding parking, for the no-incentive “B” version prototypes from the “A” versions with the incentive.

Table 5 shows the bonus floor area calculations for each prototype. It shows the bonus gross square feet and then applies the assumed efficiency ratio for the prototype with the incentive to calculate the bonus net square feet.

2. Affordable Housing Performance Requirements

For residential development, program requirements may be met by providing affordable units on-site or by paying an in lieu fee.



The program currently requires 14% of bonus floor be dedicated to affordable housing. Assuming affordable housing unit sizes are equivalent to those for market-rate housing units, this translates into a requirement that approximately 5% of total residential units be affordable. **Table 6** calculates affordable housing performance requirements for the residential prototypes at 14% of bonus floor area and at 5% of total units.

For the South Lake Union prototypes, the bonus floor area is split 60% for housing and 40% for regional transfer of development rights (TDR) before the 14% factor is applied. Therefore, for the SLU prototypes the performance requirement for housing is calculated at 14% of 60% of bonus floor area.

3. **Estimated Housing In Lieu Fees, Child Care Fees and Transfer of Development Rights Costs under Current Program**

Table 7 calculates estimated affordable housing in lieu fees, childcare fees, and transfer of development rights costs under the current program.

Housing in lieu fees are calculated by multiplying current in lieu fees by the estimated bonus floor area for housing by prototype. Current in lieu fees are assessed per gross square foot of bonus floor area for housing and equal: \$21.68 per gross square foot for residential development in the Downtown and South Lake Union areas; \$24.95 per gross square foot for commercial development in the Downtown and South Lake Union areas; and \$15.15 for residential development in other areas.

For commercial development in the Downtown and SLU, there is a 75% split of gross floor area for housing and 25% for transfer of development rights (TDR). Therefore, the calculation of the affordable housing in lieu fee for commercial development is 75% of the bonus floor area times the per square foot in lieu fee.

Commercial development in the Downtown and SLU must also pay a childcare fee of \$4.32 per gross square foot. This fee is applied to the 75% split of bonus floor area for childcare. Therefore, the calculation of the childcare fee for commercial development is 75% of the bonus floor area times the per square foot childcare fee.

Residential development in SLU must also purchase TDR. The cost is applied to the 40% split of bonus floor area for TDR. Therefore, the calculation of the total TDR cost is 40% of the bonus floor area times the estimated TDR cost per square foot.



Downtown commercial development must purchase various types of TDR, such as Landmark TDR, while residential and commercial development in SLU must purchase Regional TDR. For the purposes of this analysis, the cost of both types of TDR has been estimated at \$18.00 per square foot. The cost of TDR is set by the market, and therefore varies based on the demand for TDR.

4. Estimated Total Costs of Program Requirements

Table 8 calculates the estimated total costs of program requirements associated with the bonus floor area under the options for analysis described above. It summarizes the estimated total cost of the bonus, including affordable housing costs plus TDR costs, as applicable. Affordable housing costs are calculated based on in lieu fees under the current program, and the estimated performance costs of complying with affordable housing requirements under Scenarios 1 and 2. Performance costs equal the estimated gap cost of providing the required affordable housing.

5. Comparison of Affordable Housing Fees and Gap Cost of Performance Requirements

Table 9 compares in lieu fees under the current program with estimated costs of complying with the performance option (performance costs) under Scenarios 1 and 2, including child care fees and TDR costs as applicable.

Column 1 summarizes the bonus gross SF provided by the incentive. Column 2 shows the calculated total in lieu fee for each prototype (including child care fees and TDR costs, as applicable) under the current program, and Column 3 shows current in lieu fee costs (including child care fees and TDR costs, as applicable) per gross square foot of bonus floor area.

Column 4 shows the required number of affordable units for residential prototypes choosing the performance option under the current program (Scenario 1), which equates to approximately 5% of total units. Column 5 shows the estimated total “gap” cost of meeting that performance requirement for the residential prototypes. The “gap” cost represents the estimated cost of providing the affordable units on-site, as represented by the total development cost of the unit less the mortgage supportable from affordable rents (rental prototypes) or the affordable sales price. The gap methodology is further described and the assumptions detailed in Section H of this report. For the commercial prototypes, Column 5 shows total in lieu fees



at a rate of \$40.00 per gross square foot plus estimated TDR costs. Column 6 shows the performance cost or fee per gross square foot of bonus floor area.

Column 7 shows the required number of affordable units for residential prototypes choosing the performance option under Scenario 2, which equals 10% of total units. Column 8 shows the estimated total “gap” cost of meeting the performance requirement for the residential prototypes under Scenario 2. Column 9 shows the gap cost per gross square foot of bonus floor area.

6. Results of Return on Equity and Land Residual Analysis

DRA evaluated the financial feasibility of the prototypes with and without the incentives under the various program options using two methods of assessment: return on equity analysis and land residual analysis. The return on equity approach calculates the value of a development based on its stabilized income potential and subtracts the costs of development to use the net value of the investment, or developer/investor profit. The financial feasibility of the prototypes, under a certain set of economic assumptions, is measured by the rate of the return on equity the resulting net investment value (or profit) represents. Under this approach, land costs are held fixed at an estimated market sales price and the economic impact of the program is shown as a change in the dollar amount of the net value of investment in the prototype and as a change in the ROE.

Land residual analysis methodology, in contrast, calculates the value of a development based on its income potential and subtracts the costs of development and developer profit (excluding land) to yield the underlying value of the land. When evaluating alternative land uses, the alternative that generates the highest value to a site is considered its highest and best use. An alternative that generates a value to the land that is negative, or well below market land sales prices, is financially infeasible.

Both the ROE and RLV analyses calculate the value of rental prototypes (residential and commercial) at a point in time based on the estimated stabilized net operating income of the prototype.

Tables 10 through **15** summarize the results of the return on equity analysis and land residual analysis. They show return on equity (ROE) and residual land value (RLV) estimates for the prototypes with and without the incentive. The ROE and RLV is calculated for prototypes with the incentive for the scenarios described above: 1) before any program costs; 2) with payment of the current in lieu fee; 3)

under the current performance requirement or a \$40 commercial fee (Scenario 1); and 4) under the Scenario 2 performance requirement (10% affordable units).

Underneath each ROE and RLV is a “yes” or a “no” indicating whether the value above meets the ROE or RLV minimum feasibility thresholds selected by DRA for this analysis. For the ROE analysis, DRA used minimum feasibility thresholds of 6% for the residential prototypes and 10% for the commercial office prototypes. For the land residual analysis, feasibility is measured by residual land values that approach or exceed current market land sales prices per square foot of site area.

Tables 10 through 15 also show the estimated net value of the incentive using the results of the residual land value analysis. The net value of the incentive is estimated as the residual land value per square foot of site area for the prototype with the incentive less the residual land value per square foot of site area for the prototype without the incentive. This analysis is intended to help assess the net benefits of the program and whether it provides adequate incentive for developers to use the program.

The results for the Baseline (Version A) are shown in **Table 10** using the lower cap rates and **Table 11** using the higher cap rates. The results for Version B are shown in **Table 12** and **Table 13** for the lower and higher cap rates, respectively. The results for Version C are shown in **Table 14** and **Table 15** for the lower and higher cap rates, respectively.

7. Estimated Net Value of Incentive Using Return on Equity Approach

DRA also estimated the net value of the incentive using the ROE approach, as a second measure of whether the program provides adequate incentive for developers to use the program. **Table 16** estimates the net value of the incentive using this approach for the Baseline (Version A) economic assumptions using the lower cap rates under payment of the current in lieu fee, as well as based on the performance costs of Scenarios 1 and 2.

The first column (Column 1) of this table shows the bonus floor area of the prototypes with the incentive. The next column to the right (Column 2) shows the estimated ROE for the prototypes WITHOUT the incentive, at an assumed cap rate of 4.25% for residential prototypes and 5.00% for the commercial prototypes. Column 3 shows the estimated dollar amount of the equity investment required for the prototypes WITH the incentive. Using the cap rate from the prototypes without the incentive and the equity investment required for the prototype with the



incentive, Column 4 calculates what the net value of the investment in the prototype without the incentive at the same rate of return generated by the prototype with the incentive. Columns 5, 7, and 9 show the estimated net value of the investment in the prototype without the incentive (in dollars. Columns 6, 8 and 9 represent the difference between the projected return on investment for the prototypes with the incentives (Columns 5, 7, and 9, respectively) and the return the prototypes with the incentives that would have been earned if they yielded the same ROE as the prototypes without the incentive (Column 2). It should be noted that were the ROE for the prototype without the incentive is very low or negative, the value of the incentive may not be meaningful.

Table 17 repeats these calculations for the Baseline (Version A) economic assumptions, using the higher cap rates (5.0% for the apartment prototypes and 5.50% for the commercial prototypes) to estimate the market value of the prototypes. Since the value of the condominium prototypes is based on sales prices rather than capitalized NOI, the value for the condominium prototypes is the same in both cap rate scenarios.

Table 18 and **Table 19** show the results of this analysis for the Baseline (Version A) economic assumptions per square foot of bonus floor area, using the lower and higher cap rates, respectively. Tables 16 through 19 are all calculated using the Baseline Version of the economic assumptions.

E. Return on Equity and Land Residual Analyses

1. Return on Equity Analysis

For the rental residential and commercial prototypes, projected net operating income (NOI) is divided by an assumed cap rate, to estimate the market value of the property upon completion and stabilization. For the owner residential prototypes, the market value of the prototype equals the sum of the estimated sales prices for the individual units, net of sales costs.

The estimated development cost for each prototype, excluding the estimated costs of program requirements, is subtracted from its estimated market value to determine the net value of the investment before consideration of program costs. The estimated costs of program requirements (payment of the current in lieu fee; estimated gap costs under the current performance requirement or a \$40 commercial fee under Scenario 1; or the estimated gap costs under the Scenario 2

performance requirement of 10% affordable units) are subtracted to determine the net value of the investment after program costs.

Tables 20 through **23** detail the return on equity analysis calculations for the prototypes using the Baseline (Version A) economic assumptions, with and without the incentive. Tables 20 and 21 show the calculations for the Downtown and South Lake Union prototypes, at the lower and higher cap rates, respectively. Tables 22 and 23 show the calculations for the low-rise and mid-rise prototypes, at the lower and higher cap rates, respectively.

2. Land Residual Analysis

Land residual analysis methodology calculates the value attributed to land from proposed development on that site. It is commonly used by real estate developers and investors to evaluate development financial feasibility and select among alternative uses for a piece of property.

For the commercial prototypes (apartment and office), DRA calculated net operating income from each prototype based on estimated market rents for the apartment, office and retail land uses, less operating costs. Net operating income is then capitalized at estimated market capitalization rates for each land use to determine the value of the developed property. The capitalization rate is the ratio of net operating income to project fair market value, or sales price, exhibited in the market and reflects the rate of return required by investors in cash flow property. Total development costs are then subtracted from the capitalized value to yield the estimated residual land value.

For the condominium housing prototypes, DRA estimated gross sales revenues and subtracted total development costs (which include selling costs, sales commissions, developer overhead and profit), to derive the residual value to the land.

Tables 24 through **27** detail the land residual analysis calculations for the prototypes using the Baseline (Version A) economic assumptions, with and without the incentive. Tables 24 and 25 show the calculations for the Downtown and South Lake Union prototypes, at the lower and higher cap rates, respectively. Tables 26 and 27 show the calculations for the low-rise and mid-rise prototypes, at the lower and higher cap rates, respectively.



Tables 28 and **29** summarize the results of the land residual analysis for the prototypes using the Baseline (Version A) economic assumptions with and without the incentive. Residual land value is shown per square foot of site area and per square foot of bonus gross floor area. Table 28 shows the analysis using the lower cap rates and Table 29 employs the higher cap rates.

F. Estimated Prototype Development Costs

DRA estimated development costs for each of the twelve prototypes, including land acquisition costs, hard construction costs, soft or indirect costs, sales/marketing costs, and developer administration and overhead, as described below. The development cost assumptions used in this analysis are detailed in **Table 30** for the Downtown and South Lake Union Prototypes and in **Table 31** for the low- and mid-rise prototypes.

1. Land Acquisition Costs

Land acquisition costs were estimated for the prototypes based on interviews with TAC members and a review of land sales comparables data. The costs are intended to reflect recent purchases in the market. Land costs are estimated on a per site square foot basis. Since both residential and commercial development is allowed on many sites in South Lake Union and Downtown, residential and commercial developers compete for the same sites. Similarly, developers intending to use the Incentive Housing Program compete with those who do not intend to use the incentives. Therefore, the same land acquisition price is assumed for both commercial and residential uses and for the prototypes with and without incentives. For the Baseline analysis (Version A) DRA has assumed a land acquisition cost of \$800 per square foot for the Downtown prototypes and \$400 per square foot for the South Lake Union prototypes.

The low- and mid-rise prototypes are analyzed under low, middle and high land acquisition cost assumptions, reflecting market conditions in various areas of the City. DRA started with an assumed land acquisition cost for the rental housing prototypes without the incentive of \$25,000 for the low scenario; \$40,000 for the middle scenario; and \$60,000 for the high scenario. These land acquisition costs were translated into a per square foot land cost for the rental prototypes without the incentive. The resulting per square foot land cost was used for the corresponding rental prototypes with the incentive and for the corresponding



condominium prototypes with and without the incentive, under the assumption that developers of these prototypes would be competing for the same sites.

2. Hard Construction Costs

Hard construction costs were estimated for the prototypes based on interviews with TAC members and other developers and general contractors active in the Seattle market, as well as review of project development cost pro formas for recent or proposed projects. Hard building construction costs are assumed to reflect costs for projects beginning construction in the current market. Hard costs include on-site improvements, building and parking costs expressed per gross square foot of building area including parking. An allowance for typical demolition costs is also included.

For the low- and mid-rise prototypes, hard construction costs are varied for the low, middle and high scenarios based on the higher level of finish and amenities typically offered by higher-priced apartments. Condominium costs are assumed to be approximately 5% higher than rental apartment costs for the same prototype due to the higher level of finishes and amenities typically found in condominiums.

Hard costs also include a 5% contingency and the 9.5% Washington State sales tax.

Since the Seattle neighborhoods where new development is occurring are largely built-out, new development typically requires demolition of existing structures. Development cost budgets also assume typical demolition costs of \$150,000 (total cost) for the Downtown and South Lake Union prototypes and \$50,000 (total cost) for the low- and mid-rise prototypes.

3. Soft (Indirect) Development Costs

Soft or indirect costs were estimated based on DRA's experience with development throughout the West Coast, as well as interviews with TAC members. Estimated soft costs include:

- Architectural, engineering and design fees;
- Legal and closing costs;
- Taxes and insurance (during the construction period);



- Interest during construction (land and construction loans);
- Financing fees;
- Marketing and leasing (for the rental prototypes);
- Marketing and sales costs (for the owner prototypes)

Total soft costs are estimated to total 16% of hard costs. An additional 2% in soft costs is added for the residential condominium prototypes for additional insurance and warranty expenses required for condos. An allowance for developer overhead is included, calculated at 3% of total development costs excluding land and sales taxes.

4. Total Development Costs

Total development costs, as defined for the purposes of this report, equal the sum of the above categories of development costs plus developer overhead and project management. Developer overhead and project management costs are estimated at 12 percent of development costs. The 40% of equity assumed to finance the prototypes includes both developer equity and investor equity. Therefore, return on equity to the developer is included in the overall return on equity calculations.

Tables 30 and **31** present the development and financing cost assumptions for the Downtown and South Lake Union prototypes and low-rise and mid-rise prototypes, respectively. **Tables 32** through **33** present the estimated prototype development cost budgets, with and without land costs, for the Downtown and South Lake Union prototypes and low-rise and mid-rise prototypes, respectively.

G. Estimated Prototype Rents, Sales Prices and Market Value

1. Apartment Rents and Operating Costs

DRA developed apartment rent and operating cost assumptions for the rental residential developments based on an analysis of market data, interviews with TAC members, and interviews with other professionals involved in the Seattle rental market.

DRA prepared a residential market analysis provided under separate cover (see DRA memo “Market Subarea Evaluation” dated April 10, 2014. This analysis



summarizes the characteristics of the market-rate apartment inventory by selected zip codes covering the Downtown, South Lake Union, and other neighborhoods surrounding the Downtown area, based on data from REALFACTS and DRA's survey of current market rents at selected recently-built Seattle apartment properties. It should be noted that the market rent survey identified rents for available units that, for properties that are already leased up, tend to be some of the higher priced units and/or reflect the latest market rents. In a market with rising rents, such as Seattle, these asking rents will be higher than the average contract rent for the property.

Additional data sources reviewed for this analysis include Realty Rates, Reis Reports, Hendricks-Berkadia and Dupre & Scott.

Based on the analysis of rent data and interviews, DRA developed "low," "middle" and "high" rent scenarios for the low- and mid-rise prototypes.

DRA developed per unit stabilized operating costs for the rental properties based on review of available operating cost data from Dupre & Scott, interviews with TAC members, and interviews with Brian O'Connor from O'Connor Consulting Group, a well-known appraiser and market analyst expertly familiar with the Seattle rental market. Operating costs vary depending upon the level of services and amenities expected with a certain rental level and the property taxes associated with the location of the property. The highest operating costs are for the Downtown properties, which offer a high level of services and amenities and have the highest property taxes because of the high land values.

For the Baseline (Version A) economic assumptions, apartment rents are escalated 5.2% from estimated current rents to represent the estimated increase in rents from the start of construction through lease up.

The analysis assumes a stabilized vacancy rate of 5.0% for the rental properties.

The income and operating cost assumptions and projected net operating income for each rental residential prototype are summarized in **Table 34** for the Downtown and South Lake Union prototypes and **Table 35** for the low- and mid-rise prototypes.

Rent and operating cost assumptions used in the "Baseline" economic scenario are summarized below.



| Summary of Key Rental Residential Rent and Operating Cost Assumptions Seattle Affordable Housing Incentive Program Economic Analysis “Baseline” Economic Scenario | | | |
|--|------------------------------|--|---|
| Prototype | Average Rent/Unit | Average Rent/SF¹ | Annual Operating Cost/Unit |
| 1A Downtown High-Rise with Incentive | \$2,477 | \$3.42 | \$11,000 |
| 1B Downtown High-Rise without Incentive | \$2,401 | \$3.31 | \$10,500 |
| 4A South Lake Union High- Rise with Incentive | \$2,454 | \$3.37 | \$9,800 |
| 4B South Lake Union Mid- Rise without Incentive | \$2,174 | \$3.00 | \$8,500 |
| Low-Rise and Mid-Rise Prototypes: Low Scenario | \$1,573 | \$2.42 | \$6,500 |
| Low-Rise and Mid-Rise Prototypes: Middle Scenario | \$1,781 | \$2.74 | \$6,500 |
| Low-Rise and Mid-Rise Prototypes: High Scenario | \$1,950 | \$3.00 | \$7,000 |

Source: DRA

¹ Assumes average unit size of 725 SF for Downtown and South Lake Union prototypes and 650 SF for low- and mid-rise prototypes



2. Condominium Sales Prices

The DRA memo “Market Subarea Evaluation” dated April 10, 2014 also analyzed condominium sales data by zip code within Downtown Seattle and surrounding areas, based on data from Dataquick. Given that there are few new condos selling in Seattle today, DRA focused on current resale prices for the most recently built units in developing its condo sales price assumptions, summarized below. For the Baseline (Version A) economic assumptions, condo prices, summarized below, are escalated 5% from estimated current rents to represent the estimated increase in prices from the start of construction through sales of the units.

| Summary of Key Residential Condominium Sales Price Assumptions Seattle Affordable Housing Incentive Program Economic Analysis “Baseline” Economic Scenario | | |
|---|---------------------------------|---|
| Prototype | Average Sales Price/Unit | Average Sales Price/SF¹ |
| 1A Downtown High-Rise with Incentive | \$641,300 | \$778 |
| 1B Downtown High-Rise without Incentive | \$610,900 | \$741 |
| 4A South Lake Union High-Rise with Incentive | \$570,900 | \$673 |
| 4B South Lake Union Mid-Rise without Incentive | \$479,400 | \$565 |
| Low-Rise and Mid-Rise Prototypes: Low Scenario | \$258,300 | \$315 |
| Low-Rise and Mid-Rise Prototypes: Middle Scenario | \$344,400 | \$420 |
| Low-Rise and Mid-Rise Prototypes: High Scenario | \$430,500 | \$525 |

¹ Assumes average unit size of 825 SF for Downtown condo prototypes, 849 SF for South Lake Union condo prototypes, and 820 SF for low- and mid-rise prototypes.



Condominium sales costs are estimated at 5% of gross sales prices. Detailed assumptions for the condominium sales prices and projected net sales income are shown in **Table 36** for the Downtown and South Lake Union prototypes and **Table 37** for the low- and mid-rise prototypes.

3. Office Income and Operating Costs

DRA developed office income and operating cost assumptions for the prototypes through review of published data and interviews with TAC members. Data reviewed for this analysis include recent office market updates, sales comparables and projections from CBRE, the Downtown Seattle Association, Loop Net, Realty Rates and Reis Reports.

Based on these data and interviews, DRA estimates current office rents in Downtown and South Lake Union at approximately \$32.00 per square foot, and operating costs at \$10.00 per square foot. DRA assumed a stabilized vacancy rate of 10% for its analysis. For the Baseline (Version A) economic assumptions, the office rent is escalated approximately 9% to \$35 to represent the estimated increase in rents from the start of construction through lease up.

Detailed assumptions on office income and operating costs, parking income, and projected net operating income from the commercial prototypes are shown in **Table 38**.

4. Capitalization Rates

Recent capitalization rates (or “cap” rates) for the rental residential prototypes and commercial office prototypes are based on review of the data sources described above and input from the TAC. Current cap rates for residential development are in the 4.25% range, which is historically low as it has been for the last several years. However, lenders and investors underwriting new projects typically require higher cap rates. DRA used 4.25% as the “low” cap rate for the rental residential analysis and 5.00% for the “high” cap rate scenario.

For office development, current cap rates are estimated in the 5.00% range, while underwriting new projects again is likely to require a higher cap rate. For the office prototypes, DRA used 5.00% as the “low” cap rate for the rental residential analysis and 5.50% for the “high” cap rate scenario.



H. Affordability Gap Analysis

1. Affordability Gap Analysis Methodology

DRA estimated the cost of meeting Affordable Housing Incentive Program performance requirements by providing affordable housing on-site within the development prototypes. A “gap” analysis approach was used to measure the difference between what households at the Program’s target income levels can afford to pay for renter and ownership housing and the costs of producing such housing in the City of Seattle. This gap represents the “affordability cost” or “gap cost” to the private developer of providing affordable units on-site.

The gap analysis contains four main steps:

1. define affordability standards for the affordable units;
2. calculate the amount of mortgage supported by the net operating income from affordable rental units and estimate the affordable sales prices for owner units;
3. estimate housing development costs for each prototype; and
4. determine the “gap” between the supportable mortgages or affordable sales prices household incomes can support and the total cost of developing the housing.

Income limits for the analysis are based on the U.S. Department of Housing and Urban Development published 2014 income limits for the Seattle-Bellevue HMFA, adjusted by household size. HUD reports a median household income of \$88,200 for a family of four for 2014.

Affordable housing cost is defined at 30 percent of gross income for renters, including rent plus utilities. The City’s affordable housing incentive programs and most federal affordability standards for renters are now established at 30 percent. DRA used current utility allowances from the Seattle Housing Authority, effective November 1, 2013. DRA used the “tenant pays all utilities,” allowance, which includes electricity, heating, water and garbage.

Affordable housing cost for owners is defined at 35 percent of gross income and includes monthly loan principal and interest, property taxes, property fire and



casualty insurance, and homeowner association (HOA) dues. This standard is based on typical affordable housing ownership program and lender underwriting requirements.

2. Rental Housing Affordability Gap Analysis

Table 39 calculates the affordable rents and supportable mortgage per unit for the Downtown and South Lake Union high-rise prototypes with the incentive. As for the market-rate units, the affordable units in Downtown will require higher operating costs due to the level of services in the building and the higher property taxes associated with a Downtown location.

Table 40 calculates affordable rents and supportable mortgage per unit for the low- and mid-rise prototypes with the incentive.

DRA calculates affordable monthly net rents for units ranging from studios to four-bedroom units. Affordable monthly housing expense is adjusted by household size based on an assumed occupancy standard of 1 person for a studio and 1.5 persons per bedroom for the larger units. These figures indicate that a family of three at 80 percent of area median income should have to spend no more than \$1,588 per month for rent plus utilities. A three-person renter household earning 80 percent of area median income can afford \$1,428 per month for rent after estimated utility costs of \$160 per month.

DRA also calculated the estimated per unit mortgage supportable from affordable net rents. Net operating income from the affordable units is calculated assuming the annual operating costs for the market-rate prototypes described above, and assuming a 3 percent vacancy rate for the affordable units. The affordable mortgage is calculated based on a 30-year term and apartment mortgage interest rate of 6.5 percent. The affordability gap is determined by subtracting the affordable mortgage from the total development cost for the unit.

A debt coverage ratio of 1.0 is used for the supportable mortgage analysis. While lenders typically require a debt coverage ratio of 1.20 to 1.30 in sizing a permanent mortgage loan for rental properties, the additional 20% to 30% of cash flow not counted toward sizing the mortgage would provide a return on equity for the remaining equity requirement. In this case, DRA is using the gap approach to model the market value of the unit at affordable rents; hence the full cash flow is used (with the 1.0 debt coverage ratio) as an approximation of the debt and equity supportable by the cash flow from affordable rents.



Table 41 calculates the rental affordable housing gap cost by prototype. Per unit supportable mortgages by unit bedroom count are averaged based on the prototype's bedroom count distribution. The average supportable mortgage is subtracted from the average per unit development cost for the prototype, to develop the average gap per unit. The average per unit gap is multiplied by the required number of affordable units to estimate the total gap cost of the performance housing requirement under Scenario 1 (current program requirement of approximately 5% of total units) and Scenario 2 (10% of affordable units).

3. Owner Housing Affordability Gap Analysis

For owners, the affordability gap is calculated by subtracting total development costs for the affordable units from the affordable sales prices for these units. Affordable mortgage principal and interest is calculated from the income limits and affordable housing cost expense ratio, less estimated HOA/maintenance expense of \$325 per month for high-rise prototypes and \$225 for low- and mid-rise prototypes; property insurance expense of \$75 per month for high-rise prototypes and \$50 per month for low- and mid-rise prototypes; and property taxes at 1.2 percent of the affordable mortgage. The affordable mortgage is calculated assuming a mortgage interest rate of 5.5% and a 30-year mortgage term. The affordable sales price equals the affordable mortgage plus a 5% downpayment.

Tables 42 and **43** present the affordable home sales price assumptions and calculations for the high-rise and low-/mid-rise prototypes, respectively.

Table 44 calculates the owner affordable housing gap cost by prototype. Per unit affordable home sales prices by unit bedroom count are averaged based on the prototype's bedroom count distribution. The average affordable sales price is subtracted from the average per unit development cost for the prototype, to derive the average gap per unit. The average per unit gap is multiplied by the required number of affordable units to estimate the total gap cost of the performance housing requirement under Scenario 1 (current program requirement of approximately 5% of total units) and Scenario 2 (10% of affordable units).

I. Sensitivity Analysis

DRA conducted a sensitivity analysis of several of the key Baseline (Version A) economic assumptions described above. The variation in these assumptions for the sensitivity analysis in Version B and Version C are described in the Executive Summary, Summary of Findings.



Tables 45 through **65** present the return on equity and land residual analyses calculations, revised development costs and net operating income estimates for Version B of the sensitivity analysis. **Tables 66** through **86** present the revised tables for Version C of the sensitivity analysis.



Table 4
Development Prototypes
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Downtown/HR | | | | | |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 1A With Incentive | Prototype 1B No Incentive | Prototype 2A With Incentive | Prototype 2B No Incentive | Prototype 3A With Incentive | Prototype 3B No Incentive |
| Zoning | In DMC 240/290-400 and HR | In DMC 340/290-400 | In DMC 340/290-400 |
| Zip Code(s) | 98121/ 98191 / 98101 | 98121/ 98191 / 98101 | 98121/ 98191 / 98101 | 98121/ 98191 / 98101 | 98121 / 98101 | 98121 / 98101 |
| Neighborhood/Geographic Subarea | Downtown Urban Center / First Hill | Downtown Urban Center | Downtown Urban Center |
| Primary Land Use(s) | Residential | Residential | Residential | Residential | Commercial - Office | Commercial - Office |
| Residential Tenure (Renter/Owner) | Renter | Renter | Owner | Ownership | 0 | 0 |
| Total Site Area (Acre) | 0.34 Acres | 0.34 Acres | 0.34 Acres | 0.34 Acres | 0.74 Acres | 0.74 Acres |
| Total Site Area (SF) | 15,000 | 15,000 | 15,000 | 15,000 | 32,400 | 32,400 |
| Construction Type | Type I | Type I | Type I | Type I | Type I | Type I |
| Approximate Building Stories | 40 Stories | 24 Stories | 40 Stories | 24 Stories | 8 Stories | 4 Stories |
| Total Gross Building SF, Including Parking (1) | 509,500 | 323,300 | 524,500 | 323,300 | 447,000 | 224,000 |
| Total Gross Building SF Above Ground (Incl. Pkg.) (2) | 449,500 | 278,300 | 449,500 | 278,300 | 324,000 | 162,000 |
| Floor Area Ratio (Gross Bldg SF, Incl. Pkg.) (2) | 29.97 | 18.55 | 29.97 | 18.55 | 10.00 | 5.00 |
| Total Gross Building SF (Excluding All Parking) (3) | 344,500 SF | 211,300 SF | 296,500 SF | 184,300 SF | 201,000 SF | 100,000 SF |
| Total Gross Building SF Above Ground | 449,500 | 278,300 | 449,500 | 278,300 | 324,000 | 162,000 |
| Total Gross Parking SF Above Ground | 45,000 | 22,000 | 78,000 | 49,000 | 0 | 0 |
| Total Gross SF Above Ground Excluding Parking | 404,500 | 256,300 | 371,500 | 229,300 | 324,000 | 162,000 |
| Total Net Building SF Excluding Parking | 311,000 | 197,000 | 286,000 | 177,000 | 249,000 | 130,000 |
| Office Space (Gross SF) | 0 | 0 | 0 | 0 | 324,000 | 162,000 |
| Ground Floor Retail Space (Gross SF) | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| Ground Floor Service/Lobby Space | 12,000 | 12,000 | 12,000 | 12,000 | 32,400 | 0 |
| Residential Space (Gross SF) | 389,500 | 241,300 | 356,500 | 214,300 | 0 | 0 |
| Building Efficiency Ratio (%) | 77% | 77% | 77% | 77% | 77% | 80% |
| Site Coverage (Bldg. Footprint) (%) | 100% | 100% | 100% | 100% | 100% | 100% |
| Max. Bldg Footprint, Ground Floor (Gross SF) | 15,000 | 15,000 | 15,000 | 15,000 | 32,400 | 32,400 |
| Max. Tower Floor Plate (Gross SF) | 10,700 | 10,700 | 10,700 | 10,700 | N/A | N/A |
| Assumed Floor Plate for Commercial (Gross SF) | | | | | 25,000 | 25,000 |
| Levels Underground Parking | 4.0 | 3.0 | 5.0 | 3.0 | 4.0 | 2.0 |
| Levels Structured Parking Above Grade | 3.0 | 1.4 | 5.2 | 3.3 | 0.0 | 0.0 |
| Stories of Ground Floor Retail/Lobby/Service Space | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 0.1 |
| Stories of Office Space | 0.0 | 0.0 | 0.0 | 0.0 | 10.0 | 5.0 |
| Stories of Residential Space | 36.0 | 21.6 | 33.8 | 19.7 | 0.0 | 0.0 |
| Total Stories Above Ground | 40.0 | 24.0 | 40.0 | 24.0 | 11.0 | 5.1 |
| Net Rentable SF Retail | 2,100 SF | 2,100 SF | 2,100 SF | 2,100 SF | 2,100 SF | 2,100 SF |
| Net Rentable SF Office | 0 SF | 0 SF | 0 SF | 0 SF | 249,480 SF | 129,600 SF |
| Net SF Residential | 308,900 SF | 194,900 SF | 283,900 SF | 174,900 SF | 0 SF | 0 SF |
| Net SF Total | 311,000 SF | 197,000 SF | 286,000 SF | 177,000 SF | 251,580 SF | 131,700 SF |
| Unit Bedroom Count Distribution | | | | | | |
| Studio | 25% | 25% | 33% | 33% | 0 | 0 |
| One Bedroom | 50% | 50% | 50% | 50% | 0 | 0 |
| Two Bedroom | 25% | 25% | 15% | 15% | 0 | 0 |
| Three Bedroom | 0% | 0% | 2% | 2% | 0 | 0 |
| Total | 100% | 100% | 100% | 100% | 0 | 0 |
| Units by BR Count | | | | | | |
| Studio | 107 | 67 | 114 | 70 | 0 | 0 |
| One Bedroom | 213 | 135 | 172 | 106 | 0 | 0 |
| Two Bedroom | 106 | 67 | 52 | 32 | 0 | 0 |
| Three Bedroom | 0 | 0 | 6 | 4 | 0 | 0 |
| Total Residential Units | 426 | 269 | 344 | 212 | 0 | 0 |
| Residential Density (units per acre) (1) | 1237 du/a | 781 du/a | 999 du/a | 616 du/a | 0 du/a | 0 du/a |
| Unit Size (Net SF) | | | | | | |
| Studio | 500 SF | 500 SF | 650 SF | 650 SF | 0 SF | 0 SF |
| One Bedroom | 700 SF | 700 SF | 800 SF | 800 SF | 0 SF | 0 SF |
| Two Bedroom | 1,000 SF | 1,000 SF | 1,200 SF | 1,200 SF | 0 SF | 0 SF |
| Three Bedroom | 0 SF | 0 SF | 1,500 SF | 1,500 SF | 0 SF | 0 SF |
| <i>Average Unit Size</i> | <i>725 SF</i> | <i>725 SF</i> | <i>825 SF</i> | <i>825 SF</i> | <i>0 SF</i> | <i>0 SF</i> |
| Parking Ratio - Residential (Spaces/Unit) | 0.65 | 0.65 | 1.17 | 1.17 | 0 | 0 |
| Parking Ratio - Office (Spaces/1000 GSF) | 0 | 0 | 0 | 0 | 1 | 1 |
| Parking Spaces Per Floor | 39 Spaces/Floor | 39 Spaces/Floor | 39 Spaces/Floor | 39 Spaces/Floor | 85 Spaces/Floor | 85 Spaces/Floor |
| No. of Underground Parking Spaces | 158 Spaces | 118 Spaces | 197 Spaces | 118 Spaces | 324 Spaces | 162 Spaces |
| No. of Above-Ground Parking Spaces | 119 Spaces | 57 Spaces | 205 Spaces | 130 Spaces | 0 Spaces | 0 Spaces |
| Total Parking Spaces Provided | 277 Spaces | 175 Spaces | 402 Spaces | 248 Spaces | 324 Spaces | 162 Spaces |
| Total Parking Spaces Required | 277 Spaces | 175 Spaces | 402 Spaces | 248 Spaces | 324 Spaces | 162 Spaces |
| Gross SF/Parking Space (Incl. Circulation) | 380 SF | 380 SF | 380 SF | 380 SF | 380 SF | 380 SF |
| Total Parking SF | 105,000 SF | 67,000 SF | 153,000 SF | 94,000 SF | 123,000 SF | 62,000 SF |
| Total Underground Parking SF | 60,000 SF | 45,000 SF | 75,000 SF | 45,000 SF | 123,000 SF | 62,000 SF |
| Total Parking SF Above Grade | 45,000 SF | 22,000 SF | 78,000 SF | 49,000 SF | 0 SF | 0 SF |

(1) Includes below-grade and above-grade parking.
(2) Includes above-grade parking; excludes underground parking. Excludes modest ground floor retail for commercial prototypes.
(3) Excludes above-grade and below-grade parking.
Source: City of Seattle Department of Planning and Development; DRA

Table 4
Development Prototypes
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | South Lake Union | | | | | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 4A With Incentive | Prototype 4B No Incentive | Prototype 5A With Incentive | Prototype 5B No Incentive | Prototype 6A With Incentive | Prototype 6B No Incentive |
| Zoning | in SM 160/85-240 | in SM 160/85-240 | in SM 160/85-240 | in SM 160/85-240 | in SM 160/85-240 | in SM 160/85-240 |
| Zip Code(s) | 98109 | 98109 | 98109 | 98109 | 98109 | 98109 |
| Neighborhood/Geographic Subarea | SLU Urban Center | SLU Urban Center | SLU Urban Center | SLU Urban Center | SLU Urban Center | SLU Urban Center |
| Primary Land Use(s) | Residential | Residential | Residential | Residential | Commercial | Commercial |
| Residential Tenure (Renter/Owner) | Renter | Renter | Ownership | Ownership | n/a | n/a |
| Total Site Area (Acre) | 0.48 Acres | 0.48 Acres | 0.48 Acres | 0.48 Acres | 0.99 Acres | 0.99 Acres |
| Total Site Area (SF) | 21,000 | 21,000 | 21,000 | 21,000 | 43,000 | 43,000 |
| Construction Type | Type I | Type V over Type I | Type I | Type V over Type I | Type I | Type I |
| Approximate Building Stories | 24 Stories | 7 Stories | 24 Stories | 7 Stories | 8 Stories | 5 Stories |
| Total Gross Building SF, Including Parking (1) | 341,250 | 153,000 | 341,250 | 148,000 | 414,000 | 267,000 |
| Total Gross Building SF Above Ground (Incl. Pkg.) (2) | 278,250 | 132,000 | 278,250 | 119,000 | 301,000 | 194,000 |
| Floor Area Ratio (Gross Bldg SF, Incl. Pkg.) (2) | 13.25 | 6.29 | 13.25 | 5.67 | 7.00 | 4.51 |
| Total Gross Building SF (Excluding All Parking) (3) | 203,250 SF | 99,000 SF | 179,250 SF | 76,000 SF | 188,000 SF | 121,000 SF |
| Total Gross Building SF Above Ground | 278,250 | 132,000 | 278,250 | 119,000 | 301,000 | 194,000 |
| Total Gross Parking SF Above Ground | 11,000 | 12,000 | 36,000 | 13,000 | 0 | 0 |
| Total Gross SF Above Ground Excluding Parking | 267,250 | 120,000 | 242,250 | 106,000 | 301,000 | 194,000 |
| Total Net Building SF Excluding Parking | 206,000 | 92,000 | 187,000 | 82,000 | 241,000 | 155,000 |
| Office Space (Gross SF) | 0 | 0 | 0 | 0 | 298,000 | 191,000 |
| Ground Floor Retail Space (Gross SF) | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| Ground Floor Service/Lobby Space | 12,750 | 0 | 12,750 | 0 | 43,000 | 0 |
| Residential Space (Gross SF) | 251,500 | 117,000 | 226,500 | 103,000 | 0 | 0 |
| Building Efficiency Ratio (%) | 77% | 77% | 77% | 77% | 80% | 80% |
| Site Coverage (Bldg. Footprint) (%) | 75% | 100% | 75% | 100% | 100% | 100% |
| Max. Bldg Footprint, Ground Floor (Gross SF) | 15,750 | 21,000 | 15,750 | 21,000 | 43,000 | 43,000 |
| Max. Tower Floor Plate (Gross SF) | 10,500 | N/A | 10,500 | N/A | N/A | N/A |
| Assumed Floor Plate for Commercial (Gross SF) | | | | | 25,000 | 25,000 |
| Levels Underground Parking | 3.0 | 1.0 | 3.0 | 1.4 | 3.0 | 3.0 |
| Levels Structured Parking Above Grade | 0.5 | 0.6 | 1.7 | 0.6 | 0.0 | 0.0 |
| Stories of Ground Floor Retail/Lobby/Service Space | 1.0 | 0.1 | 1.0 | 0.1 | 1.0 | 0.1 |
| Stories of Office Space | 0.0 | 0.0 | 0.0 | 0.0 | 6.9 | 4.4 |
| Stories of Residential Space | 22.5 | 5.6 | 21.3 | 4.9 | 0.0 | 0.0 |
| Total Stories Above Ground | 24.0 | 6.3 | 24.0 | 5.7 | 7.9 | 4.5 |
| Net Rentable SF Retail | 2,100 SF | 2,100 SF | 2,100 SF | 2,100 SF | 2,100 SF | 2,100 SF |
| Net Rentable SF Office | 0 SF | 0 SF | 0 SF | 0 SF | 238,400 SF | 152,800 SF |
| Net SF Residential | 203,900 SF | 89,900 SF | 184,900 SF | 79,900 SF | 0 SF | 0 SF |
| Net SF Total | 206,000 SF | 92,000 SF | 187,000 SF | 82,000 SF | 240,500 SF | 154,900 SF |
| Unit Bedroom Count Distribution | | | | | | |
| Studio | 25% | 25% | 25% | 25% | 0 | 0 |
| One Bedroom | 50% | 50% | 55% | 55% | 0 | 0 |
| Two Bedroom | 25% | 25% | 18% | 18% | 0 | 0 |
| Three Bedroom | 0% | 0% | 2% | 2% | 0 | 0 |
| Total | 100% | 100% | 100% | 100% | 0 | 0 |
| Units by BR Count | | | | | | |
| Studio | 70 | 31 | 55 | 24 | 0 | 0 |
| One Bedroom | 141 | 62 | 120 | 52 | 0 | 0 |
| Two Bedroom | 70 | 31 | 39 | 17 | 0 | 0 |
| Three Bedroom | 0 | 0 | 4 | 1 | 0 | 0 |
| Total Residential Units | 281 | 124 | 218 | 94 | 0 | 0 |
| Residential Density (units per acre) (1) | 583 du/a | 257 du/a | 452 du/a | 195 du/a | 0 du/a | 0 du/a |
| Unit Size (Net SF) | | | | | | |
| Studio | 500 SF | 500 SF | 650 SF | 650 SF | 0 SF | 0 SF |
| One Bedroom | 700 SF | 700 SF | 800 SF | 800 SF | 0 SF | 0 SF |
| Two Bedroom | 1,000 SF | 1,000 SF | 1,200 SF | 1,200 SF | 0 SF | 0 SF |
| Three Bedroom | 0 SF | 0 SF | 1,500 SF | 1,500 SF | 0 SF | 0 SF |
| <i>Average Unit Size</i> | <i>725 SF</i> | <i>725 SF</i> | <i>849 SF</i> | <i>849 SF</i> | <i>0 SF</i> | <i>0 SF</i> |
| Parking Ratio - Residential (Spaces/Unit) | 0.70 | 0.70 | 1.20 | 1.19 | 0 | 0 |
| Parking Ratio - Office (Spaces/1000 GSF) | 0 | 0 | 0 | 0 | Max 1 | Max 1 |
| Parking Spaces Per Floor | 55 Spaces/Floor | 55 Spaces/Floor | 55 Spaces/Floor | 55 Spaces/Floor | 113 Spaces/Floor | 113 Spaces/Floor |
| No. of Underground Parking Spaces | 166 Spaces | 55 Spaces | 166 Spaces | 77 Spaces | 298 Spaces | 191 Spaces |
| No. of Above-Ground Parking Spaces | 31 Spaces | 32 Spaces | 95 Spaces | 35 Spaces | 0 Spaces | 0 Spaces |
| Total Parking Spaces Provided | 197 Spaces | 87 Spaces | 261 Spaces | 112 Spaces | 298 Spaces | 191 Spaces |
| Total Parking Spaces Required | 197 Spaces | 87 Spaces | 261 Spaces | 112 Spaces | 298 Spaces | 191 Spaces |
| Gross SF/Parking Space (Incl. Circulation) | 380 SF | 380 SF | 380 SF | 380 SF | 380 SF | 380 SF |
| Total Parking SF | 75,000 SF | 33,000 SF | 99,000 SF | 43,000 SF | 113,000 SF | 73,000 SF |
| Total Underground Parking SF | 63,000 SF | 21,000 SF | 63,000 SF | 29,000 SF | 113,000 SF | 73,000 SF |
| Total Parking SF Above Grade | 12,000 SF | 12,000 SF | 36,000 SF | 13,000 SF | 0 SF | 0 SF |

(1) Includes below-grade and above-grade parking.
(2) Includes above-grade parking; excludes underground parking.
(3) Excludes above-grade and below-grade parking.
Source: City of Seattle Department of Planning and Development

Table 4
Development Prototypes
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | |
|--|--|--|--|--|
| | Residential Rental | | Residential Ownership | |
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 8A With Incentive | Prototype 8B No Incentive |
| Zoning | in MR | in LR3 | in MR | in LR3 |
| Zip Code(s) | Zips throughout the city except downtown and SLU. | Zips throughout the city except downtown and SLU. | Zips throughout the city except downtown and SLU. | Zips throughout the city except downtown and SLU. |
| Neighborhood/Geographic Subarea | Urban Centers Outside Downtown and Urban Villages Citywide | Urban Centers Outside Downtown and Urban Villages Citywide | Urban Centers Outside Downtown and Urban Villages Citywide | Urban Centers Outside Downtown and Urban Villages Citywide |
| Primary Land Use(s) | Residential | Residential | Residential | Residential |
| Residential Tenure (Renter/Owner) | Renter | Renter | Ownership | Ownership |
| Total Site Area (Acre) | 0.33 Acres | 0.33 Acres | 0.33 Acres | 0.33 Acres |
| Total Site Area (SF) | 14,400 | 14,400 | 14,400 | 14,400 |
| Construction Type | Type V over Type I | Type V | Type V over Type I | Type V |
| Approximate Building Stories | 7 Stories | 4 Stories | 7 Stories | 4 Stories |
| Total Gross Building SF, Including Parking (1) | 77,200 | 36,800 | 82,200 | 38,800 |
| Total Gross Building SF Above Ground (Incl. Pkg) (2) | 61,200 | 28,800 | 61,200 | 28,800 |
| Floor Area Ratio (Gross Bldg SF, Incl. Pkg.) (2) | 4.25 | 2.00 | 4.25 | 2.00 |
| Total Gross Building SF (Excluding All Parking) (3) | 45,200 SF | 20,800 SF | 40,200 SF | 18,800 SF |
| Total Gross Building SF Above Ground | 61,200 | 28,800 | 61,200 | 28,800 |
| Total Gross Parking SF Above Ground | 0 | 0 | 0 | 0 |
| Total Gross SF Above Ground Excluding Parking | 61,200 | 28,800 | 61,200 | 28,800 |
| Total Net Building SF Excluding Parking | 46,000 | 22,000 | 46,000 | 22,000 |
| Office Space (Gross SF) | 0 | 0 | 0 | 0 |
| Ground Floor Retail Space (Gross SF) | 0 | 0 | 0 | 0 |
| Ground Floor Service/Lobby Space | | | | |
| Residential Space (Gross SF) | 61,200 | 28,800 | 61,200 | 28,800 |
| Building Efficiency Ratio (%) | 75% | 75% | 75% | 75% |
| Site Coverage (Bldg. Footprint) (%) | 66% | 50% | 66% | 50% |
| Max. Bldg Footprint, Ground Floor (Gross SF) | 9,540 | 7,200 | 9,540 | 7,200 |
| Max. Tower Floor Plate (Gross SF) | N/A | N/A | N/A | N/A |
| Assumed Floor Plate for Commercial (Gross SF) | | | | |
| Levels Underground Parking | 1.1 | 0.5 | 1.5 | 0.7 |
| Levels Structured Parking Above Grade | 0.0 | 0.0 | 0.0 | 0.0 |
| Stories of Ground Floor Retail/Lobby/Service Space | 0.0 | 0.0 | 0.0 | 0.0 |
| Stories of Office Space | 0.0 | 0.0 | 0.0 | 0.0 |
| Stories of Residential Space | 6.4 | 4.0 | 6.4 | 4.0 |
| Total Stories Above Ground | 6.4 | 4.0 | 6.4 | 4.0 |
| Net Rentable SF Retail | 0 SF | 0 SF | 0 SF | 0 SF |
| Net Rentable SF Office | 0 SF | 0 SF | 0 SF | 0 SF |
| Net SF Residential | 46,000 SF | 22,000 SF | 46,000 SF | 22,000 SF |
| Net SF Total | 46,000 SF | 22,000 SF | 46,000 SF | 22,000 SF |
| Unit Bedroom Count Distribution | | | | |
| Studio | 25% | 25% | 0% | 0% |
| One Bedroom | 50% | 50% | 50% | 50% |
| Two Bedroom | 25% | 25% | 40% | 40% |
| Three Bedroom | 0% | 0% | 10% | 10% |
| Total | 100% | 100% | 100% | 100% |
| Units by BR Count | | | | |
| Studio | 18 | 9 | 0 | 0 |
| One Bedroom | 36 | 17 | 28 | 14 |
| Two Bedroom | 17 | 8 | 22 | 11 |
| Three Bedroom | 0 | 0 | 6 | 3 |
| Total Residential Units | 71 | 34 | 56 | 27 |
| Residential Density (units per acre) (1) | 215 du/a | 103 du/a | 169 du/a | 82 du/a |
| Unit Size (Net SF) | | | | |
| Studio | 450 SF | 450 SF | 0 SF | 0 SF |
| One Bedroom | 650 SF | 650 SF | 700 SF | 700 SF |
| Two Bedroom | 850 SF | 850 SF | 900 SF | 900 SF |
| Three Bedroom | 0 SF | 0 SF | 1,100 SF | 1,100 SF |
| <i>Average Unit Size</i> | <i>650 SF</i> | <i>650 SF</i> | <i>820 SF</i> | <i>820 SF</i> |
| Parking Ratio - Residential (Spaces/Unit) | 0.60 | 0.60 | 1.0 | 1.0 |
| Parking Ratio - Office (Spaces/1000 GSF) | 0 | 0 | 0 | 0 |
| Parking Spaces Per Floor | 38 Spaces/Floor | 38 Spaces/Floor | 38 Spaces/Floor | 38 Spaces/Floor |
| No. of Underground Parking Spaces | 43 Spaces | 20 Spaces | 56 Spaces | 27 Spaces |
| No. of Above-Ground Parking Spaces | 0 Spaces | 0 Spaces | 0 Spaces | 0 Spaces |
| Total Parking Spaces Provided | 43 Spaces | 20 Spaces | 56 Spaces | 27 Spaces |
| Total Parking Spaces Required | 43 Spaces | 20 Spaces | 56 Spaces | 27 Spaces |
| Gross SF/Parking Space (Incl. Circulation) | 380 SF | 380 SF | 380 SF | 380 SF |
| Total Parking SF | 16,000 SF | 8,000 SF | 21,000 SF | 10,000 SF |
| Total Underground Parking SF | 16,000 SF | 8,000 SF | 21,000 SF | 10,000 SF |
| Total Parking SF Above Grade | 0 SF | 0 SF | 0 SF | 0 SF |

(1) Includes below-grade and above-grade parking.
(2) Includes above-grade parking; excludes underground parking.
(3) Excludes above-grade and below-grade parking.
Source: City of Seattle Department of Planning and Development

Table 4
Development Prototypes
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 Stories to 6 Stories | | | | 6 Stories to 7 Stories | | | |
|--|--|--|--|--|--|--|--|--|
| | Residential Rental | | Residential Ownership | | Residential Rental | | Residential Ownership | |
| | Prototype 9A With Incentive | Prototype 9B No Incentive | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 11A With Incentive | Prototype 11B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| Zoning | in NC 65 | in NC 40 | in NC 65 | in NC 40 | in NC 85 | in NC 65 | in NC 85 | in NC 65 |
| Zip Code(s) | Zips throughout the city except downtown and SLU. | Zips throughout the city except downtown and SLU. | Zips throughout the city except downtown and SLU. | Zips throughout the city except downtown and SLU. | Zips throughout the city except downtown and SLU. | Zips throughout the city except downtown and SLU. | Zips throughout the city except downtown and SLU. | Zips throughout the city except downtown and SLU. |
| Neighborhood/Geographic Subarea | Urban Centers Outside Downtown and Urban Villages Citywide | Urban Centers Outside Downtown and Urban Villages Citywide | Urban Centers Outside Downtown and Urban Villages Citywide | Urban Centers Outside Downtown and Urban Villages Citywide | Urban Centers Outside Downtown and Urban Villages Citywide | Urban Centers Outside Downtown and Urban Villages Citywide | Urban Centers Outside Downtown and Urban Villages Citywide | Urban Centers Outside Downtown and Urban Villages Citywide |
| Primary Land Use(s) | Res over Retail |
| Residential Tenure (Renter/Owner) | Renter | Renter | Ownership | Ownership | Renter | Renter | Ownership | Ownership |
| Total Site Area (Acre) | 0.46 Acres |
| Total Site Area (SF) | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Construction Type | Type V over Type I | Type V | Type V over Type I | Type V | Type V over Type I |
| Approximate Building Stories | 6 Stories | 4 Stories | 6 Stories | 4 Stories | 7 Stories | 6 Stories | 7 Stories | 6 Stories |
| Total Gross Building SF, Including Parking (1) | 119,000 | 81,000 | 127,000 | 87,000 | 171,000 | 121,000 | 161,000 | 127,000 |
| Total Gross Building SF Above Ground (Incl. Pkg) (2) | 95,000 | 65,000 | 95,000 | 65,000 | 120,000 | 95,000 | 120,000 | 95,000 |
| Floor Area Ratio (Gross Bldg SF, Incl. Pkg.) (2) | 4.75 | 3.25 | 4.75 | 3.25 | 6.00 | 4.75 | 6.00 | 4.75 |
| Total Gross Building SF (Excluding All Parking) (3) | 71,000 SF | 49,000 SF | 63,000 SF | 43,000 SF | 69,000 SF | 69,000 SF | 79,000 SF | 63,000 SF |
| Total Gross Building SF Above Ground | 95,000 | 65,000 | 95,000 | 65,000 | 120,000 | 95,000 | 120,000 | 95,000 |
| Total Gross Parking SF Above Ground | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Gross SF Above Ground Excluding Parking | 95,000 | 65,000 | 95,000 | 65,000 | 120,000 | 95,000 | 120,000 | 95,000 |
| Total Net Building SF Excluding Parking | 71,000 | 49,000 | 71,000 | 49,000 | 90,000 | 71,000 | 90,000 | 71,000 |
| Office Space (Gross SF) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ground Floor Retail Space (Gross SF) | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| Ground Floor Service/Lobby Space | | | | | | | | |
| Residential Space (Gross SF) | 92,000 | 62,000 | 92,000 | 62,000 | 117,000 | 92,000 | 117,000 | 92,000 |
| Building Efficiency Ratio (%) | 75% | 75% | 75% | 75% | 75% | 75% | 75% | 75% |
| Site Coverage (Bldg. Footprint) (%) | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Max. Bldg Footprint, Ground Floor (Gross SF) | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Max. Tower Floor Plate (Gross SF) | N/A |
| Assumed Floor Plate for Commercial (Gross SF) | | | | | | | | |
| Levels Underground Parking | 1.2 | 0.8 | 1.6 | 1.1 | 2.6 | 1.3 | 2.0 | 1.6 |
| Levels Structured Parking Above Grade | 1.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Stories of Ground Floor Retail/Lobby/Service Space | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Stories of Office Space | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Stories of Residential Space | 4.6 | 3.1 | 4.6 | 3.1 | 5.9 | 4.6 | 5.9 | 4.6 |
| Total Stories Above Ground | 5.8 | 3.3 | 4.8 | 3.3 | 6.0 | 4.8 | 6.0 | 4.8 |
| Net Rentable SF Retail | 2,100 SF |
| Net Rentable SF Office | 0 SF |
| Net SF Residential | 68,900 SF | 46,900 SF | 68,900 SF | 46,900 SF | 87,900 SF | 68,900 SF | 87,900 SF | 68,900 SF |
| Net SF Total | 71,000 SF | 49,000 SF | 71,000 SF | 49,000 SF | 90,000 SF | 71,000 SF | 90,000 SF | 71,000 SF |
| Unit Bedroom Count Distribution | | | | | | | | |
| Studio | 25% | 25% | 0% | 0% | 25% | 25% | 0% | 0% |
| One Bedroom | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% |
| Two Bedroom | 25% | 25% | 40% | 40% | 25% | 25% | 40% | 40% |
| Three Bedroom | 0% | 0% | 10% | 10% | 0% | 0% | 10% | 10% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Units by BR Count | | | | | | | | |
| Studio | 27 | 18 | 0 | 0 | 34 | 27 | 0 | 0 |
| One Bedroom | 53 | 36 | 42 | 29 | 68 | 53 | 54 | 42 |
| Two Bedroom | 26 | 18 | 34 | 23 | 33 | 26 | 43 | 34 |
| Three Bedroom | 0 | 0 | 8 | 5 | 0 | 0 | 10 | 8 |
| Total Residential Units | 106 | 72 | 84 | 57 | 135 | 106 | 107 | 84 |
| Residential Density (units per acre) (1) | 231 du/a | 157 du/a | 183 du/a | 124 du/a | 294 du/a | 231 du/a | 233 du/a | 183 du/a |
| Unit Size (Net SF) | | | | | | | | |
| Studio | 450 SF | 450 SF | 0 SF | 0 SF | 450 SF | 450 SF | 0 SF | 0 SF |
| One Bedroom | 650 SF | 650 SF | 700 SF | 700 SF | 650 SF | 650 SF | 700 SF | 700 SF |
| Two Bedroom | 850 SF | 850 SF | 900 SF | 900 SF | 850 SF | 850 SF | 900 SF | 900 SF |
| Three Bedroom | 0 SF | 0 SF | 1,100 SF | 1,100 SF | 0 SF | 0 SF | 1,100 SF | 1,100 SF |
| <i>Average Unit Size</i> | <i>650 SF</i> | <i>650 SF</i> | <i>820 SF</i> | <i>820 SF</i> | <i>650 SF</i> | <i>650 SF</i> | <i>820 SF</i> | <i>820 SF</i> |
| Parking Ratio - Residential (Spaces/Unit) | 0.60 | 0.60 | 1.0 | 1.0 | 1.0 | 0.64 | 1.0 | 1.0 |
| Parking Ratio - Office (Spaces/1000 GSF) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Parking Spaces Per Floor | 53 Spaces/Floor |
| No. of Underground Parking Spaces | 64 Spaces | 43 Spaces | 84 Spaces | 57 Spaces | 135 Spaces | 68 Spaces | 107 Spaces | 84 Spaces |
| No. of Above-Ground Parking Spaces | 0 Spaces | 0 Spaces | 0 Spaces | 0 Spaces | 0 Spaces | 0 Spaces | 0 Spaces | 0 Spaces |
| Total Parking Spaces Provided | 64 Spaces | 43 Spaces | 84 Spaces | 57 Spaces | 135 Spaces | 68 Spaces | 107 Spaces | 84 Spaces |
| Total Parking Spaces Required | 64 Spaces | 43 Spaces | 84 Spaces | 57 Spaces | 135 Spaces | 68 Spaces | 107 Spaces | 84 Spaces |
| Gross SF/Parking Space (Incl. Circulation) | 380 SF |
| Total Parking SF | 24,000 SF | 16,000 SF | 32,000 SF | 22,000 SF | 51,000 SF | 26,000 SF | 41,000 SF | 32,000 SF |
| Total Underground Parking SF | 24,000 SF | 16,000 SF | 32,000 SF | 22,000 SF | 51,000 SF | 26,000 SF | 41,000 SF | 32,000 SF |
| Total Parking SF Above Grade | 0 SF |

(1) Includes below-grade and above-grade parking.
(2) Includes above-grade parking; excludes underground parking.
(3) Excludes above-grade and below-grade parking.
Source: City of Seattle Department of Planning and Development

Table 5
Bonus Floor Area
Development Prototypes with Incentives
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Total Project Gross SF (1) | | Bonus GSF |
|---|----------------------------|-------------------|-----------|
| | A -- With Incentive | B -- No Incentive | |
| DOWNTOWN PROTOTYPES | | | |
| Residential Rental Prototype 1 | 404,500 | 256,300 | 148,200 |
| Residential Ownership Prototype 2 | 371,500 | 229,300 | 142,200 |
| Commercial Prototype 3 | 324,000 | 162,000 | 162,000 |
| SOUTH LAKE UNION PROTOTYPES | | | |
| Residential Rental Prototype 4 | 267,250 | 120,000 | 147,250 |
| Residential Ownership Prototype 5 | 242,250 | 106,000 | 136,250 |
| Commercial Prototype 6 | 301,000 | 194,000 | 107,000 |
| LOWRISE TO MIDRISE | | | |
| Residential Rental Prototype 7 | 61,200 | 28,800 | 32,400 |
| Residential Ownership Prototype 8 | 61,200 | 28,800 | 32,400 |
| 4 STORIES TO 6 STORIES | | | |
| Residential Rental Prototype 9 | 95,000 | 65,000 | 30,000 |
| Residential Ownership Prototype 10 | 95,000 | 65,000 | 30,000 |
| 6 STORIES TO 7 STORIES | | | |
| Residential Rental Prototype 11 | 120,000 | 95,000 | 25,000 |
| Residential Ownership Prototype 12 | 120,000 | 95,000 | 25,000 |

(1) Total gross square feet above grade excluding parking.

Source: DRA

Table 6
Affordable Housing Performance Requirements
Prototypes Under Current Program
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| HOUSING PROTOTYPES (1) | Based on % Floor Area | | | | | | | Based on % of Total Units | | |
|---|--|--------------------------------|--------------------------|------------------|-------------------------|--------------------------|-----------------------|---------------------------|----------------------------------|--|
| | Total Bonus Gross Floor Area (GFA) (2) | Split of Bonus GFA for Housing | Housing GFA Required (3) | Efficiency Ratio | Net Floor Area Required | Aver. Unit Size (Net SF) | No. of Units Required | Total Units | Units Req'd at 5% of Total Units | |
| DOWNTOWN PROTOTYPES | | | | | | | | | | |
| Residential Rental Prototype 1 | 148,200 | 100% | 20,748 | 77% | 15,976 | 725 | 22 | 426 | 21 | |
| Residential Ownership Prototype 2 | 142,200 | 100% | 19,908 | 77% | 15,329 | 825 | 19 | 344 | 17 | |
| SOUTH LAKE UNION PROTOTYPES | | | | | | | | | | |
| Residential Rental Prototype 4 | 147,250 | 60% | 12,369 | 77% | 9,524 | 725 | 13 | 281 | 14 | |
| Residential Ownership Prototype 5 | 136,250 | 60% | 11,445 | 77% | 8,813 | 849 | 10 | 218 | 11 | |
| LOWRISE TO MIDRISE | | | | | | | | | | |
| Residential Rental Prototype 7 | 32,400 | 100% | 4,536 | 75% | 3,402 | 650 | 5 | 71 | 4 | |
| Residential Ownership Prototype 8 | 32,400 | 100% | 4,536 | 75% | 3,402 | 820 | 4 | 56 | 3 | |
| 4 STORIES TO 6 STORIES | | | | | | | | | | |
| Residential Rental Prototype 9 | 30,000 | 100% | 4,200 | 75% | 3,150 | 650 | 5 | 106 | 5 | |
| Residential Ownership Prototype 10 | 30,000 | 100% | 4,200 | 75% | 3,150 | 820 | 4 | 84 | 4 | |
| 6 STORIES TO 7 STORIES | | | | | | | | | | |
| Residential Rental Prototype 11 | 25,000 | 100% | 3,500 | 75% | 2,625 | 650 | 4 | 135 | 7 | |
| Residential Ownership Prototype 12 | 25,000 | 100% | 3,500 | 75% | 2,625 | 820 | 3 | 107 | 5 | |

(1) Prototypes with incentive.

(2) Based on total gross square feet above grade; excludes underground parking.

(3) At the following percentage of bonus GFA for housing: 14.00%

Source: City of Seattle; DRA

Table 7
Estimated Housing In Lieu Fees, Child Care Fees, and Transfer of Development Rights Costs
Prototypes Under Current Program
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| HOUSING PROTOTYPES (1) | Total Bonus Gross Floor Area (GSF) | Housing In Lieu Fees and Child Care Costs, Current Program | | | | | | | Landmark or Regional Transfer of Development Rights (TDR) Costs | | | | |
|------------------------------------|------------------------------------|--|----------------------|------------------------------|----------------------|-------------------------|-------------------------|--------------------------------|---|------------------|----------------------|---------------------------|----------------|
| | | Split of Bonus GFA for Housing | Housing GFA Required | Current Housing Fee/GSF Hsg. | Housing Fee Required | Child Care Fee/GSF Hsg. | Child Care Fee Required | Total Hsg. and Child Care Fees | Split of Bonus GFA for TDR | TDR GSF Required | Type of TDR Required | Est. TDR Cost Per TDR GSF | Total TDR Cost |
| DOWNTOWN PROTOTYPES | | | | | | | | | | | | | |
| Residential Rental Prototype 1 | 148,200 | 100% | 148,200 | \$21.68 | \$3,212,976 | N/A | N/A | N/A | 0% | 0 | N/A | N/A | N/A |
| Residential Ownership Prototype 2 | 142,200 | 100% | 142,200 | \$21.68 | \$3,082,896 | N/A | N/A | N/A | 0% | 0 | N/A | N/A | N/A |
| Commercial Prototype 3 | 162,000 | 75% | 121,500 | \$24.95 | \$3,031,425 | \$4.32 | \$524,880 | \$3,556,305 | 25% | 40,500 | Landmark | \$18.00 | \$729,000 |
| SOUTH LAKE UNION PROTOTYPES | | | | | | | | | | | | | |
| Residential Rental Prototype 4 | 147,250 | 60% | 88,350 | \$21.68 | \$1,915,428 | N/A | N/A | N/A | 40% | 58,900 | Regional | \$18.00 | \$1,060,200 |
| Residential Ownership Prototype 5 | 136,250 | 60% | 81,750 | \$21.68 | \$1,772,340 | N/A | N/A | N/A | 40% | 54,500 | Regional | \$18.00 | \$981,000 |
| Commercial Prototype 6 | 107,000 | 75% | 80,250 | \$24.95 | \$2,002,238 | \$4.32 | \$346,680 | \$2,348,918 | 25% | 26,750 | Regional | \$18.00 | \$481,500 |
| LOWRISE TO MIDRISE | | | | | | | | | | | | | |
| Residential Rental Prototype 7 | 32,400 | 100% | 32,400 | \$15.15 | \$490,860 | N/A | N/A | N/A | 0% | 0 | N/A | N/A | N/A |
| Residential Ownership Prototype 8 | 32,400 | 100% | 32,400 | \$15.15 | \$490,860 | N/A | N/A | N/A | 0% | 0 | N/A | N/A | N/A |
| 4 STORIES TO 6 STORIES | | | | | | | | | | | | | |
| Residential Rental Prototype 9 | 30,000 | 100% | 30,000 | \$15.15 | \$454,500 | N/A | N/A | N/A | 0% | 0 | N/A | N/A | N/A |
| Residential Ownership Prototype 10 | 30,000 | 100% | 30,000 | \$15.15 | \$454,500 | N/A | N/A | N/A | 0% | 0 | N/A | N/A | N/A |
| 6 STORIES TO 7 STORIES | | | | | | | | | | | | | |
| Residential Rental Prototype 11 | 25,000 | 100% | 25,000 | \$15.15 | \$378,750 | N/A | N/A | N/A | 0% | 0 | N/A | N/A | N/A |
| Residential Ownership Prototype 12 | 25,000 | 100% | 25,000 | \$15.15 | \$378,750 | N/A | N/A | N/A | 0% | 0 | N/A | N/A | N/A |

Source: DRA

Table 8
Total Cost of Bonus (Housing Plus TDR)
Development Prototypes with Incentives
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| HOUSING PROTOTYPES (1) | Bonus Floor Area (GSF) | TDR Cost | | Housing In Lieu and Child Care Fees: Current Program | | Housing Affordability Gap Cost | | | | Total Cost of Bonus (Including Housing and TDR) | | | | | | |
|------------------------------------|------------------------|----------|---------------|--|---------------|---|---------------|--------------------------|---------------|---|---------------|---|---------------|--|---------------|---------|
| | | Total | Per GSF Bonus | Total Fee | Per GSF Bonus | Scenario 1: Current Hsg Set-Asides; \$40 Commercial Fee | | Scenario 2: 10% of Units | | Current In Lieu Fee Payment | | Scenario 1: Gap Cost of Current Set-Asides/ \$40 Commercial Fee | | Scenario 2: Gap Cost With 10% Affordable Units | | |
| | | | | | | Total | Per GSF Bonus | Total | Per GSF Bonus | Total | Per GSF Bonus | Total | Per GSF Bonus | Total | Per GSF Bonus | Total |
| DOWNTOWN PROTOTYPES | | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 1 | 148,200 | N/A | N/A | \$3,212,976 | \$21.68 | \$7,359,308 | \$49.66 | \$14,384,102 | \$97.06 | \$3,212,976 | \$21.68 | \$7,359,308 | \$49.66 | \$14,384,102 | \$97.06 |
| Residential Ownership | Prototype 2 | 142,200 | N/A | N/A | \$3,082,896 | \$21.68 | \$4,923,432 | \$34.62 | \$8,810,352 | \$61.96 | \$3,082,896 | \$21.68 | \$4,923,432 | \$34.62 | \$8,810,352 | \$61.96 |
| Commercial | Prototype 3 | 162,000 | \$729,000 | \$4.50 | \$3,556,305 | \$21.95 | \$4,860,000 | \$30.00 | N/A | N/A | \$4,285,305 | \$26.45 | \$7,209,000 | \$44.50 | N/A | N/A |
| SOUTH LAKE UNION PROTOTYPES | | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 4 | 147,250 | \$1,060,200 | \$7.20 | \$1,915,428 | \$13.01 | \$4,247,349 | \$28.84 | \$9,148,136 | \$62.13 | \$2,975,628 | \$20.21 | \$5,307,549 | \$36.04 | \$10,208,336 | \$69.33 |
| Residential Ownership | Prototype 5 | 136,250 | \$981,000 | \$7.20 | \$1,772,340 | \$13.01 | \$2,473,575 | \$18.15 | \$5,441,865 | \$39.94 | \$2,753,340 | \$20.21 | \$3,454,575 | \$25.35 | \$6,422,865 | \$47.14 |
| Commercial | Prototype 6 | 107,000 | \$481,500 | \$4.50 | \$2,348,918 | \$21.95 | \$3,210,000 | \$30.00 | N/A | N/A | \$2,830,418 | \$26.45 | \$4,761,500 | \$44.50 | N/A | N/A |
| LOWRISE TO MIDRISE | | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 7 | 32,400 | N/A | N/A | \$490,860 | \$15.15 | | | | | \$490,860 | \$15.15 | | | | |
| | Low Scenario | | | | | | \$597,840 | \$18.45 | \$836,977 | \$25.83 | | | \$597,840 | \$18.45 | \$836,977 | \$25.83 |
| | Middle Scenario | | | | | | \$743,525 | \$22.95 | \$1,040,935 | \$32.13 | | | \$743,525 | \$22.95 | \$1,040,935 | \$32.13 |
| | High Scenario | | | | | | \$905,490 | \$27.95 | \$1,267,686 | \$39.13 | | | \$905,490 | \$27.95 | \$1,267,686 | \$39.13 |
| Residential Ownership | Prototype 8 | 32,400 | N/A | N/A | \$490,860 | \$15.15 | | | | | \$490,860 | \$15.15 | | | | |
| | Low Scenario | | | | | | \$25,040 | \$0.77 | \$37,560 | \$1.16 | | | \$25,040 | \$0.77 | \$37,560 | \$1.16 |
| | Middle Scenario | | | | | | \$189,040 | \$5.83 | \$283,560 | \$8.75 | | | \$189,040 | \$5.83 | \$283,560 | \$8.75 |
| | High Scenario | | | | | | \$369,440 | \$11.40 | \$554,160 | \$17.10 | | | \$369,440 | \$11.40 | \$554,160 | \$17.10 |
| 4 STORIES TO 6 STORIES | | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 9 | 30,000 | N/A | N/A | \$454,500 | \$15.15 | | | | | \$454,500 | \$15.15 | | | | |
| | Low Scenario | | | | | | \$693,934 | \$23.13 | \$1,526,654 | \$50.89 | | | \$693,934 | \$23.13 | \$1,526,654 | \$50.89 |
| | Middle Scenario | | | | | | \$858,212 | \$28.61 | \$1,888,066 | \$62.94 | | | \$858,212 | \$28.61 | \$1,888,066 | \$62.94 |
| | High Scenario | | | | | | \$1,045,585 | \$34.85 | \$2,300,287 | \$76.68 | | | \$1,045,585 | \$34.85 | \$2,300,287 | \$76.68 |
| Residential Ownership | Prototype 10 | 30,000 | N/A | N/A | \$454,500 | \$15.15 | | | | | \$454,500 | \$15.15 | | | | |
| | Low Scenario | | | | | | \$90,640 | \$3.02 | \$181,280 | \$6.04 | | | \$90,640 | \$3.02 | \$181,280 | \$6.04 |
| | Middle Scenario | | | | | | \$267,760 | \$8.93 | \$535,520 | \$17.85 | | | \$267,760 | \$8.93 | \$535,520 | \$17.85 |
| | High Scenario | | | | | | \$464,560 | \$15.49 | \$929,120 | \$30.97 | | | \$464,560 | \$15.49 | \$929,120 | \$30.97 |
| 6 STORIES TO 7 STORIES | | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 11 | 25,000 | N/A | N/A | \$378,750 | \$15.15 | | | | | \$378,750 | \$15.15 | | | | |
| | Low Scenario | | | | | | \$647,543 | \$25.90 | \$1,295,085 | \$51.80 | | | \$647,543 | \$25.90 | \$1,295,085 | \$51.80 |
| | Middle Scenario | | | | | | \$796,953 | \$31.88 | \$1,593,907 | \$63.76 | | | \$796,953 | \$31.88 | \$1,593,907 | \$63.76 |
| | High Scenario | | | | | | \$967,720 | \$38.71 | \$1,935,440 | \$77.42 | | | \$967,720 | \$38.71 | \$1,935,440 | \$77.42 |
| Residential Ownership | Prototype 12 | 25,000 | N/A | N/A | \$378,750 | \$15.15 | | | | | \$378,750 | \$15.15 | | | | |
| | Low Scenario | | | | | | \$45,840 | \$1.83 | \$168,080 | \$6.72 | | | \$45,840 | \$1.83 | \$168,080 | \$6.72 |
| | Middle Scenario | | | | | | \$183,600 | \$7.34 | \$673,200 | \$26.93 | | | \$183,600 | \$7.34 | \$673,200 | \$26.93 |
| | High Scenario | | | | | | \$343,500 | \$13.74 | \$1,259,500 | \$50.38 | | | \$343,500 | \$13.74 | \$1,259,500 | \$50.38 |

(1) Prototypes with incentive.
(2) At the following percentages of bonus GFA for housing:

Source: DRA

Table 9
Comparison of Affordable Housing Fees and Gap Cost of Performance Requirements, Preliminary Program Options
Development Prototypes with Incentives
Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| Housing Prototypes | Column 1 | Column 2 | Column 3 | Column 4 | Column 5 | Column 6 | Column 7 | Column 8 | Column 9 | |
|------------------------------------|----------------|--|---------------|--|-----------------|---------------|---|----------------|---------------|--|
| | Bonus Gross SF | Payment of Current In Lieu Fee Under Current Program (Includes Housing In Lieu Fee Plus TDR Fee) | | Scenario 1: Residential - Cost of Performance Under Current Housing Set-Asides; Commercial - \$40.00 per GSF Fee | | | Scenario 2: Residential - Cost of Performance With 10% Affordable Units (2) | | | |
| | | Total Fee | Per Bonus GSF | Aff. Units | Gap Cost or Fee | Per Bonus GSF | Aff. Units | Total Gap Cost | Per Bonus GSF | |
| DOWNTOWN PROTOTYPES | | | | | | | | | | |
| Residential Rental Prototype 1 | 148,200 | \$3,212,976 | \$21.68 | 22 | \$7,359,308 | \$49.66 | 43 | \$14,384,102 | \$97.06 | |
| Residential Ownership Prototype 2 | 142,200 | \$3,082,896 | \$21.68 | 19 | \$4,923,432 | \$34.62 | 34 | \$8,810,352 | \$61.96 | |
| Commercial Prototype 3 | 162,000 | \$4,285,305 | \$26.45 | N/A | \$7,209,000 | \$40.00 | N/A | N/A | N/A | |
| SOUTH LAKE UNION PROTOTYPES | | | | | | | | | | |
| Residential Rental Prototype 4 | 147,250 | \$2,955,420 | \$20.07 | 13 | \$5,317,653 | \$36.11 | 28 | \$10,238,406 | \$69.53 | |
| Residential Ownership Prototype 5 | 136,250 | \$2,753,340 | \$20.21 | 10 | \$3,454,575 | \$25.35 | 22 | \$6,422,865 | \$47.14 | |
| Commercial Prototype 6 | 107,000 | \$2,830,418 | \$26.45 | N/A | \$4,761,500 | \$40.00 | N/A | N/A | N/A | |
| LOWRISE TO MIDRISE | | | | | | | | | | |
| Residential Rental Prototype 7 | 32,400 | \$490,860 | \$15.15 | 5 | | | 7 | | | |
| Low Scenario | | | | | \$597,840 | \$18.45 | | \$836,977 | \$25.83 | |
| Middle Scenario | | | | | \$743,525 | \$22.95 | | \$1,040,935 | \$32.13 | |
| High Scenario | | | | | \$905,490 | \$27.95 | | \$1,267,686 | \$39.13 | |
| Residential Ownership Prototype 8 | 32,400 | \$490,860 | \$15.15 | 4 | | | 6 | | | |
| Low Scenario | | | | | \$25,040 | \$0.77 | | \$37,560 | \$1.16 | |
| Middle Scenario | | | | | \$189,040 | \$5.83 | | \$283,560 | \$8.75 | |
| High Scenario | | | | | \$369,440 | \$11.40 | | \$554,160 | \$17.10 | |
| 4 STORIES TO 6 STORIES | | | | | | | | | | |
| Residential Rental Prototype 9 | 30,000 | \$454,500 | \$15.15 | 5 | | | 11 | | | |
| Low Scenario | | | | | \$693,934 | \$23.13 | | \$1,526,654 | \$50.89 | |
| Middle Scenario | | | | | \$858,212 | \$28.61 | | \$1,888,066 | \$62.94 | |
| High Scenario | | | | | \$1,045,585 | \$34.85 | | \$2,300,287 | \$76.68 | |
| Residential Ownership Prototype 10 | 30,000 | \$454,500 | \$15.15 | 4 | | | 8 | | | |
| Low Scenario | | | | | \$90,640 | \$3.02 | | \$181,280 | \$6.04 | |
| Middle Scenario | | | | | \$267,760 | \$8.93 | | \$535,520 | \$17.85 | |
| High Scenario | | | | | \$464,560 | \$15.49 | | \$929,120 | \$30.97 | |
| 6 STORIES TO 7 STORIES | | | | | | | | | | |
| Residential Rental Prototype 11 | 25,000 | \$378,750 | \$15.15 | 4 | | | 14 | | | |
| Low Scenario | | | | | \$647,543 | \$25.90 | | \$1,295,085 | \$51.80 | |
| Middle Scenario | | | | | \$796,953 | \$31.88 | | \$1,593,907 | \$63.76 | |
| High Scenario | | | | | \$967,720 | \$38.71 | | \$1,935,440 | \$77.42 | |
| Residential Ownership Prototype 12 | 25,000 | \$378,750 | \$15.15 | 3 | | | 11 | | | |
| Low Scenario | | | | | \$45,840 | \$1.83 | | \$168,080 | \$6.72 | |
| Middle Scenario | | | | | \$183,600 | \$7.34 | | \$673,200 | \$26.93 | |
| High Scenario | | | | | \$343,500 | \$13.74 | | \$1,259,500 | \$50.38 | |

(1) Prototype without incentive
(2) Includes gap cost of affordable housing performance requirements plus estimated cost of TDR requirements, as applicable.
(3) Return on equity calculated as total increase in project value divided by equity investment divided by average number of years of equity investment.

Source: DRA

Table 10
Summary of Return on Equity and Land Residual Analysis Results
Development Prototypes with and without Incentives
Lower Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| |
|----------------------------|
| 4.25% Cap Rate Residential |
| 5.00% Cap Rate Commercial |

| | | Prototypes With Incentives | | | | | | | | | | | | | |
|------------------------------------|--------------|-------------------------------|----------------|----------------------|----------------|------------------------|--------------------------------------|----------------|------------------------|---|----------------|------------------------|---|---------------|------------------------|
| | | Prototypes Without Incentives | | Before Program Costs | | | After Payment of Current In Lieu Fee | | | After Performance Costs/Fee: Scenario 1 | | | After Performance Costs/Fee: Scenario 2 | | |
| | | ROE (1) | RLV (2) | ROE (1) | RLV (2) | Value of Incentive (3) | ROE (1) | RLV (2) | Value of Incentive (3) | ROE (1) | RLV (2) | Value of Incentive (3) | ROE (1) | RLV (2) | Value of Incentive (3) |
| | | | | | | | | | | | | | | | |
| DOWNTOWN PROTOTYPES | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 1 | 7% yes | \$904 yes | 9% yes | \$1,290 yes | \$386 | 8% yes | \$1,076 yes | \$172 | 6% yes | \$799 yes | (\$104) | 4% no | \$34 no | (\$870) |
| Residential Ownership | Prototype 2 | 8% yes | \$965 yes | 11% yes | \$1,779 yes | \$814 | 10% yes | \$1,574 yes | \$609 | 10% yes | \$1,451 yes | \$486 | 8% yes | \$126 no | (\$839) |
| Commercial | Prototype 3 | -5% no | \$213 no | 5% no | \$479 no | \$267 | 3% no | \$347 no | \$134 | 1% no | \$257 no | \$44 | N/A | N/A | N/A |
| SOUTH LAKE UNION PROTOTYPES | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 4 | 33% yes | \$1,074 yes | 14% yes | \$993 yes | (\$80) | 12% yes | \$853 yes | (\$221) | 11% yes | \$799 yes | (\$274) | 8% yes | \$740 yes | (\$334) |
| Residential Ownership | Prototype 5 | 15% yes | \$603 yes | 4% no | \$193 no | (\$410) | 2% no | \$62 no | (\$541) | 2% no | \$28 no | (\$575) | 0% no | \$28 no | (\$575) |
| Commercial | Prototype 6 | 1% no | \$138 no | 8% yes | \$300 no | \$163 | 6% yes | \$234 no | \$97 | 5% no | \$189 no | \$52 | N/A | N/A | N/A |
| LOWRISE TO MIDRISE | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 7 | 25% yes | \$260 yes | 13% yes | \$177 yes | (\$83) | 11% yes | \$143 yes | (\$117) | 10% yes | \$135 yes | (\$125) | 8% yes | \$89 yes | (\$171) |
| Middle Scenario | | 18% yes | \$264 yes | 18% yes | \$325 yes | \$61 | 16% yes | \$291 yes | \$27 | 15% yes | \$273 yes | \$9 | 13% yes | \$237 yes | (\$27) |
| High Scenario | | 13% yes | \$288 yes | 16% yes | \$365 yes | \$76 | 14% yes | \$331 yes | \$42 | 13% yes | \$302 yes | \$13 | 12% yes | \$277 yes | (\$12) |
| Residential Ownership | Prototype 8 | -12% no | (\$49) no | -15% no | (\$235) no | (\$186) | -16% no | (\$269) no | (\$220) | -15% no | (\$237) no | (\$188) | -17% no | (\$274) no | (\$225) |
| Middle Scenario | | -5% no | \$45 no | -6% no | (\$40) no | (\$85) | -7% no | (\$74) no | (\$119) | -7% no | (\$53) no | (\$98) | -8% no | (\$78) no | (\$123) |
| High Scenario | | -1% no | \$136 no | 0% no | \$152 yes | \$16 | -1% no | \$118 no | (\$18) | -1% no | \$126 no | (\$9) | -1% no | \$113 no | (\$22) |
| 4 STORIES TO 6 STORIES | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 9 | 26% yes | \$422 yes | 17% yes | \$441 yes | \$19 | 16% yes | \$418 yes | (\$4) | 15% yes | \$406 yes | (\$16) | 11% yes | \$326 yes | (\$96) |
| Middle Scenario | | 19% yes | \$427 yes | 13% yes | \$448 yes | \$21 | 12% yes | \$425 yes | (\$2) | 11% yes | \$405 yes | (\$22) | 8% yes | \$333 yes | (\$94) |
| High Scenario | | 14% yes | \$462 yes | 11% yes | \$502 yes | \$40 | 10% yes | \$479 yes | \$17 | 9% yes | \$450 yes | (\$12) | 6% yes | \$387 yes | (\$75) |
| Residential Ownership | Prototype 10 | -14% no | (\$112) no | -18% no | (\$338) no | (\$226) | -19% no | (\$361) no | (\$249) | -19% no | (\$343) no | (\$231) | -20% no | (\$385) no | (\$273) |
| Middle Scenario | | -7% no | \$28 no | -10% no | (\$132) no | (\$159) | -11% no | \$154 yes | \$126 | -11% no | (\$145) no | (\$173) | -12% no | (\$178) no | (\$206) |
| High Scenario | | -3% no | \$162 no | -5% no | \$69 no | (\$93) | -6% no | \$46 no | (\$116) | -6% no | \$46 no | (\$116) | -6% no | \$22 no | (\$139) |
| 6 STORIES TO 7 STORIES | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 11 | 13% yes | \$421 yes | 10% yes | \$417 yes | (\$3) | 9% yes | \$399 yes | (\$22) | 9% yes | \$385 yes | (\$36) | 9% yes | \$400 yes | (\$20) |
| Middle Scenario | | 9% yes | \$426 yes | 6% no | \$407 yes | (\$18) | 5% no | \$388 yes | (\$37) | 5% no | \$367 yes | (\$58) | 5% no | \$390 yes | (\$36) |
| High Scenario | | 5% no | \$475 yes | 4% no | \$456 yes | (\$19) | 3% no | \$437 yes | (\$38) | 2% no | \$407 yes | (\$67) | 3% no | \$439 yes | (\$36) |
| Residential Ownership | Prototype 12 | -20% no | (\$338) no | -17% no | (\$362) no | (\$24) | -18% no | (\$381) no | (\$43) | -19% no | (\$427) no | (\$88) | -19% no | (\$425) no | (\$87) |
| Middle Scenario | | -12% no | (\$131) no | -9% no | (\$97) no | \$35 | -10% no | (\$115) no | \$16 | -12% no | (\$176) no | (\$45) | -11% no | (\$160) no | (\$28) |
| High Scenario | | -8% no | \$66 no | -4% no | \$159 no | \$93 | -5% no | \$140 no | \$74 | -7% no | \$62 no | (\$4) | -6% no | \$96 no | \$30 |

Note: The "yes" or "no" under each value indicate whether the ROE or RLV meet or exceed the following minimum thresholds for feasibility:
 ROE: 6% for residential; 10% for commercial. RLV: the per square foot land acquisition cost assumption for that prototype.
 (1) ROE = Return On Equity. Return on equity calculated as total increase in project value divided by equity investment divided by average number of years of equity investment.
 (2) RLV = Residual Land Value per square foot site area.
 (3) Value of incentive per SF site area measured as residual land value of prototype with incentive less residual land value of prototype without the incentive.
 Source: DRA

Table 11

Summary of Return on Equity and Land Residual Analysis Results
Development Prototypes with and without Incentives

Higher Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | |
|----------------|-------------|
| 5.00% Cap Rate | Residential |
| 5.50% Cap Rate | Commercial |

| | Prototypes With Incentives | | | | | | | | | | | | | | | |
|------------------------------------|-------------------------------|-----------------|------------------------|----------------------|----------------|------------------------|--------------------------------------|----------------|------------------------|---|-----------------|------------------------|---|---------------|------------------------|---------|
| | Prototypes Without Incentives | | | Before Program Costs | | | After Payment of Current In Lieu Fee | | | After Performance Costs/Fee: Scenario 1 | | | After Performance Costs/Fee: Scenario 2 | | | |
| | ROE (1) | RLV (2) | Value of Incentive (3) | ROE (1) | RLV (2) | Value of Incentive (3) | ROE (1) | RLV (2) | Value of Incentive (3) | ROE (1) | RLV (2) | Value of Incentive (3) | ROE (1) | RLV (2) | Value of Incentive (3) | |
| DOWNTOWN PROTOTYPES | | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 1 | -3% no | (\$250) no | -2% no | (\$567) no | (\$318) | -3% no | (\$782) no | (\$532) | -4% no | (\$1,058) no | (\$808) | -7% no | (\$154) no | \$95 | |
| Residential Ownership | Prototype 2 | -8% no | \$965 yes | 11% yes | \$1,779 yes | \$814 | 10% yes | \$1,574 yes | \$609 | 10% yes | \$1,451 yes | \$486 | 8% yes | \$126 no | (\$839) | |
| Commercial | Prototype 3 | -11% no | \$170 no | -1% no | \$357 no | \$187 | -3% no | \$225 no | \$55 | -5% no | \$135 no | (\$36) | N/A | N/A | N/A | |
| SOUTH LAKE UNION PROTOTYPES | | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 4 | 19% yes | \$703 yes | 2% no | \$81 no | (\$622) | 1% no | (\$60) no | (\$763) | -1% no | (\$1,058) no | (\$1,761) | -4% no | (\$172) no | (\$875) | |
| Residential Ownership | Prototype 5 | 15% yes | \$603 yes | 4% no | \$193 no | (\$410) | 2% no | \$62 no | (\$541) | 2% no | \$28 no | (\$575) | 0% no | \$28 no | (\$575) | |
| Commercial | Prototype 6 | -5% no | \$90 no | 2% no | \$210 no | \$120 | 0% no | \$144 no | \$54 | -1% no | \$99 no | \$9 | N/A | N/A | N/A | |
| LOWRISE TO MIDRISE | | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 7 | Low Scenario | 12% yes | \$153 yes | 1% no | (\$23) no | (\$176) | -1% no | (\$57) no | (\$210) | -1% no | (\$65) no | (\$218) | -4% no | (\$111) no | (\$264) |
| | | Middle Scenario | 6% no | \$149 yes | 6% no | \$85 no | (\$65) | 4% no | \$50 no | (\$99) | 3% no | \$33 no | (\$116) | 1% no | (\$3) no | (\$153) |
| | | High Scenario | 2% no | \$161 yes | 4% no | \$99 no | (\$62) | 3% no | \$65 no | (\$96) | 1% no | \$36 no | (\$125) | 0% no | \$11 no | (\$150) |
| Residential Ownership | Prototype 8 | Low Scenario | -12% no | (\$49) no | -15% no | (\$235) no | (\$186) | -16% no | (\$269) no | (\$220) | -15% no | (\$237) no | (\$188) | -17% no | (\$274) no | (\$225) |
| | | Middle Scenario | -5% no | \$45 no | -6% no | (\$40) no | (\$85) | -7% no | (\$74) no | (\$119) | -7% no | (\$53) no | (\$98) | -8% no | (\$78) no | (\$123) |
| | | High Scenario | -1% no | \$136 no | 0% no | \$152 yes | \$16 | -1% no | \$118 no | (\$18) | -1% no | \$126 no | (\$9) | -1% no | \$113 no | (\$22) |
| 4 STORIES TO 6 STORIES | | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 9 | Low Scenario | 13% yes | \$252 yes | 5% no | \$194 yes | (\$58) | 4% no | \$172 yes | (\$81) | 3% no | \$160 yes | (\$93) | -1% no | \$79 no | (\$173) |
| | | Middle Scenario | 7% yes | \$244 yes | 2% no | \$182 yes | (\$62) | 1% no | \$159 yes | (\$85) | 0% no | \$139 no | (\$105) | -3% no | \$67 no | (\$177) |
| | | High Scenario | 3% no | \$260 yes | 0% no | \$209 no | (\$51) | -1% no | \$186 no | (\$74) | -2% no | \$157 no | (\$104) | -5% no | \$94 no | (\$166) |
| Residential Ownership | Prototype 10 | Low Scenario | -14% no | (\$112) no | -18% no | (\$338) no | (\$226) | -19% no | (\$361) no | (\$249) | -19% no | (\$343) no | (\$231) | -20% no | (\$385) no | (\$273) |
| | | Middle Scenario | -7% no | \$28 no | -10% no | (\$132) no | (\$159) | -11% no | (\$154) no | (\$182) | -11% no | (\$145) no | (\$173) | -12% no | (\$178) no | (\$206) |
| | | High Scenario | -3% no | \$162 no | -5% no | \$69 no | (\$93) | -6% no | \$46 no | (\$116) | -6% no | \$46 no | (\$116) | -6% no | \$22 no | (\$139) |
| 6 STORIES TO 7 STORIES | | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 11 | Low Scenario | 2% no | \$174 yes | -1% no | \$104 no | (\$70) | -2% no | \$85 no | \$155 | -2% no | \$72 no | (\$83) | -2% no | \$87 no | \$170 |
| | | Middle Scenario | -2% no | \$160 no | -4% no | \$70 no | (\$90) | -5% no | \$51 no | \$141 | -6% no | \$30 no | (\$111) | -5% no | \$52 no | \$164 |
| | | High Scenario | -5% no | \$182 no | -6% no | \$83 no | (\$98) | -7% no | \$65 no | \$163 | -8% no | \$35 no | (\$128) | -7% no | \$66 no | \$194 |
| Residential Ownership | Prototype 12 | Low Scenario | -20% no | (\$338) no | -17% no | (\$362) no | (\$24) | -18% no | (\$381) no | (\$357) | -19% no | (\$427) no | (\$70) | -19% no | (\$425) no | (\$355) |
| | | Middle Scenario | -12% no | (\$131) no | -9% no | (\$97) no | \$35 | -10% no | (\$115) no | (\$150) | -12% no | (\$176) no | (\$26) | -11% no | (\$160) no | (\$133) |
| | | High Scenario | -8% no | \$66 no | -4% no | \$159 no | \$93 | -5% no | \$140 no | \$48 | -7% no | \$62 no | \$15 | -6% no | \$96 no | \$81 |

Note: The "yes" or "no" under each value indicate whether the ROE or RLV meet or exceed the following minimum thresholds for feasibility:
ROE: 6% for residential; 10% for commercial. RLV: the per square foot land acquisition cost assumption for that prototype.
(1) ROE = Return On Equity. Return on equity calculated as total increase in project value divided by equity investment divided by average number of years of equity investment.
(2) RLV = Residual Land Value per square foot site area.
(3) Value of incentive per SF site area measured as residual land value of prototype with incentive less residual land value of prototype without the incentive.
Source: DRA

Table 12
Summary of Return on Equity and Land Residual Analysis Results
Development Prototypes with and without Incentives
Lower Cap Rates Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | |
|----------------|-------------|
| 4.25% Cap Rate | Residential |
| 5.00% Cap Rate | Commercial |

| | | Prototypes With Incentives | | | | | | | | | | | | | |
|------------------------------------|--------------|-------------------------------|---------------|----------------------|----------------|------------------------|--------------------------------------|------------------------|------------------------|---|------------------------|------------------------|---|------------------------|------------------------|
| | | Prototypes Without Incentives | | Before Program Costs | | | After Payment of Current In Lieu Fee | | | After Performance Costs/Fee: Scenario 1 | | | After Performance Costs/Fee: Scenario 2 | | |
| | | | | ROE (1) | RLV (2) | ROE (1) | RLV (2) | Value of Incentive (3) | ROE (1) | RLV (2) | Value of Incentive (3) | ROE (1) | RLV (2) | Value of Incentive (3) | ROE (1) |
| | | ROE (1) | RLV (2) | ROE (1) | RLV (2) | Value of Incentive (3) | ROE (1) | RLV (2) | Value of Incentive (3) | ROE (1) | RLV (2) | Value of Incentive (3) | ROE (1) | RLV (2) | Value of Incentive (3) |
| DOWNTOWN PROTOTYPES | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 1 | 2% no | \$325 no | 3% no | \$351 no | \$26 | 2% no | \$137 no | (\$188) | 1% no | (\$142) no | (\$467) | -2% no | (\$62) no | (\$387) |
| Residential Ownership | Prototype 2 | 7% yes | \$923 yes | 11% yes | \$1,683 yes | \$760 | 10% yes | \$1,478 yes | \$555 | 9% yes | \$1,381 yes | \$458 | 8% yes | \$121 no | (\$802) |
| Commercial | Prototype 3 | -13% no | (\$13) no | -3% no | \$54 no | \$67 | -5% no | (\$79) no | (\$65) | -7% no | (\$169) no | (\$156) | N/A | N/A | N/A |
| SOUTH LAKE UNION PROTOTYPES | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 4 | 25% yes | \$900 yes | 8% yes | \$581 yes | (\$319) | 6% yes | \$440 yes | (\$460) | 5% no | (\$142) no | (\$1,042) | 2% no | \$328 no | (\$572) |
| Residential Ownership | Prototype 5 | 12% yes | \$566 yes | 3% no | \$189 no | (\$377) | 2% no | \$58 no | (\$508) | 2% no | \$34 no | (\$532) | 0% no | \$34 no | (\$532) |
| Commercial | Prototype 6 | -7% no | (\$59) no | -1% no | (\$4) no | \$55 | -2% no | (\$70) no | (\$11) | -4% no | (\$115) no | (\$56) | N/A | N/A | N/A |
| LOWRISE TO MIDRISE | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 7 | 19% yes | \$211 yes | 7% yes | \$74 yes | (\$136) | 5% no | \$40 no | (\$171) | 5% no | \$33 no | (\$178) | 2% no | (\$14) no | (\$224) |
| Middle Scenario | | 12% yes | \$209 yes | 12% yes | \$209 yes | \$1 | 10% yes | \$175 yes | (\$34) | 9% yes | \$158 yes | (\$51) | 7% yes | \$121 yes | (\$87) |
| High Scenario | | 8% yes | \$228 yes | 10% yes | \$238 yes | \$10 | 9% yes | \$204 yes | (\$24) | 7% yes | \$175 yes | (\$53) | 6% yes | \$150 yes | (\$78) |
| Residential Ownership | Prototype 8 | -12% no | (\$47) no | -15% no | (\$224) no | (\$177) | -17% no | (\$258) no | (\$212) | -15% no | (\$224) no | (\$177) | -16% no | (\$255) no | (\$208) |
| Middle Scenario | | -5% no | \$43 no | -6% no | (\$38) no | (\$81) | -8% no | (\$72) no | (\$115) | -7% no | (\$46) no | (\$90) | -8% no | (\$69) no | (\$112) |
| High Scenario | | -1% no | \$129 no | 0% no | \$144 yes | \$16 | -1% no | \$110 no | (\$18) | -1% no | \$124 no | (\$5) | -1% no | \$113 no | (\$15) |
| 4 STORIES TO 6 STORIES | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 9 | 20% yes | \$347 yes | 12% yes | \$330 yes | (\$16) | 11% yes | \$308 yes | (\$39) | 10% yes | \$296 yes | (\$51) | 6% yes | \$215 yes | (\$131) |
| Middle Scenario | | 13% yes | \$342 yes | 8% yes | \$323 yes | (\$19) | 7% yes | \$300 yes | (\$42) | 6% no | \$280 yes | (\$62) | 3% no | \$208 yes | (\$134) |
| High Scenario | | 9% yes | \$369 yes | 6% no | \$365 yes | (\$4) | 5% no | \$342 yes | (\$26) | 4% no | \$313 yes | (\$56) | 1% no | \$250 yes | (\$119) |
| Residential Ownership | Prototype 10 | -14% no | (\$107) no | -18% no | (\$322) no | (\$215) | -20% no | (\$345) no | (\$238) | -19% no | (\$324) no | (\$217) | -20% no | (\$362) no | (\$255) |
| Middle Scenario | | -7% no | \$27 no | -11% no | (\$125) no | (\$152) | -12% no | \$148 yes | \$122 | -11% no | (\$135) no | (\$162) | -12% no | (\$165) no | (\$191) |
| High Scenario | | -3% no | \$154 no | -5% no | \$65 no | (\$88) | -6% no | \$43 no | (\$111) | -6% no | \$46 no | (\$108) | -7% no | \$26 no | (\$128) |
| 6 STORIES TO 7 STORIES | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 11 | 8% yes | \$310 yes | 5% no | \$276 yes | (\$34) | 4% no | \$258 yes | (\$53) | 4% no | \$244 yes | (\$66) | 4% no | \$262 yes | (\$48) |
| Middle Scenario | | 4% no | \$301 yes | 1% no | \$248 yes | (\$53) | 1% no | \$229 yes | (\$72) | 0% no | \$208 no | (\$93) | 1% no | \$233 yes | (\$67) |
| High Scenario | | 1% no | \$338 yes | -1% no | \$281 no | (\$57) | -1% no | \$262 no | (\$76) | -2% no | \$233 no | (\$105) | -1% no | \$267 no | (\$71) |
| Residential Ownership | Prototype 12 | -20% no | (\$322) no | -17% no | (\$345) no | (\$23) | -18% no | (\$364) no | (\$42) | -20% no | (\$409) no | (\$87) | -19% no | (\$398) no | (\$76) |
| Middle Scenario | | -13% no | (\$125) no | -10% no | (\$92) no | \$33 | -10% no | (\$111) no | \$14 | -12% no | (\$172) no | (\$47) | -11% no | (\$145) no | (\$20) |
| High Scenario | | -8% no | \$63 no | -5% no | \$151 no | \$88 | -5% no | \$132 no | \$69 | -7% no | \$54 no | (\$8) | -6% no | \$98 no | \$35 |

Note: The "yes" or "no" under each value indicate whether the ROE or RLV meet or exceed the following minimum thresholds for feasibility:
 ROE: 6% for residential; 10% for commercial. RLV: the per square foot land acquisition cost assumption for that prototype.
 (1) ROE = Return On Equity. Return on equity calculated as total increase in project value divided by equity investment divided by average number of years of equity investment.
 (2) RLV = Residual Land Value per square foot site area.
 (3) Value of incentive per SF site area measured as residual land value of prototype with incentive less residual land value of prototype without the incentive.
 Source: DRA

Table 13

Summary of Return on Equity and Land Residual Analysis Results
Development Prototypes with and without Incentives

Higher Cap Rates Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | |
|----------------|-------------|
| 5.00% Cap Rate | Residential |
| 5.50% Cap Rate | Commercial |

| | | Prototypes With Incentives | | | | | | | | | | | | | | |
|------------------------------------|--------------|-------------------------------|---------------|------------------------|----------------------|-----------------|------------------------|--------------------------------------|-----------------|------------------------|---|-----------------|------------------------|---|---------------|------------------------|
| | | Prototypes Without Incentives | | | Before Program Costs | | | After Payment of Current In Lieu Fee | | | After Performance Costs/Fee: Scenario 1 | | | After Performance Costs/Fee: Scenario 2 | | |
| | | ROE (1) | RLV (2) | Value of Incentive (3) | ROE (1) | RLV (2) | Value of Incentive (3) | ROE (1) | RLV (2) | Value of Incentive (3) | ROE (1) | RLV (2) | Value of Incentive (3) | ROE (1) | RLV (2) | Value of Incentive (3) |
| DOWNTOWN PROTOTYPES | | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 1 | -8% no | (\$743) no | | -6% no | (\$1,367) no | (\$624) | -8% no | (\$1,581) no | (\$838) | -9% no | (\$1,860) no | (\$1,117) | -12% no | (\$236) no | \$507 |
| Residential Ownership | Prototype 2 | -7% no | \$923 yes | | 11% yes | \$1,683 yes | \$760 | 10% yes | \$1,478 yes | \$555 | 9% yes | \$1,381 yes | \$458 | 8% yes | \$121 no | (\$802) |
| Commercial | Prototype 3 | -17% no | (\$32) no | | -8% no | (\$27) no | \$5 | -11% no | (\$159) no | (\$127) | -12% no | (\$250) no | (\$217) | N/A | N/A | N/A |
| SOUTH LAKE UNION PROTOTYPES | | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 4 | 12% yes | \$555 yes | | -2% no | (\$270) no | (\$824) | -4% no | (\$412) no | (\$966) | -6% no | (\$1,860) no | (\$2,414) | -9% no | (\$524) no | (\$1,078) |
| Residential Ownership | Prototype 5 | 12% yes | \$566 yes | | 3% no | \$189 no | (\$377) | 2% no | \$58 no | (\$508) | 2% no | \$34 no | (\$532) | 0% no | \$34 no | (\$532) |
| Commercial | Prototype 6 | -12% no | (\$88) no | | -6% no | (\$65) no | \$22 | -8% no | (\$131) no | (\$43) | -9% no | (\$176) no | (\$88) | N/A | N/A | N/A |
| LOWRISE TO MIDRISE | | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 7 | 6% yes | \$111 yes | | -4% no | (\$110) no | (\$222) | -5% no | (\$144) no | (\$256) | -6% no | (\$152) no | (\$263) | -9% no | (\$198) no | (\$310) |
| Middle Scenario | | 1% no | \$102 yes | | 1% no | (\$14) no | (\$116) | -1% no | (\$48) no | (\$150) | -2% no | (\$66) no | (\$168) | -4% no | (\$102) no | (\$204) |
| High Scenario | | -3% no | \$110 no | | -1% no | (\$9) no | (\$119) | -2% no | (\$43) no | (\$153) | -3% no | (\$72) no | (\$181) | -5% no | (\$97) no | (\$207) |
| Residential Ownership | Prototype 8 | -12% no | (\$47) no | | -15% no | (\$224) no | (\$177) | -17% no | (\$258) no | (\$212) | -15% no | (\$224) no | (\$177) | -16% no | (\$255) no | (\$208) |
| Middle Scenario | | -5% no | \$43 no | | -6% no | (\$38) no | (\$81) | -8% no | (\$72) no | (\$115) | -7% no | (\$46) no | (\$90) | -8% no | (\$69) no | (\$112) |
| High Scenario | | -1% no | \$129 no | | 0% yes | \$144 yes | \$16 | -1% no | \$110 no | (\$18) | -1% no | \$124 no | (\$5) | -1% no | \$113 no | (\$15) |
| 4 STORIES TO 6 STORIES | | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 9 | 8% yes | \$188 yes | | 0% yes | \$100 yes | (\$88) | -1% no | \$78 no | (\$111) | -1% no | \$66 no | (\$123) | -5% no | (\$15) no | (\$203) |
| Middle Scenario | | 2% no | \$172 yes | | -3% no | \$76 no | (\$96) | -4% no | \$53 no | (\$119) | -5% no | \$33 no | (\$139) | -8% no | (\$39) no | (\$211) |
| High Scenario | | -2% no | \$181 no | | -5% no | \$93 no | (\$89) | -5% no | \$70 no | (\$111) | -7% no | \$40 no | (\$141) | -9% no | (\$22) no | (\$204) |
| Residential Ownership | Prototype 10 | -14% no | (\$107) no | | -18% no | (\$322) no | (\$215) | -20% no | (\$345) no | (\$238) | -19% no | (\$324) no | (\$217) | -20% no | (\$362) no | (\$255) |
| Middle Scenario | | -7% no | \$27 no | | -11% no | (\$125) no | (\$152) | -12% no | (\$148) no | (\$175) | -11% no | (\$135) no | (\$162) | -12% no | (\$165) no | (\$191) |
| High Scenario | | -3% no | \$154 no | | -5% no | \$65 no | (\$88) | -6% no | \$43 no | (\$111) | -6% no | \$46 no | (\$108) | -7% no | \$26 no | (\$128) |
| 6 STORIES TO 7 STORIES | | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 11 | -2% no | \$80 no | | -5% no | (\$16) no | (\$96) | -6% no | (\$35) no | \$61 | -6% no | (\$48) no | (\$109) | -6% no | (\$30) no | \$79 |
| Middle Scenario | | -6% no | \$54 no | | -8% no | (\$66) no | (\$120) | -9% no | (\$85) no | \$35 | -10% no | (\$106) no | (\$140) | -9% no | (\$80) no | \$60 |
| High Scenario | | -9% no | \$65 no | | -10% no | (\$65) no | (\$130) | -11% no | (\$84) no | \$46 | -12% no | (\$113) no | (\$160) | -11% no | (\$80) no | \$80 |
| Residential Ownership | Prototype 12 | -20% no | (\$322) no | | -17% no | (\$345) no | (\$23) | -18% no | (\$364) no | (\$341) | -20% no | (\$409) no | (\$68) | -19% no | (\$398) no | (\$329) |
| Middle Scenario | | -13% no | (\$125) no | | -10% no | (\$92) no | \$33 | -10% no | (\$111) no | (\$144) | -12% no | (\$172) no | (\$28) | -11% no | (\$145) no | (\$117) |
| High Scenario | | -8% no | \$63 no | | -5% no | \$151 no | \$88 | -5% no | \$132 no | \$44 | -7% no | \$54 no | \$10 | -6% no | \$98 no | \$88 |

Note: The "yes" or "no" under each value indicate whether the ROE or RLV meet or exceed the following minimum thresholds for feasibility:
ROE: 6% for residential; 10% for commercial. RLV: the per square foot land acquisition cost assumption for that prototype.
(1) ROE = Return On Equity. Return on equity calculated as total increase in project value divided by equity investment divided by average number of years of equity investment.
(2) RLV = Residual Land Value per square foot site area.
(3) Value of incentive per SF site area measured as residual land value of prototype with incentive less residual land value of prototype without the incentive.
Source: DRA

Table 14
Summary of Return on Equity and Land Residual Analysis Results
Development Prototypes with and without Incentives
Lower Cap Rates Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| |
|----------------------------|
| 4.25% Cap Rate Residential |
| 5.00% Cap Rate Commercial |

| | | Prototypes With Incentives | | | | | | | | | | | | | |
|------------------------------------|--------------|-------------------------------|----------------|----------------------|----------------|------------------------|--------------------------------------|----------------|------------------------|---|----------------|------------------------|---|----------------|------------------------|
| | | Prototypes Without Incentives | | Before Program Costs | | | After Payment of Current In Lieu Fee | | | After Performance Costs/Fee: Scenario 1 | | | After Performance Costs/Fee: Scenario 2 | | |
| | | ROE (1) | RLV (2) | ROE (1) | RLV (2) | Value of Incentive (3) | ROE (1) | RLV (2) | Value of Incentive (3) | ROE (1) | RLV (2) | Value of Incentive (3) | ROE (1) | RLV (2) | Value of Incentive (3) |
| | | | | | | | | | | | | | | | |
| DOWNTOWN PROTOTYPES | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 1 | 11% yes | \$1,318 yes | 13% yes | \$1,973 yes | \$655 | 12% yes | \$1,759 yes | \$441 | 10% yes | \$1,483 yes | \$164 | 8% yes | \$103 no | (\$1,216) |
| Residential Ownership | Prototype 2 | 13% yes | \$1,477 yes | 16% yes | \$2,622 yes | \$1,145 | 15% yes | \$2,416 yes | \$940 | 15% yes | \$2,323 yes | \$846 | 13% yes | \$220 no | (\$1,256) |
| Commercial | Prototype 3 | 1% no | \$429 no | 13% yes | \$895 yes | \$467 | 10% yes | \$763 yes | \$334 | 9% yes | \$673 no | \$244 | N/A | N/A | N/A |
| SOUTH LAKE UNION PROTOTYPES | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 4 | 38% yes | \$1,198 yes | 18% yes | \$1,333 yes | \$135 | 16% yes | \$1,192 yes | (\$6) | 15% yes | \$1,483 yes | \$284 | 12% yes | \$1,081 yes | (\$117) |
| Residential Ownership | Prototype 5 | 19% yes | \$705 yes | 8% yes | \$568 yes | (\$138) | 7% yes | \$436 yes | (\$269) | 6% yes | \$414 yes | (\$291) | 5% no | \$414 yes | (\$291) |
| Commercial | Prototype 6 | 8% yes | \$329 no | 16% yes | \$600 yes | \$270 | 14% yes | \$534 yes | \$204 | 13% yes | \$489 yes | \$159 | N/A | N/A | N/A |
| LOWRISE TO MIDRISE | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 7 | 29% yes | \$296 yes | 17% yes | \$252 yes | (\$44) | 15% yes | \$217 yes | (\$78) | 15% yes | \$210 yes | (\$85) | 12% yes | \$164 yes | (\$132) |
| Middle Scenario | | 22% yes | \$305 yes | 22% yes | \$410 yes | \$105 | 20% yes | \$376 yes | \$71 | 19% yes | \$358 yes | \$54 | 17% yes | \$322 yes | \$17 |
| High Scenario | | 17% yes | \$333 yes | 20% yes | \$457 yes | \$125 | 18% yes | \$423 yes | \$91 | 17% yes | \$395 yes | \$62 | 16% yes | \$369 yes | \$37 |
| Residential Ownership | Prototype 8 | -9% no | (\$16) no | -11% no | (\$161) no | (\$144) | -13% no | (\$195) no | (\$178) | -11% no | (\$161) no | (\$144) | -13% no | (\$192) no | (\$175) |
| Middle Scenario | | -1% no | \$84 no | -2% no | \$47 no | (\$37) | -4% no | \$13 no | (\$71) | -3% no | \$39 no | (\$45) | -4% no | \$16 no | (\$68) |
| High Scenario | | 3% no | \$179 yes | 4% no | \$251 yes | \$71 | 3% no | \$216 yes | \$37 | 4% no | \$230 yes | \$50 | 3% no | \$220 yes | \$40 |
| 4 STORIES TO 6 STORIES | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 9 | 30% yes | \$477 yes | 21% yes | \$522 yes | \$45 | 20% yes | \$499 yes | \$22 | 19% yes | \$487 yes | \$10 | 15% yes | \$407 yes | (\$70) |
| Middle Scenario | | 23% yes | \$489 yes | 17% yes | \$539 yes | \$50 | 16% yes | \$516 yes | \$27 | 15% yes | \$496 yes | \$7 | 12% yes | \$424 yes | (\$65) |
| High Scenario | | 18% yes | \$530 yes | 14% yes | \$602 yes | \$72 | 14% yes | \$579 yes | \$49 | 13% yes | \$550 yes | \$20 | 10% yes | \$487 yes | (\$43) |
| Residential Ownership | Prototype 10 | -11% no | (\$60) no | -15% no | (\$254) no | (\$193) | -16% no | (\$276) no | (\$216) | -15% no | (\$255) no | (\$195) | -17% no | (\$293) no | (\$233) |
| Middle Scenario | | -3% no | \$89 no | -7% no | (\$34) no | (\$123) | -8% no | \$56 no | (\$32) | -7% no | (\$44) no | (\$133) | -9% no | (\$73) no | (\$162) |
| High Scenario | | 1% no | \$232 yes | -1% no | \$180 no | (\$52) | -2% no | \$157 no | (\$75) | -2% no | \$160 no | (\$71) | -3% no | \$141 no | (\$91) |
| 6 STORIES TO 7 STORIES | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 11 | 17% yes | \$502 yes | 13% yes | \$521 yes | \$19 | 13% yes | \$502 yes | \$0 | 12% yes | \$488 yes | (\$13) | 13% yes | \$506 yes | \$5 |
| Middle Scenario | | 12% yes | \$517 yes | 9% yes | \$524 yes | \$7 | 9% yes | \$505 yes | (\$12) | 8% yes | \$484 yes | (\$33) | 9% yes | \$509 yes | (\$8) |
| High Scenario | | 9% yes | \$575 yes | 7% yes | \$583 yes | \$9 | 7% yes | \$564 yes | (\$10) | 6% no | \$535 yes | (\$40) | 7% yes | \$569 yes | (\$6) |
| Residential Ownership | Prototype 12 | -17% no | (\$253) no | -14% no | (\$257) no | (\$4) | -15% no | (\$276) no | (\$23) | -16% no | (\$322) no | (\$68) | -16% no | (\$310) no | (\$57) |
| Middle Scenario | | -9% no | (\$33) no | -6% no | \$25 no | \$58 | -7% no | \$6 no | \$39 | -8% no | (\$55) no | (\$22) | -8% no | (\$28) no | \$5 |
| High Scenario | | -5% no | \$177 no | -1% no | \$297 no | \$120 | -1% no | \$278 no | \$101 | -3% no | \$200 no | \$23 | -2% no | \$244 no | \$67 |

Note: The "yes" or "no" under each value indicate whether the ROE or RLV meet or exceed the following minimum thresholds for feasibility:
 ROE: 6% for residential; 10% for commercial. RLV: the per square foot land acquisition cost assumption for that prototype.
 (1) ROE = Return On Equity. Return on equity calculated as total increase in project value divided by equity investment divided by average number of years of equity investment.
 (2) RLV = Residual Land Value per square foot site area.
 (3) Value of incentive per SF site area measured as residual land value of prototype with incentive less residual land value of prototype without the incentive.
 Source: DRA

Table 15

Summary of Return on Equity and Land Residual Analysis Results
Development Prototypes with and without Incentives

Higher Cap Rates Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | |
|----------------|-------------|
| 5.00% Cap Rate | Residential |
| 5.50% Cap Rate | Commercial |

| | Prototypes Without Incentives | Prototypes With Incentives | | | | | | | | | | | | | |
|------------------------------------|-------------------------------|----------------------------|----------------|------------------------|--------------------------------------|---------|------------------------|---|---------|------------------------|---|-----------|------------------------|---------------|-----------|
| | | Before Program Costs | | | After Payment of Current In Lieu Fee | | | After Performance Costs/Fee: Scenario 1 | | | After Performance Costs/Fee: Scenario 2 | | | | |
| | | ROE (1) | RLV (2) | Value of Incentive (3) | ROE (1) | RLV (2) | Value of Incentive (3) | ROE (1) | RLV (2) | Value of Incentive (3) | ROE (1) | RLV (2) | Value of Incentive (3) | | |
| DOWNTOWN PROTOTYPES | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 1 | 0% no | \$103 no | 2% no | \$13 no | (\$90) | 1% no | (\$201) no | (\$304) | -1% no | (\$477) no | (\$580) | -4% no | (\$96) no | (\$199) |
| Residential Ownership | Prototype 2 | -13% no | \$1,477 yes | 16% yes | \$2,622 yes | \$1,145 | 15% yes | \$2,416 yes | \$940 | 15% yes | \$2,323 yes | \$846 | 13% yes | \$220 no | (\$1,256) |
| Commercial | Prototype 3 | -5% no | \$367 no | 6% no | \$735 no | \$368 | 3% no | \$603 no | \$236 | 2% no | \$513 no | \$146 | N/A | N/A | N/A |
| SOUTH LAKE UNION PROTOTYPES | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 4 | 23% yes | \$808 yes | 6% no | \$370 no | (\$439) | 4% no | \$228 no | (\$580) | 3% no | (\$477) no | (\$1,286) | 0% no | \$117 no | (\$691) |
| Residential Ownership | Prototype 5 | 19% yes | \$705 yes | 8% yes | \$568 yes | (\$138) | 7% yes | \$436 yes | (\$269) | 6% yes | \$414 yes | (\$291) | 5% no | \$414 yes | (\$291) |
| Commercial | Prototype 6 | 2% no | \$264 no | 9% yes | \$482 yes | \$218 | 7% yes | \$416 yes | \$152 | 6% no | \$372 no | \$107 | N/A | N/A | N/A |
| LOWRISE TO MIDRISE | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 7 | 15% yes | \$184 yes | 5% no | \$40 no | (\$143) | 3% no | \$6 no | (\$177) | 3% no | (\$1) no | (\$185) | 0% no | (\$48) no | (\$231) |
| Middle Scenario | | 9% yes | \$184 yes | 9% yes | \$157 yes | (\$27) | 7% yes | \$122 yes | (\$61) | 7% yes | \$105 yes | (\$79) | 5% no | \$68 no | (\$115) |
| High Scenario | | 5% no | \$199 yes | 8% yes | \$178 yes | (\$21) | 6% yes | \$144 yes | (\$55) | 5% no | \$115 no | (\$84) | 4% no | \$90 no | (\$109) |
| Residential Ownership | Prototype 8 | -9% no | (\$16) no | -11% no | (\$161) no | (\$144) | -13% no | (\$195) no | (\$178) | -11% no | (\$161) no | (\$144) | -13% no | (\$192) no | (\$175) |
| Middle Scenario | | -1% no | \$84 no | -2% no | \$47 no | (\$37) | -4% no | \$13 no | (\$71) | -3% no | \$39 no | (\$45) | -4% no | \$16 no | (\$68) |
| High Scenario | | 3% no | \$179 yes | 4% no | \$251 yes | \$71 | 3% no | \$216 yes | \$37 | 4% no | \$230 yes | \$50 | 3% no | \$220 yes | \$40 |
| 4 STORIES TO 6 STORIES | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 9 | 16% yes | \$299 yes | 8% yes | \$263 yes | (\$36) | 7% yes | \$240 yes | (\$59) | 7% yes | \$228 yes | (\$71) | 3% no | \$148 yes | (\$151) |
| Middle Scenario | | 10% yes | \$297 yes | 5% no | \$260 yes | (\$37) | 4% no | \$237 yes | (\$60) | 3% no | \$217 yes | (\$80) | 0% yes | \$145 yes | (\$152) |
| High Scenario | | 6% no | \$318 yes | 3% no | \$294 yes | (\$24) | 2% no | \$271 yes | (\$47) | 1% no | \$242 yes | (\$76) | -1% no | \$179 no | (\$139) |
| Residential Ownership | Prototype 10 | -11% no | (\$60) no | -15% no | (\$254) no | (\$193) | -16% no | (\$276) no | (\$216) | -15% no | (\$255) no | (\$195) | -17% no | (\$293) no | (\$233) |
| Middle Scenario | | -3% no | \$89 no | -7% no | (\$34) no | (\$123) | -8% no | (\$56) no | (\$145) | -7% no | (\$44) no | (\$133) | -9% no | (\$73) no | (\$162) |
| High Scenario | | 1% no | \$232 yes | -1% no | \$180 no | (\$52) | -2% no | \$157 no | (\$75) | -2% no | \$160 no | (\$71) | -3% no | \$141 no | (\$91) |
| 6 STORIES TO 7 STORIES | | | | | | | | | | | | | | | |
| Residential Rental | Prototype 11 | 5% no | \$243 yes | 2% no | \$192 yes | (\$51) | 1% no | \$173 yes | \$224 | 1% no | \$159 yes | (\$64) | 2% no | \$177 yes | \$242 |
| Middle Scenario | | 1% no | \$237 yes | -1% no | \$169 no | (\$69) | -2% no | \$150 no | \$219 | -3% no | \$129 no | (\$90) | -2% no | \$154 no | \$244 |
| High Scenario | | -2% no | \$267 no | -3% no | \$192 no | (\$75) | -4% no | \$173 no | \$248 | -5% no | \$144 no | (\$104) | -4% no | \$178 no | \$282 |
| Residential Ownership | Prototype 12 | -17% no | (\$253) no | -14% no | (\$257) no | (\$4) | -15% no | (\$276) no | (\$272) | -16% no | (\$322) no | (\$49) | -16% no | (\$310) no | (\$261) |
| Middle Scenario | | -9% no | (\$33) no | -6% no | \$25 no | \$58 | -7% no | \$6 no | (\$52) | -8% no | (\$55) no | (\$3) | -8% no | (\$28) no | (\$26) |
| High Scenario | | -5% no | \$177 no | -1% no | \$297 no | \$120 | -1% no | \$278 no | \$158 | -3% no | \$200 no | \$42 | -2% no | \$244 no | \$202 |

Note: The "yes" or "no" under each value indicate whether the ROE or RLV meet or exceed the following minimum thresholds for feasibility:
 ROE: 6% for residential; 10% for commercial. RLV: the per square foot land acquisition cost assumption for that prototype.
 (1) ROE = Return On Equity. Return on equity calculated as total increase in project value divided by equity investment divided by average number of years of equity investment.
 (2) RLV = Residual Land Value per square foot site area.
 (3) Value of incentive per SF site area measured as residual land value of prototype with incentive less residual land value of prototype without the incentive.
 Source: DRA

Table 16
Estimated Net Value of Incentive
Development Prototypes with Incentives
Lower Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | | Column 1 | Column 2 | Column 3 | Column 4 | Column 5 | Column 6 | Column 7 | Column 8 | Column 9 | Column 10 | Column 11 | Column 12 |
|------------------------------------|-----------------|-------------------------------------|---|--------------------------------|--|--|---|--|---|---|--|---|--|
| | | Bonus Floor Area (GSF) of Incentive | Project ROE of Prototypes without Incentive at Cap Rate of: (1) | Prototypes with Incentives | | | | | | | | | |
| | | | | Equity Investment Required (2) | Net Value of Investment at ROE of Prototype Without Incentive @ Cap Rate of: (3) | Before Program Costs | | After Payment of Current In Lieu Fee | | After Performance Cost/Fee: Scenario 1 | | After Performance Costs: Scenario 2 | |
| Housing Prototypes | | | | | | Projected Net Value of Investment Before Program Costs (4) | Value of Incentive Before Program Costs (5) | Projected Net Value of Investment After Payment of Current In Lieu Fee (4) | Value of Incentive After Payment of Current In Lieu Fee (5) | Projected Net Value of Investment After Performance Costs: Scenario 1 (4) | Value of Incentive After Performance Costs: Scenario 1 (5) | Projected Net Value of Investment After Performance Costs: Scenario 2 (4) | Value of Incentive After Performance Costs: Scenario 2 (5) |
| DOWNTOWN PROTOTYPES | | | 4.25% | | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% |
| Residential Rental | Prototype 1 | 148,200 | 7% | \$64,835,327 | \$19,182,583 | \$23,661,264 | \$4,478,681 | \$20,448,288 | \$1,265,705 | \$16,301,956 | (\$2,880,627) | \$9,277,162 | (\$9,905,421) |
| Residential Ownership | Prototype 2 | 142,200 | 8% | \$70,929,852 | \$22,254,297 | \$32,464,582 | \$10,210,285 | \$29,381,686 | \$7,127,389 | \$27,541,150 | \$5,286,853 | \$23,654,230 | \$1,399,933 |
| | | | 5.00% | | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Commercial | Prototype 3 | 162,000 | -5% | \$45,843,333 | (\$9,739,292) | \$9,565,928 | \$19,305,221 | \$5,280,623 | \$15,019,916 | \$2,356,928 | \$12,096,221 | N/A | N/A |
| SOUTH LAKE UNION PROTOTYPES | | | 4.25% | | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% |
| Residential Rental | Prototype 4 | 147,250 | 33% | \$41,890,823 | \$55,246,963 | \$23,040,801 | (\$32,206,162) | \$20,085,381 | (\$35,161,582) | \$17,723,148 | (\$37,523,815) | \$12,802,395 | (\$42,444,568) |
| Residential Ownership | Prototype 5 | 136,250 | 15% | \$44,533,347 | \$26,022,415 | \$6,857,913 | (\$19,164,502) | \$4,104,573 | (\$21,917,842) | \$3,403,338 | (\$22,619,077) | \$435,048 | (\$25,587,367) |
| | | | 5.00% | | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Commercial | Prototype 6 | 107,000 | 1% | \$40,184,256 | \$1,782,178 | \$12,856,941 | \$11,074,763 | \$10,026,524 | \$8,244,346 | \$8,095,441 | \$6,313,263 | N/A | N/A |
| LOWRISE TO MIDRISE | | | 4.25% | | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% |
| Residential Rental | Prototype 7 | 32,400 | 25% | \$6,387,673 | \$6,285,611 | \$3,227,481 | (\$3,058,130) | \$2,736,621 | (\$3,548,990) | \$2,629,640 | (\$3,655,971) | \$1,959,795 | (\$4,325,816) |
| | Low Scenario | | 18% | \$7,215,164 | \$5,127,326 | \$5,052,888 | (\$74,439) | \$4,562,028 | (\$565,299) | \$4,309,362 | (\$817,964) | \$3,785,202 | (\$1,342,125) |
| | Middle Scenario | | 13% | \$8,135,134 | \$4,259,310 | \$5,162,778 | \$903,468 | \$4,671,918 | \$412,608 | \$4,257,288 | (\$2,022) | \$3,895,092 | (\$364,218) |
| Residential Ownership | Prototype 8 | 32,400 | -12% | \$7,202,023 | (\$3,442,057) | (\$4,239,556) | (\$797,500) | (\$4,730,416) | (\$1,288,360) | (\$4,264,596) | (\$822,540) | (\$4,793,716) | (\$1,351,660) |
| | Low Scenario | | -5% | \$8,113,756 | (\$1,511,402) | (\$1,930,390) | (\$418,988) | (\$2,421,250) | (\$909,848) | (\$2,119,430) | (\$608,028) | (\$2,484,550) | (\$973,148) |
| | Middle Scenario | | -1% | \$9,117,969 | (\$182,530) | \$147,577 | \$330,107 | (\$343,283) | (\$160,753) | (\$221,863) | (\$39,333) | (\$406,583) | (\$224,053) |
| | High Scenario | | | | | | | | | | | | |
| 4 STORIES TO 6 STORIES | | | 26% | | 19% | 14% | | | | | | | |
| Residential Rental | Prototype 9 | 30,000 | 26% | \$10,351,397 | \$10,725,723 | \$7,019,367 | (\$3,706,356) | \$6,564,867 | (\$4,160,856) | \$6,325,433 | (\$4,400,290) | \$4,719,080 | (\$6,006,643) |
| | Low Scenario | | 19% | \$11,744,477 | \$8,868,433 | \$6,077,166 | (\$2,791,267) | \$5,622,666 | (\$3,245,767) | \$5,218,954 | (\$3,649,479) | \$3,776,879 | (\$5,091,554) |
| | Middle Scenario | | 14% | \$13,333,396 | \$7,468,542 | \$5,718,419 | (\$1,750,123) | \$5,263,919 | (\$2,204,623) | \$4,672,834 | (\$2,795,708) | \$3,418,132 | (\$4,050,410) |
| Residential Ownership | Prototype 10 | 30,000 | -14% | \$11,675,167 | (\$6,531,877) | (\$8,569,592) | (\$2,037,715) | (\$9,024,092) | (\$2,492,215) | (\$8,660,232) | (\$2,128,355) | (\$9,498,712) | (\$2,966,835) |
| | Low Scenario | | -7% | \$13,200,623 | (\$3,641,132) | (\$5,510,458) | (\$1,869,326) | (\$5,964,958) | (\$2,323,826) | (\$5,778,218) | (\$2,137,086) | (\$6,439,578) | (\$2,798,446) |
| | Middle Scenario | | -3% | \$14,921,920 | (\$1,653,200) | (\$2,940,925) | (\$1,287,725) | (\$3,395,425) | (\$1,742,225) | (\$3,405,485) | (\$1,752,285) | (\$3,870,045) | (\$2,216,845) |
| | High Scenario | | | | | | | | | | | | |
| 6 STORIES TO 7 STORIES | | | 13% | | 9% | 5% | | | | | | | |
| Residential Rental | Prototype 11 | 25,000 | 13% | \$14,430,724 | \$7,666,237 | \$5,699,764 | (\$1,966,474) | \$5,321,014 | (\$2,345,224) | \$5,052,221 | (\$2,614,016) | \$5,356,264 | (\$2,309,974) |
| | Low Scenario | | 9% | \$16,447,771 | \$5,637,730 | \$3,905,384 | (\$1,732,346) | \$3,526,634 | (\$2,111,096) | \$3,108,431 | (\$2,529,300) | \$3,561,884 | (\$2,075,846) |
| | Middle Scenario | | 5% | \$18,753,139 | \$4,088,812 | \$2,754,714 | (\$1,334,098) | \$2,375,964 | (\$1,712,848) | \$1,786,994 | (\$2,301,818) | \$2,411,214 | (\$1,677,598) |
| | High Scenario | | | | | | | | | | | | |
| Residential Ownership | Prototype 12 | 25,000 | -20% | \$14,480,467 | (\$11,344,030) | (\$9,886,917) | \$1,457,113 | (\$10,265,667) | \$1,078,363 | (\$11,182,002) | \$162,028 | (\$11,146,417) | \$197,613 |
| | Low Scenario | | -12% | \$16,502,660 | (\$8,238,086) | (\$6,170,983) | \$2,067,103 | (\$6,549,733) | \$1,688,353 | (\$7,764,890) | \$473,196 | (\$7,430,483) | \$807,603 |
| | Middle Scenario | | -8% | \$18,813,173 | (\$6,004,324) | (\$3,175,849) | \$2,828,475 | (\$3,554,599) | \$2,449,725 | (\$5,111,289) | \$893,035 | (\$4,435,349) | \$1,568,975 |
| | High Scenario | | | | | | | | | | | | |

(1) Return on equity calculated as total increase in project value DIVIDED BY equity investment DIVIDED BY average number of years of equity investment. Estimated project ROE of the prototypes without incentives (from return on equity analysis tables: Tables 10 through 13).

(2) Amount of equity investment required for prototypes with incentives, from return on equity analysis tables (Tables 10 through 13).

(3) Equals rate of return on equity of prototype without incentive MULTIPLIED BY the equity required for the prototype with incentive MULTIPLIED BY number of years of assumed investment period (assumed to be 4 years).

(4) Net value of investment of prototype with incentive from return on equity analysis table (Tables 10 through 13) before program costs, after payment of in-lieu fee, and after estimated performance costs under Scenarios 1 and 2.

(5) Net value of investment of prototype with incentive from return on equity analysis table (Tables 10 through 13) before program costs, after payment of in-lieu fee, and after estimated performance costs under Scenarios 1 and 2 MINUS net value of investment at ROE of prototype without incentive.

Source: DRA

Table 17
Estimated Net Value of Incentive
Development Prototypes with Incentives
Higher Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| Housing Prototypes | Column 1 | Column 2 | Column 3 | Column 4 | Column 5 | Column 6 | Column 7 | Column 8 | Column 9 | Column 10 | Column 11 | Column 12 |
|--|-------------------------------------|--|--------------------------------|--|--|---|--|---|---|---|---|---|
| | Bonus Floor Area (GSF) of Incentive | Project ROE of Incentive without Incentive at Cap Rate of: (1) | Equity Investment Required (2) | Net Value of Investment at ROE of Prototype Without Incentive @ Cap Rate of: (3) | Prototypes with Incentives | | | | | | | |
| | | | | | Before Program Costs | | After Payment of Current In Lieu Fee | | After Performance Cost/Fee: Scenario 1 | | After Performance Costs: Scenario 2 | |
| | | | | | Projected Net Value of Investment Before Program Costs (4) | Value of Incentive Before Program Costs (5) | Projected Net Value of Investment After Payment of Current In Lieu Fee (4) | Value of Incentive After Payment of Current In Lieu Fee (5) | Projected Net Value of Investment After Performance Costs: Scenario 1 (4) | Value of Incentive After After Performance Cost/Fee: Scenario 1 (5) | Projected Net Value of Investment After Performance Costs: Scenario 2 (4) | Value of Incentive After After Performance Cost/Fee: Scenario 2 (5) |
| DOWNTOWN PROTOTYPES | | | | | | | | | | | | |
| Residential Rental Prototype 1 | 148,200 | 5.00% | | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Residential Ownership Prototype 2 | 142,200 | -3.09% | \$64,835,327 | (\$8,008,052) | (\$4,201,173) | \$3,806,879 | (\$7,414,149) | \$593,903 | (\$11,560,481) | (\$3,552,429) | (\$18,585,275) | (\$10,577,223) |
| | | 7.84% | \$70,929,852 | \$22,254,297 | \$32,464,582 | \$10,210,285 | \$29,381,686 | \$7,127,389 | \$27,541,150 | \$5,286,853 | \$23,654,230 | \$1,399,933 |
| Commercial Prototype 3 | 162,000 | 5.50% | | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% |
| | | -10.51% | \$45,843,333 | (\$19,272,841) | (\$1,722,641) | \$17,550,200 | (\$6,007,946) | \$13,264,895 | (\$8,931,641) | \$10,341,200 | N/A | N/A |
| SOUTH LAKE UNION PROTOTYPES | | | | | | | | | | | | |
| Residential Rental Prototype 4 | 147,250 | 5.00% | | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Residential Ownership Prototype 5 | 136,250 | 18.65% | \$41,890,823 | \$31,250,860 | \$3,875,622 | (\$27,375,238) | \$920,202 | (\$30,330,658) | (\$1,442,031) | (\$32,692,890) | (\$6,362,784) | (\$37,613,644) |
| | | 14.61% | \$44,533,347 | \$26,022,415 | \$6,857,913 | (\$19,164,502) | \$4,104,573 | (\$21,917,842) | \$3,403,338 | (\$22,619,077) | \$435,048 | (\$25,587,367) |
| Commercial Prototype 6 | 107,000 | 5.50% | | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% |
| | | -4.67% | \$40,184,256 | (\$7,512,624) | \$2,555,343 | \$10,067,967 | (\$275,075) | \$7,237,549 | (\$2,206,157) | \$5,306,467 | N/A | N/A |
| LOWRISE TO MIDRISE | | | | | | | | | | | | |
| Residential Rental Low Scenario Prototype 7 | 32,400 | 5.00% | | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Middle Scenario | | 11.54% | \$6,387,673 | \$2,947,392 | \$347,981 | (\$2,599,411) | (\$142,879) | (\$3,090,271) | (\$249,859) | (\$3,197,251) | (\$919,705) | (\$3,867,097) |
| High Scenario | | 5.73% | \$7,215,164 | \$1,652,541 | \$1,589,268 | (\$63,273) | \$1,098,408 | (\$554,133) | \$845,743 | (\$806,798) | \$321,582 | (\$1,330,959) |
| Residential Ownership Prototype 8 | 32,400 | 1.75% | \$8,135,134 | \$569,738 | \$1,337,686 | \$767,948 | \$846,826 | \$277,088 | \$432,196 | (\$137,542) | \$70,000 | (\$499,738) |
| Low Scenario | | -11.95% | \$7,202,023 | (\$3,442,057) | (\$4,239,556) | (\$797,500) | (\$4,730,416) | (\$1,288,360) | (\$4,264,596) | (\$822,540) | (\$4,793,716) | (\$1,351,660) |
| Middle Scenario | | -4.66% | \$8,113,756 | (\$1,511,402) | (\$1,930,390) | (\$418,988) | (\$2,421,250) | (\$909,848) | (\$2,119,430) | (\$608,028) | (\$2,484,550) | (\$973,148) |
| High Scenario | | -0.50% | \$9,117,969 | (\$182,530) | \$147,577 | \$330,107 | (\$343,283) | (\$160,753) | (\$221,863) | (\$39,333) | (\$406,583) | (\$224,053) |
| 4 STORIES TO 6 STORIES | | | | | | | | | | | | |
| Residential Rental Low Scenario Prototype 9 | 30,000 | 12.64% | \$10,351,397 | \$5,235,091 | \$2,084,688 | (\$3,150,403) | \$1,630,188 | (\$3,604,903) | \$1,390,754 | (\$3,844,336) | (\$215,599) | (\$5,450,690) |
| Middle Scenario | | 6.67% | \$11,744,477 | \$3,133,989 | \$761,412 | (\$2,372,577) | \$306,912 | (\$2,827,077) | (\$96,800) | (\$3,230,789) | (\$1,538,875) | (\$4,672,864) |
| High Scenario | | 2.53% | \$13,333,396 | \$1,348,237 | (\$139,368) | (\$1,487,604) | (\$593,868) | (\$1,942,104) | (\$1,184,953) | (\$2,533,189) | (\$2,439,655) | (\$3,787,891) |
| Residential Ownership Prototype 10 | 30,000 | -13.99% | \$11,675,167 | (\$6,531,877) | (\$8,569,592) | (\$2,037,715) | (\$9,024,092) | (\$2,492,215) | (\$8,660,232) | (\$2,128,355) | (\$9,498,712) | (\$2,966,835) |
| Low Scenario | | -6.90% | \$13,200,623 | (\$3,641,132) | (\$5,510,458) | (\$1,869,326) | (\$5,964,958) | (\$2,323,826) | (\$5,778,218) | (\$2,137,086) | (\$6,439,578) | (\$2,798,446) |
| High Scenario | | -2.77% | \$14,921,920 | (\$1,653,200) | (\$2,940,925) | (\$1,287,725) | (\$3,395,425) | (\$1,742,225) | (\$3,405,485) | (\$1,752,285) | (\$3,870,045) | (\$2,216,845) |
| 6 STORIES TO 7 STORIES | | | | | | | | | | | | |
| Residential Rental Low Scenario Prototype 11 | 25,000 | 1.91% | \$14,430,724 | \$1,104,780 | (\$566,722) | (\$1,671,503) | (\$945,472) | (\$2,050,253) | (\$1,214,265) | (\$2,319,045) | (\$910,222) | (\$2,015,003) |
| Middle Scenario | | -2.09% | \$16,447,771 | (\$1,375,844) | (\$2,848,338) | (\$1,472,494) | (\$3,227,088) | (\$1,851,244) | (\$3,645,291) | (\$2,269,448) | (\$3,191,838) | (\$1,815,994) |
| High Scenario | | -4.74% | \$18,753,139 | (\$3,556,937) | (\$4,690,920) | (\$1,133,983) | (\$5,069,670) | (\$1,512,733) | (\$5,658,640) | (\$2,101,703) | (\$5,034,420) | (\$1,477,483) |
| Residential Ownership Prototype 12 | 25,000 | -19.59% | \$14,480,467 | (\$11,344,030) | (\$9,886,917) | \$1,457,113 | (\$10,265,667) | \$1,078,363 | (\$11,182,002) | \$162,028 | (\$11,146,417) | \$197,613 |
| Low Scenario | | -12.48% | \$16,502,660 | (\$8,238,086) | (\$6,170,983) | \$2,067,103 | (\$6,549,733) | \$1,688,353 | (\$7,764,890) | \$473,196 | (\$7,430,483) | \$807,603 |
| Middle Scenario | | -7.98% | \$18,813,173 | (\$6,004,324) | (\$3,175,849) | \$2,828,475 | (\$3,554,599) | \$2,449,725 | (\$5,111,289) | \$893,035 | (\$4,435,349) | \$1,568,975 |

(1) Return on equity calculated as total increase in project value DIVIDED BY equity investment DIVIDED BY average number of years of equity investment. Estimated project ROE of the prototypes without incentives (from return on equity analysis tables: Tables 10 through 13).
(2) Amount of equity investment required for prototypes with incentives, from return on equity analysis tables (Tables 10 through 13).
(3) Equals rate of return on equity of prototype without incentive MULTIPLIED BY the equity required for the prototype with incentive MULTIPLIED BY number of years of assumed investment period (assumed to be 4 years).
(4) Net value of investment of prototype with incentive from return on equity analysis table (Tables 10 through 13) before program costs, after payment of in-lieu fee, and after estimated performance costs under Scenarios 1 and 2.
(5) Net value of investment of prototype with incentive from return on equity analysis table (Tables 10 through 13) before program costs, after payment of in-lieu fee, and after estimated performance costs under Scenarios 1 and 2 MINUS net value of investment at ROE of prototype without incentive.
Source: DRA

Table 18
Estimated Net Value of Incentive Per SF of Bonus Floor Area
Development Prototypes with Incentives
Lower Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | | Column 1 | Column 2 | Column 3 | Column 4 | Column 5 | Column 6 | Column 7 | Column 8 | Column 9 | Column 10 | Column 11 | Column 12 |
|------------------------------------|--------------|-------------------------------------|---|--------------------------------|--|--|---|--|---|---|---|---|---|
| | | Bonus Floor Area (GSF) of Incentive | Project ROE of Prototypes without Incentive at Cap Rate of: (1) | Prototypes with Incentives | | | | | | | | | |
| | | | | Equity Investment Required (2) | Net Value of Investment at ROE of Prototype Without Incentive @ Cap Rate of: (3) | Before Program Costs | | After Payment of Current In Lieu Fee | | After Performance Cost/Fee: Scenario 1 | | After Performance Costs: Scenario 2 | |
| Housing Prototypes | | | | | | Projected Net Value of Investment Before Program Costs (4) | Value of Incentive Before Program Costs (5) | Projected Net Value of Investment After Payment of Current In Lieu Fee (4) | Value of Incentive After Payment of Current In Lieu Fee (5) | Projected Net Value of Investment After Performance Costs: Scenario 1 (4) | Value of Incentive After Performance Cost/Fee: Scenario 1 (5) | Projected Net Value of Investment After Performance Costs: Scenario 2 (4) | Value of Incentive After Performance Cost/Fee: Scenario 2 (5) |
| DOWNTOWN PROTOTYPES | | | 4.25% | | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% |
| Residential Rental | Prototype 1 | 148,200 | 7.40% | \$437 | \$129 | \$160 | \$30 | \$138 | \$9 | \$110 | (\$19) | \$63 | (\$67) |
| Residential Ownership | Prototype 2 | 142,200 | 7.84% | \$499 | \$156 | \$228 | \$72 | \$207 | \$50 | \$194 | \$37 | \$166 | \$10 |
| | | | 5.00% | | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Commercial | Prototype 3 | 162,000 | -5.31% | \$283 | (\$60) | \$59 | \$119 | \$33 | \$93 | \$15 | \$75 | N/A | N/A |
| SOUTH LAKE UNION PROTOTYPES | | | 4.25% | | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% |
| Residential Rental | Prototype 4 | 147,250 | 32.97% | \$284 | \$375 | \$158 | (\$217) | \$138 | (\$237) | \$122 | (\$253) | \$88 | (\$287) |
| Residential Ownership | Prototype 5 | 136,250 | 14.61% | \$327 | \$191 | \$50 | (\$141) | \$30 | (\$161) | \$25 | (\$166) | \$3 | (\$188) |
| | | | 5.00% | | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Commercial | Prototype 6 | 107,000 | 1.11% | \$376 | \$17 | \$120 | \$104 | \$94 | \$77 | \$76 | \$59 | N/A | N/A |
| LOWRISE TO MIDRISE | | | 4.25% | | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% |
| Residential Rental | Prototype 7 | 32,400 | 24.60% | \$197 | \$194 | \$99.61 | (\$94) | \$84.46 | (\$110) | \$81.16 | (\$113) | \$60 | (\$134) |
| | | | 17.77% | \$223 | \$158 | \$156 | (\$2) | \$141 | (\$17) | \$133 | (\$25) | \$117 | (\$41) |
| | | | 13.09% | \$251 | \$131 | \$159 | \$28 | \$144 | \$13 | \$131 | (\$0) | \$120 | (\$11) |
| Residential Ownership | Prototype 8 | 32,400 | -11.95% | \$222 | (\$106) | (\$131) | (\$25) | (\$146) | (\$40) | (\$132) | (\$25) | (\$148) | (\$42) |
| | | | -4.66% | \$250 | (\$47) | (\$60) | (\$13) | (\$75) | (\$28) | (\$65) | (\$19) | (\$77) | (\$30) |
| | | | -0.50% | \$281 | (\$6) | \$5 | \$10.19 | (\$11) | (\$5) | (\$7) | (\$1) | (\$13) | (\$7) |
| 4 STORIES TO 6 STORIES | | | | | | | | | | | | | |
| Residential Rental | Prototype 9 | 30,000 | 25.90% | \$345 | \$358 | \$234 | (\$124) | \$219 | (\$139) | \$211 | (\$147) | \$157 | (\$200) |
| | | | 18.88% | \$391 | \$296 | \$203 | (\$93) | \$187 | (\$108) | \$173.97 | (\$122) | \$126 | (\$170) |
| | | | 14.00% | \$444 | \$249 | \$191 | (\$58) | \$175 | (\$73) | \$156 | (\$93) | \$114 | (\$135) |
| Residential Ownership | Prototype 10 | 30,000 | -13.99% | \$389 | (\$218) | (\$286) | (\$68) | (\$301) | (\$83) | (\$289) | (\$71) | (\$317) | (\$99) |
| | | | -6.90% | \$440 | (\$121) | (\$184) | (\$62) | (\$199) | (\$77) | (\$193) | (\$71) | (\$215) | (\$93) |
| | | | -2.77% | \$497 | (\$55) | (\$98) | (\$43) | (\$113) | (\$58) | (\$114) | (\$58) | (\$129) | (\$74) |
| 6 STORIES TO 7 STORIES | | | | | | | | | | | | | |
| Residential Rental | Prototype 11 | 25,000 | 13.28% | \$577 | \$307 | \$228 | (\$79) | \$213 | (\$94) | \$202 | (\$105) | \$214 | (\$92) |
| | | | 8.57% | \$658 | \$226 | \$156 | (\$69) | \$141 | (\$84) | \$124 | (\$101) | \$142 | (\$83) |
| | | | 5.45% | \$750 | \$164 | \$110 | (\$53) | \$95 | (\$69) | \$71 | (\$92) | \$96 | (\$67) |
| Residential Ownership | Prototype 12 | 25,000 | -19.59% | \$579 | (\$454) | (\$395) | \$8 | (\$411) | \$43 | (\$447) | \$6 | (\$446) | \$8 |
| | | | -12.48% | \$660 | (\$330) | (\$247) | \$83 | (\$262) | \$68 | (\$311) | \$19 | (\$297) | \$32 |
| | | | -7.98% | \$753 | (\$240) | (\$127) | \$113 | (\$142) | \$98 | (\$204) | \$36 | (\$177) | \$63 |

(1) Return on equity calculated as total increase in project value DIVIDED BY equity investment DIVIDED BY average number of years of equity investment. Estimated project ROE of the prototypes without incentives (from return on equity analysis tables: Tables 10 through 13).
(2) Amount of equity investment required for prototypes with incentives, from return on equity analysis tables (Tables 10 through 13).
(3) Equals rate of return on equity of prototype without incentive MULTIPLIED BY the equity required for the prototype with incentive MULTIPLIED BY number of years of assumed investment period (assumed to be 4 years).
(4) Net value of investment of prototype with incentive from return on equity analysis table (Tables 10 through 13) before program costs, after payment of in-lieu fee, and after estimated performance costs under Scenarios 1 and 2.
(5) Net value of investment of prototype with incentive from return on equity analysis table (Tables 10 through 13) before program costs, after payment of in-lieu fee, and after estimated performance costs under Scenarios 1 and 2 MINUS net value of investment at ROE of prototype without incentive.

Source: DRA

Table 19
Estimated Net Value of Incentive Per SF of Bonus Floor Area
Development Prototypes with Incentives
Higher Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| Housing Prototypes | Column 1 Bonus Floor Area (GSF) of Incentive | Column 2 Project ROE of Prototypes without Incentive at Cap Rate of: (1) | Column 3 Equity Investment Required (2) | Column 4 Net Value of Investment at ROE of Incentive @ Cap Rate of: (3) | Column 5 - Column 12 Prototypes with Incentives | | | | | | | | |
|-------------------------------------|---|---|--|--|--|---|--|---|---|---|---|---|-------|
| | | | | | Before Program Costs | | After Payment of Current In Lieu Fee | | After Performance Cost/Fee: Scenario 1 | | After Performance Costs: Scenario 2 | | |
| | | | | | Projected Net Value of Investment Before Program Costs (4) | Value of Incentive Before Program Costs (5) | Projected Net Value of Investment After Payment of Current In Lieu Fee (4) | Value of Incentive After Payment of Current In Lieu Fee (5) | Projected Net Value of Investment After Performance Costs: Scenario 1 (4) | Value of Incentive After After Performance Cost/Fee: Scenario 1 (5) | Projected Net Value of Investment After Performance Costs: Scenario 2 (4) | Value of Incentive After After Performance Cost/Fee: Scenario 2 (5) | |
| DOWNTOWN PROTOTYPES | | | | | | | | | | | | | |
| Residential Rental Prototype 1 | 148,200 | 5.00% | | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Residential Rental Low Scenario | | -3.09% | \$437.49 | (\$54) | (\$28) | \$26 | (\$50) | \$4 | (\$78) | (\$24) | (\$125) | (\$71) | |
| Residential Ownership Prototype 2 | 142,200 | 7.84% | \$498.80 | \$156 | \$228 | \$72 | \$207 | \$50 | \$194 | \$37 | \$166 | \$10 | |
| Commercial Prototype 3 | 162,000 | 5.50% | | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% |
| Commercial Low Scenario | | -10.51% | \$282.98 | (\$119) | (\$11) | \$108 | (\$37) | \$82 | (\$55.13) | \$64 | N/A | N/A | |
| SOUTH LAKE UNION PROTOTYPES | | | | | | | | | | | | | |
| Residential Rental Prototype 4 | 147,250 | 5.00% | | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Residential Rental Low Scenario | | 18.65% | \$284.49 | \$212 | \$27 | (\$185) | \$7 | (\$205) | (\$9) | (\$221) | (\$42) | (\$254) | |
| Residential Ownership Prototype 5 | 136,250 | 14.61% | \$326.85 | \$191 | \$50 | (\$141) | \$30 | (\$161) | \$25 | (\$166) | \$3 | (\$188) | |
| Commercial Prototype 6 | 107,000 | 5.50% | | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% |
| Commercial Low Scenario | | -4.67% | \$375.55 | (\$70) | \$23.88 | \$94 | (\$3) | \$68 | (\$21) | \$50 | N/A | N/A | |
| LOWRISE TO MIDRISE | | | | | | | | | | | | | |
| Residential Rental Prototype 7 | 32,400 | 5.00% | | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Residential Rental Low Scenario | | 11.54% | \$197.15 | \$91 | \$11 | (\$80) | (\$4) | (\$95) | (\$8) | (\$99) | (\$28) | (\$119) | |
| Residential Rental Middle Scenario | | 5.73% | \$222.69 | \$51 | \$49 | (\$2) | \$34 | (\$17) | \$26 | (\$25) | \$10 | (\$41) | |
| Residential Rental High Scenario | | 1.75% | \$251.08 | \$18 | \$41 | \$24 | \$26 | \$9 | \$13 | (\$4) | \$2 | (\$15) | |
| Residential Ownership Prototype 8 | 32,400 | -11.95% | \$222.28 | (\$106) | (\$131) | (\$25) | (\$146) | (\$40) | (\$132) | (\$25) | (\$148) | (\$42) | |
| Residential Ownership Low Scenario | | -4.66% | \$250.42 | (\$47) | (\$60) | (\$13) | (\$75) | (\$28) | (\$65) | (\$19) | (\$77) | (\$30) | |
| Residential Ownership High Scenario | | -0.50% | \$281.42 | (\$6) | \$5 | \$10 | (\$11) | (\$5) | (\$7) | (\$1) | (\$13) | (\$7) | |
| 4 STORIES TO 6 STORIES | | | | | | | | | | | | | |
| Residential Rental Prototype 9 | 30,000 | 12.64% | \$345.05 | \$175 | \$69 | (\$105) | \$54 | (\$120) | \$46 | (\$128) | (\$7) | (\$182) | |
| Residential Rental Low Scenario | | 6.67% | \$391.48 | \$104 | \$25 | (\$79) | \$10 | (\$94) | (\$3) | (\$108) | (\$51) | (\$156) | |
| Residential Rental Middle Scenario | | 2.53% | \$444.45 | \$45 | (\$5) | (\$50) | (\$20) | (\$65) | (\$39) | (\$84) | (\$81) | (\$126) | |
| Residential Ownership Prototype 10 | 30,000 | -13.99% | \$389.17 | (\$218) | (\$286) | (\$68) | (\$301) | (\$83) | (\$289) | (\$71) | (\$317) | (\$99) | |
| Residential Ownership Low Scenario | | -6.90% | \$440.02 | (\$121) | (\$184) | (\$62) | (\$199) | (\$77) | (\$193) | (\$71) | (\$215) | (\$93) | |
| Residential Ownership High Scenario | | -2.77% | \$497.40 | (\$55) | (\$98) | (\$43) | (\$113) | (\$58) | (\$114) | (\$58) | (\$129) | (\$74) | |
| 6 STORIES TO 7 STORIES | | | | | | | | | | | | | |
| Residential Rental Prototype 11 | 25,000 | 1.91% | \$577.23 | \$44 | (\$23) | (\$67) | (\$38) | (\$82) | (\$49) | (\$93) | (\$36) | (\$81) | |
| Residential Rental Low Scenario | | -2.09% | \$657.91 | (\$55) | (\$114) | (\$59) | (\$129) | (\$74) | (\$146) | (\$91) | (\$128) | (\$73) | |
| Residential Rental Middle Scenario | | -4.74% | \$750.13 | (\$142) | (\$188) | (\$45) | (\$203) | (\$61) | (\$226) | (\$84) | (\$201) | (\$59) | |
| Residential Ownership Prototype 12 | 25,000 | -19.59% | \$579.22 | (\$454) | (\$395) | \$58 | (\$411) | \$43 | (\$447) | \$6 | (\$446) | \$8 | |
| Residential Ownership Low Scenario | | -12.48% | \$660.11 | (\$330) | (\$247) | \$83 | (\$262) | \$68 | (\$311) | \$19 | (\$297) | \$32 | |
| Residential Ownership High Scenario | | -7.98% | \$752.53 | (\$240) | (\$127) | \$113 | (\$142) | \$98 | (\$204) | \$36 | (\$177) | \$63 | |

(1) Return on equity calculated as total increase in project value DIVIDED BY equity investment DIVIDED BY average number of years of equity investment. Estimated project ROE of the prototypes without incentives (from return on equity analysis tables: Tables 10 through 13).
(2) Amount of equity investment required for prototypes with incentives, from return on equity analysis tables (Tables 10 through 13).
(3) Equals rate of return on equity of prototype without incentive MULTIPLIED BY the equity required for the prototype with incentive MULTIPLIED BY number of years of assumed investment period (assumed to be 4 years).
(4) Net value of investment of prototype with incentive from return on equity analysis table (Tables 10 through 13) before program costs, after payment of in-lieu fee, and after estimated performance costs under Scenarios 1 and 2.
(5) Net value of investment of prototype with incentive from return on equity analysis table (Tables 10 through 13) before program costs, after payment of in-lieu fee, and after estimated performance costs under Scenarios 1 and 2 MINUS net value of investment at ROE of prototype without incentive.
Source: DRA

Table 20
Return on Equity Analysis, Incentive Program Requirements
Downtown and South Lake Union Prototypes
Lower Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Downtown/HR | | | | | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 1A With Incentive | Prototype 1B No Incentive | Prototype 2A With Incentive | Prototype 2B No Incentive | Prototype 3A With Incentive | Prototype 3B No Incentive |
| Site Area (SF) | 15,000 | 15,000 | 15,000 | 15,000 | 32,400 | 32,400 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Office Net SF | - | - | - | - | 249,480 | 129,600 |
| Residential Net SF | 308,900 | 194,900 | 283,900 | 174,900 | - | - |
| Total Net SF | 311,000 | 197,000 | 286,000 | 177,000 | 251,580 | 131,700 |
| Residential Units | 426 | 269 | 344 | 212 | - | - |
| Approximate Building Stories | 40 | 24 | 40 | 24 | 8 | 4 |
| Total Annual Net Operating Income, Rental Uses | \$7,894,357 | \$4,901,711 | | | \$6,208,713 | \$3,252,159 |
| NOI Per NSF | \$25.38 | \$24.88 | | | \$24.68 | \$24.69 |
| Cap Rate | 4.25% | 4.25% | | | 5.00% | 5.00% |
| Capitalized Value, Rental Uses | \$185,749,581 | \$115,334,372 | | | \$124,174,260 | \$65,043,180 |
| Net Condo Sales Proceeds | | | \$209,789,213 | \$123,116,438 | | |
| Total Market Value | \$185,749,581 | \$115,334,372 | \$209,789,213 | \$123,116,438 | \$124,174,260 | \$65,043,180 |
| Total Value Per NSF | \$597 | \$585 | \$734 | \$696 | \$494 | \$494 |
| Less: Total Development Cost, Incl. Land | \$162,088,317 | \$103,129,373 | \$177,324,631 | \$109,388,186 | \$114,608,332 | \$71,083,805 |
| Total Development Cost Per NSF | \$521 | \$523 | \$620 | \$618 | \$456 | \$540 |
| Net Value of Investment Before Program Costs | \$23,661,264 | \$12,204,999 | \$32,464,582 | \$13,728,252 | \$9,565,928 | (\$6,040,625) |
| Net Value/SF Site Area | \$1,577.42 | \$813.67 | \$2,164.31 | \$915.22 | \$295.24 | (\$186.44) |
| Net Value/Dwelling Unit | \$55,543 | \$45,372 | \$94,374 | \$64,756 | N/A | N/A |
| Equity Investment @ 40% of TDC | \$64,835,326.80 | \$41,251,749 | \$70,929,852 | \$43,755,274 | \$45,843,333 | \$28,433,522 |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Return on Equity (1) | 9% | 7% | 11% | 8% | 5% | -5% |
| Increase in Net Project Value from Bonus Before Program Costs | \$11,456,265 | | \$18,736,330 | | \$15,606,553 | |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$3,212,976 | | \$3,082,896 | | \$4,285,305 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$7,359,308 | | \$4,923,432 | | \$7,209,000 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$14,384,102 | | \$8,810,352 | | N/A | |
| Net Value of Investment After Program Costs | | | | | | |
| 1. Current In-Lieu Fee | \$20,448,288 | | \$29,381,686 | | \$5,280,623 | |
| Return on Equity (1) | 8% | | 10% | | 3% | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$16,301,956 | | \$27,541,150 | | \$2,356,928 | |
| Return on Equity (1) | 6% | | 10% | | 1% | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$9,277,162 | | \$23,654,230 | | N/A | |
| Return on Equity (1) | 4% | | 8% | | N/A | |
| Cash Flow Summary, Permanent Loan | | | | | | |
| Debt 70% | \$113,461,822 | \$72,190,560.86 | | | \$80,225,832 | \$49,758,664 |
| Equity 30% | \$48,626,495 | \$30,938,812 | | | \$34,382,500 | \$21,325,142 |
| Annual Debt Service 5% 20 Yrs | \$748,798 | \$476,426 | | | \$529,455 | \$328,385 |
| Net Cash Flow | \$7,145,559 | \$4,425,285 | | | \$5,679,258 | \$2,923,774 |
| Annual Return on Equity (Annual NOI/Equity) (2) | 11.0% | 10.7% | | | 12.4% | |

(1) Return on equity measured as net project value divided by the number of years equity investment divided by total equity investment.

(2) Annual net cash flow (NOI less debt service) divided by total equity investment.

(3) Gap cost for current housing set-asides for residential; \$40 per GSF bonus commercial housing fee (plus TDR as applicable).

(4) Gap cost for 10% affordable units for residential (plus TDR as applicable).

Source: DRA.

Table 20
Return on Equity Analysis, Incentive Program |
Downtown and South Lake Union Prototypes
Lower Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | South Lake Union | | | | | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 4A With Incentive | Prototype 4B No Incentive | Prototype 5A With Incentive | Prototype 5B No Incentive | Prototype 6A With Incentive | Prototype 6B No Incentive |
| Site Area (SF) | 21,000 | 21,000 | 21,000 | 21,000 | 43,000 | 43,000 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Office Net SF | - | - | - | - | 238,400 | 152,800 |
| Residential Net SF | 203,900 | 89,900 | 184,900 | 79,900 | - | - |
| Total Net SF | 206,000 | 92,000 | 187,000 | 82,000 | 240,500 | 154,900 |
| Residential Units | 281 | 124 | 218 | 94 | - | - |
| Approximate Building Stories | 24 | 7 | 24 | 7 | 8 | 5 |
| Total Annual Net Operating Income, Rental Uses | \$5,430,134 | \$2,207,866 | | | \$5,665,879 | \$3,652,139 |
| NOI Per NSF | \$26.36 | \$24.00 | | | \$23.56 | \$23.58 |
| Cap Rate | 4.25% | 4.25% | | | 5.00% | 5.00% |
| Capitalized Value, Rental Uses | \$127,767,859 | \$51,949,798 | | | \$113,317,580 | \$73,042,780 |
| Net Condo Sales Proceeds | | | \$118,191,281 | \$42,887,513 | | |
| Total Market Value | \$127,767,859 | \$51,949,798 | \$118,191,281 | \$42,887,513 | \$113,317,580 | \$73,042,780 |
| Total Value Per NSF | \$620 | \$565 | \$632 | \$523 | \$471 | \$472 |
| Less: Total Development Cost, Incl. Land | \$104,727,058 | \$34,008,956 | \$111,333,368 | \$34,762,360 | \$100,460,639 | \$71,769,583 |
| Total Development Cost Per NSF | \$508 | \$370 | \$595 | \$424 | \$418 | \$463 |
| Net Value of Investment Before Program Costs | \$23,040,801 | \$17,940,841 | \$6,857,913 | \$8,125,152 | \$12,856,941 | \$1,273,197 |
| Net Value/SF Site Area | \$1,097.18 | \$854.33 | \$326.57 | \$386.91 | \$299.00 | \$29.61 |
| Net Value/Dwelling Unit | \$81,996 | \$144,684 | \$31,458 | \$86,438 | N/A | N/A |
| Equity Investment @ 40% of TDC | \$41,890,823 | \$13,603,583 | \$44,533,347 | \$13,904,944 | \$40,184,256 | \$28,707,833 |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Return on Equity (1) | 14% | 33% | 4% | 15% | 8% | 1% |
| Increase in Net Project Value from Bonus Before Program Costs | \$5,099,959 | | (\$1,267,239) | | \$11,583,744 | |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$2,955,420 | | \$2,753,340 | | \$2,830,418 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$5,317,653 | | \$3,454,575 | | \$4,761,500 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$10,238,406 | | \$6,422,865 | | N/A | |
| Net Value of Investment After Program Costs | | | | | | |
| 1. Current In-Lieu Fee | \$20,085,381 | | \$4,104,573 | | \$10,026,524 | |
| Return on Equity (1) | 12% | | 2% | | 6% | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$17,723,148 | | \$3,403,338 | | \$8,095,441 | |
| Return on Equity (1) | 11% | | 2% | | 5% | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$12,802,395 | | \$435,048 | | N/A | |
| Return on Equity (1) | 8% | | 0% | | N/A | |
| Cash Flow Summary, Permanent Loan | | | | | | |
| Debt 70% | \$73,308,941 | \$23,806,269 | | | \$70,322,447 | \$50,238,708 |
| Equity 30% | \$31,418,117 | \$10,202,687 | | | \$30,138,192 | \$21,530,875 |
| Annual Debt Service 5% 20 Yrs | \$483,807 | \$157,111 | | | \$464,097 | \$331,553 |
| Net Cash Flow | \$4,946,327 | \$2,050,756 | | | \$5,201,782 | \$3,320,586 |
| Annual Return on Equity (Annual NOI/Equity) (2) | 11.8% | 15.1% | | | 12.9% | 11.6% |

(1) Return on equity measured as net project value divide
(2) Annual net cash flow (NOI less debt service) divide
(3) Gap cost for current housing set-asides for residential
(4) Gap cost for 10% affordable units for residential (pl
Source: DRA.

Table 21
Return on Equity Analysis, Incentive Program Requirements
Downtown and South Lake Union Prototypes
Higher Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Downtown/HR | | | | | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 1A With Incentive | Prototype 1B No Incentive | Prototype 2A With Incentive | Prototype 2B No Incentive | Prototype 3A With Incentive | Prototype 3B No Incentive |
| Site Area (SF) | 15,000 | 15,000 | 15,000 | 15,000 | 32,400 | 32,400 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Office Net SF | - | - | - | - | 249,480 | 129,600 |
| Residential Net SF | 308,900 | 194,900 | 283,900 | 174,900 | - | - |
| Total Net SF | 311,000 | 197,000 | 286,000 | 177,000 | 251,580 | 131,700 |
| Residential Units | 426 | 269 | 344 | 212 | - | - |
| Approximate Building Stories | 40 | 24 | 40 | 24 | 8 | 4 |
| Total Annual Net Operating Income, Rental Uses | \$7,894,357 | \$4,901,711 | | | \$6,208,713 | \$3,252,159 |
| NOI Per NSF | \$25.38 | \$24.88 | | | \$24.68 | \$24.69 |
| Cap Rate | 5.00% | 5.00% | | | 5.50% | 5.50% |
| Capitalized Value, Rental Uses | \$157,887,144 | \$98,034,216 | | | \$112,885,691 | \$59,130,164 |
| Net Condo Sales Proceeds | | | \$209,789,213 | \$123,116,438 | | |
| Total Market Value | \$157,887,144 | \$98,034,216 | \$209,789,213 | \$123,116,438 | \$112,885,691 | \$59,130,164 |
| Total Value Per NSF | \$508 | \$498 | \$734 | \$696 | \$449 | \$449 |
| Less: Total Development Cost, Incl. Land | \$162,088,317 | \$103,129,373 | \$177,324,631 | \$109,388,186 | \$114,608,332 | \$71,083,805 |
| Total Development Cost Per NSF | \$521 | \$523 | \$620 | \$618 | \$456 | \$540 |
| Net Value of Investment Before Program Costs | (\$4,201,173) | (\$5,095,157) | \$32,464,582 | \$13,728,252 | (\$1,722,641) | (\$11,953,641) |
| Net Value/SF Site Area | (\$280.08) | (\$339.68) | \$2,164.31 | \$915.22 | (\$53.17) | (\$368.94) |
| Net Value/Dwelling Unit | (\$9,862) | (\$18,941) | \$94,374 | \$64,756 | N/A | N/A |
| Equity Investment @ 40% of TDC | \$64,835,327 | \$41,251,749 | \$70,929,852 | \$43,755,274 | \$45,843,333 | \$28,433,522 |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Return on Equity Before Program Costs (1) | -2% | -3% | 11% | 8% | -1% | -11% |
| Increase in Net Project Value from Bonus Before Program Costs | \$893,984 | | \$18,736,330 | | \$10,231,001 | |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$3,212,976 | | \$3,082,896 | | \$4,285,305 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$7,359,308 | | \$4,923,432 | | \$7,209,000 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$14,384,102 | | \$8,810,352 | | N/A | |
| Net Value of Investment After Program Costs | | | | | | |
| 1. Current In-Lieu Fee | (\$7,414,149) | | \$29,381,686 | | (\$6,007,946) | |
| Return on Equity (1) | -3% | | 10% | | -3% | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | (\$11,560,481) | | \$27,541,150 | | (\$8,931,641) | |
| Return on Equity (1) | -4% | | 10% | | -5% | |
| 3. Gap Cost Scenario 2: 10% Units (4) | (\$18,585,275) | | \$23,654,230 | | N/A | |
| Return on Equity (1) | -7% | | 8% | | N/A | |
| Cash Flow Summary | | | | | | |
| Debt 60% | \$97,252,990 | \$61,877,623.59 | | | \$68,764,999 | \$42,650,283 |
| Equity 40% | \$64,835,327 | \$41,251,749 | | | \$45,843,333 | \$28,433,522 |
| Annual Debt Service 5% 20 Yrs | \$641,827 | \$408,365 | | | \$453,819 | \$281,473 |
| Net Cash Flow | \$7,252,531 | \$4,493,346 | | | \$5,754,894 | \$2,970,686 |
| Annual Return on Equity (Annual NOI/Equity) (2) | 11.2% | 10.9% | | | 12.6% | |

(1) Return on equity measured as net project value divided by the number of years equity investment divided by total equity investment.

(2) Annual net cash flow (NOI less debt service) divided by total equity investment.

(3) Gap cost for current housing set-asides for residential; \$40 per GSF bonus commercial housing fee (plus TDR as applicable).

(4) Gap cost for 10% affordable units for residential (plus TDR as applicable).

Source: DRA.

Table 21
Return on Equity Analysis, Incentive Program |
Downtown and South Lake Union Prototypes
Higher Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | South Lake Union | | | | | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 4A With Incentive | Prototype 4B No Incentive | Prototype 5A With Incentive | Prototype 5B No Incentive | Prototype 6A With Incentive | Prototype 6B No Incentive |
| Site Area (SF) | 21,000 | 21,000 | 21,000 | 21,000 | 43,000 | 43,000 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Office Net SF | - | - | - | - | 238,400 | 152,800 |
| Residential Net SF | 203,900 | 89,900 | 184,900 | 79,900 | - | - |
| Total Net SF | 206,000 | 92,000 | 187,000 | 82,000 | 240,500 | 154,900 |
| Residential Units | 281 | 124 | 218 | 94 | - | - |
| Approximate Building Stories | 24 | 7 | 24 | 7 | 8 | 5 |
| Total Annual Net Operating Income, Rental Uses | \$5,430,134 | \$2,207,866 | | | \$5,665,879 | \$3,652,139 |
| NOI Per NSF | \$26.36 | \$24.00 | | | \$23.56 | \$23.58 |
| Cap Rate | 5.00% | 5.00% | | | 5.50% | 5.50% |
| Capitalized Value, Rental Uses | \$108,602,680 | \$44,157,328 | | | \$103,015,982 | \$66,402,527 |
| Net Condo Sales Proceeds | | | \$118,191,281 | \$42,887,513 | | |
| Total Market Value | \$108,602,680 | \$44,157,328 | \$118,191,281 | \$42,887,513 | \$103,015,982 | \$66,402,527 |
| Total Value Per NSF | \$527 | \$480 | \$632 | \$523 | \$428 | \$429 |
| Less: Total Development Cost, Incl. Land | \$104,727,058 | \$34,008,956 | \$111,333,368 | \$34,762,360 | \$100,460,639 | \$71,769,583 |
| Total Development Cost Per NSF | \$508 | \$370 | \$595 | \$424 | \$418 | \$463 |
| Net Value of Investment Before Program Costs | \$3,875,622 | \$10,148,372 | \$6,857,913 | \$8,125,152 | \$2,555,343 | (\$5,367,056) |
| Net Value/SF Site Area | \$184.55 | \$483.26 | \$326.57 | \$386.91 | \$59.43 | (\$124.82) |
| Net Value/Dwelling Unit | \$13,792 | \$81,842 | \$31,458 | \$86,438 | N/A | N/A |
| Equity Investment @ 40% of TDC | \$41,890,823 | \$13,603,583 | \$44,533,347 | \$13,904,944 | \$40,184,256 | \$28,707,833 |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Return on Equity Before Program Costs (1) | 2% | 19% | 4% | 15% | 2% | -5% |
| Increase in Net Project Value from Bonus Before Program Costs | (\$6,272,750) | | (\$1,267,239) | | \$7,922,399 | |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$2,955,420 | | \$2,753,340 | | \$2,830,418 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$5,317,653 | | \$3,454,575 | | \$4,761,500 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$10,238,406 | | \$6,422,865 | | N/A | |
| Net Value of Investment After Program Costs | | | | | | |
| 1. Current In-Lieu Fee | \$920,202 | | \$4,104,573 | | (\$275,075) | |
| Return on Equity (1) | 1% | | 2% | | 0% | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | (\$1,442,031) | | \$3,403,338 | | (\$2,206,157) | |
| Return on Equity (1) | -1% | | 2% | | -1% | |
| 3. Gap Cost Scenario 2: 10% Units (4) | (\$6,362,784) | | \$435,048 | | N/A | |
| Return on Equity (1) | -4% | | 0% | | N/A | |
| Cash Flow Summary | | | | | | |
| Debt 60% | \$62,836,235 | \$20,405,374 | | | \$60,276,383 | \$43,061,750 |
| Equity 40% | \$41,890,823 | \$13,603,583 | | | \$40,184,256 | \$28,707,833 |
| Annual Debt Service 5% 20 Yrs | \$414,691 | \$134,666 | | | \$397,797 | \$284,188 |
| Net Cash Flow | \$5,015,443 | \$2,073,200 | | | \$5,268,082 | \$3,367,951 |
| Annual Return on Equity (Annual NOI/Equity) (2) | 12.0% | 15.2% | | | 13.1% | 11.7% |

(1) Return on equity measured as net project value divided by equity
(2) Annual net cash flow (NOI less debt service) divided by equity
(3) Gap cost for current housing set-asides for residential
(4) Gap cost for 10% affordable units for residential (pl)
Source: DRA.

Table 22
Return on Equity Analysis, Incentive Program Requirements
Low Rise and Mid Rise Prototypes
Lower Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | | 4 to 6 Stories | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Residential Rental | |
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 8A With Incentive | Prototype 8B No Incentive | Prototype 9A With Incentive | Prototype 9B No Incentive |
| Site Area (SF) | 14,400 | 14,400 | 14,400 | 14,400 | 20,000 | 20,000 |
| Retail Net SF | - | - | - | - | 2,100 | 2,100 |
| Residential Net SF | 46,000 | 22,000 | 46,000 | 22,000 | 68,900 | 46,900 |
| Total Net SF | 46,000 | 22,000 | 46,000 | 22,000 | 71,000 | 49,000 |
| Residential Units | 71 | 34 | 56 | 27 | 106 | 72 |
| Approximate Building Stories | 7 | 4 | 7 | 4 | 6 | 4 |
| Total Annual Net Operating Income, Rental Uses | | | | | | |
| Low Scenario | \$815,858 | \$434,796 | | | \$1,398,159 | \$963,363 |
| NOI Per NSF | \$17.74 | \$19.76 | | | \$19.69 | \$19.66 |
| Middle Scenario | \$981,359 | \$469,068 | | | \$1,506,130 | \$1,037,062 |
| NOI Per NSF | \$21.33 | \$21.32 | | | \$21.21 | \$21.16 |
| High Scenario | \$1,083,776 | \$518,029 | | | \$1,659,706 | \$1,141,678 |
| NOI Per NSF | \$23.56 | \$23.55 | | | \$23.38 | \$23.30 |
| Cap Rate | 4.25% | 4.25% | | | 4.25% | 4.25% |
| Total Market Value (Capitalized NOI for Rental; Net Sales Proceeds for Ownership) | | | | | | |
| Low Scenario | \$19,196,664 | \$10,230,487 | \$13,765,500 | \$6,583,500 | \$32,897,859 | \$22,667,373 |
| Per NSF | \$417 | \$465 | \$299 | \$299 | \$477 | \$483 |
| Middle Scenario | \$23,090,797 | \$11,036,898 | \$18,354,000 | \$8,778,000 | \$35,438,357 | \$24,401,460 |
| Per NSF | \$502 | \$502 | \$399 | \$399 | \$514 | \$520 |
| High Scenario | \$25,500,614 | \$12,188,907 | \$22,942,500 | \$10,972,500 | \$39,051,910 | \$26,863,003 |
| Per NSF | \$554 | \$554 | \$499 | \$499 | \$567 | \$573 |
| Less: Total Development Cost, Include. Land | | | | | | |
| Low Scenario | \$15,969,184 | \$7,341,003 | \$18,005,056 | \$8,139,552 | \$25,878,493 | \$16,025,407 |
| Per NSF | \$347 | \$334 | \$391 | \$370 | \$364 | \$327 |
| Middle Scenario | \$18,037,910 | \$8,594,023 | \$20,284,390 | \$9,484,712 | \$29,361,192 | \$18,740,857 |
| Per NSF | \$392 | \$391 | \$441 | \$431 | \$414 | \$382 |
| High Scenario | \$20,337,836 | \$10,078,242 | \$22,794,923 | \$11,061,071 | \$33,333,491 | \$21,945,908 |
| Per NSF | \$442 | \$458 | \$496 | \$503 | \$469 | \$448 |
| Net Value of Investment Before Program Costs | | | | | | |
| Low Scenario | \$3,227,481 | \$2,889,483 | (\$4,239,556) | (\$1,556,052) | \$7,019,367 | \$6,641,966 |
| Per SF Site Area | \$224.13 | \$200.66 | (\$294.41) | (\$108.06) | \$350.97 | \$332.10 |
| Per Dwelling Unit | \$45,457 | \$84,985 | (\$75,706) | (\$57,632) | \$66,220 | \$92,250 |
| Return on Equity (1) | 13% | 25% | -15% | -12% | 17% | 26% |
| Middle Scenario | \$5,052,888 | \$2,442,875 | (\$1,930,390) | (\$706,712) | \$6,077,166 | \$5,660,602 |
| Per SF Site Area | \$350.89 | \$169.64 | (\$134.05) | (\$49.08) | \$303.86 | \$283.03 |
| Per Dwelling Unit | \$71,167 | \$71,849 | (\$34,471) | (\$26,175) | \$57,332 | \$78,619 |
| Return on Equity (1) | 18% | 18% | -6% | -5% | 13% | 19% |
| High Scenario | \$5,162,778 | \$2,110,665 | \$147,577 | (\$88,571) | \$5,718,419 | \$4,917,095 |
| Per SF Site Area | \$358.53 | \$146.57 | \$10.25 | (\$6.15) | \$285.92 | \$245.85 |
| Per Dwelling Unit | \$72,715 | \$62,078 | \$2,635 | (\$3,280) | \$53,947 | \$68,293 |
| Return on Equity (1) | 16% | 13% | 0% | -1% | 11% | 14% |
| Equity Investment @ 40% | | | | | | |
| Low Scenario | \$6,387,673 | \$2,936,401 | \$7,202,023 | \$3,255,821 | \$10,351,397 | \$6,410,163 |
| Middle Scenario | \$7,215,164 | \$3,437,609 | \$8,113,756 | \$3,793,885 | \$11,744,477 | \$7,496,343 |
| High Scenario | \$8,135,134 | \$4,031,297 | \$9,117,969 | \$4,424,429 | \$13,333,396 | \$8,778,363 |
| Assumed Investment Period (Months) | 4 | 4 | 4 | 4 | 4 | 4 |
| Increase in Net Value from Bonus Before Prog. Costs | | | | | | |
| Low Scenario | \$3,451,272 | | \$3,946,202 | | \$3,941,234 | |
| Middle Scenario | \$3,777,555 | | \$4,319,871 | | \$4,248,134 | |
| High Scenario | \$4,103,837 | | \$4,693,541 | | \$4,555,033 | |

Table 22
Return on Equity Analysis, Incentive Program Requirements
Low Rise and Mid Rise Prototypes
Lower Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | | 4 to 6 Stories | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Residential Rental | |
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 8A With Incentive | Prototype 8B No Incentive | Prototype 9A With Incentive | Prototype 9B No Incentive |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$490,860 | | \$490,860 | | \$454,500 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$597,840 | | \$25,040 | | \$693,934 | |
| Middle Scenario | \$743,525 | | \$189,040 | | \$858,212 | |
| High Scenario | \$905,490 | | \$369,440 | | \$1,045,585 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | \$836,977 | | \$37,560 | | \$1,526,654 | |
| Middle Scenario | \$1,040,935 | | \$283,560 | | \$1,888,066 | |
| High Scenario | \$1,267,686 | | \$554,160 | | \$2,300,287 | |
| Increase in Net Value from Bonus After Prog. Costs | | | | | | |
| 1. Current In-Lieu Fee | | | | | | |
| Low Scenario | \$2,736,621 | | (\$4,730,416) | | \$6,564,867 | |
| Return on Equity (1) | 11% | | -16% | | 16% | |
| Middle Scenario | \$4,562,028 | | (\$2,421,250) | | \$5,622,666 | |
| Return on Equity (1) | 16% | | -7% | | 12% | |
| High Scenario | \$4,671,918 | | (\$343,283) | | \$5,263,919 | |
| Return on Equity (1) | 14% | | -1% | | 10% | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$2,629,640 | | (\$4,264,596) | | \$6,325,433 | |
| Return on Equity (1) | 10% | | -15% | | 15% | |
| Middle Scenario | \$4,309,362 | | (\$2,119,430) | | \$5,218,954 | |
| Return on Equity (1) | 15% | | -7% | | 11% | |
| High Scenario | \$4,257,288 | | (\$221,863) | | \$4,672,834 | |
| Return on Equity (1) | 13% | | -1% | | 9% | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | \$1,959,795 | | (\$4,793,716) | | \$4,719,080 | |
| Return on Equity (1) | 8% | | -17% | | 11% | |
| Middle Scenario | \$3,785,202 | | (\$2,484,550) | | \$3,776,879 | |
| Return on Equity (1) | 13% | | -8% | | 8% | |
| High Scenario | \$3,895,092 | | (\$406,583) | | \$3,418,132 | |
| Return on Equity (1) | 12% | | -1% | | 6% | |
| Cash Flow Summary | | | | | | |
| Low Scenario | | | | | | |
| Debt 60% | \$9,581,510 | \$4,404,602 | | | \$15,527,095.50 | \$9,615,244 |
| Equity 40% | \$6,387,673 | \$2,936,401 | | | \$10,351,397 | \$6,410,163 |
| Middle Scenario | | | | | | |
| Debt 60% | \$10,822,746 | \$5,156,414 | | | \$17,616,715 | \$11,244,514 |
| Equity 40% | \$7,215,164 | \$3,437,609 | | | \$11,744,477 | \$7,496,343 |
| High Scenario | | | | | | |
| Debt 60% | \$12,202,701 | \$6,046,945 | | | \$20,000,095 | \$13,167,545 |
| Equity 40% | \$8,135,134 | \$4,031,297 | | | \$13,333,396 | \$8,778,363 |
| Annual Debt Service 5% 20 Yrs | | | | | | |
| Low Scenario | \$105,390 | \$367,053 | | | \$170,787 | \$801,277 |
| Middle Scenario | \$119,042 | \$429,705 | | | \$193,771 | \$937,051 |
| High Scenario | \$134,221 | \$503,916 | | | \$219,986 | \$1,097,304 |
| Net Cash Flow | | | | | | |
| Low Scenario | \$710,469 | \$67,743 | | | \$1,227,372 | \$162,086 |
| Annual Return on Equity (2) | 11.1% | 2.3% | | | 11.9% | 2.5% |
| Middle Scenario | \$862,317 | \$39,363 | | | \$1,312,359 | \$100,011 |
| Annual Return on Equity (2) | 12.0% | 1.1% | | | 11.2% | 1.3% |
| High Scenario | \$949,555 | \$14,112 | | | \$1,439,720 | \$44,373 |
| Annual Return on Equity (2) | 7.8% | 0.2% | | | 7.2% | 0.3% |

(1) Return on equity measured as net project value divided by the number of years equity investment divided by total equity investment.

(2) Annual net cash flow (NOI less debt service) divided by total equity investment.

(3) Gap cost for current housing set-asides for residential; \$40 per GSF bonus commercial housing fee (plus TDR as applicable).

(4) Gap cost for 10% affordable units for residential (plus TDR as applicable).

Table 22
Return on Equity Analysis, Incentive Program |
Low Rise and Mid Rise Prototypes
Lower Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 to 6 Stories | | 6 Stories to 7 Stories | | | |
|--|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Residential Ownership | | Residential Rental | | Residential Ownership | |
| | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 11A With Incentive | Prototype 11B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| Site Area (SF) | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Residential Net SF | 68,900 | 46,900 | 87,900 | 68,900 | 87,900 | 68,900 |
| Total Net SF | 71,000 | 49,000 | 90,000 | 71,000 | 90,000 | 71,000 |
| Residential Units | 84 | 57 | 135 | 106 | 107 | 84 |
| Approximate Building Stories | 6 | 4 | 7 | 6 | 7 | 6 |
| Total Annual Net Operating Income, Rental Uses | | | | | | |
| Low Scenario | | | \$1,775,504 | \$1,398,159 | | |
| NOI Per NSF | | | \$19.73 | \$19.69 | | |
| Middle Scenario | | | \$1,913,555 | \$1,506,130 | | |
| NOI Per NSF | | | \$21.26 | \$21.21 | | |
| High Scenario | | | \$2,109,596 | \$1,659,706 | | |
| NOI Per NSF | | | \$23.44 | \$23.38 | | |
| Cap Rate | | | 4.25% | 4.25% | | |
| Total Market Value (Capitalized NOI for Rental; Net Sales Proceeds for Ownership) | | | | | | |
| Low Scenario | \$20,618,325 | \$14,034,825 | \$41,776,574 | \$32,897,859 | \$26,314,250 | \$20,625,208 |
| Per NSF | \$299 | \$299 | \$475 | \$477 | \$299 | \$299 |
| Middle Scenario | \$27,491,100 | \$18,713,100 | \$45,024,812 | \$35,438,357 | \$35,085,666 | \$27,500,277 |
| Per NSF | \$399 | \$399 | \$512 | \$514 | \$399 | \$399 |
| High Scenario | \$34,363,875 | \$23,391,375 | \$49,637,560 | \$39,051,910 | \$43,857,083 | \$34,375,346 |
| Per NSF | \$499 | \$499 | \$565 | \$567 | \$499 | \$499 |
| Less: Total Development Cost, Include. Land | | | | | | |
| Low Scenario | \$29,187,917 | \$18,081,152 | \$36,076,810 | \$27,132,308 | \$36,201,166 | \$30,037,917 |
| Per NSF | \$411 | \$369 | \$401 | \$382 | \$402 | \$423 |
| Middle Scenario | \$33,001,558 | \$21,033,804 | \$41,119,428 | \$31,165,388 | \$41,256,649 | \$34,361,558 |
| Per NSF | \$465 | \$429 | \$457 | \$439 | \$458 | \$484 |
| High Scenario | \$37,304,800 | \$24,476,056 | \$46,882,846 | \$35,919,269 | \$47,032,932 | \$39,406,000 |
| Per NSF | \$525 | \$500 | \$521 | \$506 | \$523 | \$555 |
| Net Value of Investment Before Program Costs | | | | | | |
| Low Scenario | (\$8,569,592) | (\$4,046,327) | \$5,699,764 | \$5,765,552 | (\$9,886,917) | (\$9,412,709) |
| Per SF Site Area | (\$428.48) | (\$202.32) | \$284.99 | \$288.28 | (\$494.35) | (\$470.64) |
| Per Dwelling Unit | (\$102,019) | (\$70,988) | \$42,220 | \$54,392 | (\$92,401) | (\$112,056) |
| Return on Equity (1) | -18% | -14% | 10% | 13% | -17% | -20% |
| Middle Scenario | (\$5,510,458) | (\$2,320,704) | \$3,905,384 | \$4,272,969 | (\$6,170,983) | (\$6,861,281) |
| Per SF Site Area | (\$275.52) | (\$116.04) | \$195.27 | \$213.65 | (\$308.55) | (\$343.06) |
| Per Dwelling Unit | (\$65,601) | (\$40,714) | \$28,929 | \$40,311 | (\$57,673) | (\$81,682) |
| Return on Equity (1) | -10% | -7% | 6% | 9% | -9% | -12% |
| High Scenario | (\$2,940,925) | (\$1,084,681) | \$2,754,714 | \$3,132,641 | (\$3,175,849) | (\$5,030,654) |
| Per SF Site Area | (\$147.05) | (\$54.23) | \$137.74 | \$156.63 | (\$158.79) | (\$251.53) |
| Per Dwelling Unit | (\$35,011) | (\$19,029) | \$20,405 | \$29,553 | (\$29,681) | (\$59,889) |
| Return on Equity (1) | -5% | -3% | 4% | 5% | -4% | -8% |
| Equity Investment @ 40% | | | | | | |
| Low Scenario | \$11,675,167 | \$7,232,461 | \$14,430,724 | \$10,852,923 | \$14,480,467 | \$12,015,167 |
| Middle Scenario | \$13,200,623 | \$8,413,522 | \$16,447,771 | \$12,466,155 | \$16,502,660 | \$13,744,623 |
| High Scenario | \$14,921,920 | \$9,790,423 | \$18,753,139 | \$14,367,708 | \$18,813,173 | \$15,762,400 |
| Assumed Investment Period (Months) | 4 | 4 | 4 | 4 | 4 | 4 |
| Increase in Net Value from Bonus Before Prog. Costs | | | | | | |
| Low Scenario | \$4,442,706 | | \$3,577,801 | | \$2,465,300 | |
| Middle Scenario | \$4,787,102 | | \$3,981,616 | | \$2,758,036 | |
| High Scenario | \$5,131,497 | | \$4,385,431 | | \$3,050,773 | |

Table 22
Return on Equity Analysis, Incentive Program |
Low Rise and Mid Rise Prototypes
Lower Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 to 6 Stories | | 6 Stories to 7 Stories | | | |
|---|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Residential Ownership | | Residential Rental | | Residential Ownership | |
| | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 11A With Incentive | Prototype 11B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$454,500 | | \$378,750 | | \$378,750 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$90,640 | | \$647,543 | | \$1,295,085 | |
| Middle Scenario | \$267,760 | | \$796,953 | | \$1,593,907 | |
| High Scenario | \$464,560 | | \$967,720 | | \$1,935,440 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | \$181,280 | | \$45,840 | | \$168,080 | |
| Middle Scenario | \$535,520 | | \$183,600 | | \$673,200 | |
| High Scenario | \$929,120 | | \$343,500 | | \$1,259,500 | |
| Increase in Net Value from Bonus After Prog. Costs | | | | | | |
| 1. Current In-Lieu Fee | | | | | | |
| Low Scenario | (\$9,024,092) | | \$5,321,014 | | (\$10,265,667) | |
| Return on Equity (1) | -19% | | 9% | | -18% | |
| Middle Scenario | (\$5,964,958) | | \$3,526,634 | | (\$6,549,733) | |
| Return on Equity (1) | -11% | | 5% | | -10% | |
| High Scenario | (\$3,395,425) | | \$2,375,964 | | (\$3,554,599) | |
| Return on Equity (1) | -6% | | 3% | | -5% | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | (\$8,660,232) | | \$5,052,221 | | (\$11,182,002) | |
| Return on Equity (1) | -19% | | 9% | | -19% | |
| Middle Scenario | (\$5,778,218) | | \$3,108,431 | | (\$7,764,890) | |
| Return on Equity (1) | -11% | | 5% | | -12% | |
| High Scenario | (\$3,405,485) | | \$1,786,994 | | (\$5,111,289) | |
| Return on Equity (1) | -6% | | 2% | | -7% | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | (\$9,498,712) | | \$5,356,264 | | (\$11,146,417) | |
| Return on Equity (1) | -20% | | 9% | | -19% | |
| Middle Scenario | (\$6,439,578) | | \$3,561,884 | | (\$7,430,483) | |
| Return on Equity (1) | -12% | | 5% | | -11% | |
| High Scenario | (\$3,870,045) | | \$2,411,214 | | (\$4,435,349) | |
| Return on Equity (1) | -6% | | 3% | | -6% | |
| Cash Flow Summary | | | | | | |
| Low Scenario | | | | | | |
| Debt | 60% | | \$21,646,086 | \$16,279,385 | | |
| Equity | 40% | | \$14,430,724 | \$10,852,923 | | |
| Middle Scenario | | | | | | |
| Debt | 60% | | \$24,671,657 | \$18,699,233 | | |
| Equity | 40% | | \$16,447,771 | \$12,466,155 | | |
| High Scenario | | | | | | |
| Debt | 60% | | \$28,129,708 | \$21,551,561 | | |
| Equity | 40% | | \$18,753,139 | \$14,367,708 | | |
| Annual Debt Service | 5% | 20 Yrs | | | | |
| Low Scenario | | | \$238,091 | \$1,356,627 | | |
| Middle Scenario | | | \$271,370 | \$1,558,282 | | |
| High Scenario | | | \$309,406 | \$1,795,978 | | |
| Net Cash Flow | | | | | | |
| Low Scenario | | | | | | |
| Annual Return on Equity (2) | | | \$1,537,413 | \$41,532 | | |
| Annual Return on Equity (2) | | | 10.7% | 0.4% | | |
| Middle Scenario | | | | | | |
| Annual Return on Equity (2) | | | \$1,642,184 | (\$52,152) | | |
| Annual Return on Equity (2) | | | 10.0% | -0.4% | | |
| High Scenario | | | | | | |
| Annual Return on Equity (2) | | | \$1,800,190 | (\$136,272) | | |
| Annual Return on Equity (2) | | | 6.4% | -0.6% | | |

(1) Return on equity measured as net project value divide
(2) Annual net cash flow (NOI less debt service) divide
(3) Gap cost for current housing set-asides for residenti
(4) Gap cost for 10% affordable units for residential (pl

Table 23
Return on Equity Analysis, Incentive Program Requirements
Low Rise and Mid Rise Prototypes
Higher Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | | 4 to 6 Stories | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Residential Rental | |
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 8A With Incentive | Prototype 8B No Incentive | Prototype 9A With Incentive | Prototype 9B No Incentive |
| Site Area (SF) | 14,400 | 14,400 | 14,400 | 14,400 | 20,000 | 20,000 |
| Retail Net SF | - | - | - | - | 2,100 | 2,100 |
| Residential Net SF | 46,000 | 22,000 | 46,000 | 22,000 | 68,900 | 46,900 |
| Total Net SF | 46,000 | 22,000 | 46,000 | 22,000 | 71,000 | 49,000 |
| Residential Units | 71 | 34 | 56 | 27 | 106 | 72 |
| Approximate Building Stories | 7 | 4 | 7 | 4 | 6 | 4 |
| Total Annual Net Operating Income, Rental Uses | | | | | | |
| Low Scenario | \$815,858 | \$434,796 | | | \$1,398,159 | \$963,363 |
| NOI Per NSF | \$17.74 | \$19.76 | | | \$19.69 | \$19.66 |
| Middle Scenario | \$981,359 | \$469,068 | | | \$1,506,130 | \$1,037,062 |
| NOI Per NSF | \$21.33 | \$21.32 | | | \$21.21 | \$21.16 |
| High Scenario | \$1,083,776 | \$518,029 | | | \$1,659,706 | \$1,141,678 |
| NOI Per NSF | \$23.56 | \$23.55 | | | \$23.38 | \$23.30 |
| Cap Rate | 5.00% | 5.00% | | | 5.00% | 5.00% |
| Total Market Value (Capitalized NOI for Rental; Net Sales Proceeds for Ownership) | | | | | | |
| Low Scenario | \$16,317,165 | \$8,695,914 | \$13,765,500 | \$6,583,500 | \$27,963,180 | \$19,267,267 |
| Per NSF | \$355 | \$395 | \$299 | \$299 | \$406 | \$411 |
| Middle Scenario | \$19,627,178 | \$9,381,363 | \$18,354,000 | \$8,778,000 | \$30,122,604 | \$20,741,241 |
| Per NSF | \$427 | \$426 | \$399 | \$399 | \$437 | \$442 |
| High Scenario | \$21,675,522 | \$10,360,571 | \$22,942,500 | \$10,972,500 | \$33,194,123 | \$22,833,552 |
| Per NSF | \$471 | \$471 | \$499 | \$499 | \$482 | \$487 |
| Less: Total Development Cost, Include. Land | | | | | | |
| Low Scenario | \$15,969,184 | \$7,341,003 | \$18,005,056 | \$8,139,552 | \$25,878,493 | \$16,025,407 |
| Per NSF | \$347 | \$334 | \$391 | \$370 | \$364 | \$327 |
| Middle Scenario | \$18,037,910 | \$8,594,023 | \$20,284,390 | \$9,484,712 | \$29,361,192 | \$18,740,857 |
| Per NSF | \$392 | \$391 | \$441 | \$431 | \$414 | \$382 |
| High Scenario | \$20,337,836 | \$10,078,242 | \$22,794,923 | \$11,061,071 | \$33,333,491 | \$21,945,908 |
| Per NSF | \$442 | \$458 | \$496 | \$503 | \$469 | \$448 |
| Net Value of Investment Before Program Costs | | | | | | |
| Low Scenario | \$347,981 | \$1,354,910 | (\$4,239,556) | (\$1,556,052) | \$2,084,688 | \$3,241,860 |
| Per NSF | \$24.17 | \$94.09 | (\$294.41) | (\$108.06) | \$104.23 | \$162.09 |
| Per Dwelling Unit | \$4,901 | \$39,850 | (\$75,706) | (\$57,632) | \$19,667 | \$45,026 |
| Return on Equity (1) | 1% | 12% | -15% | -12% | 5% | 13% |
| Middle Scenario | \$1,589,268 | \$787,340 | (\$1,930,390) | (\$706,712) | \$761,412 | \$2,000,383 |
| Per NSF | \$110.37 | \$54.68 | (\$134.05) | (\$49.08) | \$38.07 | \$100.02 |
| Per Dwelling Unit | \$22,384 | \$23,157 | (\$34,471) | (\$26,175) | \$7,183 | \$27,783 |
| Return on Equity (1) | 6% | 6% | -6% | -5% | 2% | 7% |
| High Scenario | \$1,337,686 | \$282,329 | \$147,577 | (\$88,571) | (\$139,368) | \$887,644 |
| Per NSF | \$92.89 | \$19.61 | \$10.25 | (\$6.15) | (\$6.97) | \$44.38 |
| Per Dwelling Unit | \$18,841 | \$8,304 | \$2,635 | (\$3,280) | (\$1,315) | \$12,328 |
| Return on Equity (1) | 4% | 2% | 0% | -1% | 0% | 3% |
| Equity Investment @ 40% | | | | | | |
| Low Scenario | \$6,387,673 | \$2,936,401 | \$7,202,023 | \$3,255,821 | \$10,351,397 | \$6,410,163 |
| Middle Scenario | \$7,215,164 | \$3,437,609 | \$8,113,756 | \$3,793,885 | \$11,744,477 | \$7,496,343 |
| High Scenario | \$8,135,134 | \$4,031,297 | \$9,117,969 | \$4,424,429 | \$13,333,396 | \$8,778,363 |
| Assumed Investment Period (Months) | 4 | 4 | 4 | 4 | 4 | 4 |
| Increase in Net Value from Bonus Before Prog. Costs | | | | | | |
| Low Scenario | \$3,451,272 | | \$3,946,202 | | \$3,941,234 | |
| Middle Scenario | \$3,777,555 | | \$4,319,871 | | \$4,248,134 | |
| High Scenario | \$4,103,837 | | \$4,693,541 | | \$4,555,033 | |

Table 23
Return on Equity Analysis, Incentive Program Requirements
Low Rise and Mid Rise Prototypes
Higher Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | | 4 to 6 Stories | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Residential Rental | |
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 8A With Incentive | Prototype 8B No Incentive | Prototype 9A With Incentive | Prototype 9B No Incentive |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$490,860 | | \$490,860 | | \$454,500 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$597,840 | | \$25,040 | | \$693,934 | |
| Middle Scenario | \$743,525 | | \$189,040 | | \$858,212 | |
| High Scenario | \$905,490 | | \$369,440 | | \$1,045,585 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | \$836,977 | | \$37,560 | | \$1,526,654 | |
| Middle Scenario | \$1,040,935 | | \$283,560 | | \$1,888,066 | |
| High Scenario | \$1,267,686 | | \$554,160 | | \$2,300,287 | |
| Increase in Net Value from Bonus After Prog. Costs | | | | | | |
| 1. Current In-Lieu Fee | | | | | | |
| Low Scenario | (\$142,879) | | (\$4,730,416) | | \$1,630,188 | |
| Return on Equity (1) | -1% | | -16% | | 4% | |
| Middle Scenario | \$1,098,408 | | (\$2,421,250) | | \$306,912 | |
| Return on Equity (1) | 4% | | -7% | | 1% | |
| High Scenario | \$846,826 | | (\$343,283) | | (\$593,868) | |
| Return on Equity (1) | 3% | | -1% | | -1% | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | (\$249,859) | | (\$4,264,596) | | \$1,390,754 | |
| Return on Equity (1) | -1% | | -15% | | 3% | |
| Middle Scenario | \$845,743 | | (\$2,119,430) | | (\$96,800) | |
| Return on Equity (1) | 3% | | -7% | | 0% | |
| High Scenario | \$432,196 | | (\$221,863) | | (\$1,184,953) | |
| Return on Equity (1) | 1% | | -1% | | -2% | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | (\$919,705) | | (\$4,793,716) | | (\$215,599) | |
| Return on Equity (1) | -4% | | -17% | | -1% | |
| Middle Scenario | \$321,582 | | (\$2,484,550) | | (\$1,538,875) | |
| Return on Equity (1) | 1% | | -8% | | -3% | |
| High Scenario | \$70,000 | | (\$406,583) | | (\$2,439,655) | |
| Return on Equity (1) | 0% | | -1% | | -5% | |
| Cash Flow Summary | | | | | | |
| Low Scenario | | | | | | |
| Debt 60% | \$9,581,510 | \$4,404,602 | | | \$15,527,095.50 | \$9,615,244 |
| Equity 40% | \$6,387,673 | \$2,936,401 | | | \$10,351,397 | \$6,410,163 |
| Middle Scenario | | | | | | |
| Debt 60% | \$10,822,746 | \$5,156,414 | | | \$17,616,715 | \$11,244,514 |
| Equity 40% | \$7,215,164 | \$3,437,609 | | | \$11,744,477 | \$7,496,343 |
| High Scenario | | | | | | |
| Debt 60% | \$12,202,701 | \$6,046,945 | | | \$20,000,095 | \$13,167,545 |
| Equity 40% | \$8,135,134 | \$4,031,297 | | | \$13,333,396 | \$8,778,363 |
| Annual Debt Service 5% 20 Yrs | | | | | | |
| Low Scenario | \$105,390 | \$367,053 | | | \$170,787 | \$801,277 |
| Middle Scenario | \$119,042 | \$429,705 | | | \$193,771 | \$937,051 |
| High Scenario | \$134,221 | \$503,916 | | | \$219,986 | \$1,097,304 |
| Net Cash Flow | | | | | | |
| Low Scenario | \$710,469 | \$67,743 | | | \$1,227,372 | \$162,086 |
| Annual Return on Equity (2) | 11.1% | 2.3% | | | 11.9% | 2.5% |
| Middle Scenario | \$862,317 | \$39,363 | | | \$1,312,359 | \$100,011 |
| Annual Return on Equity (2) | 12.0% | 1.1% | | | 11.2% | 1.3% |
| High Scenario | \$949,555 | \$14,112 | | | \$1,439,720 | \$44,373 |
| Annual Return on Equity (2) | 7.8% | 0.2% | | | 7.2% | 0.3% |

(1) Return on equity measured as net project value divided by the number of years equity investment divided by total equity investment.

(2) Annual net cash flow (NOI less debt service) divided by total equity investment.

Source: DRA.

Table 23
Return on Equity Analysis, Incentive Program |
Low Rise and Mid Rise Prototypes
Higher Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 to 6 Stories | | 6 Stories to 7 Stories | | | |
|--|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Residential Ownership | | Residential Rental | | Residential Ownership | |
| | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 11A With Incentive | Prototype 11B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| Site Area (SF) | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Residential Net SF | 68,900 | 46,900 | 87,900 | 68,900 | 87,900 | 68,900 |
| Total Net SF | 71,000 | 49,000 | 90,000 | 71,000 | 90,000 | 71,000 |
| Residential Units | 84 | 57 | 135 | 106 | 107 | 84 |
| Approximate Building Stories | 6 | 4 | 7 | 6 | 7 | 6 |
| Total Annual Net Operating Income, Rental Uses | | | | | | |
| Low Scenario | | | \$1,775,504 | \$1,398,159 | | |
| NOI Per NSF | | | \$19.73 | \$19.69 | | |
| Middle Scenario | | | \$1,913,555 | \$1,506,130 | | |
| NOI Per NSF | | | \$21.26 | \$21.21 | | |
| High Scenario | | | \$2,109,596 | \$1,659,706 | | |
| NOI Per NSF | | | \$23.44 | \$23.38 | | |
| Cap Rate | | | 5.00% | 5.00% | | |
| Total Market Value (Capitalized NOI for Rental; Net Sales Proceeds for Ownership) | | | | | | |
| Low Scenario | \$20,618,325 | \$14,034,825 | \$35,510,088 | \$27,963,180 | \$26,314,250 | \$20,625,208 |
| Per NSF | \$299 | \$299 | \$404 | \$406 | \$299 | \$299 |
| Middle Scenario | \$27,491,100 | \$18,713,100 | \$38,271,090 | \$30,122,604 | \$35,085,666 | \$27,500,277 |
| Per NSF | \$399 | \$399 | \$435 | \$437 | \$399 | \$399 |
| High Scenario | \$34,363,875 | \$23,391,375 | \$42,191,926 | \$33,194,123 | \$43,857,083 | \$34,375,346 |
| Per NSF | \$499 | \$499 | \$480 | \$482 | \$499 | \$499 |
| Less: Total Development Cost, Include. Land | | | | | | |
| Low Scenario | \$29,187,917 | \$18,081,152 | \$36,076,810 | \$27,132,308 | \$36,201,166 | \$30,037,917 |
| Per NSF | \$411 | \$369 | \$401 | \$382 | \$402 | \$423 |
| Middle Scenario | \$33,001,558 | \$21,033,804 | \$41,119,428 | \$31,165,388 | \$41,256,649 | \$34,361,558 |
| Per NSF | \$465 | \$429 | \$457 | \$439 | \$458 | \$484 |
| High Scenario | \$37,304,800 | \$24,476,056 | \$46,882,846 | \$35,919,269 | \$47,032,932 | \$39,406,000 |
| Per NSF | \$525 | \$500 | \$521 | \$506 | \$523 | \$555 |
| Net Value of Investment Before Program Costs | | | | | | |
| Low Scenario | (\$8,569,592) | (\$4,046,327) | (\$566,722) | \$830,873 | (\$9,886,917) | (\$9,412,709) |
| Per NSF | (\$428.48) | (\$202.32) | (\$28.34) | \$41.54 | (\$494.35) | (\$470.64) |
| Per Dwelling Unit | (\$102,019) | (\$70,988) | (\$4,198) | \$7,838 | (\$92,401) | (\$112,056) |
| Return on Equity (1) | -18% | -14% | -1% | 2% | -17% | -20% |
| Middle Scenario | (\$5,510,458) | (\$2,320,704) | (\$2,848,338) | (\$1,042,784) | (\$6,170,983) | (\$6,861,281) |
| Per NSF | (\$275.52) | (\$116.04) | (\$142.42) | (\$52.14) | (\$308.55) | (\$343.06) |
| Per Dwelling Unit | (\$65,601) | (\$40,714) | (\$21,099) | (\$9,838) | (\$57,673) | (\$81,682) |
| Return on Equity (1) | -10% | -7% | -4% | -2% | -9% | -12% |
| High Scenario | (\$2,940,925) | (\$1,084,681) | (\$4,690,920) | (\$2,725,146) | (\$3,175,849) | (\$5,030,654) |
| Per NSF | (\$147.05) | (\$54.23) | (\$234.55) | (\$136.26) | (\$158.79) | (\$251.53) |
| Per Dwelling Unit | (\$35,011) | (\$19,029) | (\$34,748) | (\$25,709) | (\$29,681) | (\$59,889) |
| Return on Equity (1) | -5% | -3% | -6% | -5% | -4% | -8% |
| Equity Investment @ 40% | | | | | | |
| Low Scenario | \$11,675,167 | \$7,232,461 | \$14,430,724 | \$10,852,923 | \$14,480,467 | \$12,015,167 |
| Middle Scenario | \$13,200,623 | \$8,413,522 | \$16,447,771 | \$12,466,155 | \$16,502,660 | \$13,744,623 |
| High Scenario | \$14,921,920 | \$9,790,423 | \$18,753,139 | \$14,367,708 | \$18,813,173 | \$15,762,400 |
| Assumed Investment Period (Months) | 4 | 4 | 4 | 4 | 4 | 4 |
| Increase in Net Value from Bonus Before Prog. Costs | | | | | | |
| Low Scenario | \$4,442,706 | | \$3,577,801 | | \$2,465,300 | |
| Middle Scenario | \$4,787,102 | | \$3,981,616 | | \$2,758,036 | |
| High Scenario | \$5,131,497 | | \$4,385,431 | | \$3,050,773 | |

Table 23
Return on Equity Analysis, Incentive Program |
Low Rise and Mid Rise Prototypes
Higher Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 to 6 Stories | | 6 Stories to 7 Stories | | | |
|---|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Residential Ownership | | Residential Rental | | Residential Ownership | |
| | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 11A With Incentive | Prototype 11B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$454,500 | | \$378,750 | | \$378,750 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$90,640 | | \$647,543 | | \$1,295,085 | |
| Middle Scenario | \$267,760 | | \$796,953 | | \$1,593,907 | |
| High Scenario | \$464,560 | | \$967,720 | | \$1,935,440 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | \$181,280 | | \$45,840 | | \$168,080 | |
| Middle Scenario | \$535,520 | | \$183,600 | | \$673,200 | |
| High Scenario | \$929,120 | | \$343,500 | | \$1,259,500 | |
| Increase in Net Value from Bonus After Prog. Costs | | | | | | |
| 1. Current In-Lieu Fee | | | | | | |
| Low Scenario | (\$9,024,092) | | (\$945,472) | | (\$10,265,667) | |
| Return on Equity (1) | -19% | | -2% | | -18% | |
| Middle Scenario | (\$5,964,958) | | (\$3,227,088) | | (\$6,549,733) | |
| Return on Equity (1) | -11% | | -5% | | -10% | |
| High Scenario | (\$3,395,425) | | (\$5,069,670) | | (\$3,554,599) | |
| Return on Equity (1) | -6% | | -7% | | -5% | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | (\$8,660,232) | | (\$1,214,265) | | (\$11,182,002) | |
| Return on Equity (1) | -19% | | -2% | | -19% | |
| Middle Scenario | (\$5,778,218) | | (\$3,645,291) | | (\$7,764,890) | |
| Return on Equity (1) | -11% | | -6% | | -12% | |
| High Scenario | (\$3,405,485) | | (\$5,658,640) | | (\$5,111,289) | |
| Return on Equity (1) | -6% | | -8% | | -7% | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | (\$9,498,712) | | (\$910,222) | | (\$11,146,417) | |
| Return on Equity (1) | -20% | | -2% | | -19% | |
| Middle Scenario | (\$6,439,578) | | (\$3,191,838) | | (\$7,430,483) | |
| Return on Equity (1) | -12% | | -5% | | -11% | |
| High Scenario | (\$3,870,045) | | (\$5,034,420) | | (\$4,435,349) | |
| Return on Equity (1) | -6% | | -7% | | -6% | |
| Cash Flow Summary | | | | | | |
| Low Scenario | | | | | | |
| Debt 60% | | | \$21,646,086 | \$16,279,385 | | |
| Equity 40% | | | \$14,430,724 | \$10,852,923 | | |
| Middle Scenario | | | | | | |
| Debt 60% | | | \$24,671,657 | \$18,699,233 | | |
| Equity 40% | | | \$16,447,771 | \$12,466,155 | | |
| High Scenario | | | | | | |
| Debt 60% | | | \$28,129,708 | \$21,551,561 | | |
| Equity 40% | | | \$18,753,139 | \$14,367,708 | | |
| Annual Debt Service 5% 20 Yrs | | | | | | |
| Low Scenario | | | \$238,091 | \$1,356,627 | | |
| Middle Scenario | | | \$271,370 | \$1,558,282 | | |
| High Scenario | | | \$309,406 | \$1,795,978 | | |
| Net Cash Flow | | | | | | |
| Low Scenario | | | | | | |
| Annual Return on Equity (2) | | | \$1,537,413 | \$41,532 | | |
| Annual Return on Equity (2) | | | 10.7% | 0.4% | | |
| Middle Scenario | | | | | | |
| Annual Return on Equity (2) | | | \$1,642,184 | (\$52,152) | | |
| Annual Return on Equity (2) | | | 10.0% | -0.4% | | |
| High Scenario | | | | | | |
| Annual Return on Equity (2) | | | \$1,800,190 | (\$136,272) | | |
| Annual Return on Equity (2) | | | 6.4% | -0.6% | | |

(1) Return on equity measured as net project value divide
(2) Annual net cash flow (NOI less debt service) divide

Source: DRA.

Table 24
Land Residual Analysis, Incentive Program Requirements
Downtown and South Lake Union Prototypes
Lower Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Downtown/HR | | | | | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 1A With Incentive | Prototype 1B No Incentive | Prototype 2A With Incentive | Prototype 2B No Incentive | Prototype 3A With Incentive | Prototype 3B No Incentive |
| Site Area (SF) | 15,000 | 15,000 | 15,000 | 15,000 | 32,400 | 32,400 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Office Net SF | - | - | - | - | 249,480 | 129,600 |
| Residential Net SF | 308,900 | 194,900 | 283,900 | 174,900 | - | - |
| Total Net SF | 311,000 | 197,000 | 286,000 | 177,000 | 251,580 | 131,700 |
| Residential Units | 426 | 269 | 344 | 212 | - | - |
| Approximate Building Stories | 40 | 24 | 40 | 24 | 8 | 4 |
| Bonus Gross Floor Area (GSF) | 148,200 | | 142,200 | | 162,000 | |
| Total Annual Net Operating Income, Rental Uses | \$7,894,357 | \$4,901,711 | | | \$6,208,713 | \$3,252,159 |
| NOI Per NSF | \$25.38 | \$24.88 | | | \$24.68 | \$24.69 |
| Cap Rate | 4.25% | 4.25% | | | 5.00% | 5.00% |
| Capitalized Value, Rental Uses | \$185,749,581 | \$115,334,372 | | | \$124,174,260 | \$65,043,180 |
| Net Condo Sales Proceeds | | | \$209,789,213 | \$123,116,438 | | |
| Total Market Value | \$185,749,581 | \$115,334,372 | \$209,789,213 | \$123,116,438 | \$124,174,260 | \$65,043,180 |
| Total Value Per NSF | \$597 | \$585 | \$734 | \$696 | \$494 | \$494 |
| Less: Total Development Cost, Excl. Land | \$150,838,317 | \$91,879,373 | \$166,074,631 | \$98,138,186 | \$90,308,332 | \$46,783,805 |
| Total Development Cost Per NSF | \$485 | \$466 | \$581 | \$554 | \$359 | \$355 |
| Less: Assumed Return on Equity (See Below) | \$15,560,478 | \$9,900,420 | \$17,023,165 | \$10,501,266 | \$18,337,333 | \$11,373,409 |
| Residual Land Value Before Program Costs | \$19,350,786 | \$13,554,579 | \$26,691,417 | \$14,476,986 | \$15,528,595 | \$6,885,966 |
| Resid. Value/SF Site Area | \$1,290.05 | \$903.64 | \$1,779.43 | \$965.13 | \$479.28 | \$212.53 |
| Resid. Value/Dwelling Unit | \$45,424 | \$50,389 | \$77,591 | \$68,288 | N/A | N/A |
| Resid. Value/SF Bonus GFA | \$130.57 | | \$187.70 | | \$95.86 | |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$3,212,976 | | \$3,082,896 | | \$4,285,305 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$7,359,308 | | \$4,923,432 | | \$7,209,000 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$14,384,102 | | \$8,810,352 | | N/A | |
| Residual Land Value After Program Costs | | | | | | |
| 1. Current In-Lieu Fee | \$16,137,810 | | \$23,608,521 | | \$11,243,290 | |
| Resid. Value/SF Site Area | \$1,076 | | \$1,574 | | \$347 | |
| Resid. Value/SF Bonus GFA | \$108.89 | | \$166.02 | | \$69.40 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$11,991,478 | | \$21,767,985 | | \$8,319,595 | |
| Resid. Value/SF Site Area | \$799 | | \$1,451 | | \$257 | |
| Resid. Value/SF Bonus GFA | \$80.91 | | \$153.08 | | \$51.36 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$4,966,683 | | \$17,881,065 | | N/A | |
| Resid. Value/SF Site Area | \$331 | | \$1,192 | | N/A | |
| Resid. Value/SF Bonus GFA | \$33.51 | | \$125.75 | | N/A | |
| Equity Investment @ 40% of TDC | \$64,835,327 | \$41,251,749 | \$70,929,852 | \$43,755,274 | \$45,843,333 | \$28,433,522 |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Assumed Return on Equity (1) | 6% | 6% | 6% | 6% | 10% | 10% |

(1) Return on equity measured as net project value divided by the number of years equity investment divided by total equity investment.

(2) Annual net cash flow (NOI less debt service) divided by total equity investment.

(3) Gap cost for current housing set-asides for residential; \$40 per GSF bonus commercial housing fee (plus TDR as applicable).

(4) Gap cost for 10% affordable units for residential (plus TDR as applicable).

Source: DRA.

Table 24
Land Residual Analysis, Incentive Program Rec
Downtown and South Lake Union Prototypes
Lower Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | South Lake Union | | | | | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 4A With Incentive | Prototype 4B No Incentive | Prototype 5A With Incentive | Prototype 5B No Incentive | Prototype 6A With Incentive | Prototype 6B No Incentive |
| Site Area (SF) | 21,000 | 21,000 | 21,000 | 21,000 | 43,000 | 43,000 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Office Net SF | - | - | - | - | 238,400 | 152,800 |
| Residential Net SF | 203,900 | 89,900 | 184,900 | 79,900 | - | - |
| Total Net SF | 206,000 | 92,000 | 187,000 | 82,000 | 240,500 | 154,900 |
| Residential Units | 281 | 124 | 218 | 94 | - | - |
| Approximate Building Stories | 24 | 7 | 24 | 7 | 8 | 5 |
| Bonus Gross Floor Area (GSF) | 147,250 | | 136,250 | | 107,000 | |
| Total Annual Net Operating Income, Rental Uses | \$5,430,134 | \$2,207,866 | | | \$5,665,879 | \$3,652,139 |
| NOI Per NSF | \$26.36 | \$24.00 | | | \$23.56 | \$23.58 |
| Cap Rate | 4.25% | 4.25% | | | 5.00% | 5.00% |
| Capitalized Value, Rental Uses | \$127,767,859 | \$51,949,798 | | | \$113,317,580 | \$73,042,780 |
| Net Condo Sales Proceeds | | | \$118,191,281 | \$42,887,513 | | |
| Total Market Value | \$127,767,859 | \$51,949,798 | \$118,191,281 | \$42,887,513 | \$113,317,580 | \$73,042,780 |
| Total Value Per NSF | \$620 | \$565 | \$632 | \$523 | \$471 | \$472 |
| Less: Total Development Cost, Excl. Land | \$96,852,058 | \$26,133,956 | \$103,458,368 | \$26,887,360 | \$84,335,639 | \$55,644,583 |
| Total Development Cost Per NSF | \$470 | \$284 | \$553 | \$328 | \$351 | \$359 |
| Less: Assumed Return on Equity (See Below) | \$10,053,798 | \$3,264,860 | \$10,688,003 | \$3,337,187 | \$16,073,702 | \$11,483,133 |
| Residual Land Value Before Program Costs | \$20,862,003 | \$22,550,982 | \$4,044,910 | \$12,662,966 | \$12,908,239 | \$5,915,063 |
| Resid. Value/SF Site Area | \$993.43 | \$1,073.86 | \$192.61 | \$603.00 | \$300.19 | \$137.56 |
| Resid. Value/Dwelling Unit | \$74,242 | \$181,863 | \$18,555 | \$134,712 | N/A | N/A |
| Resid. Value/SF Bonus GFA | \$141.68 | | \$29.69 | | \$120.64 | |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$2,955,420 | | \$2,753,340 | | \$2,830,418 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$5,317,653 | | \$3,454,575 | | \$4,761,500 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$10,238,406 | | \$6,422,865 | | N/A | |
| Residual Land Value After Program Costs | | | | | | |
| 1. Current In-Lieu Fee | \$17,906,583 | | \$1,291,570 | | \$10,077,821 | |
| Resid. Value/SF Site Area | \$853 | | \$62 | | \$234 | |
| Resid. Value/SF Bonus GFA | \$121.61 | | \$9.48 | | \$94.19 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$15,544,350 | | \$590,335 | | \$8,146,739 | |
| Resid. Value/SF Site Area | \$740 | | \$28 | | \$189 | |
| Resid. Value/SF Bonus GFA | \$105.56 | | \$4.33 | | \$76.14 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$10,623,597 | | (\$2,377,955) | | N/A | |
| Resid. Value/SF Site Area | \$506 | | (\$113) | | N/A | |
| Resid. Value/SF Bonus GFA | \$72.15 | | (\$17.45) | | N/A | |
| Equity Investment @ 40% of TDC | \$41,890,823 | \$13,603,583 | \$44,533,347 | \$13,904,944 | \$40,184,256 | \$28,707,833 |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Assumed Return on Equity (1) | 6% | 6% | 6% | 6% | 10% | 10% |

(1) Return on equity measured as net project value divided by equity investment
(2) Annual net cash flow (NOI less debt service) divided by equity investment
(3) Gap cost for current housing set-asides for residential (pl)
(4) Gap cost for 10% affordable units for residential (pl)
Source: DRA.

Table 25
Land Residual Analysis, Incentive Program Requirements
Downtown and South Lake Union Prototypes
Higher Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Downtown/HR | | | | | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 1A With Incentive | Prototype 1B No Incentive | Prototype 2A With Incentive | Prototype 2B No Incentive | Prototype 3A With Incentive | Prototype 3B No Incentive |
| Site Area (SF) | 15,000 | 15,000 | 15,000 | 15,000 | 32,400 | 32,400 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Office Net SF | - | - | - | - | 249,480 | 129,600 |
| Residential Net SF | 308,900 | 194,900 | 283,900 | 174,900 | - | - |
| Total Net SF | 311,000 | 197,000 | 286,000 | 177,000 | 251,580 | 131,700 |
| Residential Units | 426 | 269 | 344 | 212 | - | - |
| Approximate Building Stories | 40 | 24 | 40 | 24 | 8 | 4 |
| Bonus Gross Floor Area (GSF) | 148,200 | | 142,200 | | 162,000 | |
| Total Annual Net Operating Income, Rental Uses | \$7,894,357 | \$4,901,711 | | | \$6,208,713 | \$3,252,159 |
| NOI Per NSF | \$25.38 | \$24.88 | | | \$24.68 | \$24.69 |
| Cap Rate | 5.00% | 5.00% | | | 5.50% | 5.50% |
| Capitalized Value, Rental Uses | \$157,887,144 | \$98,034,216 | | | \$112,885,691 | \$59,130,164 |
| Net Condo Sales Proceeds | | | \$209,789,213 | \$123,116,438 | | |
| Total Market Value | \$157,887,144 | \$98,034,216 | \$209,789,213 | \$123,116,438 | \$112,885,691 | \$59,130,164 |
| Total Value Per NSF | \$508 | \$498 | \$734 | \$696 | \$449 | \$449 |
| Less: Total Development Cost, Excl. Land | \$150,838,317 | \$91,879,373 | \$166,074,631 | \$98,138,186 | \$90,308,332 | \$46,783,805 |
| Total Development Cost Per NSF | \$485 | \$466 | \$581 | \$554 | \$359 | \$355 |
| Less: Assumed Return on Equity (See Below) | \$15,560,478 | \$9,900,420 | \$17,023,165 | \$10,501,266 | \$11,002,400 | \$6,824,045 |
| Residual Land Value Before Program Costs | (\$8,511,651) | (\$3,745,576) | \$26,691,417 | \$14,476,986 | \$11,574,959 | \$5,522,313 |
| Resid. Value/SF Site Area | (\$567.44) | (\$249.71) | \$1,779.43 | \$965.13 | \$357.25 | \$170.44 |
| Resid. Value/Dwelling Unit | (\$19,980) | (\$13,924) | \$77,591 | \$68,288 | N/A | N/A |
| Resid. Value/SF Bonus GFA | (\$57.43) | | \$187.70 | | \$71.45 | |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$3,212,976 | | \$3,082,896 | | \$4,285,305 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$7,359,308 | | \$4,923,432 | | \$7,209,000 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$14,384,102 | | \$8,810,352 | | N/A | |
| Residual Land Value After Program Costs | | | | | | |
| 1. Current In-Lieu Fee | (\$11,724,627) | | \$23,608,521 | | \$7,289,654 | |
| Resid. Value/SF Site Area | (\$782) | | \$1,574 | | \$225 | |
| Resid. Value/SF Bonus GFA | (\$79.11) | | \$166.02 | | \$45.00 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | (\$15,870,960) | | \$21,767,985 | | \$4,365,959 | |
| Resid. Value/SF Site Area | (\$1,058) | | \$1,451 | | \$135 | |
| Resid. Value/SF Bonus GFA | (\$107.09) | | \$153.08 | | \$26.95 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | (\$22,895,754) | | \$17,881,065 | | N/A | |
| Resid. Value/SF Site Area | (\$1,526) | | \$1,192 | | N/A | |
| Resid. Value/SF Bonus GFA | (\$154.49) | | \$125.75 | | N/A | |
| Equity Investment @ 40% of TDC | \$64,835,327 | \$41,251,749 | \$70,929,852 | \$43,755,274 | \$45,843,333 | \$28,433,522 |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Assumed Return on Equity (1) | 6% | 6% | 6% | 6% | 6% | 6% |

(1) Return on equity measured as net project value divided by the number of years equity investment divided by total equity investment.

(2) Annual net cash flow (NOI less debt service) divided by total equity investment.

(3) Gap cost for current housing set-asides for residential; \$40 per GSF bonus commercial housing fee (plus TDR as applicable).

(4) Gap cost for 10% affordable units for residential (plus TDR as applicable).

Source: DRA.

Table 25
Land Residual Analysis, Incentive Program Rec
Downtown and South Lake Union Prototypes
Higher Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | South Lake Union | | | | | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 4A With Incentive | Prototype 4B No Incentive | Prototype 5A With Incentive | Prototype 5B No Incentive | Prototype 6A With Incentive | Prototype 6B No Incentive |
| Site Area (SF) | 21,000 | 21,000 | 21,000 | 21,000 | 43,000 | 43,000 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Office Net SF | - | - | - | - | 238,400 | 152,800 |
| Residential Net SF | 203,900 | 89,900 | 184,900 | 79,900 | - | - |
| Total Net SF | 206,000 | 92,000 | 187,000 | 82,000 | 240,500 | 154,900 |
| Residential Units | 281 | 124 | 218 | 94 | - | - |
| Approximate Building Stories | 24 | 7 | 24 | 7 | 8 | 5 |
| Bonus Gross Floor Area (GSF) | 147,250 | | 136,250 | | 107,000 | |
| Total Annual Net Operating Income, Rental Uses | \$5,430,134 | \$2,207,866 | | | \$5,665,879 | \$3,652,139 |
| NOI Per NSF | \$26.36 | \$24.00 | | | \$23.56 | \$23.58 |
| Cap Rate | 5.00% | 5.00% | | | 5.50% | 5.50% |
| Capitalized Value, Rental Uses | \$108,602,680 | \$44,157,328 | | | \$103,015,982 | \$66,402,527 |
| Net Condo Sales Proceeds | | | \$118,191,281 | \$42,887,513 | | |
| Total Market Value | \$108,602,680 | \$44,157,328 | \$118,191,281 | \$42,887,513 | \$103,015,982 | \$66,402,527 |
| Total Value Per NSF | \$527 | \$480 | \$632 | \$523 | \$428 | \$429 |
| Less: Total Development Cost, Excl. Land | \$96,852,058 | \$26,133,956 | \$103,458,368 | \$26,887,360 | \$84,335,639 | \$55,644,583 |
| Total Development Cost Per NSF | \$470 | \$284 | \$553 | \$328 | \$351 | \$359 |
| Less: Assumed Return on Equity (See Below) | \$10,053,798 | \$3,264,860 | \$10,688,003 | \$3,337,187 | \$9,644,221 | \$6,889,880 |
| Residual Land Value Before Program Costs | \$1,696,824 | \$14,758,512 | \$4,044,910 | \$12,662,966 | \$9,036,121 | \$3,868,064 |
| Resid. Value/SF Site Area | \$80.80 | \$702.79 | \$192.61 | \$603.00 | \$210.14 | \$89.95 |
| Resid. Value/Dwelling Unit | \$6,039 | \$119,020 | \$18,555 | \$134,712 | N/A | N/A |
| Resid. Value/SF Bonus GFA | \$11.52 | | \$29.69 | | \$84.45 | |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$2,955,420 | | \$2,753,340 | | \$2,830,418 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$5,317,653 | | \$3,454,575 | | \$4,761,500 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$10,238,406 | | \$6,422,865 | | N/A | |
| Residual Land Value After Program Costs | | | | | | |
| 1. Current In-Lieu Fee | (\$1,258,596) | | \$1,291,570 | | \$6,205,704 | |
| Resid. Value/SF Site Area | (\$60) | | \$62 | | \$144 | |
| Resid. Value/SF Bonus GFA | (\$8.55) | | \$9.48 | | \$58.00 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | (\$3,620,828) | | \$590,335 | | \$4,274,621 | |
| Resid. Value/SF Site Area | (\$172) | | \$28 | | \$99 | |
| Resid. Value/SF Bonus GFA | (\$24.59) | | \$4.33 | | \$39.95 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | (\$8,541,582) | | (\$2,377,955) | | N/A | |
| Resid. Value/SF Site Area | (\$407) | | (\$113) | | N/A | |
| Resid. Value/SF Bonus GFA | (\$58.01) | | (\$17.45) | | N/A | |
| Equity Investment @ 40% of TDC | \$41,890,823 | \$13,603,583 | \$44,533,347 | \$13,904,944 | \$40,184,256 | \$28,707,833 |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Assumed Return on Equity (1) | 6% | 6% | 6% | 6% | 6% | 6% |

(1) Return on equity measured as net project value divided by equity investment
(2) Annual net cash flow (NOI less debt service) divided by equity investment
(3) Gap cost for current housing set-asides for residential (pl)
(4) Gap cost for 10% affordable units for residential (pl)
Source: DRA.

Table 26
Land Residual Analysis, Incentive Program Requirements
Low Rise and Mid Rise Prototypes
Lower Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | | 4 to 6 Stories | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Residential Rental | |
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 8A With Incentive | Prototype 8B No Incentive | Prototype 9A With Incentive | Prototype 9B No Incentive |
| Site Area (SF) | 14,400 | 14,400 | 14,400 | 14,400 | 20,000 | 20,000 |
| Retail Net SF | - | - | - | - | 2,100 | 2,100 |
| Residential Net SF | 46,000 | 22,000 | 46,000 | 22,000 | 68,900 | 46,900 |
| Total Net SF | 46,000 | 22,000 | 46,000 | 22,000 | 71,000 | 49,000 |
| Residential Units | 71 | 34 | 56 | 27 | 106 | 72 |
| Approximate Building Stories | 7 | 4 | 7 | 4 | 6 | 4 |
| Gross SF Bonus GFA | 32,400 | | 32,400 | | 30,000 | |
| Total Annual Net Operating Income, Rental Uses | | | | | | |
| Low Scenario | \$815,858 | \$434,796 | | | \$1,398,159 | \$963,363 |
| NOI Per NSF | \$17.74 | \$19.76 | | | \$19.69 | \$19.66 |
| Middle Scenario | \$981,359 | \$469,068 | | | \$1,506,130 | \$1,037,062 |
| NOI Per NSF | \$21.33 | \$21.32 | | | \$21.21 | \$21.16 |
| High Scenario | \$1,083,776 | \$518,029 | | | \$1,659,706 | \$1,141,678 |
| NOI Per NSF | \$23.56 | \$23.55 | | | \$23.38 | \$23.30 |
| Cap Rate | 4.25% | 4.25% | | | 4.25% | 4.25% |
| Total Market Value (Capitalized NOI for Rental; Net Sales Proceeds for Ownership) | | | | | | |
| Low Scenario | \$19,196,664 | \$10,230,487 | \$13,765,500 | \$6,583,500 | \$32,897,859 | \$22,667,373 |
| Per NSF | \$417 | \$465 | \$299 | \$299 | \$477 | \$483 |
| Middle Scenario | \$23,090,797 | \$11,036,898 | \$18,354,000 | \$8,778,000 | \$35,438,357 | \$24,401,460 |
| Per NSF | \$502 | \$502 | \$399 | \$399 | \$514 | \$520 |
| High Scenario | \$25,500,614 | \$12,188,907 | \$22,942,500 | \$10,972,500 | \$39,051,910 | \$26,863,003 |
| Per NSF | \$554 | \$554 | \$499 | \$499 | \$567 | \$573 |
| Less: Total Development Cost, Excluding Land | | | | | | |
| Low Scenario | \$15,119,184 | \$6,491,003 | \$17,155,056 | \$7,289,552 | \$24,078,493 | \$14,225,407 |
| Per NSF | \$329 | \$295 | \$373 | \$331 | \$339 | \$290 |
| Middle Scenario | \$16,677,910 | \$7,234,023 | \$18,924,390 | \$8,124,712 | \$26,481,192 | \$15,860,857 |
| Per NSF | \$363 | \$329 | \$411 | \$369 | \$373 | \$324 |
| High Scenario | \$18,297,836 | \$8,038,242 | \$20,754,923 | \$9,021,071 | \$29,013,491 | \$17,625,908 |
| Per NSF | \$398 | \$365 | \$451 | \$410 | \$409 | \$360 |
| Less: Assumed Return on Equity (See Below) | | | | | | |
| Low Scenario | \$1,533,042 | \$704,736 | \$1,728,485 | \$781,397 | \$2,484,335 | \$1,538,439 |
| Middle Scenario | \$1,731,639 | \$825,026 | \$1,947,301 | \$910,532 | \$2,818,674 | \$1,799,122 |
| High Scenario | \$1,952,432 | \$967,511 | \$2,188,313 | \$1,061,863 | \$3,200,015 | \$2,106,807 |
| Residual Land Value Before Program Costs | | | | | | |
| Low Scenario | \$2,544,439 | \$3,739,483 | (\$3,389,556) | (\$706,052) | \$8,819,367 | \$8,441,966 |
| Per SF Site Area | \$177 | \$260 | (\$235) | (\$49) | \$441 | \$422 |
| Per Dwelling Unit | \$35,837 | \$109,985 | (\$60,528) | (\$26,150) | \$83,202 | \$117,250 |
| Per SF Bonus GFA | \$78.53 | | (\$104.62) | | \$293.98 | |
| Middle Scenario | \$4,681,248 | \$3,802,875 | (\$570,390) | \$653,288 | \$8,957,166 | \$8,540,602 |
| Per SF Site Area | \$325 | \$264 | (\$40) | \$45 | \$448 | \$427 |
| Per Dwelling Unit | \$65,933 | \$111,849 | (\$10,186) | \$24,196 | \$84,502 | \$118,619 |
| Per SF Bonus GFA | \$144.48 | | (\$17.60) | | \$298.57 | |
| High Scenario | \$5,250,346 | \$4,150,665 | \$2,187,577 | \$1,951,429 | \$10,038,419 | \$9,237,095 |
| Per SF Site Area | \$365 | \$288 | \$152 | \$136 | \$502 | \$462 |
| Per Dwelling Unit | \$73,949 | \$122,078 | \$39,064 | \$72,275 | \$94,702 | \$128,293 |
| Per SF Bonus GFA | \$162.05 | | \$67.52 | | \$334.61 | |
| Equity Investment @ 40% | | | | | | |
| Low Scenario | \$6,047,673 | \$2,596,401 | \$6,862,023 | \$2,915,821 | \$9,631,397 | \$5,690,163 |
| Middle Scenario | \$6,671,164 | \$2,893,609 | \$7,569,756 | \$3,249,885 | \$10,592,477 | \$6,344,343 |
| High Scenario | \$7,319,134 | \$3,215,297 | \$8,301,969 | \$3,608,429 | \$11,605,396 | \$7,050,363 |
| Assumed Investment Period (Months) | 4 | 4 | 4 | 4 | 4 | 4 |
| Increase in Net Value from Bonus Before Prog. Costs | | | | | | |
| Low Scenario | \$3,451,272 | | \$3,946,202 | | \$3,941,234 | |
| Middle Scenario | \$3,777,555 | | \$4,319,871 | | \$4,248,134 | |
| High Scenario | \$4,103,837 | | \$4,693,541 | | \$4,555,033 | |

Table 26
Land Residual Analysis, Incentive Program Requirements
Low Rise and Mid Rise Prototypes
Lower Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | | 4 to 6 Stories | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Residential Rental | |
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 8A With Incentive | Prototype 8B No Incentive | Prototype 9A With Incentive | Prototype 9B No Incentive |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$490,860 | | \$490,860 | | \$454,500 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$597,840 | | \$25,040 | | \$693,934 | |
| Middle Scenario | \$743,525 | | \$189,040 | | \$858,212 | |
| High Scenario | \$905,490 | | \$369,440 | | \$1,045,585 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | \$836,977 | | \$37,560 | | \$1,526,654 | |
| Middle Scenario | \$1,040,935 | | \$283,560 | | \$1,888,066 | |
| High Scenario | \$1,267,686 | | \$554,160 | | \$2,300,287 | |
| Residual Land Value After Prog. Costs | | | | | | |
| 1. Current In-Lieu Fee | | | | | | |
| Low Scenario | \$2,053,579 | | (\$3,880,416) | | \$8,364,867 | |
| Per SF Site Area | \$143 | | (\$269) | | \$418 | |
| Per SF Bonus GFA | \$63.38 | | (\$119.77) | | \$278.83 | |
| Middle Scenario | \$4,190,388 | | (\$1,061,250) | | \$8,502,666 | |
| Per SF Site Area | \$291 | | (\$74) | | \$425 | |
| Per SF Bonus GFA | \$129.33 | | (\$32.75) | | \$283.42 | |
| High Scenario | \$4,759,486 | | \$1,696,717 | | \$9,583,919 | |
| Per SF Site Area | \$331 | | \$118 | | \$479 | |
| Per SF Bonus GFA | \$146.90 | | \$52.37 | | \$319.46 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$1,946,599 | | (\$3,414,596) | | \$8,125,433 | |
| Per SF Site Area | \$135 | | (\$237) | | \$406 | |
| Per SF Bonus GFA | \$60.08 | | (\$105.39) | | \$270.85 | |
| Middle Scenario | \$3,937,723 | | (\$759,430) | | \$8,098,954 | |
| Per SF Site Area | \$273 | | (\$53) | | \$405 | |
| Per SF Bonus GFA | \$121.53 | | (\$23.44) | | \$269.97 | |
| High Scenario | \$4,344,856 | | \$1,818,137 | | \$8,992,834 | |
| Per SF Site Area | \$302 | | \$126 | | \$450 | |
| Per SF Bonus GFA | \$134.10 | | \$56.12 | | \$299.76 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | \$1,276,753 | | (\$3,943,716) | | \$6,519,080 | |
| Per SF Site Area | \$89 | | (\$274) | | \$326 | |
| Per SF Bonus GFA | \$39.41 | | (\$121.72) | | \$217.30 | |
| Middle Scenario | \$3,413,562 | | (\$1,124,550) | | \$6,656,879 | |
| Per SF Site Area | \$237 | | (\$78) | | \$333 | |
| Per SF Bonus GFA | \$105.36 | | (\$34.71) | | \$221.90 | |
| High Scenario | \$3,982,660 | | \$1,633,417 | | \$7,738,132 | |
| Per SF Site Area | \$277 | | \$113 | | \$387 | |
| Per SF Bonus GFA | \$122.92 | | \$50.41 | | \$257.94 | |
| Equity Investment @ 40% of TDC | | | | | | |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Assumed Return on Equity (1) | 6% | 6% | 6% | 6% | 6% | 6% |
| Low Scenario | \$6,387,673 | \$2,936,401 | \$7,202,023 | \$3,255,821 | \$10,351,397 | \$6,410,163 |
| Middle Scenario | \$7,215,164 | \$3,437,609 | \$8,113,756 | \$3,793,885 | \$11,744,477 | \$7,496,343 |
| High Scenario | \$8,135,134 | \$4,031,297 | \$9,117,969 | \$4,424,429 | \$13,333,396 | \$8,778,363 |

(1) Return on equity measured as net project value divided by the number of years equity investment divided by total equity investment.
(2) Annual net cash flow (NOI less debt service) divided by total equity investment.

Source: DRA.

Table 26
Land Residual Analysis, Incentive Program Rec
Low Rise and Mid Rise Prototypes
Lower Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 to 6 Stories | | 6 Stories to 7 Stories | | | |
|--|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Residential Ownership | | Residential Rental | | Residential Ownership | |
| | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 11A With Incentive | Prototype 11B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| Site Area (SF) | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Residential Net SF | 68,900 | 46,900 | 87,900 | 68,900 | 87,900 | 68,900 |
| Total Net SF | 71,000 | 49,000 | 90,000 | 71,000 | 90,000 | 71,000 |
| Residential Units | 84 | 57 | 135 | 106 | 107 | 84 |
| Approximate Building Stories | 6 | 4 | 7 | 6 | 7 | 6 |
| Gross SF Bonus GFA | 30,000 | | 25,000 | | 25,000 | |
| Total Annual Net Operating Income, Rental Uses | | | | | | |
| Low Scenario | | | \$1,775,504 | \$1,398,159 | | |
| NOI Per NSF | | | \$19.73 | \$19.69 | | |
| Middle Scenario | | | \$1,913,555 | \$1,506,130 | | |
| NOI Per NSF | | | \$21.26 | \$21.21 | | |
| High Scenario | | | \$2,109,596 | \$1,659,706 | | |
| NOI Per NSF | | | \$23.44 | \$23.38 | | |
| Cap Rate | | | 4.25% | 4.25% | | |
| Total Market Value (Capitalized NOI for Rental; Net Sales Proceeds for Ownership) | | | | | | |
| Low Scenario | \$20,618,325 | \$14,034,825 | \$41,776,574 | \$32,897,859 | \$26,314,250 | \$20,625,208 |
| Per NSF | \$299 | \$299 | \$475 | \$477 | \$299 | \$299 |
| Middle Scenario | \$27,491,100 | \$18,713,100 | \$45,024,812 | \$35,438,357 | \$35,085,666 | \$27,500,277 |
| Per NSF | \$399 | \$399 | \$512 | \$514 | \$399 | \$399 |
| High Scenario | \$34,363,875 | \$23,391,375 | \$49,637,560 | \$39,051,910 | \$43,857,083 | \$34,375,346 |
| Per NSF | \$499 | \$499 | \$565 | \$567 | \$499 | \$499 |
| Less: Total Development Cost, Excluding Land | | | | | | |
| Low Scenario | \$27,387,917 | \$16,281,152 | \$33,426,810 | \$24,482,308 | \$33,551,166 | \$27,387,917 |
| Per NSF | \$386 | \$332 | \$371 | \$345 | \$373 | \$386 |
| Middle Scenario | \$30,121,558 | \$18,153,804 | \$36,879,428 | \$26,925,388 | \$37,016,649 | \$30,121,558 |
| Per NSF | \$424 | \$370 | \$410 | \$379 | \$411 | \$424 |
| High Scenario | \$32,984,800 | \$20,156,056 | \$40,522,846 | \$29,559,269 | \$40,672,932 | \$33,046,000 |
| Per NSF | \$465 | \$411 | \$450 | \$416 | \$452 | \$465 |
| Less: Assumed Return on Equity (See Below) | | | | | | |
| Low Scenario | \$2,802,040 | \$1,735,791 | \$3,463,374 | \$2,604,702 | \$3,475,312 | \$2,883,640 |
| Middle Scenario | \$3,168,150 | \$2,019,245 | \$3,947,465 | \$2,991,877 | \$3,960,638 | \$3,298,710 |
| High Scenario | \$3,581,261 | \$2,349,701 | \$4,500,753 | \$3,448,250 | \$4,515,161 | \$3,782,976 |
| Residual Land Value Before Program Costs | | | | | | |
| Low Scenario | (\$6,769,592) | (\$2,246,327) | \$8,349,764 | \$8,415,552 | (\$7,236,917) | (\$6,762,709) |
| Per SF Site Area | (\$338) | (\$112) | \$417 | \$421 | (\$362) | (\$338) |
| Per Dwelling Unit | (\$80,590) | (\$39,409) | \$61,850 | \$79,392 | (\$67,635) | (\$80,508) |
| Per SF Bonus GFA | (\$225.65) | | \$333.99 | | (\$289.48) | |
| Middle Scenario | (\$2,630,458) | \$559,296 | \$8,145,384 | \$8,512,969 | (\$1,930,983) | (\$2,621,281) |
| Per SF Site Area | (\$132) | \$28 | \$407 | \$426 | (\$97) | (\$131) |
| Per Dwelling Unit | (\$31,315) | \$9,812 | \$60,336 | \$80,311 | (\$18,047) | (\$31,206) |
| Per SF Bonus GFA | (\$87.68) | | \$325.82 | | (\$77.24) | |
| High Scenario | \$1,379,075 | \$3,235,319 | \$9,114,714 | \$9,492,641 | \$3,184,151 | \$1,329,346 |
| Per SF Site Area | \$69 | \$162 | \$456 | \$475 | \$159 | \$66 |
| Per Dwelling Unit | \$16,418 | \$56,760 | \$67,516 | \$89,553 | \$29,758 | \$15,826 |
| Per SF Bonus GFA | \$45.97 | | \$364.59 | | \$127.37 | |
| Equity Investment @ 40% | | | | | | |
| Low Scenario | \$10,955,167 | \$6,512,461 | \$13,370,724 | \$9,792,923 | \$13,420,467 | \$10,955,167 |
| Middle Scenario | \$12,048,623 | \$7,261,522 | \$14,751,771 | \$10,770,155 | \$14,806,660 | \$12,048,623 |
| High Scenario | \$13,193,920 | \$8,062,423 | \$16,209,139 | \$11,823,708 | \$16,269,173 | \$13,218,400 |
| Assumed Investment Period (Months) | 4 | 4 | 4 | 4 | 4 | 4 |
| Increase in Net Value from Bonus Before Prog. Costs | | | | | | |
| Low Scenario | \$4,442,706 | | \$3,577,801 | | \$2,465,300 | |
| Middle Scenario | \$4,787,102 | | \$3,981,616 | | \$2,758,036 | |
| High Scenario | \$5,131,497 | | \$4,385,431 | | \$3,050,773 | |

Table 26
Land Residual Analysis, Incentive Program Rec
Low Rise and Mid Rise Prototypes
Lower Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 to 6 Stories | | 6 Stories to 7 Stories | | | |
|--|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Residential Ownership | | Residential Rental | | Residential Ownership | |
| | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 11A With Incentive | Prototype 11B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$454,500 | | \$378,750 | | \$378,750 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$90,640 | | \$647,543 | | \$1,295,085 | |
| Middle Scenario | \$267,760 | | \$796,953 | | \$1,593,907 | |
| High Scenario | \$464,560 | | \$967,720 | | \$1,935,440 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | \$181,280 | | \$45,840 | | \$168,080 | |
| Middle Scenario | \$535,520 | | \$183,600 | | \$673,200 | |
| High Scenario | \$929,120 | | \$343,500 | | \$1,259,500 | |
| Residual Land Value After Prog. Costs | | | | | | |
| 1. Current In-Lieu Fee | | | | | | |
| Low Scenario | (\$7,224,092) | | \$7,971,014 | | (\$7,615,667) | |
| Per SF Site Area | (\$361) | | \$399 | | (\$381) | |
| Per SF Bonus GFA | (\$240.80) | | \$318.84 | | (\$304.63) | |
| Middle Scenario | (\$3,084,958) | | \$7,766,634 | | (\$2,309,733) | |
| Per SF Site Area | (\$154) | | \$388 | | (\$115) | |
| Per SF Bonus GFA | (\$102.83) | | \$310.67 | | (\$92.39) | |
| High Scenario | \$924,575 | | \$8,735,964 | | \$2,805,401 | |
| Per SF Site Area | \$46 | | \$437 | | \$140 | |
| Per SF Bonus GFA | \$30.82 | | \$349.44 | | \$112.22 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | (\$6,860,232) | | \$7,702,221 | | (\$8,532,002) | |
| Per SF Site Area | (\$343) | | \$385 | | (\$427) | |
| Per SF Bonus GFA | (\$228.67) | | \$308.09 | | (\$341.28) | |
| Middle Scenario | (\$2,898,218) | | \$7,348,431 | | (\$3,524,890) | |
| Per SF Site Area | (\$145) | | \$367 | | (\$176) | |
| Per SF Bonus GFA | (\$96.61) | | \$293.94 | | (\$141.00) | |
| High Scenario | \$914,515 | | \$8,146,994 | | \$1,248,711 | |
| Per SF Site Area | \$46 | | \$407 | | \$62 | |
| Per SF Bonus GFA | \$30.48 | | \$325.88 | | \$49.95 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | (\$7,698,712) | | \$8,006,264 | | (\$8,496,417) | |
| Per SF Site Area | (\$385) | | \$400 | | (\$425) | |
| Per SF Bonus GFA | (\$256.62) | | \$320.25 | | (\$339.86) | |
| Middle Scenario | (\$3,559,578) | | \$7,801,884 | | (\$3,190,483) | |
| Per SF Site Area | (\$178) | | \$390 | | (\$160) | |
| Per SF Bonus GFA | (\$118.65) | | \$312.08 | | (\$127.62) | |
| High Scenario | \$449,955 | | \$8,771,214 | | \$1,924,651 | |
| Per SF Site Area | \$22 | | \$439 | | \$96 | |
| Per SF Bonus GFA | \$15.00 | | \$350.85 | | \$76.99 | |
| Equity Investment @ 40% of TDC | | | | | | |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Assumed Return on Equity (1) | 6% | 6% | 6% | 6% | 6% | 6% |
| Low Scenario | \$11,675,167 | \$7,232,461 | \$14,430,724 | \$10,852,923 | \$14,480,467 | \$12,015,167 |
| Middle Scenario | \$13,200,623 | \$8,413,522 | \$16,447,771 | \$12,466,155 | \$16,502,660 | \$13,744,623 |
| High Scenario | \$14,921,920 | \$9,790,423 | \$18,753,139 | \$14,367,708 | \$18,813,173 | \$15,762,400 |

(1) Return on equity measured as net project value divide
(2) Annual net cash flow (NOI less debt service) divide

Source: DRA.

Table 27
Land Residual Analysis, Incentive Program Requirements
Low Rise and Mid Rise Prototypes
Higher Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | | 4 to 6 Stories | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Residential Rental | |
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 8A With Incentive | Prototype 8B No Incentive | Prototype 9A With Incentive | Prototype 9B No Incentive |
| Site Area (SF) | 14,400 | 14,400 | 14,400 | 14,400 | 20,000 | 20,000 |
| Retail Net SF | - | - | - | - | 2,100 | 2,100 |
| Residential Net SF | 46,000 | 22,000 | 46,000 | 22,000 | 68,900 | 46,900 |
| Total Net SF | 46,000 | 22,000 | 46,000 | 22,000 | 71,000 | 49,000 |
| Residential Units | 71 | 34 | 56 | 27 | 106 | 72 |
| Approximate Building Stories | 7 | 4 | 7 | 4 | 6 | 4 |
| Gross SF Bonus GFA | 32,400 | | 32,400 | | 30,000 | |
| Total Annual Net Operating Income, Rental Uses | | | | | | |
| Low Scenario | \$815,858 | \$434,796 | | | \$1,398,159 | \$963,363 |
| NOI Per NSF | \$17.74 | \$19.76 | | | \$19.69 | \$19.66 |
| Middle Scenario | \$981,359 | \$469,068 | | | \$1,506,130 | \$1,037,062 |
| NOI Per NSF | \$21.33 | \$21.32 | | | \$21.21 | \$21.16 |
| High Scenario | \$1,083,776 | \$518,029 | | | \$1,659,706 | \$1,141,678 |
| NOI Per NSF | \$23.56 | \$23.55 | | | \$23.38 | \$23.30 |
| Cap Rate | 5.00% | 5.00% | | | 5.00% | 5.00% |
| Total Market Value (Capitalized NOI for Rental; Net Sales Proceeds for Ownership) | | | | | | |
| Low Scenario | \$16,317,165 | \$8,695,914 | \$13,765,500 | \$6,583,500 | \$27,963,180 | \$19,267,267 |
| Per NSF | \$355 | \$395 | \$299 | \$299 | \$406 | \$411 |
| Middle Scenario | \$19,627,178 | \$9,381,363 | \$18,354,000 | \$8,778,000 | \$30,122,604 | \$20,741,241 |
| Per NSF | \$427 | \$426 | \$399 | \$399 | \$437 | \$442 |
| High Scenario | \$21,675,522 | \$10,360,571 | \$22,942,500 | \$10,972,500 | \$33,194,123 | \$22,833,552 |
| Per NSF | \$471 | \$471 | \$499 | \$499 | \$482 | \$487 |
| Less: Total Development Cost, Excluding Land | | | | | | |
| Low Scenario | \$15,119,184 | \$6,491,003 | \$17,155,056 | \$7,289,552 | \$24,078,493 | \$14,225,407 |
| Per NSF | \$329 | \$295 | \$373 | \$331 | \$339 | \$290 |
| Middle Scenario | \$16,677,910 | \$7,234,023 | \$18,924,390 | \$8,124,712 | \$26,481,192 | \$15,860,857 |
| Per NSF | \$363 | \$329 | \$411 | \$369 | \$373 | \$324 |
| High Scenario | \$18,297,836 | \$8,038,242 | \$20,754,923 | \$9,021,071 | \$29,013,491 | \$17,625,908 |
| Per NSF | \$398 | \$365 | \$451 | \$410 | \$409 | \$360 |
| Less: Assumed Return on Equity (See Below) | | | | | | |
| Low Scenario | \$1,533,042 | \$704,736 | \$1,728,485 | \$781,397 | \$2,484,335 | \$1,538,439 |
| Middle Scenario | \$1,731,639 | \$825,026 | \$1,947,301 | \$910,532 | \$2,818,674 | \$1,799,122 |
| High Scenario | \$1,952,432 | \$967,511 | \$2,188,313 | \$1,061,863 | \$3,200,015 | \$2,106,807 |
| Residual Land Value Before Program Costs | | | | | | |
| Low Scenario | (\$335,061) | \$2,204,910 | (\$3,389,556) | (\$706,052) | \$3,884,688 | \$5,041,860 |
| Per SF Site Area | (\$23) | \$153 | (\$235) | (\$49) | \$194 | \$252 |
| Per Dwelling Unit | (\$4,719) | \$64,850 | (\$60,528) | (\$26,150) | \$36,648 | \$70,026 |
| Per SF Bonus GFA | -\$10.34 | | -\$104.62 | | \$129.49 | |
| Middle Scenario | \$1,217,629 | \$2,147,340 | (\$570,390) | \$653,288 | \$3,641,412 | \$4,880,383 |
| Per SF Site Area | \$85 | \$149 | (\$40) | \$45 | \$182 | \$244 |
| Per Dwelling Unit | \$17,150 | \$63,157 | (\$10,186) | \$24,196 | \$34,353 | \$67,783 |
| Per SF Bonus GFA | \$37.58 | | -\$17.60 | | \$121.38 | |
| High Scenario | \$1,425,254 | \$2,322,329 | \$2,187,577 | \$1,951,429 | \$4,180,632 | \$5,207,644 |
| Per SF Site Area | \$99 | \$161 | \$152 | \$136 | \$209 | \$260 |
| Per Dwelling Unit | \$20,074 | \$68,304 | \$39,064 | \$72,275 | \$39,440 | \$72,328 |
| Per SF Bonus GFA | \$43.99 | | \$67.52 | | \$139.35 | |
| Equity Investment @ 40% | | | | | | |
| Low Scenario | \$6,047,673 | \$2,596,401 | \$6,862,023 | \$2,915,821 | \$9,631,397 | \$5,690,163 |
| Middle Scenario | \$6,671,164 | \$2,893,609 | \$7,569,756 | \$3,249,885 | \$10,592,477 | \$6,344,343 |
| High Scenario | \$7,319,134 | \$3,215,297 | \$8,301,969 | \$3,608,429 | \$11,605,396 | \$7,050,363 |
| Assumed Investment Period (Months) | 4 | 4 | 4 | 4 | 4 | 4 |
| Increase in Net Value from Bonus Before Prog. Costs | | | | | | |
| Low Scenario | \$3,451,272 | | \$3,946,202 | | \$3,941,234 | |
| Middle Scenario | \$3,777,555 | | \$4,319,871 | | \$4,248,134 | |
| High Scenario | \$4,103,837 | | \$4,693,541 | | \$4,555,033 | |

Table 27
Land Residual Analysis, Incentive Program Requirements
Low Rise and Mid Rise Prototypes
Higher Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | | 4 to 6 Stories | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Residential Rental | |
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 8A With Incentive | Prototype 8B No Incentive | Prototype 9A With Incentive | Prototype 9B No Incentive |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$490,860 | | \$490,860 | | \$454,500 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$597,840 | | \$25,040 | | \$693,934 | |
| Middle Scenario | \$743,525 | | \$189,040 | | \$858,212 | |
| High Scenario | \$905,490 | | \$369,440 | | \$1,045,585 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | \$836,977 | | \$37,560 | | \$1,526,654 | |
| Middle Scenario | \$1,040,935 | | \$283,560 | | \$1,888,066 | |
| High Scenario | \$1,267,686 | | \$554,160 | | \$2,300,287 | |
| Residual Land Value After Prog. Costs | | | | | | |
| 1. Current In-Lieu Fee | | | | | | |
| Low Scenario | (\$825,921) | | (\$3,880,416) | | \$3,430,188 | |
| Per SF Site Area | (\$57) | | (\$269) | | \$172 | |
| Per SF Bonus GFA | (\$25.49) | | (\$119.77) | | \$114.34 | |
| Middle Scenario | \$726,769 | | (\$1,061,250) | | \$3,186,912 | |
| Per SF Site Area | \$50 | | (\$74) | | \$159 | |
| Per SF Bonus GFA | \$22.43 | | (\$32.75) | | \$106.23 | |
| High Scenario | \$934,394 | | \$1,696,717 | | \$3,726,132 | |
| Per SF Site Area | \$65 | | \$118 | | \$186 | |
| Per SF Bonus GFA | \$28.84 | | \$52.37 | | \$124.20 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | (\$932,901) | | (\$3,414,596) | | \$3,190,754 | |
| Per SF Site Area | (\$65) | | (\$237) | | \$160 | |
| Per SF Bonus GFA | (\$28.79) | | (\$105.39) | | \$106.36 | |
| Middle Scenario | \$474,103 | | (\$759,430) | | \$2,783,200 | |
| Per SF Site Area | \$33 | | (\$53) | | \$139 | |
| Per SF Bonus GFA | \$14.63 | | (\$23.44) | | \$92.77 | |
| High Scenario | \$519,764 | | \$1,818,137 | | \$3,135,047 | |
| Per SF Site Area | \$36 | | \$126 | | \$157 | |
| Per SF Bonus GFA | \$16.04 | | \$56.12 | | \$104.50 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | (\$1,602,747) | | (\$3,943,716) | | \$1,584,401 | |
| Per SF Site Area | (\$111) | | (\$274) | | \$79 | |
| Per SF Bonus GFA | (\$49.47) | | (\$121.72) | | \$52.81 | |
| Middle Scenario | (\$50,057) | | (\$1,124,550) | | \$1,341,125 | |
| Per SF Site Area | (\$3) | | (\$78) | | \$67 | |
| Per SF Bonus GFA | (\$1.54) | | (\$34.71) | | \$44.70 | |
| High Scenario | \$157,568 | | \$1,633,417 | | \$1,880,345 | |
| Per SF Site Area | \$11 | | \$113 | | \$94 | |
| Per SF Bonus GFA | \$4.86 | | \$50.41 | | \$62.68 | |
| Equity Investment @ 40% of TDC | | | | | | |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Assumed Return on Equity (1) | 6% | 6% | 6% | 6% | 6% | 6% |
| Low Scenario | \$6,387,673 | \$2,936,401 | \$7,202,023 | \$3,255,821 | \$10,351,397 | \$6,410,163 |
| Middle Scenario | \$7,215,164 | \$3,437,609 | \$8,113,756 | \$3,793,885 | \$11,744,477 | \$7,496,343 |
| High Scenario | \$8,135,134 | \$4,031,297 | \$9,117,969 | \$4,424,429 | \$13,333,396 | \$8,778,363 |

(1) Return on equity measured as net project value divided by the number of years equity investment divided by total equity investment.
(2) Annual net cash flow (NOI less debt service) divided by total equity investment.

Source: DRA.

Table 27
Land Residual Analysis, Incentive Program Rec
Low Rise and Mid Rise Prototypes
Higher Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 to 6 Stories | | 6 Stories to 7 Stories | | | |
|--|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Residential Ownership | | Residential Rental | | Residential Ownership | |
| | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 11A With Incentive | Prototype 11B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| Site Area (SF) | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Residential Net SF | 68,900 | 46,900 | 87,900 | 68,900 | 87,900 | 68,900 |
| Total Net SF | 71,000 | 49,000 | 90,000 | 71,000 | 90,000 | 71,000 |
| Residential Units | 84 | 57 | 135 | 106 | 107 | 84 |
| Approximate Building Stories | 6 | 4 | 7 | 6 | 7 | 6 |
| Gross SF Bonus GFA | 30,000 | | 25,000 | | 25,000 | |
| Total Annual Net Operating Income, Rental Uses | | | | | | |
| Low Scenario | | | \$1,775,504 | \$1,398,159 | | |
| NOI Per NSF | | | \$19.73 | \$19.69 | | |
| Middle Scenario | | | \$1,913,555 | \$1,506,130 | | |
| NOI Per NSF | | | \$21.26 | \$21.21 | | |
| High Scenario | | | \$2,109,596 | \$1,659,706 | | |
| NOI Per NSF | | | \$23.44 | \$23.38 | | |
| Cap Rate | | | 5.00% | 5.00% | | |
| Total Market Value (Capitalized NOI for Rental; Net Sales Proceeds for Ownership) | | | | | | |
| Low Scenario | \$20,618,325 | \$14,034,825 | \$35,510,088 | \$27,963,180 | \$26,314,250 | \$20,625,208 |
| Per NSF | \$299 | \$299 | \$404 | \$406 | \$299 | \$299 |
| Middle Scenario | \$27,491,100 | \$18,713,100 | \$38,271,090 | \$30,122,604 | \$35,085,666 | \$27,500,277 |
| Per NSF | \$399 | \$399 | \$435 | \$437 | \$399 | \$399 |
| High Scenario | \$34,363,875 | \$23,391,375 | \$42,191,926 | \$33,194,123 | \$43,857,083 | \$34,375,346 |
| Per NSF | \$499 | \$499 | \$480 | \$482 | \$499 | \$499 |
| Less: Total Development Cost, Excluding Land | | | | | | |
| Low Scenario | \$27,387,917 | \$16,281,152 | \$33,426,810 | \$24,482,308 | \$33,551,166 | \$27,387,917 |
| Per NSF | \$386 | \$332 | \$371 | \$345 | \$373 | \$386 |
| Middle Scenario | \$30,121,558 | \$18,153,804 | \$36,879,428 | \$26,925,388 | \$37,016,649 | \$30,121,558 |
| Per NSF | \$424 | \$370 | \$410 | \$379 | \$411 | \$424 |
| High Scenario | \$32,984,800 | \$20,156,056 | \$40,522,846 | \$29,559,269 | \$40,672,932 | \$33,046,000 |
| Per NSF | \$465 | \$411 | \$450 | \$416 | \$452 | \$465 |
| Less: Assumed Return on Equity (See Below) | | | | | | |
| Low Scenario | \$2,802,040 | \$1,735,791 | \$3,463,374 | \$2,604,702 | \$3,475,312 | \$2,883,640 |
| Middle Scenario | \$3,168,150 | \$2,019,245 | \$3,947,465 | \$2,991,877 | \$3,960,638 | \$3,298,710 |
| High Scenario | \$3,581,261 | \$2,349,701 | \$4,500,753 | \$3,448,250 | \$4,515,161 | \$3,782,976 |
| Residual Land Value Before Program Costs | | | | | | |
| Low Scenario | (\$6,769,592) | (\$2,246,327) | \$2,083,278 | \$3,480,873 | (\$7,236,917) | (\$6,762,709) |
| Per SF Site Area | (\$338) | (\$112) | \$104 | \$174 | (\$362) | (\$338) |
| Per Dwelling Unit | (\$80,590) | (\$39,409) | \$15,432 | \$32,838 | (\$67,635) | (\$80,508) |
| Per SF Bonus GFA | -\$225.65 | | \$83.33 | | -\$289.48 | |
| Middle Scenario | (\$2,630,458) | \$559,296 | \$1,391,662 | \$3,197,216 | (\$1,930,983) | (\$2,621,281) |
| Per SF Site Area | (\$132) | \$28 | \$70 | \$160 | (\$97) | (\$131) |
| Per Dwelling Unit | (\$31,315) | \$9,812 | \$10,309 | \$30,162 | (\$18,047) | (\$31,206) |
| Per SF Bonus GFA | -\$87.68 | | \$55.67 | | -\$77.24 | |
| High Scenario | \$1,379,075 | \$3,235,319 | \$1,669,080 | \$3,634,854 | \$3,184,151 | \$1,329,346 |
| Per SF Site Area | \$69 | \$162 | \$83 | \$182 | \$159 | \$66 |
| Per Dwelling Unit | \$16,418 | \$56,760 | \$12,364 | \$34,291 | \$29,758 | \$15,826 |
| Per SF Bonus GFA | \$45.97 | | \$66.76 | | \$127.37 | |
| Equity Investment @ 40% | | | | | | |
| Low Scenario | \$10,955,167 | \$6,512,461 | \$13,370,724 | \$9,792,923 | \$13,420,467 | \$10,955,167 |
| Middle Scenario | \$12,048,623 | \$7,261,522 | \$14,751,771 | \$10,770,155 | \$14,806,660 | \$12,048,623 |
| High Scenario | \$13,193,920 | \$8,062,423 | \$16,209,139 | \$11,823,708 | \$16,269,173 | \$13,218,400 |
| Assumed Investment Period (Months) | 4 | 4 | 4 | 4 | 4 | 4 |
| Increase in Net Value from Bonus Before Prog. Costs | | | | | | |
| Low Scenario | \$4,442,706 | | \$3,577,801 | | \$2,465,300 | |
| Middle Scenario | \$4,787,102 | | \$3,981,616 | | \$2,758,036 | |
| High Scenario | \$5,131,497 | | \$4,385,431 | | \$3,050,773 | |

Table 27
Land Residual Analysis, Incentive Program Rec
Low Rise and Mid Rise Prototypes
Higher Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 to 6 Stories | | 6 Stories to 7 Stories | | | |
|--|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Residential Ownership | | Residential Rental | | Residential Ownership | |
| | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 11A With Incentive | Prototype 11B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$454,500 | | \$378,750 | | \$378,750 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$90,640 | | \$647,543 | | \$1,295,085 | |
| Middle Scenario | \$267,760 | | \$796,953 | | \$1,593,907 | |
| High Scenario | \$464,560 | | \$967,720 | | \$1,935,440 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | \$181,280 | | \$45,840 | | \$168,080 | |
| Middle Scenario | \$535,520 | | \$183,600 | | \$673,200 | |
| High Scenario | \$929,120 | | \$343,500 | | \$1,259,500 | |
| Residual Land Value After Prog. Costs | | | | | | |
| 1. Current In-Lieu Fee | | | | | | |
| Low Scenario | (\$7,224,092) | | \$1,704,528 | | (\$7,615,667) | |
| Per SF Site Area | (\$361) | | \$85 | | (\$381) | |
| Per SF Bonus GFA | (\$240.80) | | \$68.18 | | (\$304.63) | |
| Middle Scenario | (\$3,084,958) | | \$1,012,912 | | (\$2,309,733) | |
| Per SF Site Area | (\$154) | | \$51 | | (\$115) | |
| Per SF Bonus GFA | (\$102.83) | | \$40.52 | | (\$92.39) | |
| High Scenario | \$924,575 | | \$1,290,330 | | \$2,805,401 | |
| Per SF Site Area | \$46 | | \$65 | | \$140 | |
| Per SF Bonus GFA | \$30.82 | | \$51.61 | | \$112.22 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | (\$6,860,232) | | \$1,435,735 | | (\$8,532,002) | |
| Per SF Site Area | (\$343) | | \$72 | | (\$427) | |
| Per SF Bonus GFA | (\$228.67) | | \$57.43 | | (\$341.28) | |
| Middle Scenario | (\$2,898,218) | | \$594,709 | | (\$3,524,890) | |
| Per SF Site Area | (\$145) | | \$30 | | (\$176) | |
| Per SF Bonus GFA | (\$96.61) | | \$23.79 | | (\$141.00) | |
| High Scenario | \$914,515 | | \$701,360 | | \$1,248,711 | |
| Per SF Site Area | \$46 | | \$35 | | \$62 | |
| Per SF Bonus GFA | \$30.48 | | \$28.05 | | \$49.95 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | (\$7,698,712) | | \$1,739,778 | | (\$8,496,417) | |
| Per SF Site Area | (\$385) | | \$87 | | (\$425) | |
| Per SF Bonus GFA | (\$256.62) | | \$69.59 | | (\$339.86) | |
| Middle Scenario | (\$3,559,578) | | \$1,048,162 | | (\$3,190,483) | |
| Per SF Site Area | (\$178) | | \$52 | | (\$160) | |
| Per SF Bonus GFA | (\$118.65) | | \$41.93 | | (\$127.62) | |
| High Scenario | \$449,955 | | \$1,325,580 | | \$1,924,651 | |
| Per SF Site Area | \$22 | | \$66 | | \$96 | |
| Per SF Bonus GFA | \$15.00 | | \$53.02 | | \$76.99 | |
| Equity Investment @ 40% of TDC | | | | | | |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Assumed Return on Equity (1) | 6% | 6% | 6% | 6% | 6% | 6% |
| Low Scenario | \$11,675,167 | \$7,232,461 | \$14,430,724 | \$10,852,923 | \$14,480,467 | \$12,015,167 |
| Middle Scenario | \$13,200,623 | \$8,413,522 | \$16,447,771 | \$12,466,155 | \$16,502,660 | \$13,744,623 |
| High Scenario | \$14,921,920 | \$9,790,423 | \$18,753,139 | \$14,367,708 | \$18,813,173 | \$15,762,400 |

(1) Return on equity measured as net project value divide
(2) Annual net cash flow (NOI less debt service) divide

Source: DRA.

Table 28
Estimated Residual Land Value Per SF Site Area and Per SF Bonus Floor Area
Development Prototypes with and without Incentives
Lower Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| Housing Prototypes | Residual Land Value @ Indicated Cap Rate | | | | | | | | |
|------------------------------------|--|----------------------------|---------------------------|------------------|--------------------------------------|------------------|--|------------------|--|
| | Prototypes without Incentives | Prototypes With Incentives | | | | | | | |
| | | Before Program Costs | | | After Payment of Current In Lieu Fee | | After Performance Costs/Fee Scenario 1 | | After Performance Costs/Fee Scenario 2 |
| Per Square Foot Site Area | Per Square Foot Site Area | Per SF Bonus GFA | Per Square Foot Site Area | Per SF Bonus GFA | Per Square Foot Site Area | Per SF Bonus GFA | Per Square Foot Site Area | Per SF Bonus GFA | |
| DOWNTOWN PROTOTYPES | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% |
| Residential Rental Prototype 1 | \$904 | \$1,290 | \$130.57 | \$1,076 | \$108.89 | \$799 | \$80.91 | \$331 | \$33.51 |
| Residential Ownership Prototype 2 | \$965 | \$1,779 | \$187.70 | \$1,574 | \$166.02 | \$1,451 | \$153.08 | \$1,192 | \$125.75 |
| | 5.00% | 5.00% | | 5.00% | | 5.00% | | 5.00% | |
| Commercial Prototype 3 | \$213 | \$479 | \$95.86 | \$347 | \$69.40 | \$257 | \$51.36 | N/A | N/A |
| SOUTH LAKE UNION PROTOTYPES | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% |
| Residential Rental Prototype 4 | \$1,074 | \$993 | \$141.68 | \$853 | \$121.61 | \$740 | \$105.56 | \$506 | \$72.15 |
| Residential Ownership Prototype 5 | \$603 | \$193 | \$29.69 | \$62 | \$9.48 | \$28 | \$4.33 | (\$113) | (\$17.45) |
| | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Commercial Prototype 6 | \$138 | \$300 | \$120.64 | \$234 | \$108.89 | \$189 | \$76.14 | N/A | N/A |
| LOWRISE TO MIDRISE | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% |
| Residential Rental Prototype 7 | | | | | | | | | |
| Low Scenario | \$260 | \$177 | \$78.53 | \$143 | \$63.38 | \$135 | \$60.08 | \$89 | \$39 |
| Middle Scenario | \$264 | \$325 | \$144.48 | \$291 | \$129.33 | \$273 | \$121.53 | \$237 | \$105 |
| High Scenario | \$288 | \$365 | \$162.05 | \$331 | \$146.90 | \$302 | \$134.10 | \$277 | \$123 |
| Residential Ownership Prototype 8 | | | | | | | | | |
| Low Scenario | (\$49) | (\$235) | (\$104.62) | (\$269) | \$63.38 | (\$237) | (\$105.39) | (\$274) | (\$122) |
| Middle Scenario | \$45 | (\$40) | (\$17.60) | (\$74) | \$129.33 | (\$53) | (\$23.44) | (\$78) | (\$35) |
| High Scenario | \$136 | \$152 | \$67.52 | \$118 | \$146.90 | \$126 | \$56.12 | \$113 | \$50 |
| 4 STORIES TO 6 STORIES | | | | | | | | | |
| Residential Rental Prototype 9 | | | | | | | | | |
| Low Scenario | \$422 | \$441 | \$293.98 | \$418 | \$278.83 | \$406 | \$270.85 | \$326 | \$217 |
| Middle Scenario | \$427 | \$448 | \$298.57 | \$425 | \$283.42 | \$405 | \$269.97 | \$333 | \$222 |
| High Scenario | \$462 | \$502 | \$334.61 | \$479 | \$319.46 | \$450 | \$299.76 | \$387 | \$258 |
| Residential Ownership Prototype 10 | | | | | | | | | |
| Low Scenario | (\$112) | (\$338) | (\$225.65) | (\$361) | (\$240.80) | (\$343) | (\$228.67) | (\$385) | (\$257) |
| Middle Scenario | \$28 | (\$132) | (\$87.68) | (\$154) | (\$102.83) | (\$145) | (\$96.61) | (\$178) | (\$119) |
| High Scenario | \$162 | \$69 | \$45.97 | \$46 | \$30.82 | \$46 | \$30.48 | \$22 | \$15 |
| 6 STORIES TO 7 STORIES | | | | | | | | | |
| Residential Rental Prototype 11 | | | | | | | | | |
| Low Scenario | \$421 | \$417 | \$333.99 | \$399 | \$318.84 | \$385 | \$308.09 | \$400 | \$320 |
| Middle Scenario | \$426 | \$407 | \$325.82 | \$388 | \$310.67 | \$367 | \$293.94 | \$390 | \$312 |
| High Scenario | \$475 | \$456 | \$364.59 | \$437 | \$349.44 | \$407 | \$325.88 | \$439 | \$351 |
| Residential Ownership Prototype 12 | | | | | | | | | |
| Low Scenario | (\$338) | (\$362) | (\$289.48) | (\$381) | (\$304.63) | (\$427) | (\$341) | (\$425) | (\$340) |
| Middle Scenario | (\$131) | (\$97) | (\$77.24) | (\$115) | (\$92.39) | (\$176) | (\$141) | (\$160) | (\$128) |
| High Scenario | \$66 | \$159 | \$127.37 | \$140 | \$112.22 | \$62 | \$50 | \$96 | \$77 |

(1) Prototypes with incentive.
(2) Includes gap cost of affordable housing performance requirements plus estimated cost of TDR requirements, as applicable.
(3) Return on equity calculated as total increase in project value divided by equity investment divided by average number of years of equity investment.
Estimated project ROE of the prototype with the incentive before program costs, and under in lieu fee payment and performance options.
Source: DRA

Table 29
Estimated Residual Land Value Per SF Site Area and Per SF Bonus Floor Area
Development Prototypes with and without Incentives
Higher Cap Rates Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | | Residual Land Value @ Indicated Cap Rate | | | | | | | | |
|------------------------------------|--------------|--|----------------------------|------------------|--------------------------------------|------------------|--|------------------|--|------------------|
| | | Prototypes without Incentives | Prototypes With Incentives | | | | | | | |
| | | | Before Program Costs | | After Payment of Current In Lieu Fee | | After Performance Costs/Fee Scenario 1 | | After Performance Costs/Fee Scenario 2 | |
| Housing Prototypes | | Per Square Foot Site Area | Per Square Foot Site Area | Per SF Bonus GFA | Per Square Foot Site Area | Per SF Bonus GFA | Per Square Foot Site Area | Per SF Bonus GFA | Per Square Foot Site Area | Per SF Bonus GFA |
| DOWNTOWN PROTOTYPES | | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Residential Rental | Prototype 1 | (\$250) | (\$567) | (\$57.43) | (\$782) | (\$79) | (\$1,058) | (\$107.09) | (\$1,526) | (\$154.49) |
| Residential Ownership | Prototype 2 | \$965 | \$1,779 | \$187.70 | \$1,574 | \$166.02 | \$1,451 | \$153.08 | \$1,192 | \$125.75 |
| | | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% |
| Commercial | Prototype 3 | \$170 | \$357 | \$71.45 | \$225 | \$45.00 | \$135 | \$26.95 | N/A | N/A |
| SOUTH LAKE UNION PROTOTYPES | | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Residential Rental | Prototype 4 | \$703 | \$81 | \$11.52 | (\$60) | (\$8.55) | (\$172) | (\$24.59) | (\$407) | (\$58.01) |
| Residential Ownership | Prototype 5 | \$603 | \$193 | \$29.69 | \$62 | \$9.48 | \$28 | \$4.33 | (\$113) | (\$17.45) |
| | | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% |
| Commercial | Prototype 6 | \$90 | \$210 | \$84.45 | \$144 | (\$79.11) | \$99 | \$39.95 | N/A | N/A |
| LOWRISE TO MIDRISE | | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Residential Rental | Prototype 7 | \$153 | (\$23) | (\$10.34) | (\$57) | (\$25.49) | (\$65) | (\$28.79) | (\$111) | (\$49) |
| Low Scenario | | \$149 | \$85 | \$37.58 | \$50 | \$22.43 | \$33 | \$14.63 | (\$3) | (\$2) |
| Middle Scenario | | \$161 | \$99 | \$43.99 | \$65 | \$28.84 | \$36 | \$16.04 | \$11 | \$5 |
| High Scenario | Prototype 8 | (\$49) | (\$235) | (\$104.62) | (\$269) | (\$25.49) | (\$237) | (\$105.39) | (\$274) | (\$122) |
| Low Scenario | | \$45 | (\$40) | (\$17.60) | (\$74) | \$22.43 | (\$53) | (\$23.44) | (\$78) | (\$35) |
| Middle Scenario | | \$136 | \$152 | \$67.52 | \$118 | \$28.84 | \$126 | \$56.12 | \$113 | \$50 |
| High Scenario | | | | | | | | | | |
| 4 STORIES TO 6 STORIES | | | | | | | | | | |
| Residential Rental | Prototype 9 | \$252 | \$194 | \$129.49 | \$172 | \$114.34 | \$160 | \$106.36 | \$79 | \$53 |
| Low Scenario | | \$244 | \$182 | \$121.38 | \$159 | \$106.23 | \$139 | \$92.77 | \$67 | \$45 |
| Middle Scenario | | \$260 | \$209 | \$139.35 | \$186 | \$124.20 | \$157 | \$104.50 | \$94 | \$63 |
| High Scenario | Prototype 10 | (\$112) | (\$338) | (\$225.65) | (\$361) | (\$240.80) | (\$343) | (\$228.67) | (\$385) | (\$257) |
| Low Scenario | | \$28 | (\$132) | (\$87.68) | (\$154) | (\$102.83) | (\$145) | (\$96.61) | (\$178) | (\$119) |
| Middle Scenario | | \$162 | \$69 | \$45.97 | \$46 | \$30.82 | \$46 | \$30.48 | \$22 | \$15 |
| High Scenario | | | | | | | | | | |
| 6 STORIES TO 7 STORIES | | | | | | | | | | |
| Residential Rental | Prototype 11 | \$174 | \$104 | \$83.33 | \$85 | \$68.18 | \$72 | \$57.43 | \$87 | \$70 |
| Low Scenario | | \$160 | \$70 | \$55.67 | \$51 | \$40.52 | \$30 | \$23.79 | \$52 | \$42 |
| Middle Scenario | | \$182 | \$83 | \$66.76 | \$65 | \$51.61 | \$35 | \$28.05 | \$66 | \$53 |
| High Scenario | Prototype 12 | (\$338) | (\$362) | (\$289.48) | (\$381) | (\$304.63) | (\$427) | (\$341) | (\$425) | (\$340) |
| Low Scenario | | (\$131) | (\$97) | (\$77.24) | (\$115) | (\$92.39) | (\$176) | (\$141) | (\$160) | (\$128) |
| Middle Scenario | | \$66 | \$159 | \$127.37 | \$140 | \$112.22 | \$62 | \$50 | \$96 | \$77 |
| High Scenario | | | | | | | | | | |

(1) Prototypes with incentive.
(2) Includes gap cost of affordable housing performance requirements plus estimated cost of TDR requirements, as applicable.
(3) Return on equity calculated as total increase in project value divided by equity investment divided by average number of years of equity investment.
Estimated project ROE of the prototype with the incentive before program costs, and under in lieu fee payment and performance options.
Source: DRA

Table 30
Development and Financing Cost Assumptions
Downtown and South Lake Union Prototypes
Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Downtown/HR | | | | | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 1A With Incentive | Prototype 1B No Incentive | Prototype 2A With Incentive | Prototype 2B No Incentive | Prototype 3A With Incentive | Prototype 3B No Incentive |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Office Net SF | 0 | 0 | 0 | 0 | 249,480 | 129,600 |
| Residential Net SF | 308,900 | 194,900 | 283,900 | 174,900 | 0 | 0 |
| Total Net SF | 311,000 | 197,000 | 286,000 | 177,000 | 251,580 | 131,700 |
| Total Gross SF Building Area (Including Parking) | 509,500 | 323,300 | 524,500 | 323,300 | 447,000 | 224,000 |
| Residential Units | 426 | 269 | 344 | 212 | 0 | 0 |
| Site Area (SF) | 15,000 | 15,000 | 15,000 | 15,000 | 32,400 | 32,400 |
| Approximate Building Stories | 40 | 24 | 40 | 24 | 8 | 4 |
| Hard Cost Assumptions | | | | | | |
| Land Price per SF Site Area | \$750 | \$750 | \$750 | \$750 | \$750 | \$750 |
| Land Price per Unit | \$26,408 | \$41,822 | \$32,703 | \$53,066 | N/A | N/A |
| Building Demolition Costs | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 |
| Site Improvements (Per Site SF) | \$0 | \$0 | \$0 | \$0 | \$50 | \$50 |
| Hard Construction Cost (Per Gross SF, Incl. Pkg) | \$220 | \$210 | \$231 | \$221 | \$145 | \$145 |
| Subtotal: Site/Hard Costs Per Gross SF, Incl. Pkg) | \$220 | \$210 | \$231 | \$221 | \$151 | \$157 |
| Hard Cost Contingency (% of Hard Costs) | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| WA State Sales Tax (% of Hard Costs Plus Conting.) | 9.5% | 9.5% | 9.5% | 9.5% | 9.5% | 9.5% |
| Soft Cost Assumptions (% of Hard Costs) | | | | | | |
| Architecture/Engineering/Consultants | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% |
| Financing Costs | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| Other Soft Costs (1) | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Residential Condo Addit. Insur./Expenses | 0.0% | 0.0% | 2.0% | 2.0% | 0.0% | 0.0% |
| Subtotal--Soft Cost % | 16.0% | 16.0% | 18.0% | 18.0% | 16.0% | 16.0% |
| Developer Overhead (% TDC Less Land & Sales Tax) | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |

(1) Includes insurance, legal, accounting, marketing, lease-up, permits and fees.

Source: DRA

Table 30
Development and Financing Cost Assumptions
Downtown and South Lake Union Prototypes
Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | South Lake Union | | | | | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 4A With Incentive | Prototype 4B No Incentive | Prototype 5A With Incentive | Prototype 5B No Incentive | Prototype 6A With Incentive | Prototype 6B No Incentive |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Office Net SF | 0 | 0 | 0 | 0 | 238,400 | 152,800 |
| Residential Net SF | 203,900 | 89,900 | 184,900 | 79,900 | 0 | 0 |
| Total Net SF | 206,000 | 92,000 | 187,000 | 82,000 | 240,500 | 154,900 |
| Total Gross SF Building Area (Including Parking) | 341,250 | 153,000 | 341,250 | 148,000 | 414,000 | 267,000 |
| Residential Units | 281 | 124 | 218 | 94 | 0 | 0 |
| Site Area (SF) | 21,000 | 21,000 | 21,000 | 21,000 | 43,000 | 43,000 |
| Approximate Building Stories | 24 | 7 | 24 | 7 | 8 | 5 |
| Hard Cost Assumptions | | | | | | |
| Land Price per SF Site Area | \$375 | \$375 | \$375 | \$375 | \$375 | \$375 |
| Land Price per Unit | \$28,025 | \$63,508 | \$36,124 | \$83,777 | N/A | N/A |
| Building Demolition Costs | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 |
| Site Improvements (Per Site SF) | \$0 | \$0 | \$0 | \$0 | \$50 | \$50 |
| Hard Construction Cost (Per Gross SF, Incl. Pkg) | \$210 | \$125 | \$221 | \$131 | \$145 | \$145 |
| Subtotal: Site/Hard Costs Per Gross SF, Incl. Pkg) | \$210 | \$125 | \$221 | \$131 | \$154 | \$159 |
| Hard Cost Contingency (% of Hard Costs) | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| WA State Sales Tax (% of Hard Costs Plus Conting.) | 9.5% | 9.5% | 9.5% | 9.5% | 9.5% | 9.5% |
| Soft Cost Assumptions (% of Hard Costs) | | | | | | |
| Architecture/Engineering/Consultants | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% |
| Financing Costs | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| Other Soft Costs (1) | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Residential Condo Addit. Insur./Expenses | 0.0% | 0.0% | 2.0% | 2.0% | 0.0% | 0.0% |
| Subtotal--Soft Cost % | 16.0% | 16.0% | 18.0% | 18.0% | 16.0% | 16.0% |
| Developer Overhead (% TDC Less Land & Sales Tax) | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |

(1) Includes insurance, legal, accounting, marketing, le
Source: DRA

Table 31
Development and Financing Cost Assumptions
Low Rise and Mid Rise Prototypes
Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | | |
|--|--------------------|--------------|-----------------------|--------------|----------|
| | Residential Rental | | Residential Ownership | | |
| | Prototype 7A | Prototype 7B | Prototype 8A | Prototype 8B | |
| | With Incentive | No Incentive | With Incentive | No Incentive | |
| Retail Net SF | 0 | 0 | 0 | 0 | |
| Office Net SF | 0 | 0 | 0 | 0 | |
| Residential Net SF | 46,000 | 22,000 | 46,000 | 22,000 | |
| Total Net SF | 46,000 | 22,000 | 46,000 | 22,000 | |
| Total Gross SF Building Area (Including Parking) | 77,200 | 36,800 | 82,200 | 38,800 | |
| Total Residential Units | 71 | 34 | 56 | 27 | |
| Site Area (SF) | 14,400 | 14,400 | 14,400 | 14,400 | |
| Approximate Building Stories | 7 | 4 | 7 | 4 | |
| Hard Cost Assumptions | | | | | |
| Land Price | | | | | |
| Low Scenario | Per Unit | \$11,972 | \$25,000 | \$15,179 | \$31,481 |
| | Per Site SF | \$59 | \$59 | \$59 | \$59 |
| Middle Scenario | Per Unit | \$19,155 | \$40,000 | \$24,286 | \$50,370 |
| | Per Site SF | \$94 | \$94 | \$94 | \$94 |
| High Scenario | Per Unit | \$28,732 | \$60,000 | \$36,429 | \$75,556 |
| | Per Site SF | \$142 | \$142 | \$142 | \$142 |
| Building Demolition Costs | | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| On-site Improvements (Per Site SF) | | \$0 | \$0 | \$0 | \$0 |
| Hard Construction Cost (Per Gross SF Incl. Pkg.) | | | | | |
| Low Scenario | | \$145 | \$130 | \$152 | \$137 |
| Middle Scenario | | \$160 | \$145 | \$168 | \$152 |
| High Scenario | | \$175 | \$160 | \$184 | \$168 |
| Hard Cost Contingency (% of Hard Costs) | | 5.0% | 5.0% | 5.0% | 5.0% |
| WA State Sales Tax (% of Hard Costs Plus Conting.) | | 9.5% | 9.5% | 9.5% | 9.5% |
| Soft Cost Assumptions (% of Hard Costs) | | | | | |
| Architecture/Engineering/Consultants | | 8.0% | 8.0% | 8.0% | 8.0% |
| Financing Costs | | 5.0% | 5.0% | 5.0% | 5.0% |
| Other Soft Costs (1) | | 3.0% | 3.0% | 3.0% | 3.0% |
| Residential Condo Addit. Insur./Expenses | | 0.0% | 0.0% | 2.0% | 2.0% |
| Subtotal--Soft Cost % | | 16.0% | 16.0% | 18.0% | 18.0% |
| Developer Overhead (% TDC Less Land & Sales Tax) | | 3.0% | 3.0% | 3.0% | 3.0% |

(1) Includes insurance, legal, accounting, marketing, lease-up, permits and fees.

Source: DRA

Table 31
Development and Financing Cost Assumptions
Low Rise and Mid Rise Prototypes
Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 Stories to 6 Stories | | | | |
|--|------------------------|--------------|-----------------------|---------------|----------|
| | Residential Rental | | Residential Ownership | | |
| | Prototype 9A | Prototype 9B | Prototype 10A | Prototype 10B | |
| | With Incentive | No Incentive | With Incentive | No Incentive | |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | |
| Office Net SF | 0 | 0 | 0 | 0 | |
| Residential Net SF | 68,900 | 46,900 | 68,900 | 46,900 | |
| Total Net SF | 71,000 | 49,000 | 71,000 | 49,000 | |
| Total Gross SF Building Area (Including Parking) | 119,000 | 81,000 | 127,000 | 87,000 | |
| Total Residential Units | 106 | 72 | 84 | 57 | |
| Site Area (SF) | 20,000 | 20,000 | 20,000 | 20,000 | |
| Approximate Building Stories | 6 | 4 | 6 | 4 | |
| Hard Cost Assumptions | | | | | |
| Land Price | | | | | |
| Low Scenario | Per Unit | \$16,981 | \$25,000 | \$21,429 | \$31,579 |
| | Per Site SF | \$90 | \$90 | \$90 | \$90 |
| Middle Scenario | Per Unit | \$27,170 | \$40,000 | \$34,286 | \$50,526 |
| | Per Site SF | \$144 | \$144 | \$144 | \$144 |
| High Scenario | Per Unit | \$40,755 | \$60,000 | \$51,429 | \$75,789 |
| | Per Site SF | \$216 | \$216 | \$216 | \$216 |
| Building Demolition Costs | | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| On-site Improvements (Per Site SF) | | \$0 | \$0 | \$0 | \$0 |
| Hard Construction Cost (Per Gross SF Incl. Pkg.) | | | | | |
| Low Scenario | | \$150 | \$130 | \$158 | \$137 |
| Middle Scenario | | \$165 | \$145 | \$173 | \$152 |
| High Scenario | | \$180 | \$160 | \$189 | \$168 |
| Hard Cost Contingency (% of Hard Costs) | | 5.0% | 5.0% | 5.0% | 5.0% |
| WA State Sales Tax (% of Hard Costs Plus Conting.) | | 9.5% | 9.5% | 9.5% | 9.5% |
| Soft Cost Assumptions (% of Hard Costs) | | | | | |
| Architecture/Engineering/Consultants | | 8.0% | 8.0% | 8.0% | 8.0% |
| Financing Costs | | 5.0% | 5.0% | 5.0% | 5.0% |
| Other Soft Costs (1) | | 3.0% | 3.0% | 3.0% | 3.0% |
| Residential Condo Addit. Insur./Expenses | | 0.0% | 0.0% | 2.0% | 2.0% |
| Subtotal--Soft Cost % | | 16.0% | 16.0% | 18.0% | 18.0% |
| Developer Overhead (% TDC Less Land & Sales Tax) | | 3.0% | 3.0% | 3.0% | 3.0% |

(1) Includes insurance, legal, accounting, marketing, le
Source: DRA

Table 31
Development and Financing Cost Assumptions
Low Rise and Mid Rise Prototypes
Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 6 Stories to 7 Stories | | | | |
|--|------------------------|---------------|-----------------------|---------------|----------|
| | Residential Rental | | Residential Ownership | | |
| | Prototype 11A | Prototype 11B | Prototype 12A | Prototype 12B | |
| | With Incentive | No Incentive | With Incentive | No Incentive | |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | |
| Office Net SF | 0 | 0 | 0 | 0 | |
| Residential Net SF | 87,900 | 68,900 | 87,900 | 68,900 | |
| Total Net SF | 90,000 | 71,000 | 90,000 | 71,000 | |
| Total Gross SF Building Area (Including Parking) | 171,000 | 121,000 | 161,000 | 127,000 | |
| Total Residential Units | 135 | 106 | 107 | 84 | |
| Site Area (SF) | 20,000 | 20,000 | 20,000 | 20,000 | |
| Approximate Building Stories | 7 | 6 | 7 | 6 | |
| Hard Cost Assumptions | | | | | |
| Land Price | | | | | |
| Low Scenario | Per Unit | \$19,630 | \$25,000 | \$24,766 | \$31,548 |
| | Per Site SF | \$133 | \$133 | \$133 | \$133 |
| Middle Scenario | Per Unit | \$31,407 | \$40,000 | \$39,626 | \$50,476 |
| | Per Site SF | \$212 | \$212 | \$212 | \$212 |
| High Scenario | Per Unit | \$47,111 | \$60,000 | \$59,439 | \$75,714 |
| | Per Site SF | \$318 | \$318 | \$318 | \$318 |
| Building Demolition Costs | | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| On-site Improvements (Per Site SF) | | \$0 | \$0 | \$0 | \$0 |
| Hard Construction Cost (Per Gross SF Incl. Pkg.) | | | | | |
| Low Scenario | | \$145 | \$150 | \$152 | \$158 |
| Middle Scenario | | \$160 | \$165 | \$168 | \$173 |
| High Scenario | | \$175 | \$180 | \$184 | \$189 |
| Hard Cost Contingency (% of Hard Costs) | | 5.0% | 5.0% | 5.0% | 5.0% |
| WA State Sales Tax (% of Hard Costs Plus Conting.) | | 9.5% | 9.5% | 9.5% | 9.5% |
| Soft Cost Assumptions (% of Hard Costs) | | | | | |
| Architecture/Engineering/Consultants | | 8.0% | 8.0% | 8.0% | 8.0% |
| Financing Costs | | 5.0% | 5.0% | 5.0% | 5.0% |
| Other Soft Costs (1) | | 3.0% | 3.0% | 3.0% | 3.0% |
| Residential Condo Addit. Insur./Expenses | | 0.0% | 0.0% | 2.0% | 2.0% |
| Subtotal--Soft Cost % | | 16.0% | 16.0% | 18.0% | 18.0% |
| Developer Overhead (% TDC Less Land & Sales Tax) | | 3.0% | 3.0% | 3.0% | 3.0% |

(1) Includes insurance, legal, accounting, marketing, le
Source: DRA

Table 32
Prototype Development Cost Budgets
Downtown and South Lake Union Prototypes
Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Downtown/HR | | | | | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 1A With Incentive | Prototype 1B No Incentive | Prototype 2A With Incentive | Prototype 2B No Incentive | Prototype 3A With Incentive | Prototype 3B No Incentive |
| <i>Residential Units</i> | 426 | 269 | 344 | 212 | 0 | 0 |
| <i>Retail Net SF</i> | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| <i>Office Net SF</i> | 0 | 0 | 0 | 0 | 249,480 | 129,600 |
| <i>Residential Net SF</i> | 308,900 | 194,900 | 283,900 | 174,900 | 0 | 0 |
| <i>Total Net SF</i> | 311,000 | 197,000 | 286,000 | 177,000 | 251,580 | 131,700 |
| <i>Total Gross SF Building Area (Including Parking)</i> | 509,500 | 323,300 | 524,500 | 323,300 | 447,000 | 224,000 |
| <i>Residential Units</i> | 426 | 269 | 344 | 212 | 0 | 0 |
| <i>Average Unit Size (Net SF)</i> | 725 | 725 | 825 | 825 | N/A | N/A |
| <i>Site Area (SF)</i> | 15,000 | 15,000 | 15,000 | 15,000 | 32,400 | 32,400 |
| <i>Approximate Building Stories</i> | 40 | 24 | 40 | 24 | 8 | 4 |
| Development Cost Budget | | | | | | |
| Land Acquisition | \$11,250,000 | \$11,250,000 | \$11,250,000 | \$11,250,000 | \$24,300,000 | \$24,300,000 |
| Demolition of Existing Building | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 |
| Site Improvements | \$0 | \$0 | \$0 | \$0 | \$1,620,000 | \$1,620,000 |
| Hard Construction Costs | \$112,090,000 | \$67,893,000 | \$121,159,500 | \$71,449,300 | \$64,815,000 | \$32,480,000 |
| Hard Cost Contingency | \$5,604,500 | \$3,394,650 | \$6,057,975 | \$3,572,465 | \$3,321,750 | \$1,705,000 |
| Washington State Sales Tax | \$10,648,550 | \$6,772,327 | \$12,085,660 | \$7,127,068 | \$6,626,891 | \$3,401,475 |
| Architecture/Engineering/Consultants | \$8,967,200 | \$5,431,440 | \$9,692,760 | \$5,715,944 | \$5,314,800 | \$2,728,000 |
| Financing Costs | \$5,604,500 | \$3,394,650 | \$6,057,975 | \$3,572,465 | \$3,321,750 | \$1,705,000 |
| Other Soft Costs (1) | \$3,362,700 | \$2,036,790 | \$3,634,785 | \$2,143,479 | \$1,993,050 | \$1,023,000 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$2,423,190 | \$1,428,986 | \$0 | \$0 |
| Developer Overhead/Project Management | \$4,410,867 | \$2,806,516 | \$4,812,786 | \$2,978,479 | \$3,145,091 | \$1,971,330 |
| Total Development Costs, Including Land | \$162,088,317 | \$103,129,373 | \$177,324,631 | \$109,388,186 | \$114,608,332 | \$71,083,805 |
| TDC Per Housing Unit | \$380,489 | \$378,932 | \$511,680 | \$509,850 | N/A | N/A |
| TDC per Net Rentable/Saleable SF | \$521 | \$523 | \$620 | \$618 | \$456 | \$540 |
| TDC Per Gross SF, Including Parking | \$318 | \$319 | \$338 | \$338 | \$256 | \$317 |
| Total Development Costs Excluding Land | \$150,838,317 | \$91,879,373 | \$166,074,631 | \$98,138,186 | \$90,308,332 | \$46,783,805 |

Source: DRA

Table 32
Prototype Development Cost Budgets
Downtown and South Lake Union Prototypes
Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | South Lake Union | | | | | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 4A With Incentive | Prototype 4B No Incentive | Prototype 5A With Incentive | Prototype 5B No Incentive | Prototype 6A With Incentive | Prototype 6B No Incentive |
| <i>Residential Units</i> | 281 | 124 | 218 | 94 | 0 | 0 |
| <i>Retail Net SF</i> | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| <i>Office Net SF</i> | 0 | 0 | 0 | 0 | 238,400 | 152,800 |
| <i>Residential Net SF</i> | 203,900 | 89,900 | 184,900 | 79,900 | 0 | 0 |
| <i>Total Net SF</i> | 206,000 | 92,000 | 187,000 | 82,000 | 240,500 | 154,900 |
| <i>Total Gross SF Building Area (Including Parking)</i> | 341,250 | 153,000 | 341,250 | 148,000 | 414,000 | 267,000 |
| <i>Residential Units</i> | 281 | 124 | 218 | 94 | 0 | 0 |
| <i>Average Unit Size (Net SF)</i> | 726 | 725 | 848 | 850 | N/A | N/A |
| <i>Site Area (SF)</i> | 21,000 | 21,000 | 21,000 | 21,000 | 43,000 | 43,000 |
| <i>Approximate Building Stories</i> | 24 | 7 | 24 | 7 | 8 | 5 |
| Development Cost Budget | | | | | | |
| Land Acquisition | \$7,875,000 | \$7,875,000 | \$7,875,000 | \$7,875,000 | \$16,125,000 | \$16,125,000 |
| Demolition of Existing Building | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 |
| Site Improvements | \$0 | \$0 | \$0 | \$0 | \$2,150,000 | \$2,150,000 |
| Hard Construction Costs | \$71,662,500 | \$19,125,000 | \$75,416,250 | \$19,388,000 | \$60,030,000 | \$38,715,000 |
| Hard Cost Contingency | \$3,583,125 | \$956,250 | \$3,770,813 | \$969,400 | \$3,109,000 | \$2,043,250 |
| Washington State Sales Tax | \$7,148,334 | \$1,907,719 | \$7,522,771 | \$1,933,953 | \$6,202,455 | \$4,076,284 |
| Architecture/Engineering/Consultants | \$5,733,000 | \$1,530,000 | \$6,033,300 | \$1,551,040 | \$4,974,400 | \$3,269,200 |
| Financing Costs | \$3,583,125 | \$956,250 | \$3,770,813 | \$969,400 | \$3,109,000 | \$2,043,250 |
| Other Soft Costs (1) | \$2,149,875 | \$573,750 | \$2,262,488 | \$581,640 | \$1,865,400 | \$1,225,950 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$1,508,325 | \$387,760 | \$0 | \$0 |
| Developer Overhead/Project Management | \$2,842,099 | \$934,988 | \$3,023,610 | \$956,167 | \$2,745,384 | \$1,971,650 |
| Total Development Costs, Including Land | \$104,727,058 | \$34,008,956 | \$111,333,368 | \$34,762,360 | \$100,460,639 | \$71,769,583 |
| TDC Per Housing Unit | \$372,694 | \$274,266 | \$510,704 | \$369,812 | N/A | N/A |
| TDC per Net Rentable/Saleable SF | \$508 | \$370 | \$595 | \$424 | \$418 | \$463 |
| TDC Per Gross SF, Including Parking | \$307 | \$222 | \$326 | \$235 | \$243 | \$269 |
| Total Development Costs Excluding Land | \$96,852,058 | \$26,133,956 | \$103,458,368 | \$26,887,360 | \$84,335,639 | \$55,644,583 |

Source: DRA

Table 33
Prototype Development Cost Budgets
Low Rise and Mid Rise Prototypes
Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | |
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 8A With Incentive | Prototype 8B No Incentive |
| <i>Residential Units</i> | 71 | 34 | 56 | 27 |
| <i>Retail Net SF</i> | 0 | 0 | 0 | 0 |
| <i>Residential Net SF</i> | 46,000 | 22,000 | 46,000 | 22,000 |
| <i>Total Net SF</i> | 46,000 | 22,000 | 46,000 | 22,000 |
| <i>Total Gross SF Building Area (Including Parking)</i> | 77,200 | 36,800 | 82,200 | 38,800 |
| <i>Residential Units</i> | 71 | 34 | 56 | 27 |
| <i>Average Unit Size (Net SF)</i> | 648 | 647 | 821 | 815 |
| <i>Site Area (SF)</i> | 14,400 | 14,400 | 14,400 | 14,400 |
| <i>Approximate Building Stories</i> | 7 | 4 | 7 | 4 |
| LOW SCENARIO | | | | |
| Land Acquisition | \$850,000 | \$850,000 | \$850,000 | \$850,000 |
| Demolition of Existing Building | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| Construction Hard Costs | \$11,194,000 | \$4,784,000 | \$12,514,950 | \$5,296,200 |
| Hard Cost Contingency | \$559,700 | \$239,200 | \$625,748 | \$264,810 |
| Washington State Sales Tax | \$1,116,602 | \$477,204 | \$1,248,366 | \$528,296 |
| Architecture/Engineering/Consultants | \$895,520 | \$382,720 | \$1,001,196 | \$423,696 |
| Financing Costs | \$559,700 | \$239,200 | \$625,748 | \$264,810 |
| Other Soft Costs (1) | \$335,820 | \$143,520 | \$375,449 | \$158,886 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$250,299 | \$105,924 |
| Developer Overhead & Proj. Manage. | \$407,842 | \$175,159 | \$463,302 | \$196,930 |
| Total Development Costs, Including Land | \$15,969,184 | \$7,341,003 | \$18,005,056 | \$8,139,552 |
| TDC Per Housing Unit | \$224,918 | \$215,912 | \$321,519 | \$301,465 |
| TDC per Net Rentable/Saleable SF | \$347 | \$334 | \$391 | \$370 |
| TDC per Gross SF, Including Parking | \$207 | \$199 | \$219 | \$210 |
| Total Development Costs, Excluding Land | \$15,119,184 | \$6,491,003 | \$17,155,056 | \$7,289,552 |
| MIDDLE SCENARIO | | | | |
| Land Acquisition | \$1,360,000 | \$1,360,000 | \$1,360,000 | \$1,360,000 |
| Demolition of Existing Building | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| Construction Hard Costs | \$12,352,000 | \$5,336,000 | \$13,809,600 | \$5,907,300 |
| Tenant Improvements | \$0 | \$0 | \$0 | \$0 |
| Underground Parking | \$0 | \$0 | \$0 | \$0 |
| Structured Parking | \$0 | \$0 | \$0 | \$0 |
| Hard Cost Contingency | \$617,600 | \$266,800 | \$690,480 | \$295,365 |
| Washington State Sales Tax | \$1,232,112 | \$532,266 | \$1,377,508 | \$589,253 |
| Architecture/Engineering/Consultants | \$988,160 | \$426,880 | \$1,104,768 | \$472,584 |
| Financing Costs | \$617,600 | \$266,800 | \$690,480 | \$295,365 |
| Other Soft Costs (1) | \$370,560 | \$160,080 | \$414,288 | \$177,219 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$276,192 | \$118,146 |
| Developer Overhead & Proj. Manage. | \$449,878 | \$195,197 | \$511,074 | \$219,479 |
| Total Development Costs, Including Land | \$18,037,910 | \$8,594,023 | \$20,284,390 | \$9,484,712 |
| TDC Per Housing Unit | \$254,055 | \$252,765 | \$362,221 | \$351,286 |
| TDC per Net Rentable/Saleable SF | \$392 | \$391 | \$441 | \$431 |
| TDC per Gross SF, Including Parking | \$234 | \$234 | \$247 | \$244 |
| Total Development Costs, Excluding Land | \$16,677,910 | \$7,234,023 | \$18,924,390 | \$8,124,712 |
| HIGH SCENARIO | | | | |
| Land Acquisition | \$2,040,000 | \$2,040,000 | \$2,040,000 | \$2,040,000 |
| Demolition of Existing Building | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| Construction Hard Costs | \$13,510,000 | \$5,888,000 | \$15,104,250 | \$6,518,400 |
| Hard Cost Contingency | \$675,500 | \$294,400 | \$755,213 | \$325,920 |
| Washington State Sales Tax | \$1,347,623 | \$587,328 | \$1,506,649 | \$650,210 |
| Architecture/Engineering/Consultants | \$1,080,800 | \$471,040 | \$1,208,340 | \$521,472 |
| Financing Costs | \$675,500 | \$294,400 | \$755,213 | \$325,920 |
| Other Soft Costs (1) | \$405,300 | \$176,640 | \$453,128 | \$195,552 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$302,085 | \$130,368 |
| Developer Overhead & Proj. Manage. | \$553,113 | \$276,434 | \$620,047 | \$303,229 |
| Total Development Costs, Including Land | \$20,337,836 | \$10,078,242 | \$22,794,923 | \$11,061,071 |
| TDC Per Housing Unit | \$286,448 | \$296,419 | \$407,052 | \$409,669 |
| TDC per Net Rentable/Saleable SF | \$442 | \$458 | \$496 | \$503 |
| TDC per Gross SF, Including Parking | \$263 | \$274 | \$277 | \$285 |
| Total Development Costs, Excluding Land | \$18,297,836 | \$8,038,242 | \$20,754,923 | \$9,021,071 |

Source: DRA

Table 33
Prototype Development Cost Budgets
Low Rise and Mid Rise Prototypes
Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 Stories to 6 Stories | | | |
|---|--------------------------------|------------------------------|---------------------------------|-------------------------------|
| | Residential Rental | | Residential Ownership | |
| | Prototype 9A With Incentive | Prototype 9B No Incentive | Prototype 10A With Incentive | Prototype 10B No Incentive |
| <i>Residential Units</i> | 106 | 72 | 84 | 57 |
| <i>Retail Net SF</i> | 2,100 | 2,100 | 2,100 | 2,100 |
| <i>Residential Net SF</i> | 68,900 | 46,900 | 68,900 | 46,900 |
| <i>Total Net SF</i> | 71,000 | 49,000 | 71,000 | 49,000 |
| <i>Total Gross SF Building Area (Including Parking)</i> | 119,000 | 81,000 | 127,000 | 87,000 |
| <i>Residential Units</i> | 106 | 72 | 84 | 57 |
| <i>Average Unit Size (Net SF)</i> | 650 | 651 | 820 | 823 |
| <i>Site Area (SF)</i> | 20,000 | 20,000 | 20,000 | 20,000 |
| <i>Approximate Building Stories</i> | 6 | 4 | 6 | 4 |
| LOW SCENARIO | | | | |
| Land Acquisition | \$1,800,000 | \$1,800,000 | \$1,800,000 | \$1,800,000 |
| Demolition of Existing Building | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| Construction Hard Costs | \$17,850,000 | \$10,530,000 | \$20,002,500 | \$11,875,500 |
| Hard Cost Contingency | \$892,500 | \$526,500 | \$1,000,125 | \$593,775 |
| Washington State Sales Tax | \$1,780,538 | \$1,050,368 | \$1,995,249 | \$1,184,581 |
| Architecture/Engineering/Consultants | \$1,428,000 | \$842,400 | \$1,600,200 | \$950,040 |
| Financing Costs | \$892,500 | \$526,500 | \$1,000,125 | \$593,775 |
| Other Soft Costs (1) | \$535,500 | \$315,900 | \$600,075 | \$356,265 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$400,050 | \$237,510 |
| Developer Overhead & Proj. Manage. | \$649,455 | \$383,739 | \$739,592 | \$439,706 |
| Total Development Costs, Including Land | \$25,878,493 | \$16,025,407 | \$29,187,917 | \$18,081,152 |
| TDC Per Housing Unit | \$244,137 | \$222,575 | \$347,475 | \$317,213 |
| TDC per Net Rentable/Saleable SF | \$364 | \$327 | \$411 | \$369 |
| TDC per Gross SF, Including Parking | \$217 | \$198 | \$230 | \$208 |
| Total Development Costs, Excluding Land | \$24,078,493 | \$14,225,407 | \$27,387,917 | \$16,281,152 |
| MIDDLE SCENARIO | | | | |
| Land Acquisition | \$2,880,000 | \$2,880,000 | \$2,880,000 | \$2,880,000 |
| Demolition of Existing Building | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| Construction Hard Costs | \$19,635,000 | \$11,745,000 | \$22,002,750 | \$13,245,750 |
| Tenant Improvements | \$0 | \$0 | \$0 | \$0 |
| Underground Parking | \$0 | \$0 | \$0 | \$0 |
| Structured Parking | \$0 | \$0 | \$0 | \$0 |
| Hard Cost Contingency | \$981,750 | \$587,250 | \$1,100,138 | \$662,288 |
| Washington State Sales Tax | \$1,958,591 | \$1,171,564 | \$2,194,774 | \$1,321,264 |
| Architecture/Engineering/Consultants | \$1,570,800 | \$939,600 | \$1,760,220 | \$1,059,660 |
| Financing Costs | \$981,750 | \$587,250 | \$1,100,138 | \$662,288 |
| Other Soft Costs (1) | \$589,050 | \$352,350 | \$660,083 | \$397,373 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$440,055 | \$264,915 |
| Developer Overhead & Proj. Manage. | \$714,251 | \$427,844 | \$813,401 | \$490,268 |
| Total Development Costs, Including Land | \$29,361,192 | \$18,740,857 | \$33,001,558 | \$21,033,804 |
| TDC Per Housing Unit | \$276,992 | \$260,290 | \$392,876 | \$369,014 |
| TDC per Net Rentable/Saleable SF | \$414 | \$382 | \$465 | \$429 |
| TDC per Gross SF, Including Parking | \$247 | \$231 | \$260 | \$242 |
| Total Development Costs, Excluding Land | \$26,481,192 | \$15,860,857 | \$30,121,558 | \$18,153,804 |
| HIGH SCENARIO | | | | |
| Land Acquisition | \$4,320,000 | \$4,320,000 | \$4,320,000 | \$4,320,000 |
| Demolition of Existing Building | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| Construction Hard Costs | \$21,420,000 | \$12,960,000 | \$24,003,000 | \$14,616,000 |
| Hard Cost Contingency | \$1,071,000 | \$648,000 | \$1,200,150 | \$730,800 |
| Washington State Sales Tax | \$2,136,645 | \$1,292,760 | \$2,394,299 | \$1,457,946 |
| Architecture/Engineering/Consultants | \$1,713,600 | \$1,036,800 | \$1,920,240 | \$1,169,280 |
| Financing Costs | \$1,071,000 | \$648,000 | \$1,200,150 | \$730,800 |
| Other Soft Costs (1) | \$642,600 | \$388,800 | \$720,090 | \$438,480 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$480,060 | \$292,320 |
| Developer Overhead & Proj. Manage. | \$908,646 | \$601,548 | \$1,016,811 | \$670,430 |
| Total Development Costs, Including Land | \$33,333,491 | \$21,945,908 | \$37,304,800 | \$24,476,056 |
| TDC Per Housing Unit | \$314,467 | \$304,804 | \$444,105 | \$429,404 |
| TDC per Net Rentable/Saleable SF | \$469 | \$448 | \$525 | \$500 |
| TDC per Gross SF, Including Parking | \$280 | \$271 | \$294 | \$281 |
| Total Development Costs, Excluding Land | \$29,013,491 | \$17,625,908 | \$32,984,800 | \$20,156,056 |

Source: DRA

Table 33
Prototype Development Cost Budgets
Low Rise and Mid Rise Prototypes
Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 6 Stories to 7 Stories | | | |
|---|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Residential Rental | | Residential Ownership | |
| | Prototype 11A With Incentive | Prototype 11B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| <i>Residential Units</i> | 135 | 106 | 107 | 84 |
| <i>Retail Net SF</i> | 2,100 | 2,100 | 2,100 | 2,100 |
| <i>Residential Net SF</i> | 87,900 | 68,900 | 87,900 | 68,900 |
| <i>Total Net SF</i> | 90,000 | 71,000 | 90,000 | 71,000 |
| <i>Total Gross SF Building Area (Including Parking)</i> | 171,000 | 121,000 | 161,000 | 127,000 |
| <i>Residential Units</i> | 135 | 106 | 107 | 84 |
| <i>Average Unit Size (Net SF)</i> | 651 | 650 | 821 | 820 |
| <i>Site Area (SF)</i> | 20,000 | 20,000 | 20,000 | 20,000 |
| <i>Approximate Building Stories</i> | 7 | 6 | 7 | 6 |
| LOW SCENARIO | | | | |
| Land Acquisition | \$2,650,000 | \$2,650,000 | \$2,650,000 | \$2,650,000 |
| Demolition of Existing Building | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| Construction Hard Costs | \$24,795,000 | \$18,150,000 | \$24,512,250 | \$20,002,500 |
| Hard Cost Contingency | \$1,239,750 | \$907,500 | \$1,225,613 | \$1,000,125 |
| Washington State Sales Tax | \$2,473,301 | \$1,810,463 | \$2,445,097 | \$1,995,249 |
| Architecture/Engineering/Consultants | \$1,983,600 | \$1,452,000 | \$1,960,980 | \$1,600,200 |
| Financing Costs | \$1,239,750 | \$907,500 | \$1,225,613 | \$1,000,125 |
| Other Soft Costs (1) | \$743,850 | \$544,500 | \$735,368 | \$600,075 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$490,245 | \$400,050 |
| Developer Overhead & Proj. Manage. | \$901,559 | \$660,345 | \$906,002 | \$739,592 |
| Total Development Costs, Including Land | \$36,076,810 | \$27,132,308 | \$36,201,166 | \$30,037,917 |
| TDC Per Housing Unit | \$267,236 | \$255,965 | \$338,329 | \$357,594 |
| TDC per Net Rentable/Saleable SF | \$401 | \$382 | \$402 | \$423 |
| TDC per Gross SF, Including Parking | \$211 | \$224 | \$225 | \$237 |
| Total Development Costs, Excluding Land | \$33,426,810 | \$24,482,308 | \$33,551,166 | \$27,387,917 |
| MIDDLE SCENARIO | | | | |
| Land Acquisition | \$4,240,000 | \$4,240,000 | \$4,240,000 | \$4,240,000 |
| Demolition of Existing Building | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| Construction Hard Costs | \$27,360,000 | \$19,965,000 | \$27,048,000 | \$22,002,750 |
| Tenant Improvements | \$0 | \$0 | \$0 | \$0 |
| Underground Parking | \$0 | \$0 | \$0 | \$0 |
| Structured Parking | \$0 | \$0 | \$0 | \$0 |
| Hard Cost Contingency | \$1,368,000 | \$998,250 | \$1,352,400 | \$1,100,138 |
| Washington State Sales Tax | \$2,729,160 | \$1,991,509 | \$2,698,038 | \$2,194,774 |
| Architecture/Engineering/Consultants | \$2,188,800 | \$1,597,200 | \$2,163,840 | \$1,760,220 |
| Financing Costs | \$1,368,000 | \$998,250 | \$1,352,400 | \$1,100,138 |
| Other Soft Costs (1) | \$820,800 | \$598,950 | \$811,440 | \$660,083 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$540,960 | \$440,055 |
| Developer Overhead & Proj. Manage. | \$994,668 | \$726,230 | \$999,571 | \$813,401 |
| Total Development Costs, Including Land | \$41,119,428 | \$31,165,388 | \$41,256,649 | \$34,361,558 |
| TDC Per Housing Unit | \$304,588 | \$294,013 | \$385,576 | \$409,066 |
| TDC per Net Rentable/Saleable SF | \$457 | \$439 | \$458 | \$484 |
| TDC per Gross SF, Including Parking | \$240 | \$258 | \$256 | \$271 |
| Total Development Costs, Excluding Land | \$36,879,428 | \$26,925,388 | \$37,016,649 | \$30,121,558 |
| HIGH SCENARIO | | | | |
| Land Acquisition | \$6,360,000 | \$6,360,000 | \$6,360,000 | \$6,360,000 |
| Demolition of Existing Building | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| Construction Hard Costs | \$29,925,000 | \$21,780,000 | \$29,583,750 | \$24,003,000 |
| Hard Cost Contingency | \$1,496,250 | \$1,089,000 | \$1,479,188 | \$1,200,150 |
| Washington State Sales Tax | \$2,985,019 | \$2,172,555 | \$2,950,979 | \$2,394,299 |
| Architecture/Engineering/Consultants | \$2,394,000 | \$1,742,400 | \$2,366,700 | \$1,920,240 |
| Financing Costs | \$1,496,250 | \$1,089,000 | \$1,479,188 | \$1,200,150 |
| Other Soft Costs (1) | \$897,750 | \$653,400 | \$887,513 | \$720,090 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$591,675 | \$480,060 |
| Developer Overhead & Proj. Manage. | \$1,278,578 | \$982,914 | \$1,283,940 | \$1,078,011 |
| Total Development Costs, Including Land | \$46,882,846 | \$35,919,269 | \$47,032,932 | \$39,406,000 |
| TDC Per Housing Unit | \$347,280 | \$338,861 | \$439,560 | \$469,119 |
| TDC per Net Rentable/Saleable SF | \$521 | \$506 | \$523 | \$555 |
| TDC per Gross SF, Including Parking | \$274 | \$297 | \$292 | \$310 |
| Total Development Costs, Excluding Land | \$40,522,846 | \$29,559,269 | \$40,672,932 | \$33,046,000 |

Source: DRA

Table 34
Estimated Net Operating Income from Apartments
Downtown and South Lake Union Prototypes
Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Downtown/HR | | South Lake Union | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Prototype 1A With Incentive | Prototype 1B No Incentive | Prototype 4A With Incentive | Prototype 4B No Incentive |
| Net Rentable SF of Apartment Space | 308,900 | 194,900 | 203,900 | 89,900 |
| Net Rentable SF of Retail Space | 2,100 | 2,100 | 2,100 | 2,100 |
| Approximate Building Stories | 40 | 24 | 24 | 7 |
| Number of Apartment Units | | | | |
| Studio | 107 | 67 | 70 | 31 |
| One Bedroom | 213 | 135 | 140 | 62 |
| Two Bedroom | 106 | 67 | 70 | 31 |
| Three Bedroom | 0 | 0 | 0 | 0 |
| Total | 426 | 269 | 281 | 124 |
| Monthly Rent Per Unit | | | | |
| Studio | \$1,815 | \$1,757 | \$1,794 | \$1,552 |
| One Bedroom | \$2,393 | \$2,320 | \$2,364 | \$2,099 |
| Two Bedroom | \$3,314 | \$3,209 | \$3,261 | \$2,946 |
| Three Bedroom | \$0 | \$0 | \$0 | \$0 |
| Average | \$2,477 | \$2,401 | \$2,437 | \$2,174 |
| Unit Size (Square Feet) | | | | |
| Studio | 500 | 500 | 500 | 500 |
| One Bedroom | 700 | 700 | 700 | 700 |
| Two Bedroom | 1,000 | 1,000 | 1,000 | 1,000 |
| Three Bedroom | - | - | - | - |
| Average | 725 | 725 | 725 | 725 |
| Monthly Rent Per Square Foot | | | | |
| Studio | \$3.45 | \$3.34 | \$3.41 | \$2.95 |
| One Bedroom | \$3.25 | \$3.15 | \$3.21 | \$2.85 |
| Two Bedroom | \$3.15 | \$3.05 | \$3.10 | \$2.80 |
| Three Bedroom | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Average | \$3.42 | \$3.20 | \$3.36 | \$3.00 |
| Miscellaneous Income (\$/Unit/Year) | \$100 | \$100 | \$100 | \$100 |
| Rental Vacancy Rate | 5.0% | 5.0% | 5.0% | 5.0% |
| Rental Operating Cost/Unit | \$11,000 | \$10,500 | \$9,800 | \$8,500 |
| Retail Income (\$/NSF/Year) | \$20.00 | \$20.00 | \$20.00 | \$20.00 |
| Retail Vacancy Rate (% Gross Retail Income) | 5% | 5% | 5% | 5% |
| Retail Operating Cost (% of Gross Retail Income) | 5% | 5% | 5% | 5% |
| Monthly Gross Income | | | | |
| Studio | \$194,205 | \$117,719 | \$125,580 | \$48,112 |
| One Bedroom | \$509,709 | \$313,200 | \$330,960 | \$130,138 |
| Two Bedroom | \$351,284 | \$215,003 | \$228,270 | \$91,326 |
| Three Bedroom | \$0 | \$0 | \$0 | \$0 |
| Total Monthly Gross Income | \$1,055,198 | \$645,922 | \$684,810 | \$269,576 |
| Annual Gross Income | \$12,662,376 | \$7,751,064 | \$8,217,720 | \$3,234,912 |
| Less: Vacancy | (\$633,119) | (\$387,553) | (\$410,886) | (\$161,746) |
| Plus: Misc. Income | \$511,200 | \$322,800 | \$337,200 | \$148,800 |
| Plus: Retail Income | \$42,000 | \$42,000 | \$42,000 | \$42,000 |
| Adjusted Annual Gross Income | \$12,582,457 | \$7,728,311 | \$8,186,034 | \$3,263,966 |
| Operating Costs | | | | |
| Apartment Operating Costs | (\$4,686,000) | (\$2,824,500) | (\$2,753,800) | (\$1,054,000) |
| Retail Operating Costs | (\$2,100) | (\$2,100) | (\$2,100) | (\$2,100) |
| Net Operating Income | \$7,894,357 | \$4,901,711 | \$5,430,134 | \$2,207,866 |

Source: Hendricks Berkadia; Reis Reports; CBRE; survey of competitive apartment projects; Dupre and Scott; DRA

Table 35
Estimated Net Operating Income from Apartments
Low Rise and Mid Rise Prototypes
Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | 4 Stories to 6 Stories | | 6 Stories to 7 Stories | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|---------------------------------|-------------------------------|
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 9A With Incentive | Prototype 9B No Incentive | Prototype 11A With Incentive | Prototype 11B No Incentive |
| Net Rentable SF of Apartment Space | 46,000 | 22,000 | 68,900 | 46,900 | 87,900 | 68,900 |
| Net Rentable SF of Retail Space | 0 | 0 | 2,100 | 2,100 | 2,100 | 2,100 |
| Approximate Building Stories | 7 | 4 | 6 | 4 | 7 | 6 |
| Number of Apartment Units | | | | | | |
| Studio | 18 | 9 | 27 | 18 | 34 | 27 |
| One Bedroom | 36 | 17 | 53 | 36 | 68 | 53 |
| Two Bedroom | 17 | 8 | 26 | 18 | 33 | 26 |
| Three Bedroom | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 71 | 34 | 106 | 72 | 135 | 106 |
| Unit Size (Square Feet) | | | | | | |
| Studio | 450 | 450 | 450 | 450 | 450 | 450 |
| One Bedroom | 650 | 650 | 650 | 650 | 650 | 650 |
| Two Bedroom | 850 | 850 | 850 | 850 | 850 | 850 |
| Three Bedroom | - | - | - | - | - | - |
| Average | 650 | 650 | 650 | 650 | 650 | 650 |
| Average Monthly Rent Per Square Foot | | | | | | |
| Low Scenario | \$2.42 | \$2.42 | \$2.42 | \$2.42 | \$2.42 | \$2.42 |
| Middle Scenario | \$2.74 | \$2.74 | \$2.74 | \$2.74 | \$2.74 | \$2.74 |
| High Scenario | \$3.00 | \$3.00 | \$3.00 | \$3.00 | \$3.00 | \$3.00 |
| Miscellaneous Income (\$/Unit/Year) | \$120 | \$120 | \$120 | \$120 | \$120 | \$120 |
| Rental Vacancy Rate | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| Rental Operating Cost/Unit | | | | | | |
| Low and Middle Scenarios | \$6,500 | \$6,500 | \$6,500 | \$6,500 | \$6,500 | \$6,500 |
| High Scenario | \$7,000 | \$7,000 | \$7,000 | \$7,000 | \$7,000 | \$7,000 |
| Retail Income (\$/NSF/Year) | \$18.00 | \$18.00 | \$18.00 | \$18.00 | \$18.00 | \$18.00 |
| Retail Vacancy Rate (% Gross Retail Income) | 10% | 10% | 10% | 10% | 10% | 10% |
| Retail Operating Cost (% of Gross Retail Income) | 40% | 40% | 40% | 40% | 40% | 40% |
| LOW SCENARIO | | | | | | |
| Total Monthly Gross Income | \$111,302 | \$53,231 | \$166,710 | \$113,479 | \$212,683 | \$166,710 |
| Annual Gross Income | \$1,335,619 | \$638,774 | \$2,000,525 | \$1,361,751 | \$2,552,194 | \$2,000,525 |
| Less: Vacancy | (\$66,781) | (\$31,939) | (\$100,026) | (\$68,088) | (\$127,610) | (\$100,026) |
| Plus: Misc. Income | \$8,520 | \$48,960 | \$152,640 | \$103,680 | \$194,400 | \$152,640 |
| Plus: Retail Income | \$0 | \$0 | \$37,800 | \$37,800 | \$37,800 | \$37,800 |
| Adjusted Annual Gross Income | \$1,277,358 | \$655,796 | \$2,090,939 | \$1,435,143 | \$2,656,784 | \$2,090,939 |
| Operating Costs | | | | | | |
| Apartment Operating Costs | (\$461,500) | (\$221,000) | (\$689,000) | (\$468,000) | (\$877,500) | (\$689,000) |
| Retail Operating Costs | \$0 | \$0 | (\$3,780) | (\$3,780) | (\$3,780) | (\$3,780) |
| Net Operating Income | \$815,858 | \$434,796 | \$1,398,159 | \$963,363 | \$1,775,504 | \$1,398,159 |
| MIDDLE SCENARIO | | | | | | |
| Total Monthly Gross Income | \$125,819 | \$60,174 | \$188,455 | \$128,281 | \$240,424 | \$188,455 |
| Annual Gross Income | \$1,509,830 | \$722,093 | \$2,261,463 | \$1,539,371 | \$2,885,089 | \$2,261,463 |
| Less: Vacancy | (\$75,492) | (\$36,105) | (\$113,073) | (\$76,969) | (\$144,254) | (\$113,073) |
| Plus: Misc. Income | \$8,520 | \$4,080 | \$12,720 | \$8,640 | \$16,200 | \$12,720 |
| Plus: Retail Income | \$0 | \$0 | \$37,800 | \$37,800 | \$37,800 | \$37,800 |
| Adjusted Annual Gross Income | \$1,442,859 | \$690,068 | \$2,198,910 | \$1,508,042 | \$2,794,835 | \$2,198,910 |
| Operating Costs | | | | | | |
| Apartment Operating Costs | (\$461,500) | (\$221,000) | (\$689,000) | (\$468,000) | (\$877,500) | (\$689,000) |
| Retail Operating Costs | \$0 | \$0 | (\$3,780) | (\$3,780) | (\$3,780) | (\$3,780) |
| Net Operating Income | \$981,359 | \$469,068 | \$1,506,130 | \$1,037,062 | \$1,913,555 | \$1,506,130 |
| HIGH SCENARIO | | | | | | |
| Total Monthly Gross Income | \$137,917 | \$65,960 | \$206,576 | \$140,616 | \$263,542 | \$206,576 |
| Annual Gross Income | \$1,655,006 | \$791,525 | \$2,478,912 | \$1,687,387 | \$3,162,501 | \$2,478,912 |
| Less: Vacancy | (\$82,750) | (\$39,576) | (\$123,946) | (\$84,369) | (\$158,125) | (\$123,946) |
| Plus: Misc. Income | \$8,520 | \$4,080 | \$12,720 | \$8,640 | \$16,200 | \$12,720 |
| Plus: Retail Income | \$0 | \$0 | \$37,800 | \$37,800 | \$37,800 | \$37,800 |
| Adjusted Annual Gross Income | \$1,580,776 | \$756,029 | \$2,405,486 | \$1,649,458 | \$3,058,376 | \$2,405,486 |
| Operating Costs | | | | | | |
| Apartment Operating Costs | (\$497,000) | (\$238,000) | (\$742,000) | (\$504,000) | (\$945,000) | (\$742,000) |
| Retail Operating Costs | \$0 | \$0 | (\$3,780) | (\$3,780) | (\$3,780) | (\$3,780) |
| Net Operating Income | \$1,083,776 | \$518,029 | \$1,659,706 | \$1,141,678 | \$2,109,596 | \$1,659,706 |
| Capitalization Rate (1) | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% |
| Capitalized Market Value | \$25,500,614 | \$12,188,907 | \$39,051,910 | \$26,863,003 | \$49,637,560 | \$39,051,910 |
| Capitalized Value Per SF | \$31 | \$28 | \$28 | \$28 | \$28 | \$28 |
| Capitalized Value Per Unit | \$359,164 | \$358,497 | \$368,414 | \$373,097 | \$367,686 | \$368,414 |

Source: Hendricks Berkadia; Reis Reports; CBRE; survey of competitive apartment projects; Dupre and Scott; DRA

Table 36
Estimated Condominium Net Sales Income
Downtown and South Lake Union Prototypes
Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Downtown/HR | | South Lake Union | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Prototype 2A With Incentive | Prototype 2B No Incentive | Prototype 5A With Incentive | Prototype 5B No Incentive |
| Net Saleable SF of Condo Space | 283,900 | 174,900 | 184,900 | 79,900 |
| Building Stories | 40 | 24 | 40 | 24 |
| Number of Condo Units | | | | |
| Studio | 114 | 70 | 55 | 24 |
| One Bedroom | 172 | 106 | 120 | 52 |
| Two Bedroom | 52 | 32 | 39 | 17 |
| Three Bedroom | 6 | 4 | 4 | 1 |
| Total | 344 | 212 | 218 | 94 |
| Sales Price Per Unit | | | | |
| Studio | \$511,875 | \$511,875 | \$443,625 | \$375,375 |
| One Bedroom | \$630,000 | \$588,000 | \$546,000 | \$462,000 |
| Two Bedroom | \$913,500 | \$850,500 | \$787,500 | \$661,500 |
| Three Bedroom | \$1,102,500 | \$1,055,250 | \$945,000 | \$866,250 |
| Average | \$641,335 | \$610,933 | \$570,922 | \$479,416 |
| Unit Size (Square Feet) | | | | |
| Studio | 650 | 650 | 650 | 650 |
| One Bedroom | 800 | 800 | 800 | 800 |
| Two Bedroom | 1,200 | 1,200 | 1,200 | 1,200 |
| Three Bedroom | 1,500 | 1,500 | 1,500 | 1,500 |
| Average | 825 | 825 | 849 | 849 |
| Sales Price Per Square Foot | | | | |
| Studio | \$788 | \$788 | \$683 | \$578 |
| One Bedroom | \$788 | \$735 | \$683 | \$578 |
| Two Bedroom | \$761 | \$709 | \$656 | \$551 |
| Three Bedroom | \$735 | \$704 | \$630 | \$578 |
| Average Price/SF | \$778 | \$741 | \$673 | \$565 |
| Sales Costs (% of Gross Sales Income) | 5% | 5% | 5% | 5% |
| Gross Sales Income | | | | |
| Studio | \$58,353,750 | \$35,831,250 | \$24,399,375 | \$9,009,000 |
| One Bedroom | \$108,360,000 | \$62,328,000 | \$65,520,000 | \$24,024,000 |
| Two Bedroom | \$47,502,000 | \$27,216,000 | \$30,712,500 | \$11,245,500 |
| Three Bedroom | \$6,615,000 | \$4,221,000 | \$3,780,000 | \$866,250 |
| Total Gross Sales Income | \$220,830,750 | \$129,596,250 | \$124,411,875 | \$45,144,750 |
| Less: Sales Costs | (\$11,041,538) | (\$6,479,813) | (\$6,220,594) | (\$2,257,238) |
| Net Sales Income | \$209,789,213 | \$123,116,438 | \$118,191,281 | \$42,887,513 |
| Net Sales Income Per Net Saleable SF | \$739 | \$704 | \$639 | \$537 |

Source: Dataquick Information System; DRA

Table 37
Estimated Condominium Net Sales Income
Low Rise and Mid Rise Prototypes
Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | 4 Stories to 6 Stories | | 6 Stories to 7 Stories | |
|--|--------------------------------|------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Prototype 8A With Incentive | Prototype 8B No Incentive | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| Net Saleable SF of Condo Space | 46,000 | 22,000 | 68,900 | 46,900 | 87,934 | 68,923 |
| Number of Condo Units | | | | | | |
| Studio | 0 | 0 | 0 | 0 | 0 | 0 |
| One Bedroom | 28 | 14 | 42 | 29 | 54 | 42 |
| Two Bedroom | 22 | 11 | 34 | 23 | 43 | 34 |
| Three Bedroom | 6 | 3 | 8 | 5 | 10 | 8 |
| Total | 56 | 28 | 84 | 57 | 107 | 84 |
| Unit Size (Square Feet) | | | | | | |
| Studio | - | - | - | - | - | - |
| One Bedroom | 700 | 700 | 700 | 700 | 700 | 700 |
| Two Bedroom | 900 | 900 | 900 | 900 | 900 | 900 |
| Three Bedroom | 1,100 | 1,100 | 1,100 | 1,100 | 1,100 | 1,100 |
| Average | 820 | 820 | 820 | 820 | 820 | 820 |
| Average Sales Price Per Square Foot | | | | | | |
| Low Scenario | \$315.00 | \$315.00 | \$315.00 | \$315.00 | \$315.00 | \$315.00 |
| Middle Scenario | \$420.00 | \$420.00 | \$420.00 | \$420.00 | \$420.00 | \$420.00 |
| High Scenario | \$525.00 | \$525.00 | \$525.00 | \$525.00 | \$525.00 | \$525.00 |
| Average Sales Price Per Unit | | | | | | |
| Low Scenario | \$258,300 | \$258,300 | \$258,300 | \$258,300 | \$258,300 | \$258,300 |
| Middle Scenario | \$344,400 | \$344,400 | \$344,400 | \$344,400 | \$344,400 | \$344,400 |
| High Scenario | \$430,500 | \$430,500 | \$430,500 | \$430,500 | \$430,500 | \$430,500 |
| Sales Costs (% of Gross Sales Income) | 5% | 5% | 5% | 5% | 5% | 5% |

Table 37
Estimated Condominium Net Sales Income
Low Rise and Mid Rise Prototypes
Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | 4 Stories to 6 Stories | | 6 Stories to 7 Stories | |
|--------------------------------------|--------------------------------|------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Prototype 8A With Incentive | Prototype 8B No Incentive | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| LOW SCENARIO | | | | | | |
| Total Gross Sales Income | \$14,490,000 | \$6,930,000 | \$21,703,500 | \$14,773,500 | \$27,699,210 | \$21,710,745 |
| Less: Sales Costs | (\$724,500) | (\$346,500) | (\$1,085,175) | (\$738,675) | (\$1,384,961) | (\$1,085,537) |
| Net Sales Income | \$13,765,500 | \$6,583,500 | \$20,618,325 | \$14,034,825 | \$26,314,250 | \$20,625,208 |
| Net Sales Income Per Net Saleable SF | \$299 | \$299 | \$299 | \$299 | \$299 | \$299 |
| MIDDLE SCENARIO | | | | | | |
| Total Gross Sales Income | \$19,320,000 | \$9,240,000 | \$28,938,000 | \$19,698,000 | \$36,932,280 | \$28,947,660 |
| Less: Sales Costs | (\$966,000) | (\$462,000) | (\$1,446,900) | (\$984,900) | (\$1,846,614) | (\$1,447,383) |
| Net Sales Income | \$18,354,000 | \$8,778,000 | \$27,491,100 | \$18,713,100 | \$35,085,666 | \$27,500,277 |
| Net Sales Income Per Net Saleable SF | \$399 | \$399 | \$399 | \$399 | \$399 | \$399 |
| HIGH SCENARIO | | | | | | |
| Total Gross Sales Income | \$24,150,000 | \$11,550,000 | \$36,172,500 | \$24,622,500 | \$46,165,350 | \$36,184,575 |
| Less: Sales Costs | (\$1,207,500) | (\$577,500) | (\$1,808,625) | (\$1,231,125) | (\$2,308,268) | (\$1,809,229) |
| Net Sales Income | \$22,942,500 | \$10,972,500 | \$34,363,875 | \$23,391,375 | \$43,857,083 | \$34,375,346 |
| Net Sales Income Per Net Saleable SF | \$499 | \$499 | \$499 | \$499 | \$499 | \$499 |

Source: Dataquick Information System; DRA

Table 38
Estimated Net Operating Income from Commercial Prototypes
Baseline Version
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Downtown/HR | | South Lake Union | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Prototype 3A With Incentive | Prototype 3B No Incentive | Prototype 6A With Incentive | Prototype 6B No Incentive |
| <i>Net SF Office</i> | 249,480 | 129,600 | 238,400 | 152,800 |
| <i>Net SF Retail</i> | 2,100 | 2,100 | 2,100 | 2,100 |
| <i>Parking Spaces--Office</i> | 324 | 162 | 298 | 191 |
| <i>Approximate Building Stories</i> | 8 | 4 | 8 | 5 |
| Office Income/Operating Assumptions | | | | |
| Monthly Office Rent Per NSF (NNN) | \$2.92 | \$2.92 | \$2.92 | \$2.92 |
| Annual Office Rent Per NSF (NNN) | \$35.00 | \$35.00 | \$35.00 | \$35.00 |
| Office Vacancy Rate | 10.0% | 0.10 | 10.0% | 10.0% |
| Parking Income (\$/Space/Month) | \$350.00 | \$350.00 | \$225.00 | \$225.00 |
| Parking Vacancy Rate | 10.0% | 10.0% | 10.0% | 10.0% |
| Office Operating Expenses Per NSF | \$10 | \$10 | \$10 | \$10 |
| Parking Operating Expense (% of Gross Income) | 20% | 20% | 20% | 20% |
| Retail Income/Operating Assumptions | | | | |
| Monthly Rent Per NSF (NNN) | \$2.75 | \$2.75 | \$2.75 | \$2.75 |
| Annual Rent Per NSF (NNN) | \$33.00 | \$33.00 | \$33.00 | \$33.00 |
| Vacancy Rate | 7.0% | 7.0% | 7.0% | 7.0% |
| Operating Expense (% of Gross Income) | 42% | 42% | 42% | 42% |
| Stabilized Net Operating Income | | | | |
| Annual Gross Office Rental Income | \$8,731,800 | \$4,536,000 | \$8,344,000 | \$5,348,000 |
| Plus: Annual Gross Parking Income | \$1,360,800 | \$680,400 | \$804,600 | \$515,700 |
| Plus: Annual Gross Retail Rental Income | \$69,300 | \$69,300 | \$69,300 | \$69,300 |
| Annual Gross Rental Income | \$10,161,900 | \$5,285,700 | \$9,217,900 | \$5,933,000 |
| Less: Rental Vacancies | (\$1,016,190) | (\$528,570) | (\$921,790) | (\$593,300) |
| Less: Parking Vacancies | (\$136,080) | (\$68,040) | (\$80,460) | (\$51,570) |
| Less: Retail Vacancies | (\$4,851) | (\$4,851) | (\$4,851) | (\$4,851) |
| Adjusted Annual Gross Income | \$9,004,779 | \$4,684,239 | \$8,210,799 | \$5,283,279 |
| Less: Office Operating Expenses | (\$2,494,800) | (\$1,296,000) | (\$2,384,000) | (\$1,528,000) |
| Less: Parking Operating Expenses | (\$272,160) | (\$136,080) | (\$160,920) | (\$103,140) |
| Less: Retail Operating Expenses | (\$29,106) | (\$29,106) | (\$29,106) | (\$29,106) |
| Net Operating Income | \$6,208,713 | \$3,252,159 | \$5,665,879 | \$3,652,139 |
| Net Operating Income Per NSF | \$24.89 | \$25.09 | \$23.77 | \$23.90 |

(1) Based on Class A office stabilized cap rates of 5.00% to 5.75% for Seattle from CBRE Cap Rate Survey, First Half 2013.

Source: CBRE; Reis Reports; Downtown Seattle Association; Realty Rates; DRA.

Table 39
Supportable Mortgage Calculations, Affordable Rental Housing
High-Rise Prototypes
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

Assumptions

| | | | | |
|--|---------------|------------------|------------------|------------------|
| HUD Median Household Income, Seattle-Bellevue HMFA, 2014 | | | \$88,200 | |
| Affordable Housing Expense As a % of Income | | | 30% | |
| No. of Bedrooms | Studio | 1 Bedroom | 2 Bedroom | 3 Bedroom |
| Household Size (Health and Safety) | 1.0 Persons | 1.5 Persons | 3.0 Persons | 4.5 Persons |
| Household Size Income Adjust. Factor | 70% | 75% | 90% | 104% |
| Renter Utility Allowance, City of Seattle (1) | | | | |
| Tenant Pays All Utilities (2) | \$110 | \$110 | \$160 | \$245 |
| Tenant Pays Heat and Electricity | \$35 | \$35 | \$60 | \$95 |
| Tenant Pays Electricity Only | \$15 | \$15 | \$20 | \$35 |
| Assumed for these calculations: | \$110 | \$110 | \$160 | \$245 |
| Miscellaneous Income Per Unit Per Year | \$100 | | | |
| Vacancy Rate | 3.00% | | | |
| Operating Cost Per Unit Per Year | | | | |
| High-Rise Downtown | \$11,000 | | | |
| High-Rise South Lake Union | \$10,500 | | | |
| Low-Rise/Mid-Rise South Lake Union | \$9,800 | | | |
| Low-Rise/Mid-Rise Other Areas | \$6,500 | | | |
| Mortgage Interest Rate | 6.50% | | | |
| Mortgage Amortization (Years) | 30 | | | |
| Debt Coverage Ratio | 1.00 | | | |

Per Unit Supportable Mortgage
High-Rise Prototypes, Downtown

| | Studio | 1 Bedroom | 2 Bedroom | 3 Bedroom |
|---------------------------------------|----------------|------------------|------------------|------------------|
| <u>80% of Median</u> | | | | |
| Annual Income Limit | \$49,392 | \$52,920 | \$63,504 | \$73,382 |
| Affordable Monthly Housing Expense | \$1,235 | \$1,323 | \$1,588 | \$1,835 |
| Less: Monthly Utility Allowance | (\$110) | (\$110) | (\$160) | (\$245) |
| Affordable Monthly Rent | \$1,125 | \$1,213 | \$1,428 | \$1,590 |
| Annual Gross Rental Income Per Unit | \$13,500 | \$14,556 | \$17,136 | \$19,080 |
| Less: Vacancy | (\$405) | (\$437) | (\$514) | (\$572) |
| Less: Annual Unit Operating Costs (1) | (\$11,000) | (\$11,000) | (\$11,000) | (\$11,000) |
| Net Operating Income Per Unit | \$2,095 | \$3,119 | \$5,622 | \$7,508 |
| Available for Debt Service | \$2,095 | \$3,119 | \$5,622 | \$7,508 |
| Supportable Mortgage Per Unit | \$27,600 | \$41,100 | \$74,100 | \$99,000 |

Per Unit Supportable Mortgage
High-Rise Prototypes, South Lake Union

| | Studio | 1 Bedroom | 2 Bedroom | 3 Bedroom |
|---------------------------------------|----------------|------------------|------------------|------------------|
| <u>80% of Median</u> | | | | |
| Annual Income Limit | \$49,392 | \$52,920 | \$63,504 | \$73,382 |
| Affordable Monthly Housing Expense | \$1,235 | \$1,323 | \$1,588 | \$1,835 |
| Less: Monthly Utility Allowance | (\$110) | (\$110) | (\$160) | (\$245) |
| Affordable Monthly Rent | \$1,125 | \$1,213 | \$1,428 | \$1,590 |
| Annual Gross Rental Income Per Unit | \$13,500 | \$14,556 | \$17,136 | \$19,080 |
| Less: Vacancy | (\$405) | (\$437) | (\$514) | (\$572) |
| Less: Annual Unit Operating Costs (1) | (\$10,500) | (\$10,500) | (\$10,500) | (\$10,500) |
| Net Operating Income Per Unit | \$2,595 | \$3,619 | \$6,122 | \$8,008 |
| Available for Debt Service | \$2,595 | \$3,619 | \$6,122 | \$8,008 |
| Supportable Mortgage Per Unit | \$34,200 | \$47,700 | \$80,700 | \$105,600 |

(1) Source: Seattle Housing Authority, effective 11/1/2013.

(2) Includes electricity, heating, water, and garbage.

Source: City of Seattle Department of Planning and Development; Seattle Housing Authority; DRA

Table 40
Supportable Mortgage Calculations, Affordable Rental Housing
Low-Rise and Mid-Rise Prototypes
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

Assumptions

| | | | | | |
|--|---------------|------------------|------------------|------------------|------------------|
| HUD Median Household Income, Seattle-Bellevue HMFA, 2014 | | | | | \$88,200 |
| Affordable Housing Expense As a % of Income | | | | | 30% |
| No. of Bedrooms | Studio | 1 Bedroom | 2 Bedroom | 3 Bedroom | 4 Bedroom |
| Household Size (Health and Safety) | 1.0 Persons | 1.5 Persons | 3.0 Persons | 4.5 Persons | 6.0 Persons |
| Household Size Income Adjust. Factor | 70% | 75% | 90% | 104% | 116% |
| Renter Utility Allowance, City of Seattle (1) | | | | | |
| Tenant Pays All Utilities (2) | \$110 | \$110 | \$160 | \$245 | \$325 |
| Tenant Pays Heat and Electricity | \$35 | \$35 | \$60 | \$95 | \$155 |
| Tenant Pays Electricity Only | \$15 | \$15 | \$20 | \$35 | \$65 |
| Assumed for these calculations: | \$110 | \$110 | \$160 | \$245 | \$325 |
| Miscellaneous Income Per Unit Per Year | \$100 | | | | |
| Vacancy Rate | 3.00% | | | | |
| Operating Cost Per Unit Per Year | | | | | |
| High-Rise Downtown | \$11,000 | | | | |
| High-Rise South Lake Union | \$10,500 | | | | |
| Low-Rise/Mid-Rise South Lake Union | \$9,800 | | | | |
| Low-Rise/Mid-Rise Other Areas | \$6,500 | | | | |
| Mortgage Interest Rate | 6.50% | | | | |
| Mortgage Amortization (Years) | 30 | | | | |
| Debt Coverage Ratio | 1.00 | | | | |

| | | | | | |
|---------------------------------------|---------------|------------------|------------------|------------------|------------------|
| | Studio | 1 Bedroom | 2 Bedroom | 3 Bedroom | 4 Bedroom |
| Per Unit Supportable Mortgage | | | | | |
| Low- and Mid-Rise Prototypes | | | | | |
| <u>80% of Median</u> | | | | | |
| Annual Income Limit | \$49,392 | \$52,920 | \$63,504 | \$73,382 | \$81,850 |
| Affordable Monthly Housing Expense | \$1,235 | \$1,323 | \$1,588 | \$1,835 | \$2,046 |
| Less: Monthly Utility Allowance | (\$110) | (\$110) | (\$160) | (\$245) | (\$325) |
| Affordable Monthly Rent | \$1,125 | \$1,213 | \$1,428 | \$1,590 | \$1,721 |
| Annual Gross Rental Income Per Unit | \$13,500 | \$14,556 | \$17,136 | \$19,080 | \$20,652 |
| Less: Vacancy | (\$405) | (\$437) | (\$514) | (\$572) | (\$620) |
| Less: Annual Unit Operating Costs (1) | (\$6,500) | (\$6,500) | (\$6,500) | (\$6,500) | (\$6,500) |
| Net Operating Income Per Unit | \$6,595 | \$7,619 | \$10,122 | \$12,008 | \$13,532 |
| Available for Debt Service | \$6,595 | \$7,619 | \$10,122 | \$12,008 | \$13,532 |
| Supportable Mortgage Per Unit | \$87,000 | \$100,500 | \$133,400 | \$158,300 | \$178,400 |

(1) Source: Seattle Housing Authority, effective 11/1/2013.

(2) Includes electricity, heating, water, and garbage.

Source: City of Seattle Department of Planning and Development; Seattle Housing Authority; DRA

Table 41
Rental Housing Gap Costs by Prototype
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Downtown Prototype 1A With Incentive | South Lake Union Prototype 4A With Incentive | Lowrise to Midrise Prototype 7A With Incentive | 4 Stories to 6 Stories Prototype 9A With Incentive | 6 Stories to 7 Stories Prototype 11A With Incentive |
|---|---|---|---|---|--|
| Total Gross Square Feet, Incl. Parking | 509,500 | 341,250 | 77,200 | 119,000 | 171,000 |
| Net Rentable SF of Apartment Space | 308,900 | 203,900 | 46,000 | 68,900 | 87,900 |
| Net Rentable SF of Retail Space | 2,100 | 2,100 | 0 | 2,100 | 2,100 |
| Approximate Building Stories | 40 | 24 | 7 | 6 | 7 |
| Percent Distribution of Affordable Units | | | | | |
| Studio | 25% | 25% | 25% | 25% | 25% |
| One Bedroom | 50% | 50% | 50% | 50% | 50% |
| Two Bedroom | 25% | 25% | 25% | 25% | 25% |
| Three Bedroom | 0% | 0% | 0% | 0% | 0% |
| Per Unit Supportable Mortgage @ 80% AMI | | | | | |
| Studio | \$27,600 | \$27,600 | \$87,000 | \$87,000 | \$87,000 |
| One Bedroom | \$41,100 | \$41,100 | \$100,500 | \$100,500 | \$100,500 |
| Two Bedroom | \$74,100 | \$74,100 | \$133,400 | \$133,400 | \$133,400 |
| Three Bedroom | \$99,000 | \$99,000 | \$158,300 | \$158,300 | \$158,300 |
| Weighted Average Per Unit Supportable Mortgage | \$45,975 | \$45,975 | \$105,350 | \$105,350 | \$105,350 |
| Per Unit Total Development Cost Per NSF | \$521 | \$508 | | | |
| Low Scenario | | | \$347 | \$364 | \$401 |
| Middle Scenario | | | \$392 | \$414 | \$457 |
| High Scenario | | | \$442 | \$469 | \$521 |
| Average Unit Size (Net SF) | 725 | 725 | 650 | 650 | 650 |
| Average Development Cost Per Unit | \$380,489 | \$372,694 | | | |
| Low Scenario | | | \$224,918 | \$244,137 | \$267,236 |
| Middle Scenario | | | \$254,055 | \$276,992 | \$304,588 |
| High Scenario | | | \$286,448 | \$314,467 | \$347,280 |
| Average Per Unit Gap | \$334,514 | \$326,719 | | | |
| Low Scenario | | | \$119,568 | \$138,787 | \$161,886 |
| Middle Scenario | | | \$148,705 | \$171,642 | \$199,238 |
| High Scenario | | | \$181,098 | \$209,117 | \$241,930 |
| Affordable Units Required | | | | | |
| <i>Scenario 1: Current Set-Aside</i> | 22 | 13 | 5 | 5 | 4 |
| <i>Scenario 2: 10% of Total Units</i> | 43 | 28 | 7 | 11 | 8 |
| Total Prototype Gap Cost | | | | | |
| <i>Scenario 1: Current Set-Aside</i> | \$7,359,308.15 | \$4,247,349.04 | | | |
| Low Scenario | | | \$597,840 | \$693,934 | \$647,543 |
| Middle Scenario | | | \$743,525 | \$858,212 | \$796,953.42 |
| High Scenario | | | \$905,490 | \$1,045,585 | \$967,720 |
| <i>Scenario 2: 10% of Total Units</i> | \$14,384,102 | \$9,148,136 | | | |
| Low Scenario | | | \$836,977 | \$1,526,654 | \$1,295,085 |
| Middle Scenario | | | \$1,040,935 | \$1,888,066.13 | \$1,593,907 |
| High Scenario | | | \$1,267,686 | \$2,300,287 | \$1,935,440 |

Source: DRA

Table 42
Affordable Home Sales Price Calculations, Owner Housing
High-Rise Prototypes
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

Assumptions

| | | | | |
|--|---------------|------------------|------------------|------------------|
| HUD Median Household Income, Seattle-Bellevue HMFA, 2014 | | | | \$88,200 |
| Affordable Housing Expense As a % of Income | | | | 35% |
| No. of Bedrooms | Studio | 1 Bedroom | 2 Bedroom | 3 Bedroom |
| Household Size, Health and Safety Code | 1 Persons | 2 Persons | 4 Persons | 6 Persons |
| Household Size Income Adjust. Factor, Tax Credits | 70% | 80% | 100% | 116% |
| Monthly HOA Fee/Maint. Cost | | | | |
| High-Rise | \$325 | | | |
| Low/Mid Rise | \$225 | | | |
| Monthly Property Insurance | | | | |
| High-Rise | \$75 | | | |
| Low/Mid Rise | \$50 | | | |
| Property Tax Rate | 1.20% | | | |
| Mortgage Interest Rate | 5.50% | | | |
| Term (Years) | 30 | | | |
| Downpayment (% of Sales Price) | 5.00% | | | |

Per Unit Affordable Sales Price by Unit Bedroom Count
High-Rise Apartment Prototypes

| | Studio | 1 Bedroom | 2 Bedroom | 3 Bedroom |
|---|------------------|------------------|------------------|------------------|
| 100% AMI | | | | |
| Annual Income Limit | \$61,740 | \$70,560 | \$88,200 | \$102,312 |
| Affordable Monthly Housing Cost | \$1,801 | \$2,058 | \$2,573 | \$2,984 |
| Less: HOA Dues | (\$325) | (\$325) | (\$325) | (\$325) |
| Less: Property Insurance | (\$75) | (\$75) | (\$75) | (\$75) |
| Available for Principal, Interest, Taxes | \$1,401 | \$1,658 | \$2,173 | \$2,584 |
| Less: Property Taxes (1) | 1.20% \$260 | \$307 | \$403 | \$479 |
| Supportable Mortgage | \$246,747 | \$292,010 | \$382,713 | \$455,099 |
| Assumed Assessed Value at Sale | 95.00% \$259,733 | \$307,379 | \$402,855 | \$479,051 |
| Available for Mortg. Principal and Interest | \$1,141 | \$1,351 | \$1,770 | \$2,105 |
| Supportable Mortgage | \$201,002 | \$237,874 | \$311,761 | \$370,727 |
| Plus: Downpayment @ | 5.00% \$10,580 | \$12,520 | \$16,410 | \$19,510 |
| Affordable Sales Price (Rounded) | \$211,600 | \$250,400 | \$328,200 | \$390,200 |

(1) Calculated based on assessed value equal to affordable mortgage plus downpayment.
Source: DRA

Table 43
Affordable Home Sales Price Calculations, Owner Housing
Low-Rise and Mid-Rise Prototypes
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

Assumptions

| | | | | |
|--|---------------|------------------|------------------|------------------|
| HUD Median Household Income, Seattle-Bellevue HMFA, 2014 | | | | \$88,200 |
| Affordable Housing Expense As a % of Income | | | | 35% |
| No. of Bedrooms | Studio | 1 Bedroom | 2 Bedroom | 3 Bedroom |
| Household Size, Health and Safety Code | 1 Persons | 2 Persons | 4 Persons | 6 Persons |
| Household Size Income Adjust. Factor, Tax Credits | 70% | 80% | 100% | 116% |
| Monthly HOA Fee/Maint. Cost | | | | |
| High-Rise | \$300 | | | |
| Low/Mid Rise | \$200 | | | |
| Monthly Property Insurance | | | | |
| High-Rise | \$100 | | | |
| Low/Mid Rise | \$75 | | | |
| Property Tax Rate (% of Assessed Value) | 1.05% | | | |
| Mortgage Interest Rate | 5.50% | | | |
| Term (Years) | 30 | | | |
| Downpayment (% of Sales Price) | 5.00% | | | |

Per Unit Affordable Sales Price by Unit Bedroom Count
High-Rise Apartment Prototypes

| | | Studio | 1 Bedroom | 2 Bedroom | 3 Bedroom |
|---|--------|------------------|------------------|------------------|------------------|
| 100% AMI | | | | | |
| Annual Income Limit | | \$61,740 | \$70,560 | \$88,200 | \$102,312 |
| Affordable Monthly Housing Cost | | \$1,801 | \$2,058 | \$2,573 | \$2,984 |
| Less: HOA Fees | | (\$200) | (\$200) | (\$200) | (\$200) |
| Less: Property Insurance | | (\$75) | (\$75) | (\$75) | (\$75) |
| Available for Principal, Interest, Taxes | | \$1,526 | \$1,783 | \$2,298 | \$2,709 |
| Less: Property Taxes (1) | 1.20% | \$283 | \$331 | \$426 | \$502 |
| Supportable Mortgage | | \$268,762 | \$314,025 | \$404,728 | \$477,114 |
| Assumed Assessed Value at Sale | 95.00% | \$282,907 | \$330,553 | \$426,029 | \$502,225 |
| Available for Mortg. Principal and Interest | | \$1,243 | \$1,452 | \$1,872 | \$2,207 |
| Supportable Mortgage | | \$218,936 | \$255,808 | \$329,695 | \$388,661 |
| Plus: Downpayment @ | 5.00% | \$11,525 | \$13,465 | \$17,350 | \$20,455 |
| Affordable Sales Price (Rounded) | | \$230,500 | \$269,300 | \$347,000 | \$409,100 |

(1) Calculated based on assessed value equal to affordable mortgage plus downpayment.
Source: DRA

Table 44
Owner Housing Gap Costs by Prototype
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Downtown Prototype 2A With Incentive | South Lake Union Prototype 5A With Incentive | Lowrise to Midrise Prototype 8A With Incentive | 4 Stories to 6 Stories Prototype 10A With Incentive | 6 Stories to 7 Stories Prototype 12A With Incentive |
|--|---|---|---|--|--|
| Total Gross Square Feet, Incl. Parking | 524,500 | 341,250 | 82,200 | 127,000 | 161,000 |
| Net Rentable SF of Apartment Space | 283,900 | 184,900 | 46,000 | 68,900 | 87,900 |
| Net Rentable SF of Retail Space | 2,100 | 2,100 | 0 | 2,100 | 2,100 |
| Approximate Building Stories | 40 | 24 | 7 | 6 | 7 |
| Percent Distribution of Affordable Units | | | | | |
| Studio | 33% | 25% | 0% | 0% | 0% |
| One Bedroom | 50% | 55% | 50% | 50% | 50% |
| Two Bedroom | 15% | 18% | 40% | 40% | 40% |
| Three Bedroom | 2% | 2% | 10% | 10% | 10% |
| Per Unit Affordable Home Price @ 100% AMI | | | | | |
| Studio | \$211,600 | \$211,600 | \$230,500 | \$230,500 | \$230,500 |
| One Bedroom | \$250,400 | \$250,400 | \$269,300 | \$269,300 | \$269,300 |
| Two Bedroom | \$328,200 | \$328,200 | \$347,000 | \$347,000 | \$347,000 |
| Three Bedroom | \$390,200 | \$390,200 | \$409,100 | \$409,100 | \$409,100 |
| Weighted Average Per Unit Supportable Mortgage | \$252,062 | \$257,500 | \$314,360 | \$314,360 | \$314,360 |
| Per Unit Total Development Cost Per NSF | \$620 | \$595 | | | |
| Low Scenario | | | \$391 | \$411 | \$402 |
| Middle Scenario | | | \$441 | \$465 | \$458 |
| High Scenario | | | \$496 | \$525 | \$523 |
| Average Unit Size (Net SF) | 825 | 849 | 820 | 820 | 820 |
| Average Development Cost Per Unit | \$511,190 | \$504,858 | | | |
| Low Scenario | | | \$320,620 | \$337,020 | \$329,640 |
| Middle Scenario | | | \$361,620 | \$381,300 | \$375,560 |
| High Scenario | | | \$406,720 | \$430,500 | \$428,860 |
| Average Per Unit Gap | \$259,128 | \$247,358 | | | |
| Low Scenario | | | \$6,260 | \$22,660 | \$15,280 |
| Middle Scenario | | | \$47,260 | \$66,940 | \$61,200 |
| High Scenario | | | \$92,360 | \$116,140 | \$114,500 |
| Affordable Units Required | | | | | |
| <i>Scenario 1: Current Set-Aside</i> | 19 | 10 | 4 | 4 | 3 |
| <i>Scenario 2: 10% of Total Units</i> | 34 | 22 | 6 | 8 | 11 |
| Total Prototype Gap Cost | | | | | |
| <i>Scenario 1: Current Set-Aside</i> | \$4,923,432 | \$2,473,575 | | | |
| Low Scenario | | | \$25,040 | \$90,640 | \$45,840 |
| Middle Scenario | | | \$189,040 | \$267,760 | \$183,600 |
| High Scenario | | | \$369,440 | \$464,560 | \$343,500 |
| <i>Scenario 2: 10% of Total Units</i> | \$8,810,352 | \$5,441,865 | | | |
| Low Scenario | | | \$37,560 | \$181,280 | \$168,080 |
| Middle Scenario | | | \$283,560 | \$535,520 | \$673,200 |
| High Scenario | | | \$554,160 | \$929,120 | \$1,259,500 |

Source: DRA

Table 45
Estimated Net Value of Incentive Per SF of Bonus Floor Area
Development Prototypes with Incentives
Lower Cap Rates Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | | Column 1 | Column 2 | Column 3 | Column 4 | Column 5 | Column 6 | Column 7 | Column 8 | Column 9 | Column 10 | Column 11 | Column 12 |
|------------------------------------|-----------------|-------------------------------------|---|--------------------------------|--|--|---|--|---|---|---|---|---|
| | | Bonus Floor Area (GSF) of Incentive | Project ROE of Prototypes without Incentive at Cap Rate of: (1) | Equity Investment Required (2) | Net Value of Investment at ROE of Prototype Without Incentive @ Cap Rate of: (3) | Prototypes with Incentives | | | | | | | |
| | | | | | | Before Program Costs | | After Payment of Current In Lieu Fee | | After Performance Cost/Fee: Scenario 1 | | After Performance Costs: Scenario 2 | |
| | | | | | | Projected Net Value of Investment Before Program Costs (4) | Value of Incentive Before Program Costs (5) | Projected Net Value of Investment After Payment of Current In Lieu Fee (4) | Value of Incentive After Payment of Current In Lieu Fee (5) | Projected Net Value of Investment After Performance Costs: Scenario 1 (4) | Value of Incentive After Performance Cost/Fee: Scenario 1 (5) | Projected Net Value of Investment After Performance Costs: Scenario 2 (4) | Value of Incentive After Performance Cost/Fee: Scenario 2 (5) |
| Housing Prototypes | | | | | | | | | | | | | |
| DOWNTOWN PROTOTYPES | | | 4.25% | | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% |
| Residential Rental | Prototype 1 | 148,200 | 1.71% | \$440 | \$30 | \$60 | \$30 | \$38 | \$8 | \$10 | (\$20) | (\$38) | (\$68) |
| Residential Ownership | Prototype 2 | 142,200 | 7.09% | \$479 | \$136 | \$208 | \$72 | \$186 | \$51 | \$176 | \$40 | \$151 | \$15 |
| | | | 5.00% | | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Commercial | Prototype 3 | 162,000 | -12.63% | \$287 | (\$145) | (\$34) | \$111 | (\$61) | \$84 | (\$79) | \$66 | N/A | N/A |
| SOUTH LAKE UNION PROTOTYPES | | | 4.25% | | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% |
| Residential Rental | Prototype 4 | 146,250 | 24.99% | \$288 | \$288 | \$94 | (\$194) | \$73 | (\$214) | \$57 | (\$231) | \$24 | (\$264) |
| Residential Ownership | Prototype 5 | 136,250 | 12.39% | \$313 | \$155 | \$43 | (\$113) | \$23 | (\$133) | \$19 | (\$136) | (\$1) | (\$156) |
| | | | 5.00% | | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Commercial | Prototype 6 | 107,000 | -6.93% | \$380 | (\$105) | (\$11) | \$95 | (\$37) | \$68 | (\$55) | \$50 | N/A | N/A |
| LOWRISE TO MIDRISE | | | 4.25% | | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% |
| Residential Rental | Prototype 7 | 32,400 | 18.59% | \$197 | \$147 | \$54.07 | (\$93) | \$38.92 | (\$108) | \$35.61 | (\$111) | \$15 | (\$132) |
| | Low Scenario | | 11.96% | \$223 | \$107 | \$104 | (\$2) | \$89 | (\$17) | \$82 | (\$25) | \$65 | (\$41) |
| | Middle Scenario | | 7.67% | \$251 | \$77 | \$103 | \$26 | \$88 | \$11 | \$75 | (\$2) | \$64 | (\$13) |
| | High Scenario | | | | | | | | | | | | |
| Residential Ownership | Prototype 8 | 32,400 | -12.23% | \$212 | (\$104) | (\$126) | (\$22) | (\$141) | (\$37) | (\$126) | (\$22) | (\$140) | (\$36) |
| | Low Scenario | | -5.08% | \$239 | (\$49) | (\$59) | (\$10) | (\$74) | (\$25) | (\$63) | (\$14) | (\$73) | (\$24) |
| | Middle Scenario | | -1.10% | \$269 | (\$12) | \$1 | \$13.00 | (\$14) | (\$2) | (\$8) | \$4 | (\$13) | (\$1) |
| | High Scenario | | | | | | | | | | | | |
| 4 STORIES TO 6 STORIES | | | | | | | | | | | | | |
| Residential Rental | Prototype 9 | 30,000 | 20.04% | \$345 | \$277 | \$160 | (\$116) | \$145 | (\$131) | \$137 | (\$139) | \$84 | (\$193) |
| | Low Scenario | | 13.21% | \$391 | \$207 | \$119 | (\$88) | \$104 | (\$103) | \$90.68 | (\$116) | \$43 | (\$164) |
| | Middle Scenario | | 8.69% | \$444 | \$155 | \$99 | (\$55) | \$84 | (\$70) | \$64 | (\$90) | \$23 | (\$132) |
| | High Scenario | | | | | | | | | | | | |
| Residential Ownership | Prototype 10 | 30,000 | -14.23% | \$372 | (\$212) | (\$275) | (\$63) | (\$290) | (\$78) | (\$276) | (\$64) | (\$301) | (\$89) |
| | Low Scenario | | -7.28% | \$421 | (\$123) | (\$180) | (\$57) | (\$195) | (\$72) | (\$186) | (\$64) | (\$206) | (\$83) |
| | Middle Scenario | | -3.31% | \$477 | (\$63) | (\$101) | (\$37) | (\$116) | (\$52) | (\$114) | (\$50) | (\$127) | (\$63) |
| | High Scenario | | | | | | | | | | | | |
| 6 STORIES TO 7 STORIES | | | | | | | | | | | | | |
| Residential Rental | Prototype 11 | 25,000 | 8.19% | \$577 | \$189 | \$115 | (\$74) | \$100 | (\$89) | \$89 | (\$100) | \$104 | (\$85) |
| | Low Scenario | | 3.56% | \$658 | \$94 | \$29 | (\$65) | \$14 | (\$80) | (\$3) | (\$97) | \$17 | (\$77) |
| | Middle Scenario | | 0.69% | \$750 | \$21 | (\$30) | (\$50) | (\$45) | (\$65) | (\$68) | (\$89) | (\$41) | (\$62) |
| | High Scenario | | | | | | | | | | | | |
| Residential Ownership | Prototype 12 | 25,000 | -19.78% | \$554 | (\$438) | (\$382) | \$56 | (\$397) | \$41 | (\$434) | \$4 | (\$424) | \$14 |
| | Low Scenario | | -12.79% | \$632 | (\$323) | (\$243) | \$80 | (\$258) | \$65 | (\$307) | \$16 | (\$286) | \$38 |
| | Middle Scenario | | -8.43% | \$722 | (\$243) | (\$134) | \$110 | (\$149) | \$95 | (\$211) | \$32 | (\$176) | \$67 |
| | High Scenario | | | | | | | | | | | | |

(1) Return on equity calculated as total increase in project value DIVIDED BY equity investment DIVIDED BY average number of years of equity investment. Estimated project ROE of the prototypes without incentives (from return on equity analysis tables: Tables 10 through 13).
(2) Amount of equity investment required for prototypes with incentives, from return on equity analysis tables (Tables 10 through 13).
(3) Equals rate of return on equity of prototype without incentive MULTIPLIED BY the equity required for the prototype with incentive MULTIPLIED BY number of years of assumed investment period (assumed to be 4 years).
(4) Net value of investment of prototype with incentive from return on equity analysis table (Tables 10 through 13) before program costs, after payment of in-lieu fee, and after estimated performance costs under Scenarios 1 and 2.
(5) Net value of investment of prototype with incentive from return on equity analysis table (Tables 10 through 13) before program costs, after payment of in-lieu fee, and after estimated performance costs under Scenarios 1 and 2 MINUS net value of investment at ROE of prototype without incentive.
Source: DRA

Table 46
Estimated Net Value of Incentive Per SF of Bonus Floor Area
Development Prototypes with Incentives
Higher Cap Rates Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| Housing Prototypes | Column 1 Bonus Floor Area (GSF) of Incentive | Column 2 Project ROE of Prototypes without Incentive at Cap Rate of: (1) | Column 3 Equity Investment Required (2) | Column 4 Net Value of Investment at ROE of Incentive @ Cap Rate of: (3) | Column 5 - Column 12 Prototypes with Incentives | | | | | | | | |
|---|---|---|--|--|--|---|--|---|---|---|---|---|-------|
| | | | | | Before Program Costs | | After Payment of Current In Lieu Fee | | After Performance Cost/Fee: Scenario 1 | | After Performance Costs: Scenario 2 | | |
| | | | | | Projected Net Value of Investment Before Program Costs (4) | Value of Incentive Before Program Costs (5) | Projected Net Value of Investment After Payment of Current In Lieu Fee (4) | Value of Incentive After Payment of Current In Lieu Fee (5) | Projected Net Value of Investment After Performance Costs: Scenario 1 (4) | Value of Incentive After After Performance Cost/Fee: Scenario 1 (5) | Projected Net Value of Investment After Performance Costs: Scenario 2 (4) | Value of Incentive After After Performance Cost/Fee: Scenario 2 (5) | |
| DOWNTOWN PROTOTYPES | | | | | | | | | | | | | |
| Residential Rental Prototype 1 | 148,200 | 5.00% | | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Residential Ownership Prototype 2 | 142,200 | -7.92% | \$439.57 | (\$139) | (\$114) | \$25 | (\$135) | \$4 | (\$164) | (\$24) | (\$211) | (\$72) | |
| | | 7.09% | \$478.80 | \$136 | \$208 | \$72 | \$186 | \$51 | \$176 | \$40 | \$151 | \$15 | |
| | | 5.50% | | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% |
| Commercial Prototype 3 | 162,000 | -17.17% | \$287.10 | (\$197) | (\$97) | \$101 | (\$123) | \$74 | (\$141.03) | \$56 | N/A | N/A | |
| SOUTH LAKE UNION PROTOTYPES | | | | | | | | | | | | | |
| Residential Rental Prototype 4 | 146,250 | 5.00% | | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Residential Ownership Prototype 5 | 136,250 | 11.87% | \$287.91 | \$137 | (\$28) | (\$165) | (\$49) | (\$185) | (\$65) | (\$201) | (\$98) | (\$235) | |
| | | 12.39% | \$313.38 | \$155 | \$43 | (\$113) | \$23 | (\$133) | \$19 | (\$136) | (\$1) | (\$156) | |
| | | 5.50% | | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% |
| Commercial Prototype 6 | 107,000 | -11.99% | \$379.69 | (\$182) | (\$95.84) | \$86 | (\$122) | \$60 | (\$140) | \$42 | N/A | N/A | |
| LOWRISE TO MIDRISE | | | | | | | | | | | | | |
| Residential Rental Low Scenario Prototype 7 | 32,400 | 5.00% | | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Middle Scenario | | 6.43% | \$197.15 | \$51 | (\$28) | (\$79) | (\$43) | (\$94) | (\$46) | (\$97) | (\$67) | (\$118) | |
| High Scenario | | 0.79% | \$222.69 | \$7 | \$5 | (\$2) | (\$10) | (\$17) | (\$18) | (\$25) | (\$34) | (\$41) | |
| Residential Ownership Low Scenario Prototype 8 | 32,400 | -2.86% | \$251.08 | (\$29) | (\$7) | \$22 | (\$22) | \$7 | (\$35) | (\$6) | (\$46) | (\$17) | |
| Middle Scenario | | -12.23% | \$212.23 | (\$104) | (\$126) | (\$22) | (\$141) | (\$37) | (\$126) | (\$22) | (\$140) | (\$36) | |
| High Scenario | | -5.08% | \$239.33 | (\$49) | (\$59) | (\$10) | (\$74) | (\$25) | (\$63) | (\$14) | (\$73) | (\$24) | |
| | | -1.10% | \$269.28 | (\$12) | \$1 | \$13 | (\$14) | (\$2) | (\$8) | \$4 | (\$13) | (\$1) | |
| 4 STORIES TO 6 STORIES | | | | | | | | | | | | | |
| Residential Rental Low Scenario Prototype 9 | 30,000 | 7.66% | \$345.05 | \$106 | \$7 | (\$99) | (\$8) | (\$114) | (\$16) | (\$122) | (\$70) | (\$175) | |
| Middle Scenario | | 1.85% | \$391.48 | \$29 | (\$45) | (\$74) | (\$61) | (\$90) | (\$74) | (\$103) | (\$122) | (\$151) | |
| High Scenario | | -1.99% | \$444.45 | (\$35) | (\$82) | (\$47) | (\$97) | (\$62) | (\$117) | (\$82) | (\$159) | (\$124) | |
| Residential Ownership Low Scenario Prototype 10 | 30,000 | -14.23% | \$371.82 | (\$212) | (\$275) | (\$63) | (\$290) | (\$78) | (\$276) | (\$64) | (\$301) | (\$89) | |
| Middle Scenario | | -7.28% | \$420.93 | (\$123) | (\$180) | (\$57) | (\$195) | (\$72) | (\$186) | (\$64) | (\$206) | (\$83) | |
| High Scenario | | -3.31% | \$476.57 | (\$63) | (\$101) | (\$37) | (\$116) | (\$52) | (\$114) | (\$50) | (\$127) | (\$63) | |
| 6 STORIES TO 7 STORIES | | | | | | | | | | | | | |
| Residential Rental Low Scenario Prototype 11 | 25,000 | -2.41% | \$577.23 | (\$56) | (\$119) | (\$63) | (\$134) | (\$78) | (\$144) | (\$89) | (\$130) | (\$74) | |
| Middle Scenario | | -6.35% | \$657.91 | (\$167) | (\$222) | (\$55) | (\$237) | (\$70) | (\$254) | (\$87) | (\$234) | (\$67) | |
| High Scenario | | -8.79% | \$750.13 | (\$264) | (\$306) | (\$43) | (\$322) | (\$58) | (\$345) | (\$81) | (\$318) | (\$54) | |
| Residential Ownership Low Scenario Prototype 12 | 25,000 | -19.78% | \$553.70 | (\$438) | (\$382) | \$56 | (\$397) | \$41 | (\$434) | \$4 | (\$424) | \$14 | |
| Middle Scenario | | -12.79% | \$631.94 | (\$323) | (\$243) | \$80 | (\$258) | \$65 | (\$307) | \$16 | (\$286) | \$38 | |
| High Scenario | | -8.43% | \$721.72 | (\$243) | (\$134) | \$110 | (\$149) | \$95 | (\$211) | \$32 | (\$176) | \$67 | |

(1) Return on equity calculated as total increase in project value DIVIDED BY equity investment DIVIDED BY average number of years of equity investment. Estimated project ROE of the prototypes without incentives (from return on equity analysis tables: Tables 10 through 13).
(2) Amount of equity investment required for prototypes with incentives, from return on equity analysis tables (Tables 10 through 13).
(3) Equals rate of return on equity of prototype without incentive MULTIPLIED BY the equity required for the prototype with incentive MULTIPLIED BY number of years of assumed investment period (assumed to be 4 years).
(4) Net value of investment of prototype with incentive from return on equity analysis table (Tables 10 through 13) before program costs, after payment of in-lieu fee, and after estimated performance costs under Scenarios 1 and 2.
(5) Net value of investment of prototype with incentive from return on equity analysis table (Tables 10 through 13) before program costs, after payment of in-lieu fee, and after estimated performance costs under Scenarios 1 and 2 MINUS net value of investment at ROE of prototype without incentive.
Source: DRA

Table 47
Return on Equity Analysis, Incentive Program Requirements
Downtown and South Lake Union Prototypes
Lower Cap Rates Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Downtown/HR | | | | | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 1A With Incentive | Prototype 1B No Incentive | Prototype 2A With Incentive | Prototype 2B No Incentive | Prototype 3A With Incentive | Prototype 3B No Incentive |
| Site Area (SF) | 15,000 | 15,000 | 15,000 | 15,000 | 32,400 | 32,400 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Office Net SF | - | - | - | - | 249,480 | 129,600 |
| Residential Net SF | 308,900 | 194,900 | 283,900 | 174,900 | - | - |
| Total Net SF | 311,000 | 197,000 | 286,000 | 177,000 | 251,580 | 131,700 |
| Residential Units | 426 | 269 | 344 | 212 | - | - |
| Approximate Building Stories | 40 | 24 | 40 | 24 | 8 | 4 |
| Total Annual Net Operating Income, Rental Uses | \$7,299,870 | \$4,536,831 | | | \$5,535,117 | \$2,902,239 |
| NOI Per NSF | \$23.47 | \$23.03 | | | \$22.00 | \$22.04 |
| Cap Rate | 4.25% | 4.25% | | | 5.00% | 5.00% |
| Capitalized Value, Rental Uses | \$171,761,647 | \$106,748,965 | | | \$110,702,340 | \$58,044,780 |
| Net Condo Sales Proceeds | | | \$199,799,250 | \$117,253,750 | | |
| Total Market Value | \$171,761,647 | \$106,748,965 | \$199,799,250 | \$117,253,750 | \$110,702,340 | \$58,044,780 |
| Total Value Per NSF | \$552 | \$542 | \$699 | \$662 | \$440 | \$441 |
| Less: Total Development Cost, Incl. Land | \$162,860,817 | \$103,901,873 | \$170,212,244 | \$105,300,468 | \$116,276,932 | \$72,752,405 |
| Total Development Cost Per NSF | \$524 | \$527 | \$595 | \$595 | \$462 | \$552 |
| Net Value of Investment Before Program Costs | \$8,900,830 | \$2,847,092 | \$29,587,007 | \$11,953,282 | (\$5,574,592) | (\$14,707,625) |
| Net Value/SF Site Area | \$593.39 | \$189.81 | \$1,972.47 | \$796.89 | (\$172.06) | (\$453.94) |
| Net Value/Dwelling Unit | \$20,894 | \$10,584 | \$86,009 | \$56,383 | N/A | N/A |
| Equity Investment @ 40% of TDC | \$65,144,326.80 | \$41,560,749 | \$68,084,897 | \$42,120,187 | \$46,510,773 | \$29,100,962 |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Return on Equity (1) | 3% | 2% | 11% | 7% | -3% | -13% |
| Increase in Net Project Value from Bonus Before Program Costs | \$6,053,738 | | \$17,633,725 | | \$9,133,033 | |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$3,212,976 | | \$3,082,896 | | \$4,285,305 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$7,399,203 | | \$4,531,795 | | \$7,209,000 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$14,462,078 | | \$8,109,527 | | N/A | |
| Net Value of Investment After Program Costs | | | | | | |
| 1. Current In-Lieu Fee | \$5,687,854 | | \$26,504,111 | | (\$9,859,897) | |
| Return on Equity (1) | 2% | | 10% | | -5% | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$1,501,628 | | \$25,055,212 | | (\$12,783,592) | |
| Return on Equity (1) | 1% | | 9% | | -7% | |
| 3. Gap Cost Scenario 2: 10% Units (4) | (\$5,561,248) | | \$21,477,480 | | N/A | |
| Return on Equity (1) | -2% | | 8% | | N/A | |
| Cash Flow Summary, Permanent Loan | | | | | | |
| Debt 70% | \$114,002,572 | \$72,731,310.86 | | | \$81,393,852 | \$50,926,684 |
| Equity 30% | \$48,858,245 | \$31,170,562 | | | \$34,883,080 | \$21,825,722 |
| Annual Debt Service 5% 20 Yrs | \$752,367 | \$479,994 | | | \$537,163 | \$336,094 |
| Net Cash Flow | \$6,547,503 | \$4,056,837 | | | \$4,997,954 | \$2,566,145 |
| Annual Return on Equity (Annual NOI/Equity) (2) | 10.1% | 9.8% | | | 10.7% | |

(1) Return on equity measured as net project value divided by the number of years equity investment divided by total equity investment.

(2) Annual net cash flow (NOI less debt service) divided by total equity investment.

(3) Gap cost for current housing set-asides for residential; \$40 per GSF bonus commercial housing fee (plus TDR as applicable).

(4) Gap cost for 10% affordable units for residential (plus TDR as applicable).

Source: DRA.

Table 47
Return on Equity Analysis, Incentive Program |
Downtown and South Lake Union Prototypes
Lower Cap Rates Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | South Lake Union | | | | | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 4A With Incentive | Prototype 4B No Incentive | Prototype 5A With Incentive | Prototype 5B No Incentive | Prototype 6A With Incentive | Prototype 6B No Incentive |
| Site Area (SF) | 21,000 | 21,000 | 21,000 | 21,000 | 43,000 | 43,000 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Office Net SF | - | - | - | - | 238,400 | 152,800 |
| Residential Net SF | 202,900 | 89,900 | 184,900 | 79,900 | - | - |
| Total Net SF | 205,000 | 92,000 | 187,000 | 82,000 | 240,500 | 154,900 |
| Residential Units | 280 | 124 | 218 | 94 | - | - |
| Approximate Building Stories | 24 | 7 | 24 | 7 | 8 | 5 |
| Total Annual Net Operating Income, Rental Uses | \$5,065,310 | \$2,055,551 | | | \$5,022,199 | \$3,239,579 |
| NOI Per NSF | \$24.71 | \$22.34 | | | \$20.88 | \$20.91 |
| Cap Rate | 4.25% | 4.25% | | | 5.00% | 5.00% |
| Capitalized Value, Rental Uses | \$119,183,762 | \$48,365,906 | | | \$100,443,980 | \$64,791,580 |
| Net Condo Sales Proceeds | | | \$112,563,125 | \$40,845,250 | | |
| Total Market Value | \$119,183,762 | \$48,365,906 | \$112,563,125 | \$40,845,250 | \$100,443,980 | \$64,791,580 |
| Total Value Per NSF | \$581 | \$526 | \$602 | \$498 | \$418 | \$418 |
| Less: Total Development Cost, Incl. Land | \$105,267,808 | \$34,549,706 | \$106,744,056 | \$34,089,525 | \$101,567,889 | \$72,876,833 |
| Total Development Cost Per NSF | \$514 | \$376 | \$571 | \$416 | \$422 | \$470 |
| Net Value of Investment Before Program Costs | \$13,915,954 | \$13,816,200 | \$5,819,069 | \$6,755,725 | (\$1,123,909) | (\$8,085,253) |
| Net Value/SF Site Area | \$662.66 | \$657.91 | \$277.10 | \$321.70 | (\$26.14) | (\$188.03) |
| Net Value/Dwelling Unit | \$49,700 | \$111,421 | \$26,693 | \$71,869 | N/A | N/A |
| Equity Investment @ 40% of TDC | \$42,107,123 | \$13,819,883 | \$42,697,622 | \$13,635,810 | \$40,627,156 | \$29,150,733 |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Return on Equity (1) | 8% | 25% | 3% | 12% | -1% | -7% |
| Increase in Net Project Value from Bonus Before Program Costs | \$99,755 | | (\$936,656) | | \$6,961,344 | |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$2,975,628 | | \$2,753,340 | | \$2,830,418 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$5,332,566 | | \$3,250,935 | | \$4,761,500 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$10,262,219 | | \$5,974,857 | | N/A | |
| Net Value of Investment After Program Costs | | | | | | |
| 1. Current In-Lieu Fee | \$10,940,326 | | \$3,065,729 | | (\$3,954,327) | |
| Return on Equity (1) | 6% | | 2% | | -2% | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$8,583,388 | | \$2,568,134 | | (\$5,885,409) | |
| Return on Equity (1) | 5% | | 2% | | -4% | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$3,653,735 | | (\$155,788) | | N/A | |
| Return on Equity (1) | 2% | | 0% | | N/A | |
| Cash Flow Summary, Permanent Loan | | | | | | |
| Debt 70% | \$73,687,466 | \$24,184,794 | | | \$71,097,522 | \$51,013,783 |
| Equity 30% | \$31,580,342 | \$10,364,912 | | | \$30,470,367 | \$21,863,050 |
| Annual Debt Service 5% 20 Yrs | \$486,305 | \$159,609 | | | \$469,212 | \$336,668 |
| Net Cash Flow | \$4,579,005 | \$1,895,942 | | | \$4,552,987 | \$2,902,911 |
| Annual Return on Equity (Annual NOI/Equity) (2) | 10.9% | 13.7% | | | 11.2% | 10.0% |

(1) Return on equity measured as net project value divide
(2) Annual net cash flow (NOI less debt service) divide
(3) Gap cost for current housing set-asides for residential
(4) Gap cost for 10% affordable units for residential (pl
Source: DRA.

Table 48
Return on Equity Analysis, Incentive Program Requirements
Downtown and South Lake Union Prototypes
Higher Cap Rates Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Downtown/HR | | | | | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 1A With Incentive | Prototype 1B No Incentive | Prototype 2A With Incentive | Prototype 2B No Incentive | Prototype 3A With Incentive | Prototype 3B No Incentive |
| Site Area (SF) | 15,000 | 15,000 | 15,000 | 15,000 | 32,400 | 32,400 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Office Net SF | - | - | - | - | 249,480 | 129,600 |
| Residential Net SF | 308,900 | 194,900 | 283,900 | 174,900 | - | - |
| Total Net SF | 311,000 | 197,000 | 286,000 | 177,000 | 251,580 | 131,700 |
| Residential Units | 426 | 269 | 344 | 212 | - | - |
| Approximate Building Stories | 40 | 24 | 40 | 24 | 8 | 4 |
| Total Annual Net Operating Income, Rental Uses | \$7,299,870 | \$4,536,831 | | | \$5,535,117 | \$2,902,239 |
| NOI Per NSF | \$23.47 | \$23.03 | | | \$22.00 | \$22.04 |
| Cap Rate | 5.00% | 5.00% | | | 5.50% | 5.50% |
| Capitalized Value, Rental Uses | \$145,997,400 | \$90,736,620 | | | \$100,638,491 | \$52,767,982 |
| Net Condo Sales Proceeds | | | \$199,799,250 | \$117,253,750 | | |
| Total Market Value | \$145,997,400 | \$90,736,620 | \$199,799,250 | \$117,253,750 | \$100,638,491 | \$52,767,982 |
| Total Value Per NSF | \$469 | \$461 | \$699 | \$662 | \$400 | \$401 |
| Less: Total Development Cost, Incl. Land | \$162,860,817 | \$103,901,873 | \$170,212,244 | \$105,300,468 | \$116,276,932 | \$72,752,405 |
| Total Development Cost Per NSF | \$524 | \$527 | \$595 | \$595 | \$462 | \$552 |
| Net Value of Investment Before Program Costs | (\$16,863,417) | (\$13,165,253) | \$29,587,007 | \$11,953,282 | (\$15,638,441) | (\$19,984,423) |
| Net Value/SF Site Area | (\$1,124.23) | (\$877.68) | \$1,972.47 | \$796.89 | (\$482.67) | (\$616.80) |
| Net Value/Dwelling Unit | (\$39,585) | (\$48,941) | \$86,009 | \$56,383 | N/A | N/A |
| Equity Investment @ 40% of TDC | \$65,144,327 | \$41,560,749 | \$68,084,897 | \$42,120,187 | \$46,510,773 | \$29,100,962 |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Return on Equity Before Program Costs (1) | -6% | -8% | 11% | 7% | -8% | -17% |
| Increase in Net Project Value from Bonus Before Program Costs | (\$3,698,164) | | \$17,633,725 | | \$4,345,982 | |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$3,212,976 | | \$3,082,896 | | \$4,285,305 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$7,399,203 | | \$4,531,795 | | \$7,209,000 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$14,462,078 | | \$8,109,527 | | N/A | |
| Net Value of Investment After Program Costs | | | | | | |
| 1. Current In-Lieu Fee | (\$20,076,393) | | \$26,504,111 | | (\$19,923,746) | |
| Return on Equity (1) | -8% | | 10% | | -11% | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | (\$24,262,620) | | \$25,055,212 | | (\$22,847,441) | |
| Return on Equity (1) | -9% | | 9% | | -12% | |
| 3. Gap Cost Scenario 2: 10% Units (4) | (\$31,325,495) | | \$21,477,480 | | N/A | |
| Return on Equity (1) | -12% | | 8% | | N/A | |
| Cash Flow Summary | | | | | | |
| Debt 60% | \$97,716,490 | \$62,341,123.59 | | | \$69,766,159 | \$43,651,443 |
| Equity 40% | \$65,144,327 | \$41,560,749 | | | \$46,510,773 | \$29,100,962 |
| Annual Debt Service 5% 20 Yrs | \$644,886 | \$411,424 | | | \$460,426 | \$288,080 |
| Net Cash Flow | \$6,654,984 | \$4,125,407 | | | \$5,074,691 | \$2,614,159 |
| Annual Return on Equity (Annual NOI/Equity) (2) | 10.2% | 9.9% | | | 10.9% | |

(1) Return on equity measured as net project value divided by the number of years equity investment divided by total equity investment.

(2) Annual net cash flow (NOI less debt service) divided by total equity investment.

(3) Gap cost for current housing set-asides for residential; \$40 per GSF bonus commercial housing fee (plus TDR as applicable).

(4) Gap cost for 10% affordable units for residential (plus TDR as applicable).

Source: DRA.

Table 48
Return on Equity Analysis, Incentive Program |
Downtown and South Lake Union Prototypes
Higher Cap Rates Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | South Lake Union | | | | | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 4A With Incentive | Prototype 4B No Incentive | Prototype 5A With Incentive | Prototype 5B No Incentive | Prototype 6A With Incentive | Prototype 6B No Incentive |
| Site Area (SF) | 21,000 | 21,000 | 21,000 | 21,000 | 43,000 | 43,000 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Office Net SF | - | - | - | - | 238,400 | 152,800 |
| Residential Net SF | 202,900 | 89,900 | 184,900 | 79,900 | - | - |
| Total Net SF | 205,000 | 92,000 | 187,000 | 82,000 | 240,500 | 154,900 |
| Residential Units | 280 | 124 | 218 | 94 | - | - |
| Approximate Building Stories | 24 | 7 | 24 | 7 | 8 | 5 |
| Total Annual Net Operating Income, Rental Uses | \$5,065,310 | \$2,055,551 | | | \$5,022,199 | \$3,239,579 |
| NOI Per NSF | \$24.71 | \$22.34 | | | \$20.88 | \$20.91 |
| Cap Rate | 5.00% | 5.00% | | | 5.50% | 5.50% |
| Capitalized Value, Rental Uses | \$101,306,198 | \$41,111,020 | | | \$91,312,709 | \$58,901,436 |
| Net Condo Sales Proceeds | | | \$112,563,125 | \$40,845,250 | | |
| Total Market Value | \$101,306,198 | \$41,111,020 | \$112,563,125 | \$40,845,250 | \$91,312,709 | \$58,901,436 |
| Total Value Per NSF | \$494 | \$447 | \$602 | \$498 | \$380 | \$380 |
| Less: Total Development Cost, Incl. Land | \$105,267,808 | \$34,549,706 | \$106,744,056 | \$34,089,525 | \$101,567,889 | \$72,876,833 |
| Total Development Cost Per NSF | \$514 | \$376 | \$571 | \$416 | \$422 | \$470 |
| Net Value of Investment Before Program Costs | (\$3,961,610) | \$6,561,314 | \$5,819,069 | \$6,755,725 | (\$10,255,180) | (\$13,975,397) |
| Net Value/SF Site Area | (\$188.65) | \$312.44 | \$277.10 | \$321.70 | (\$238.49) | (\$325.01) |
| Net Value/Dwelling Unit | (\$14,149) | \$52,914 | \$26,693 | \$71,869 | N/A | N/A |
| Equity Investment @ 40% of TDC | \$42,107,123 | \$13,819,883 | \$42,697,622 | \$13,635,810 | \$40,627,156 | \$29,150,733 |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Return on Equity Before Program Costs (1) | -2% | 12% | 3% | 12% | -6% | -12% |
| Increase in Net Project Value from Bonus Before Program Costs | (\$10,522,924) | | (\$936,656) | | \$3,720,217 | |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$2,975,628 | | \$2,753,340 | | \$2,830,418 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$5,332,566 | | \$3,250,935 | | \$4,761,500 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$10,262,219 | | \$5,974,857 | | N/A | |
| Net Value of Investment After Program Costs | | | | | | |
| 1. Current In-Lieu Fee | (\$6,937,238) | | \$3,065,729 | | (\$13,085,597) | |
| Return on Equity (1) | -4% | | 2% | | -8% | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | (\$9,294,176) | | \$2,568,134 | | (\$15,016,680) | |
| Return on Equity (1) | -6% | | 2% | | -9% | |
| 3. Gap Cost Scenario 2: 10% Units (4) | (\$14,223,829) | | (\$155,788) | | N/A | |
| Return on Equity (1) | -8% | | 0% | | N/A | |
| Cash Flow Summary | | | | | | |
| Debt 60% | \$63,160,685 | \$20,729,824 | | | \$60,940,733 | \$43,726,100 |
| Equity 40% | \$42,107,123 | \$13,819,883 | | | \$40,627,156 | \$29,150,733 |
| Annual Debt Service 5% 20 Yrs | \$416,833 | \$136,808 | | | \$402,182 | \$288,573 |
| Net Cash Flow | \$4,648,477 | \$1,918,743 | | | \$4,620,017 | \$2,951,006 |
| Annual Return on Equity (Annual NOI/Equity) (2) | 11.0% | 13.9% | | | 11.4% | 10.1% |

(1) Return on equity measured as net project value divided by equity
(2) Annual net cash flow (NOI less debt service) divided by equity
(3) Gap cost for current housing set-asides for residential
(4) Gap cost for 10% affordable units for residential (pl)
Source: DRA.

Table 49
Return on Equity Analysis, Incentive Program Requirements
Low Rise and Mid Rise Prototypes
Lower Cap Rates Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | | 4 to 6 Stories | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Residential Rental | |
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 8A With Incentive | Prototype 8B No Incentive | Prototype 9A With Incentive | Prototype 9B No Incentive |
| Site Area (SF) | 14,400 | 14,400 | 14,400 | 14,400 | 20,000 | 20,000 |
| Retail Net SF | - | - | - | - | 2,100 | 2,100 |
| Residential Net SF | 46,000 | 22,000 | 46,000 | 22,000 | 68,900 | 46,900 |
| Total Net SF | 46,000 | 22,000 | 46,000 | 22,000 | 71,000 | 49,000 |
| Residential Units | 71 | 34 | 56 | 27 | 106 | 72 |
| Approximate Building Stories | 7 | 4 | 7 | 4 | 6 | 4 |
| Total Annual Net Operating Income, Rental Uses | | | | | | |
| Low Scenario | \$753,140 | \$404,800 | | | \$1,304,218 | \$899,418 |
| NOI Per NSF | \$16.37 | \$18.40 | | | \$18.37 | \$18.36 |
| Middle Scenario | \$910,460 | \$435,160 | | | \$1,399,936 | \$964,776 |
| NOI Per NSF | \$19.79 | \$19.78 | | | \$19.72 | \$19.69 |
| High Scenario | \$1,006,060 | \$480,860 | | | \$1,543,301 | \$1,062,441 |
| NOI Per NSF | \$21.87 | \$21.86 | | | \$21.74 | \$21.68 |
| Cap Rate | 4.25% | 4.25% | | | 4.25% | 4.25% |
| Total Market Value (Capitalized NOI for Rental; Net Sales Proceeds for Ownership) | | | | | | |
| Low Scenario | \$17,720,941 | \$9,524,706 | \$13,110,000 | \$6,270,000 | \$30,687,482 | \$21,162,776 |
| Per NSF | \$385 | \$433 | \$285 | \$285 | \$445 | \$451 |
| Middle Scenario | \$21,422,588 | \$10,239,059 | \$17,480,000 | \$8,360,000 | \$32,939,671 | \$22,700,612 |
| Per NSF | \$466 | \$465 | \$380 | \$380 | \$478 | \$484 |
| High Scenario | \$23,672,000 | \$11,314,353 | \$21,850,000 | \$10,450,000 | \$36,312,965 | \$24,998,612 |
| Per NSF | \$515 | \$514 | \$475 | \$475 | \$527 | \$533 |
| Less: Total Development Cost, Include. Land | | | | | | |
| Low Scenario | \$15,969,184 | \$7,341,003 | \$17,190,601 | \$7,794,883 | \$25,878,493 | \$16,025,407 |
| Per NSF | \$347 | \$334 | \$374 | \$354 | \$364 | \$327 |
| Middle Scenario | \$18,037,910 | \$8,594,023 | \$19,385,681 | \$9,100,273 | \$29,361,192 | \$18,740,857 |
| Per NSF | \$392 | \$391 | \$421 | \$414 | \$414 | \$382 |
| High Scenario | \$20,337,836 | \$10,078,242 | \$21,811,960 | \$10,636,863 | \$33,333,491 | \$21,945,908 |
| Per NSF | \$442 | \$458 | \$474 | \$483 | \$469 | \$448 |
| Net Value of Investment Before Program Costs | | | | | | |
| Low Scenario | \$1,751,757 | \$2,183,703 | (\$4,080,601) | (\$1,524,883) | \$4,808,990 | \$5,137,370 |
| Per SF Site Area | \$121.65 | \$151.65 | (\$283.38) | (\$105.89) | \$240.45 | \$256.87 |
| Per Dwelling Unit | \$24,673 | \$64,227 | (\$72,868) | (\$56,477) | \$45,368 | \$71,352 |
| Return on Equity (1) | 7% | 19% | -15% | -12% | 12% | 20% |
| Middle Scenario | \$3,384,679 | \$1,645,036 | (\$1,905,681) | (\$740,273) | \$3,578,479 | \$3,959,755 |
| Per SF Site Area | \$235.05 | \$114.24 | (\$132.34) | (\$51.41) | \$178.92 | \$197.99 |
| Per Dwelling Unit | \$47,672 | \$48,383 | (\$34,030) | (\$27,418) | \$33,759 | \$54,997 |
| Return on Equity (1) | 12% | 12% | -6% | -5% | 8% | 13% |
| High Scenario | \$3,334,165 | \$1,236,111 | \$38,040 | (\$186,863) | \$2,979,474 | \$3,052,704 |
| Per SF Site Area | \$231.54 | \$85.84 | \$2.64 | (\$12.98) | \$148.97 | \$152.64 |
| Per Dwelling Unit | \$46,960 | \$36,356 | \$679 | (\$6,921) | \$28,108 | \$42,399 |
| Return on Equity (1) | 10% | 8% | 0% | -1% | 6% | 9% |
| Equity Investment @ 40% | | | | | | |
| Low Scenario | \$6,387,673 | \$2,936,401 | \$6,876,241 | \$3,117,953 | \$10,351,397 | \$6,410,163 |
| Middle Scenario | \$7,215,164 | \$3,437,609 | \$7,754,272 | \$3,640,109 | \$11,744,477 | \$7,496,343 |
| High Scenario | \$8,135,134 | \$4,031,297 | \$8,724,784 | \$4,254,745 | \$13,333,396 | \$8,778,363 |
| Assumed Investment Period (Months) | 4 | 4 | 4 | 4 | 4 | 4 |
| Increase in Net Value from Bonus Before Prog. Costs | | | | | | |
| Low Scenario | \$3,451,272 | | \$3,758,288 | | \$3,941,234 | |
| Middle Scenario | \$3,777,555 | | \$4,114,163 | | \$4,248,134 | |
| High Scenario | \$4,103,837 | | \$4,470,039 | | \$4,555,033 | |

Table 49
Return on Equity Analysis, Incentive Program Requirements
Low Rise and Mid Rise Prototypes
Lower Cap Rates Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | | 4 to 6 Stories | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Residential Rental | |
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 8A With Incentive | Prototype 8B No Incentive | Prototype 9A With Incentive | Prototype 9B No Incentive |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$490,860 | | \$490,860 | | \$454,500 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$597,840 | | \$0 | | \$693,934 | |
| Middle Scenario | \$743,525 | | \$123,440 | | \$858,212 | |
| High Scenario | \$905,490 | | \$297,280 | | \$1,045,585 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | \$836,977 | | \$0 | | \$1,526,654 | |
| Middle Scenario | \$1,040,935 | | \$185,160 | | \$1,888,066 | |
| High Scenario | \$1,267,686 | | \$445,920 | | \$2,300,287 | |
| Increase in Net Value from Bonus After Prog. Costs | | | | | | |
| 1. Current In-Lieu Fee | | | | | | |
| Low Scenario | \$1,260,897 | | (\$4,571,461) | | \$4,354,490 | |
| Return on Equity (1) | 5% | | -17% | | 11% | |
| Middle Scenario | \$2,893,819 | | (\$2,396,541) | | \$3,123,979 | |
| Return on Equity (1) | 10% | | -8% | | 7% | |
| High Scenario | \$2,843,305 | | (\$452,820) | | \$2,524,974 | |
| Return on Equity (1) | 9% | | -1% | | 5% | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$1,153,917 | | (\$4,080,601) | | \$4,115,056 | |
| Return on Equity (1) | 5% | | -15% | | 10% | |
| Middle Scenario | \$2,641,153 | | (\$2,029,121) | | \$2,720,267 | |
| Return on Equity (1) | 9% | | -7% | | 6% | |
| High Scenario | \$2,428,675 | | (\$259,240) | | \$1,933,889 | |
| Return on Equity (1) | 7% | | -1% | | 4% | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | \$484,071 | | (\$4,526,521) | | \$2,508,703 | |
| Return on Equity (1) | 2% | | -16% | | 6% | |
| Middle Scenario | \$2,116,993 | | (\$2,351,601) | | \$1,278,192 | |
| Return on Equity (1) | 7% | | -8% | | 3% | |
| High Scenario | \$2,066,479 | | (\$407,880) | | \$679,187 | |
| Return on Equity (1) | 6% | | -1% | | 1% | |
| Cash Flow Summary | | | | | | |
| Low Scenario | | | | | | |
| Debt 60% | \$9,581,510 | \$4,404,602 | | | \$15,527,095.50 | \$9,615,244 |
| Equity 40% | \$6,387,673 | \$2,936,401 | | | \$10,351,397 | \$6,410,163 |
| Middle Scenario | | | | | | |
| Debt 60% | \$10,822,746 | \$5,156,414 | | | \$17,616,715 | \$11,244,514 |
| Equity 40% | \$7,215,164 | \$3,437,609 | | | \$11,744,477 | \$7,496,343 |
| High Scenario | | | | | | |
| Debt 60% | \$12,202,701 | \$6,046,945 | | | \$20,000,095 | \$13,167,545 |
| Equity 40% | \$8,135,134 | \$4,031,297 | | | \$13,333,396 | \$8,778,363 |
| Annual Debt Service 5% 20 Yrs | | | | | | |
| Low Scenario | \$105,390 | \$367,053 | | | \$170,787 | \$801,277 |
| Middle Scenario | \$119,042 | \$429,705 | | | \$193,771 | \$937,051 |
| High Scenario | \$134,221 | \$503,916 | | | \$219,986 | \$1,097,304 |
| Net Cash Flow | | | | | | |
| Low Scenario | \$647,750 | \$37,747 | | | \$1,133,431 | \$98,141 |
| Annual Return on Equity (2) | 10.1% | 1.3% | | | 10.9% | 1.5% |
| Middle Scenario | \$791,418 | \$5,455 | | | \$1,206,165 | \$27,725 |
| Annual Return on Equity (2) | 11.0% | 0.2% | | | 10.3% | 0.4% |
| High Scenario | \$871,839 | (\$23,056) | | | \$1,323,315 | (\$34,863) |
| Annual Return on Equity (2) | 7.1% | -0.4% | | | 6.6% | -0.3% |

(1) Return on equity measured as net project value divided by the number of years equity investment divided by total equity investment.
(2) Annual net cash flow (NOI less debt service) divided by total equity investment.
(3) Gap cost for current housing set-asides for residential; \$40 per GSF bonus commercial housing fee (plus TDR as applicable).
(4) Gap cost for 10% affordable units for residential (plus TDR as applicable).

Table 49
Return on Equity Analysis, Incentive Program |
Low Rise and Mid Rise Prototypes
Lower Cap Rates Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 to 6 Stories | | 6 Stories to 7 Stories | | | |
|--|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Residential Ownership | | Residential Rental | | Residential Ownership | |
| | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 11A With Incentive | Prototype 11B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| Site Area (SF) | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Residential Net SF | 68,900 | 46,900 | 87,900 | 68,900 | 87,900 | 68,900 |
| Total Net SF | 71,000 | 49,000 | 90,000 | 71,000 | 90,000 | 71,000 |
| Residential Units | 84 | 57 | 135 | 106 | 107 | 84 |
| Approximate Building Stories | 6 | 4 | 7 | 6 | 7 | 6 |
| Total Annual Net Operating Income, Rental Uses | | | | | | |
| Low Scenario | | | \$1,655,658 | \$1,304,218 | | |
| NOI Per NSF | | | \$18.40 | \$18.37 | | |
| Middle Scenario | | | \$1,778,076 | \$1,399,936 | | |
| NOI Per NSF | | | \$19.76 | \$19.72 | | |
| High Scenario | | | \$1,961,091 | \$1,543,301 | | |
| NOI Per NSF | | | \$21.79 | \$21.74 | | |
| Cap Rate | | | 4.25% | 4.25% | | |
| Total Market Value (Capitalized NOI for Rental; Net Sales Proceeds for Ownership) | | | | | | |
| Low Scenario | \$19,636,500 | \$13,366,500 | \$38,956,659 | \$30,687,482 | \$25,061,190 | \$19,643,055 |
| Per NSF | \$285 | \$285 | \$443 | \$445 | \$285 | \$285 |
| Middle Scenario | \$26,182,000 | \$17,822,000 | \$41,837,082 | \$32,939,671 | \$33,414,920 | \$26,190,740 |
| Per NSF | \$380 | \$380 | \$476 | \$478 | \$380 | \$380 |
| High Scenario | \$32,727,500 | \$22,277,500 | \$46,143,318 | \$36,312,965 | \$41,768,650 | \$32,738,425 |
| Per NSF | \$475 | \$475 | \$525 | \$527 | \$475 | \$475 |
| Less: Total Development Cost, Include. Land | | | | | | |
| Low Scenario | \$27,886,183 | \$17,308,312 | \$36,076,810 | \$27,132,308 | \$34,605,944 | \$28,736,183 |
| Per NSF | \$393 | \$353 | \$401 | \$382 | \$385 | \$405 |
| Middle Scenario | \$31,569,651 | \$20,171,790 | \$41,119,428 | \$31,165,388 | \$39,496,404 | \$32,929,651 |
| Per NSF | \$445 | \$412 | \$457 | \$439 | \$439 | \$464 |
| High Scenario | \$35,742,719 | \$23,524,868 | \$46,882,846 | \$35,919,269 | \$45,107,664 | \$37,843,919 |
| Per NSF | \$503 | \$480 | \$521 | \$506 | \$501 | \$533 |
| Net Value of Investment Before Program Costs | | | | | | |
| Low Scenario | (\$8,249,683) | (\$3,941,812) | \$2,879,849 | \$3,555,175 | (\$9,544,754) | (\$9,093,128) |
| Per SF Site Area | (\$412.48) | (\$197.09) | \$143.99 | \$177.76 | (\$477.24) | (\$454.66) |
| Per Dwelling Unit | (\$98,211) | (\$69,155) | \$21,332 | \$33,539 | (\$89,203) | (\$108,252) |
| Return on Equity (1) | -18% | -14% | 5% | 8% | -17% | -20% |
| Middle Scenario | (\$5,387,651) | (\$2,349,790) | \$717,654 | \$1,774,282 | (\$6,081,484) | (\$6,738,911) |
| Per SF Site Area | (\$269.38) | (\$117.49) | \$35.88 | \$88.71 | (\$304.07) | (\$336.95) |
| Per Dwelling Unit | (\$64,139) | (\$41,224) | \$5,316 | \$16,739 | (\$56,836) | (\$80,225) |
| Return on Equity (1) | -11% | -7% | 1% | 4% | -10% | -13% |
| High Scenario | (\$3,015,219) | (\$1,247,368) | (\$739,529) | \$393,696 | (\$3,339,014) | (\$5,105,494) |
| Per SF Site Area | (\$150.76) | (\$62.37) | (\$36.98) | \$19.68 | (\$166.95) | (\$255.27) |
| Per Dwelling Unit | (\$35,895) | (\$21,884) | (\$5,478) | \$3,714 | (\$31,206) | (\$60,780) |
| Return on Equity (1) | -5% | -3% | -1% | 1% | -5% | -8% |
| Equity Investment @ 40% | | | | | | |
| Low Scenario | \$11,154,473 | \$6,923,325 | \$14,430,724 | \$10,852,923 | \$13,842,378 | \$11,494,473 |
| Middle Scenario | \$12,627,860 | \$8,068,716 | \$16,447,771 | \$12,466,155 | \$15,798,562 | \$13,171,860 |
| High Scenario | \$14,297,088 | \$9,409,947 | \$18,753,139 | \$14,367,708 | \$18,043,066 | \$15,137,568 |
| Assumed Investment Period (Months) | 4 | 4 | 4 | 4 | 4 | 4 |
| Increase in Net Value from Bonus Before Prog. Costs | | | | | | |
| Low Scenario | \$4,231,148 | | \$3,577,801 | | \$2,347,905 | |
| Middle Scenario | \$4,559,144 | | \$3,981,616 | | \$2,626,701 | |
| High Scenario | \$4,887,140 | | \$4,385,431 | | \$2,905,498 | |

Table 49
Return on Equity Analysis, Incentive Program |
Low Rise and Mid Rise Prototypes
Lower Cap Rates Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 to 6 Stories | | 6 Stories to 7 Stories | | | |
|---|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Residential Ownership | | Residential Rental | | Residential Ownership | |
| | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 11A With Incentive | Prototype 11B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$454,500 | | \$378,750 | | \$378,750 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$31,600 | | \$647,543 | | \$1,295,085 | |
| Middle Scenario | \$202,160 | | \$796,953 | | \$1,593,907 | |
| High Scenario | \$392,400 | | \$967,720 | | \$1,935,440 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | \$63,200 | | \$4,020 | | \$14,740 | |
| Middle Scenario | \$404,320 | | \$136,860 | | \$501,820 | |
| High Scenario | \$784,800 | | \$289,380 | | \$1,061,060 | |
| Increase in Net Value from Bonus After Prog. Costs | | | | | | |
| 1. Current In-Lieu Fee | | | | | | |
| Low Scenario | (\$8,704,183) | | \$2,501,099 | | (\$9,923,504) | |
| Return on Equity (1) | -20% | | 4% | | -18% | |
| Middle Scenario | (\$5,842,151) | | \$338,904 | | (\$6,460,234) | |
| Return on Equity (1) | -12% | | 1% | | -10% | |
| High Scenario | (\$3,469,719) | | (\$1,118,279) | | (\$3,717,764) | |
| Return on Equity (1) | -6% | | -1% | | -5% | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | (\$8,281,283) | | \$2,232,307 | | (\$10,839,839) | |
| Return on Equity (1) | -19% | | 4% | | -20% | |
| Middle Scenario | (\$5,589,811) | | (\$79,299) | | (\$7,675,391) | |
| Return on Equity (1) | -11% | | 0% | | -12% | |
| High Scenario | (\$3,407,619) | | (\$1,707,249) | | (\$5,274,454) | |
| Return on Equity (1) | -6% | | -2% | | -7% | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | (\$9,034,483) | | \$2,590,469 | | (\$10,605,814) | |
| Return on Equity (1) | -20% | | 4% | | -19% | |
| Middle Scenario | (\$6,172,451) | | \$428,274 | | (\$7,142,544) | |
| Return on Equity (1) | -12% | | 1% | | -11% | |
| High Scenario | (\$3,800,019) | | (\$1,028,909) | | (\$4,400,074) | |
| Return on Equity (1) | -7% | | -1% | | -6% | |
| Cash Flow Summary | | | | | | |
| Low Scenario | | | | | | |
| Debt | 60% | | \$21,646,086 | \$16,279,385 | | |
| Equity | 40% | | \$14,430,724 | \$10,852,923 | | |
| Middle Scenario | | | | | | |
| Debt | 60% | | \$24,671,657 | \$18,699,233 | | |
| Equity | 40% | | \$16,447,771 | \$12,466,155 | | |
| High Scenario | | | | | | |
| Debt | 60% | | \$28,129,708 | \$21,551,561 | | |
| Equity | 40% | | \$18,753,139 | \$14,367,708 | | |
| Annual Debt Service | 5% | 20 Yrs | | | | |
| Low Scenario | | | \$238,091 | \$1,356,627 | | |
| Middle Scenario | | | \$271,370 | \$1,558,282 | | |
| High Scenario | | | \$309,406 | \$1,795,978 | | |
| Net Cash Flow | | | | | | |
| Low Scenario | | | \$1,417,567 | (\$52,409) | | |
| Annual Return on Equity (2) | | | 9.8% | -0.5% | | |
| Middle Scenario | | | \$1,506,706 | (\$158,346) | | |
| Annual Return on Equity (2) | | | 9.2% | -1.3% | | |
| High Scenario | | | \$1,651,685 | (\$252,677) | | |
| Annual Return on Equity (2) | | | 5.9% | -1.2% | | |

(1) Return on equity measured as net project value divide
(2) Annual net cash flow (NOI less debt service) divide
(3) Gap cost for current housing set-asides for residenti
(4) Gap cost for 10% affordable units for residential (pl

Table 50
Return on Equity Analysis, Incentive Program Requirements
Low Rise and Mid Rise Prototypes
Higher Cap Rates Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | | 4 to 6 Stories | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Residential Rental | |
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 8A With Incentive | Prototype 8B No Incentive | Prototype 9A With Incentive | Prototype 9B No Incentive |
| Site Area (SF) | 14,400 | 14,400 | 14,400 | 14,400 | 20,000 | 20,000 |
| Retail Net SF | - | - | - | - | 2,100 | 2,100 |
| Residential Net SF | 46,000 | 22,000 | 46,000 | 22,000 | 68,900 | 46,900 |
| Total Net SF | 46,000 | 22,000 | 46,000 | 22,000 | 71,000 | 49,000 |
| Residential Units | 71 | 34 | 56 | 27 | 106 | 72 |
| Approximate Building Stories | 7 | 4 | 7 | 4 | 6 | 4 |
| Total Annual Net Operating Income, Rental Uses | | | | | | |
| Low Scenario | \$753,140 | \$404,800 | | | \$1,304,218 | \$899,418 |
| NOI Per NSF | \$16.37 | \$18.40 | | | \$18.37 | \$18.36 |
| Middle Scenario | \$910,460 | \$435,160 | | | \$1,399,936 | \$964,776 |
| NOI Per NSF | \$19.79 | \$19.78 | | | \$19.72 | \$19.69 |
| High Scenario | \$1,006,060 | \$480,860 | | | \$1,543,301 | \$1,062,441 |
| NOI Per NSF | \$21.87 | \$21.86 | | | \$21.74 | \$21.68 |
| Cap Rate | 5.00% | 5.00% | | | 5.00% | 5.00% |
| Total Market Value (Capitalized NOI for Rental; Net Sales Proceeds for Ownership) | | | | | | |
| Low Scenario | \$15,062,800 | \$8,096,000 | \$13,110,000 | \$6,270,000 | \$26,084,360 | \$17,988,360 |
| Per NSF | \$327 | \$368 | \$285 | \$285 | \$379 | \$384 |
| Middle Scenario | \$18,209,200 | \$8,703,200 | \$17,480,000 | \$8,360,000 | \$27,998,720 | \$19,295,520 |
| Per NSF | \$396 | \$396 | \$380 | \$380 | \$406 | \$411 |
| High Scenario | \$20,121,200 | \$9,617,200 | \$21,850,000 | \$10,450,000 | \$30,866,020 | \$21,248,820 |
| Per NSF | \$437 | \$437 | \$475 | \$475 | \$448 | \$453 |
| Less: Total Development Cost, Include. Land | | | | | | |
| Low Scenario | \$15,969,184 | \$7,341,003 | \$17,190,601 | \$7,794,883 | \$25,878,493 | \$16,025,407 |
| Per NSF | \$347 | \$334 | \$374 | \$354 | \$364 | \$327 |
| Middle Scenario | \$18,037,910 | \$8,594,023 | \$19,385,681 | \$9,100,273 | \$29,361,192 | \$18,740,857 |
| Per NSF | \$392 | \$391 | \$421 | \$414 | \$414 | \$382 |
| High Scenario | \$20,337,836 | \$10,078,242 | \$21,811,960 | \$10,636,863 | \$33,333,491 | \$21,945,908 |
| Per NSF | \$442 | \$458 | \$474 | \$483 | \$469 | \$448 |
| Net Value of Investment Before Program Costs | | | | | | |
| Low Scenario | (\$906,384) | \$754,997 | (\$4,080,601) | (\$1,524,883) | \$205,868 | \$1,962,953 |
| Per NSF | (\$62.94) | \$52.43 | (\$283.38) | (\$105.89) | \$10.29 | \$98.15 |
| Per Dwelling Unit | (\$12,766) | \$22,206 | (\$72,868) | (\$56,477) | \$1,942 | \$27,263 |
| Return on Equity (1) | -4% | 6% | -15% | -12% | 0% | 8% |
| Middle Scenario | \$171,290 | \$109,177 | (\$1,905,681) | (\$740,273) | (\$1,362,472) | \$554,663 |
| Per NSF | \$11.90 | \$7.58 | (\$132.34) | (\$51.41) | (\$68.12) | \$27.73 |
| Per Dwelling Unit | \$2,413 | \$3,211 | (\$34,030) | (\$27,418) | (\$12,854) | \$7,704 |
| Return on Equity (1) | 1% | 1% | -6% | -5% | -3% | 2% |
| High Scenario | (\$216,636) | (\$461,042) | \$38,040 | (\$186,863) | (\$2,467,471) | (\$697,088) |
| Per NSF | (\$15.04) | (\$32.02) | \$2.64 | (\$12.98) | (\$123.37) | (\$34.85) |
| Per Dwelling Unit | (\$3,051) | (\$13,560) | \$679 | (\$6,921) | (\$23,278) | (\$9,682) |
| Return on Equity (1) | -1% | -3% | 0% | -1% | -5% | -2% |
| Equity Investment @ 40% | | | | | | |
| Low Scenario | \$6,387,673 | \$2,936,401 | \$6,876,241 | \$3,117,953 | \$10,351,397 | \$6,410,163 |
| Middle Scenario | \$7,215,164 | \$3,437,609 | \$7,754,272 | \$3,640,109 | \$11,744,477 | \$7,496,343 |
| High Scenario | \$8,135,134 | \$4,031,297 | \$8,724,784 | \$4,254,745 | \$13,333,396 | \$8,778,363 |
| Assumed Investment Period (Months) | 4 | 4 | 4 | 4 | 4 | 4 |
| Increase in Net Value from Bonus Before Prog. Costs | | | | | | |
| Low Scenario | \$3,451,272 | | \$3,758,288 | | \$3,941,234 | |
| Middle Scenario | \$3,777,555 | | \$4,114,163 | | \$4,248,134 | |
| High Scenario | \$4,103,837 | | \$4,470,039 | | \$4,555,033 | |

Table 50
Return on Equity Analysis, Incentive Program Requirements
Low Rise and Mid Rise Prototypes
Higher Cap Rates Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | | 4 to 6 Stories | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Residential Rental | |
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 8A With Incentive | Prototype 8B No Incentive | Prototype 9A With Incentive | Prototype 9B No Incentive |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$490,860 | | \$490,860 | | \$454,500 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$597,840 | | \$0 | | \$693,934 | |
| Middle Scenario | \$743,525 | | \$123,440 | | \$858,212 | |
| High Scenario | \$905,490 | | \$297,280 | | \$1,045,585 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | \$836,977 | | \$0 | | \$1,526,654 | |
| Middle Scenario | \$1,040,935 | | \$185,160 | | \$1,888,066 | |
| High Scenario | \$1,267,686 | | \$445,920 | | \$2,300,287 | |
| Increase in Net Value from Bonus After Prog. Costs | | | | | | |
| 1. Current In-Lieu Fee | | | | | | |
| Low Scenario | (\$1,397,244) | | (\$4,571,461) | | (\$248,633) | |
| Return on Equity (1) | -5% | | -17% | | -1% | |
| Middle Scenario | (\$319,570) | | (\$2,396,541) | | (\$1,816,972) | |
| Return on Equity (1) | -1% | | -8% | | -4% | |
| High Scenario | (\$707,496) | | (\$452,820) | | (\$2,921,971) | |
| Return on Equity (1) | -2% | | -1% | | -5% | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | (\$1,504,224) | | (\$4,080,601) | | (\$488,066) | |
| Return on Equity (1) | -6% | | -15% | | -1% | |
| Middle Scenario | (\$572,235) | | (\$2,029,121) | | (\$2,220,684) | |
| Return on Equity (1) | -2% | | -7% | | -5% | |
| High Scenario | (\$1,122,126) | | (\$259,240) | | (\$3,513,056) | |
| Return on Equity (1) | -3% | | -1% | | -7% | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | (\$2,174,070) | | (\$4,526,521) | | (\$2,094,420) | |
| Return on Equity (1) | -9% | | -16% | | -5% | |
| Middle Scenario | (\$1,096,396) | | (\$2,351,601) | | (\$3,662,759) | |
| Return on Equity (1) | -4% | | -8% | | -8% | |
| High Scenario | (\$1,484,322) | | (\$407,880) | | (\$4,767,758) | |
| Return on Equity (1) | -5% | | -1% | | -9% | |
| Cash Flow Summary | | | | | | |
| Low Scenario | | | | | | |
| Debt 60% | \$9,581,510 | \$4,404,602 | | | \$15,527,095.50 | \$9,615,244 |
| Equity 40% | \$6,387,673 | \$2,936,401 | | | \$10,351,397 | \$6,410,163 |
| Middle Scenario | | | | | | |
| Debt 60% | \$10,822,746 | \$5,156,414 | | | \$17,616,715 | \$11,244,514 |
| Equity 40% | \$7,215,164 | \$3,437,609 | | | \$11,744,477 | \$7,496,343 |
| High Scenario | | | | | | |
| Debt 60% | \$12,202,701 | \$6,046,945 | | | \$20,000,095 | \$13,167,545 |
| Equity 40% | \$8,135,134 | \$4,031,297 | | | \$13,333,396 | \$8,778,363 |
| Annual Debt Service 5% 20 Yrs | | | | | | |
| Low Scenario | \$105,390 | \$367,053 | | | \$170,787 | \$801,277 |
| Middle Scenario | \$119,042 | \$429,705 | | | \$193,771 | \$937,051 |
| High Scenario | \$134,221 | \$503,916 | | | \$219,986 | \$1,097,304 |
| Net Cash Flow | | | | | | |
| Low Scenario | \$647,750 | \$37,747 | | | \$1,133,431 | \$98,141 |
| Annual Return on Equity (2) | 10.1% | 1.3% | | | 10.9% | 1.5% |
| Middle Scenario | \$791,418 | \$5,455 | | | \$1,206,165 | \$27,725 |
| Annual Return on Equity (2) | 11.0% | 0.2% | | | 10.3% | 0.4% |
| High Scenario | \$871,839 | (\$23,056) | | | \$1,323,315 | (\$34,863) |
| Annual Return on Equity (2) | 7.1% | -0.4% | | | 6.6% | -0.3% |

(1) Return on equity measured as net project value divided by the number of years equity investment divided by total equity investment.

(2) Annual net cash flow (NOI less debt service) divided by total equity investment.

Source: DRA.

Table 50
Return on Equity Analysis, Incentive Program |
Low Rise and Mid Rise Prototypes
Higher Cap Rates Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 to 6 Stories | | 6 Stories to 7 Stories | | | |
|--|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Residential Ownership | | Residential Rental | | Residential Ownership | |
| | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 11A With Incentive | Prototype 11B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| Site Area (SF) | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Residential Net SF | 68,900 | 46,900 | 87,900 | 68,900 | 87,900 | 68,900 |
| Total Net SF | 71,000 | 49,000 | 90,000 | 71,000 | 90,000 | 71,000 |
| Residential Units | 84 | 57 | 135 | 106 | 107 | 84 |
| Approximate Building Stories | 6 | 4 | 7 | 6 | 7 | 6 |
| Total Annual Net Operating Income, Rental Uses | | | | | | |
| Low Scenario | | | \$1,655,658 | \$1,304,218 | | |
| NOI Per NSF | | | \$18.40 | \$18.37 | | |
| Middle Scenario | | | \$1,778,076 | \$1,399,936 | | |
| NOI Per NSF | | | \$19.76 | \$19.72 | | |
| High Scenario | | | \$1,961,091 | \$1,543,301 | | |
| NOI Per NSF | | | \$21.79 | \$21.74 | | |
| Cap Rate | | | 5.00% | 5.00% | | |
| Total Market Value (Capitalized NOI for Rental; Net Sales Proceeds for Ownership) | | | | | | |
| Low Scenario | \$19,636,500 | \$13,366,500 | \$33,113,160 | \$26,084,360 | \$25,061,190 | \$19,643,055 |
| Per NSF | \$285 | \$285 | \$377 | \$379 | \$285 | \$285 |
| Middle Scenario | \$26,182,000 | \$17,822,000 | \$35,561,520 | \$27,998,720 | \$33,414,920 | \$26,190,740 |
| Per NSF | \$380 | \$380 | \$405 | \$406 | \$380 | \$380 |
| High Scenario | \$32,727,500 | \$22,277,500 | \$39,221,820 | \$30,866,020 | \$41,768,650 | \$32,738,425 |
| Per NSF | \$475 | \$475 | \$446 | \$448 | \$475 | \$475 |
| Less: Total Development Cost, Include. Land | | | | | | |
| Low Scenario | \$27,886,183 | \$17,308,312 | \$36,076,810 | \$27,132,308 | \$34,605,944 | \$28,736,183 |
| Per NSF | \$393 | \$353 | \$401 | \$382 | \$385 | \$405 |
| Middle Scenario | \$31,569,651 | \$20,171,790 | \$41,119,428 | \$31,165,388 | \$39,496,404 | \$32,929,651 |
| Per NSF | \$445 | \$412 | \$457 | \$439 | \$439 | \$464 |
| High Scenario | \$35,742,719 | \$23,524,868 | \$46,882,846 | \$35,919,269 | \$45,107,664 | \$37,843,919 |
| Per NSF | \$503 | \$480 | \$521 | \$506 | \$501 | \$533 |
| Net Value of Investment Before Program Costs | | | | | | |
| Low Scenario | (\$8,249,683) | (\$3,941,812) | (\$2,963,650) | (\$1,047,948) | (\$9,544,754) | (\$9,093,128) |
| Per NSF | (\$412.48) | (\$197.09) | (\$148.18) | (\$52.40) | (\$477.24) | (\$454.66) |
| Per Dwelling Unit | (\$98,211) | (\$69,155) | (\$21,953) | (\$9,886) | (\$89,203) | (\$108,252) |
| Return on Equity (1) | -18% | -14% | -5% | -2% | -17% | -20% |
| Middle Scenario | (\$5,387,651) | (\$2,349,790) | (\$5,557,908) | (\$3,166,668) | (\$6,081,484) | (\$6,738,911) |
| Per NSF | (\$269.38) | (\$117.49) | (\$277.90) | (\$158.33) | (\$304.07) | (\$336.95) |
| Per Dwelling Unit | (\$64,139) | (\$41,224) | (\$41,170) | (\$29,874) | (\$56,836) | (\$80,225) |
| Return on Equity (1) | -11% | -7% | -8% | -6% | -10% | -13% |
| High Scenario | (\$3,015,219) | (\$1,247,368) | (\$7,661,026) | (\$5,053,249) | (\$3,339,014) | (\$5,105,494) |
| Per NSF | (\$150.76) | (\$62.37) | (\$383.05) | (\$252.66) | (\$166.95) | (\$255.27) |
| Per Dwelling Unit | (\$35,895) | (\$21,884) | (\$56,748) | (\$47,672) | (\$31,206) | (\$60,780) |
| Return on Equity (1) | -5% | -3% | -10% | -9% | -5% | -8% |
| Equity Investment @ 40% | | | | | | |
| Low Scenario | \$11,154,473 | \$6,923,325 | \$14,430,724 | \$10,852,923 | \$13,842,378 | \$11,494,473 |
| Middle Scenario | \$12,627,860 | \$8,068,716 | \$16,447,771 | \$12,466,155 | \$15,798,562 | \$13,171,860 |
| High Scenario | \$14,297,088 | \$9,409,947 | \$18,753,139 | \$14,367,708 | \$18,043,066 | \$15,137,568 |
| Assumed Investment Period (Months) | 4 | 4 | 4 | 4 | 4 | 4 |
| Increase in Net Value from Bonus Before Prog. Costs | | | | | | |
| Low Scenario | \$4,231,148 | | \$3,577,801 | | \$2,347,905 | |
| Middle Scenario | \$4,559,144 | | \$3,981,616 | | \$2,626,701 | |
| High Scenario | \$4,887,140 | | \$4,385,431 | | \$2,905,498 | |

Table 50
Return on Equity Analysis, Incentive Program |
Low Rise and Mid Rise Prototypes
Higher Cap Rates Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 to 6 Stories | | 6 Stories to 7 Stories | | | |
|---|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Residential Ownership | | Residential Rental | | Residential Ownership | |
| | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 11A With Incentive | Prototype 11B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$454,500 | | \$378,750 | | \$378,750 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$31,600 | | \$647,543 | | \$1,295,085 | |
| Middle Scenario | \$202,160 | | \$796,953 | | \$1,593,907 | |
| High Scenario | \$392,400 | | \$967,720 | | \$1,935,440 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | \$63,200 | | \$4,020 | | \$14,740 | |
| Middle Scenario | \$404,320 | | \$136,860 | | \$501,820 | |
| High Scenario | \$784,800 | | \$289,380 | | \$1,061,060 | |
| Increase in Net Value from Bonus After Prog. Costs | | | | | | |
| 1. Current In-Lieu Fee | | | | | | |
| Low Scenario | (\$8,704,183) | | (\$3,342,400) | | (\$9,923,504) | |
| Return on Equity (1) | -20% | | -6% | | -18% | |
| Middle Scenario | (\$5,842,151) | | (\$5,936,658) | | (\$6,460,234) | |
| Return on Equity (1) | -12% | | -9% | | -10% | |
| High Scenario | (\$3,469,719) | | (\$8,039,776) | | (\$3,717,764) | |
| Return on Equity (1) | -6% | | -11% | | -5% | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | (\$8,281,283) | | (\$3,611,192) | | (\$10,839,839) | |
| Return on Equity (1) | -19% | | -6% | | -20% | |
| Middle Scenario | (\$5,589,811) | | (\$6,354,861) | | (\$7,675,391) | |
| Return on Equity (1) | -11% | | -10% | | -12% | |
| High Scenario | (\$3,407,619) | | (\$8,628,746) | | (\$5,274,454) | |
| Return on Equity (1) | -6% | | -12% | | -7% | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | (\$9,034,483) | | (\$3,253,030) | | (\$10,605,814) | |
| Return on Equity (1) | -20% | | -6% | | -19% | |
| Middle Scenario | (\$6,172,451) | | (\$5,847,288) | | (\$7,142,544) | |
| Return on Equity (1) | -12% | | -9% | | -11% | |
| High Scenario | (\$3,800,019) | | (\$7,950,406) | | (\$4,400,074) | |
| Return on Equity (1) | -7% | | -11% | | -6% | |
| Cash Flow Summary | | | | | | |
| Low Scenario | | | | | | |
| Debt 60% | | | \$21,646,086 | \$16,279,385 | | |
| Equity 40% | | | \$14,430,724 | \$10,852,923 | | |
| Middle Scenario | | | | | | |
| Debt 60% | | | \$24,671,657 | \$18,699,233 | | |
| Equity 40% | | | \$16,447,771 | \$12,466,155 | | |
| High Scenario | | | | | | |
| Debt 60% | | | \$28,129,708 | \$21,551,561 | | |
| Equity 40% | | | \$18,753,139 | \$14,367,708 | | |
| Annual Debt Service 5% 20 Yrs | | | | | | |
| Low Scenario | | | \$238,091 | \$1,356,627 | | |
| Middle Scenario | | | \$271,370 | \$1,558,282 | | |
| High Scenario | | | \$309,406 | \$1,795,978 | | |
| Net Cash Flow | | | | | | |
| Low Scenario | | | \$1,417,567 | (\$52,409) | | |
| Annual Return on Equity (2) | | | 9.8% | -0.5% | | |
| Middle Scenario | | | \$1,506,706 | (\$158,346) | | |
| Annual Return on Equity (2) | | | 9.2% | -1.3% | | |
| High Scenario | | | \$1,651,685 | (\$252,677) | | |
| Annual Return on Equity (2) | | | 5.9% | -1.2% | | |

(1) Return on equity measured as net project value divide
(2) Annual net cash flow (NOI less debt service) divide

Source: DRA.

Table 51
Land Residual Analysis, Incentive Program Requirements
Downtown and South Lake Union Prototypes
Lower Cap Rates Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Downtown/HR | | | | | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 1A With Incentive | Prototype 1B No Incentive | Prototype 2A With Incentive | Prototype 2B No Incentive | Prototype 3A With Incentive | Prototype 3B No Incentive |
| Site Area (SF) | 15,000 | 15,000 | 15,000 | 15,000 | 32,400 | 32,400 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Office Net SF | - | - | - | - | 249,480 | 129,600 |
| Residential Net SF | 308,900 | 194,900 | 283,900 | 174,900 | - | - |
| Total Net SF | 311,000 | 197,000 | 286,000 | 177,000 | 251,580 | 131,700 |
| Residential Units | 426 | 269 | 344 | 212 | - | - |
| Approximate Building Stories | 40 | 24 | 40 | 24 | 8 | 4 |
| Bonus Gross Floor Area (GSF) | 148,200 | | 142,200 | | 162,000 | |
| Total Annual Net Operating Income, Rental Uses | \$7,299,870 | \$4,536,831 | | | \$5,535,117 | \$2,902,239 |
| NOI Per NSF | \$23.47 | \$23.03 | | | \$22.00 | \$22.04 |
| Cap Rate | 4.25% | 4.25% | | | 5.00% | 5.00% |
| Capitalized Value, Rental Uses | \$171,761,647 | \$106,748,965 | | | \$110,702,340 | \$58,044,780 |
| Net Condo Sales Proceeds | | | \$199,799,250 | \$117,253,750 | | |
| Total Market Value | \$171,761,647 | \$106,748,965 | \$199,799,250 | \$117,253,750 | \$110,702,340 | \$58,044,780 |
| Total Value Per NSF | \$552 | \$542 | \$699 | \$662 | \$440 | \$441 |
| Less: Total Development Cost, Excl. Land | \$150,860,817 | \$91,901,873 | \$158,212,244 | \$93,300,468 | \$90,356,932 | \$46,832,405 |
| Total Development Cost Per NSF | \$485 | \$467 | \$553 | \$527 | \$359 | \$356 |
| Less: Assumed Return on Equity (See Below) | \$15,634,638 | \$9,974,580 | \$16,340,375 | \$10,108,845 | \$18,604,309 | \$11,640,385 |
| Residual Land Value Before Program Costs | \$5,266,192 | \$4,872,512 | \$25,246,631 | \$13,844,437 | \$1,741,099 | (\$428,010) |
| Resid. Value/SF Site Area | \$351.08 | \$324.83 | \$1,683.11 | \$922.96 | \$53.74 | (\$13.21) |
| Resid. Value/Dwelling Unit | \$12,362 | \$18,113 | \$73,391 | \$65,304 | N/A | N/A |
| Resid. Value/SF Bonus GFA | \$35.53 | | \$177.54 | | \$10.75 | |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$3,212,976 | | \$3,082,896 | | \$4,285,305 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$7,399,203 | | \$4,531,795 | | \$7,209,000 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$14,462,078 | | \$8,109,527 | | N/A | |
| Residual Land Value After Program Costs | | | | | | |
| 1. Current In-Lieu Fee | \$2,053,216 | | \$22,163,735 | | (\$2,544,206) | |
| Resid. Value/SF Site Area | \$137 | | \$1,478 | | (\$79) | |
| Resid. Value/SF Bonus GFA | \$13.85 | | \$155.86 | | (\$15.70) | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | (\$2,133,011) | | \$20,714,837 | | (\$5,467,901) | |
| Resid. Value/SF Site Area | (\$142) | | \$1,381 | | (\$169) | |
| Resid. Value/SF Bonus GFA | (\$14.39) | | \$145.67 | | (\$33.75) | |
| 3. Gap Cost Scenario 2: 10% Units (4) | (\$9,195,886) | | \$17,137,104 | | N/A | |
| Resid. Value/SF Site Area | (\$613) | | \$1,142 | | N/A | |
| Resid. Value/SF Bonus GFA | (\$62.05) | | \$120.51 | | N/A | |
| Equity Investment @ 40% of TDC | \$65,144,327 | \$41,560,749 | \$68,084,897 | \$42,120,187 | \$46,510,773 | \$29,100,962 |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Assumed Return on Equity (1) | 6% | 6% | 6% | 6% | 10% | 10% |

(1) Return on equity measured as net project value divided by the number of years equity investment divided by total equity investment.

(2) Annual net cash flow (NOI less debt service) divided by total equity investment.

(3) Gap cost for current housing set-asides for residential; \$40 per GSF bonus commercial housing fee (plus TDR as applicable).

(4) Gap cost for 10% affordable units for residential (plus TDR as applicable).

Source: DRA.

Table 51
Land Residual Analysis, Incentive Program Rec
Downtown and South Lake Union Prototypes
Lower Cap Rates Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | South Lake Union | | | | | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 4A With Incentive | Prototype 4B No Incentive | Prototype 5A With Incentive | Prototype 5B No Incentive | Prototype 6A With Incentive | Prototype 6B No Incentive |
| Site Area (SF) | 21,000 | 21,000 | 21,000 | 21,000 | 43,000 | 43,000 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Office Net SF | - | - | - | - | 238,400 | 152,800 |
| Residential Net SF | 202,900 | 89,900 | 184,900 | 79,900 | - | - |
| Total Net SF | 205,000 | 92,000 | 187,000 | 82,000 | 240,500 | 154,900 |
| Residential Units | 280 | 124 | 218 | 94 | - | - |
| Approximate Building Stories | 24 | 7 | 24 | 7 | 8 | 5 |
| Bonus Gross Floor Area (GSF) | 146,250 | | 136,250 | | 107,000 | |
| Total Annual Net Operating Income, Rental Uses | \$5,065,310 | \$2,055,551 | | | \$5,022,199 | \$3,239,579 |
| NOI Per NSF | \$24.71 | \$22.34 | | | \$20.88 | \$20.91 |
| Cap Rate | 4.25% | 4.25% | | | 5.00% | 5.00% |
| Capitalized Value, Rental Uses | \$119,183,762 | \$48,365,906 | | | \$100,443,980 | \$64,791,580 |
| Net Condo Sales Proceeds | | | \$112,563,125 | \$40,845,250 | | |
| Total Market Value | \$119,183,762 | \$48,365,906 | \$112,563,125 | \$40,845,250 | \$100,443,980 | \$64,791,580 |
| Total Value Per NSF | \$581 | \$526 | \$602 | \$498 | \$418 | \$418 |
| Less: Total Development Cost, Excl. Land | \$96,867,808 | \$26,149,706 | \$98,344,056 | \$25,689,525 | \$84,367,889 | \$55,676,833 |
| Total Development Cost Per NSF | \$473 | \$284 | \$526 | \$313 | \$351 | \$359 |
| Less: Assumed Return on Equity (See Below) | \$10,105,710 | \$3,316,772 | \$10,247,429 | \$3,272,594 | \$16,250,862 | \$11,660,293 |
| Residual Land Value Before Program Costs | \$12,210,245 | \$18,899,428 | \$3,971,640 | \$11,883,131 | (\$174,771) | (\$2,545,547) |
| Resid. Value/SF Site Area | \$581.44 | \$899.97 | \$189.13 | \$565.86 | (\$4.06) | (\$59.20) |
| Resid. Value/Dwelling Unit | \$43,608 | \$152,415 | \$18,219 | \$126,416 | N/A | N/A |
| Resid. Value/SF Bonus GFA | \$83.49 | | \$29.15 | | (\$1.63) | |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$2,975,628 | | \$2,753,340 | | \$2,830,418 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$5,332,566 | | \$3,250,935 | | \$4,761,500 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$10,262,219 | | \$5,974,857 | | N/A | |
| Residual Land Value After Program Costs | | | | | | |
| 1. Current In-Lieu Fee | \$9,234,617 | | \$1,218,300 | | (\$3,005,189) | |
| Resid. Value/SF Site Area | \$440 | | \$58 | | (\$70) | |
| Resid. Value/SF Bonus GFA | \$63.14 | | \$8.94 | | (\$28.09) | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$6,877,679 | | \$720,705 | | (\$4,936,271) | |
| Resid. Value/SF Site Area | \$328 | | \$34 | | (\$115) | |
| Resid. Value/SF Bonus GFA | \$47.03 | | \$5.29 | | (\$46.13) | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$1,948,026 | | (\$2,003,217) | | N/A | |
| Resid. Value/SF Site Area | \$93 | | (\$95) | | N/A | |
| Resid. Value/SF Bonus GFA | \$13.32 | | (\$14.70) | | N/A | |
| Equity Investment @ 40% of TDC | \$42,107,123 | \$13,819,883 | \$42,697,622 | \$13,635,810 | \$40,627,156 | \$29,150,733 |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Assumed Return on Equity (1) | 6% | 6% | 6% | 6% | 10% | 10% |

(1) Return on equity measured as net project value divided by equity investment
(2) Annual net cash flow (NOI less debt service) divided by equity investment
(3) Gap cost for current housing set-asides for residential (pl)
(4) Gap cost for 10% affordable units for residential (pl)
Source: DRA.

Table 52
Land Residual Analysis, Incentive Program Requirements
Downtown and South Lake Union Prototypes
Higher Cap Rates Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Downtown/HR | | | | | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 1A With Incentive | Prototype 1B No Incentive | Prototype 2A With Incentive | Prototype 2B No Incentive | Prototype 3A With Incentive | Prototype 3B No Incentive |
| Site Area (SF) | 15,000 | 15,000 | 15,000 | 15,000 | 32,400 | 32,400 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Office Net SF | - | - | - | - | 249,480 | 129,600 |
| Residential Net SF | 308,900 | 194,900 | 283,900 | 174,900 | - | - |
| Total Net SF | 311,000 | 197,000 | 286,000 | 177,000 | 251,580 | 131,700 |
| Residential Units | 426 | 269 | 344 | 212 | - | - |
| Approximate Building Stories | 40 | 24 | 40 | 24 | 8 | 4 |
| Bonus Gross Floor Area (GSF) | 148,200 | | 142,200 | | 162,000 | |
| Total Annual Net Operating Income, Rental Uses | \$7,299,870 | \$4,536,831 | | | \$5,535,117 | \$2,902,239 |
| NOI Per NSF | \$23.47 | \$23.03 | | | \$22.00 | \$22.04 |
| Cap Rate | 5.00% | 5.00% | | | 5.50% | 5.50% |
| Capitalized Value, Rental Uses | \$145,997,400 | \$90,736,620 | | | \$100,638,491 | \$52,767,982 |
| Net Condo Sales Proceeds | | | \$199,799,250 | \$117,253,750 | | |
| Total Market Value | \$145,997,400 | \$90,736,620 | \$199,799,250 | \$117,253,750 | \$100,638,491 | \$52,767,982 |
| Total Value Per NSF | \$469 | \$461 | \$699 | \$662 | \$400 | \$401 |
| Less: Total Development Cost, Excl. Land | \$150,860,817 | \$91,901,873 | \$158,212,244 | \$93,300,468 | \$90,356,932 | \$46,832,405 |
| Total Development Cost Per NSF | \$485 | \$467 | \$553 | \$527 | \$359 | \$356 |
| Less: Assumed Return on Equity (See Below) | \$15,634,638 | \$9,974,580 | \$16,340,375 | \$10,108,845 | \$11,162,585 | \$6,984,231 |
| Residual Land Value Before Program Costs | (\$20,498,055) | (\$11,139,832) | \$25,246,631 | \$13,844,437 | (\$881,026) | (\$1,048,654) |
| Resid. Value/SF Site Area | (\$1,366.54) | (\$742.66) | \$1,683.11 | \$922.96 | (\$27.19) | (\$32.37) |
| Resid. Value/Dwelling Unit | (\$48,118) | (\$41,412) | \$73,391 | \$65,304 | N/A | N/A |
| Resid. Value/SF Bonus GFA | (\$138.31) | | \$177.54 | | (\$5.44) | |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$3,212,976 | | \$3,082,896 | | \$4,285,305 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$7,399,203 | | \$4,531,795 | | \$7,209,000 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$14,462,078 | | \$8,109,527 | | N/A | |
| Residual Land Value After Program Costs | | | | | | |
| 1. Current In-Lieu Fee | (\$23,711,031) | | \$22,163,735 | | (\$5,166,331) | |
| Resid. Value/SF Site Area | (\$1,581) | | \$1,478 | | (\$159) | |
| Resid. Value/SF Bonus GFA | (\$159.99) | | \$155.86 | | (\$31.89) | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | (\$27,897,258) | | \$20,714,837 | | (\$8,090,026) | |
| Resid. Value/SF Site Area | (\$1,860) | | \$1,381 | | (\$250) | |
| Resid. Value/SF Bonus GFA | (\$188.24) | | \$145.67 | | (\$49.94) | |
| 3. Gap Cost Scenario 2: 10% Units (4) | (\$34,960,133) | | \$17,137,104 | | N/A | |
| Resid. Value/SF Site Area | (\$2,331) | | \$1,142 | | N/A | |
| Resid. Value/SF Bonus GFA | (\$235.90) | | \$120.51 | | N/A | |
| Equity Investment @ 40% of TDC | \$65,144,327 | \$41,560,749 | \$68,084,897 | \$42,120,187 | \$46,510,773 | \$29,100,962 |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Assumed Return on Equity (1) | 6% | 6% | 6% | 6% | 6% | 6% |

(1) Return on equity measured as net project value divided by the number of years equity investment divided by total equity investment.

(2) Annual net cash flow (NOI less debt service) divided by total equity investment.

(3) Gap cost for current housing set-asides for residential; \$40 per GSF bonus commercial housing fee (plus TDR as applicable).

(4) Gap cost for 10% affordable units for residential (plus TDR as applicable).

Source: DRA.

Table 52
Land Residual Analysis, Incentive Program Rec
Downtown and South Lake Union Prototypes
Higher Cap Rates Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | South Lake Union | | | | | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 4A With Incentive | Prototype 4B No Incentive | Prototype 5A With Incentive | Prototype 5B No Incentive | Prototype 6A With Incentive | Prototype 6B No Incentive |
| Site Area (SF) | 21,000 | 21,000 | 21,000 | 21,000 | 43,000 | 43,000 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Office Net SF | - | - | - | - | 238,400 | 152,800 |
| Residential Net SF | 202,900 | 89,900 | 184,900 | 79,900 | - | - |
| Total Net SF | 205,000 | 92,000 | 187,000 | 82,000 | 240,500 | 154,900 |
| Residential Units | 280 | 124 | 218 | 94 | - | - |
| Approximate Building Stories | 24 | 7 | 24 | 7 | 8 | 5 |
| Bonus Gross Floor Area (GSF) | 146,250 | | 136,250 | | 107,000 | |
| Total Annual Net Operating Income, Rental Uses | \$5,065,310 | \$2,055,551 | | | \$5,022,199 | \$3,239,579 |
| NOI Per NSF | \$24.71 | \$22.34 | | | \$20.88 | \$20.91 |
| Cap Rate | 5.00% | 5.00% | | | 5.50% | 5.50% |
| Capitalized Value, Rental Uses | \$101,306,198 | \$41,111,020 | | | \$91,312,709 | \$58,901,436 |
| Net Condo Sales Proceeds | | | \$112,563,125 | \$40,845,250 | | |
| Total Market Value | \$101,306,198 | \$41,111,020 | \$112,563,125 | \$40,845,250 | \$91,312,709 | \$58,901,436 |
| Total Value Per NSF | \$494 | \$447 | \$602 | \$498 | \$380 | \$380 |
| Less: Total Development Cost, Excl. Land | \$96,867,808 | \$26,149,706 | \$98,344,056 | \$25,689,525 | \$84,367,889 | \$55,676,833 |
| Total Development Cost Per NSF | \$473 | \$284 | \$526 | \$313 | \$351 | \$359 |
| Less: Assumed Return on Equity (See Below) | \$10,105,710 | \$3,316,772 | \$10,247,429 | \$3,272,594 | \$9,750,517 | \$6,996,176 |
| Residual Land Value Before Program Costs | (\$5,667,320) | \$11,644,542 | \$3,971,640 | \$11,883,131 | (\$2,805,697) | (\$3,771,573) |
| Resid. Value/SF Site Area | (\$269.87) | \$554.50 | \$189.13 | \$565.86 | (\$65.25) | (\$87.71) |
| Resid. Value/Dwelling Unit | (\$20,240) | \$93,908 | \$18,219 | \$126,416 | N/A | N/A |
| Resid. Value/SF Bonus GFA | (\$38.75) | | \$29.15 | | (\$26.22) | |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$2,975,628 | | \$2,753,340 | | \$2,830,418 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$5,332,566 | | \$3,250,935 | | \$4,761,500 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$10,262,219 | | \$5,974,857 | | N/A | |
| Residual Land Value After Program Costs | | | | | | |
| 1. Current In-Lieu Fee | (\$8,642,948) | | \$1,218,300 | | (\$5,636,115) | |
| Resid. Value/SF Site Area | (\$412) | | \$58 | | (\$131) | |
| Resid. Value/SF Bonus GFA | (\$59.10) | | \$8.94 | | (\$52.67) | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | (\$10,999,886) | | \$720,705 | | (\$7,567,197) | |
| Resid. Value/SF Site Area | (\$524) | | \$34 | | (\$176) | |
| Resid. Value/SF Bonus GFA | (\$75.21) | | \$5.29 | | (\$70.72) | |
| 3. Gap Cost Scenario 2: 10% Units (4) | (\$15,929,539) | | (\$2,003,217) | | N/A | |
| Resid. Value/SF Site Area | (\$759) | | (\$95) | | N/A | |
| Resid. Value/SF Bonus GFA | (\$108.92) | | (\$14.70) | | N/A | |
| Equity Investment @ 40% of TDC | \$42,107,123 | \$13,819,883 | \$42,697,622 | \$13,635,810 | \$40,627,156 | \$29,150,733 |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Assumed Return on Equity (1) | 6% | 6% | 6% | 6% | 6% | 6% |

(1) Return on equity measured as net project value divided by equity investment
(2) Annual net cash flow (NOI less debt service) divided by equity investment
(3) Gap cost for current housing set-asides for residential (pl)
(4) Gap cost for 10% affordable units for residential (pl)
Source: DRA.

Table 53
Land Residual Analysis, Incentive Program Requirements
Low Rise and Mid Rise Prototypes
Lower Cap Rates Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | | 4 to 6 Stories | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Residential Rental | |
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 8A With Incentive | Prototype 8B No Incentive | Prototype 9A With Incentive | Prototype 9B No Incentive |
| Site Area (SF) | 14,400 | 14,400 | 14,400 | 14,400 | 20,000 | 20,000 |
| Retail Net SF | - | - | - | - | 2,100 | 2,100 |
| Residential Net SF | 46,000 | 22,000 | 46,000 | 22,000 | 68,900 | 46,900 |
| Total Net SF | 46,000 | 22,000 | 46,000 | 22,000 | 71,000 | 49,000 |
| Residential Units | 71 | 34 | 56 | 27 | 106 | 72 |
| Approximate Building Stories | 7 | 4 | 7 | 4 | 6 | 4 |
| Gross SF Bonus GFA | 32,400 | | 32,400 | | 30,000 | |
| Total Annual Net Operating Income, Rental Uses | | | | | | |
| Low Scenario | \$753,140 | \$404,800 | | | \$1,304,218 | \$899,418 |
| NOI Per NSF | \$16.37 | \$18.40 | | | \$18.37 | \$18.36 |
| Middle Scenario | \$910,460 | \$435,160 | | | \$1,399,936 | \$964,776 |
| NOI Per NSF | \$19.79 | \$19.78 | | | \$19.72 | \$19.69 |
| High Scenario | \$1,006,060 | \$480,860 | | | \$1,543,301 | \$1,062,441 |
| NOI Per NSF | \$21.87 | \$21.86 | | | \$21.74 | \$21.68 |
| Cap Rate | 4.25% | 4.25% | | | 4.25% | 4.25% |
| Total Market Value (Capitalized NOI for Rental; Net Sales Proceeds for Ownership) | | | | | | |
| Low Scenario | \$17,720,941 | \$9,524,706 | \$13,110,000 | \$6,270,000 | \$30,687,482 | \$21,162,776 |
| Per NSF | \$385 | \$433 | \$285 | \$285 | \$445 | \$451 |
| Middle Scenario | \$21,422,588 | \$10,239,059 | \$17,480,000 | \$8,360,000 | \$32,939,671 | \$22,700,612 |
| Per NSF | \$466 | \$465 | \$380 | \$380 | \$478 | \$484 |
| High Scenario | \$23,672,000 | \$11,314,353 | \$21,850,000 | \$10,450,000 | \$36,312,965 | \$24,998,612 |
| Per NSF | \$515 | \$514 | \$475 | \$475 | \$527 | \$533 |
| Less: Total Development Cost, Excluding Land | | | | | | |
| Low Scenario | \$15,119,184 | \$6,491,003 | \$16,340,601 | \$6,944,883 | \$24,078,493 | \$14,225,407 |
| Per NSF | \$329 | \$295 | \$355 | \$316 | \$339 | \$290 |
| Middle Scenario | \$16,677,910 | \$7,234,023 | \$18,025,681 | \$7,740,273 | \$26,481,192 | \$15,860,857 |
| Per NSF | \$363 | \$329 | \$392 | \$352 | \$373 | \$324 |
| High Scenario | \$18,297,836 | \$8,038,242 | \$19,771,960 | \$8,596,863 | \$29,013,491 | \$17,625,908 |
| Per NSF | \$398 | \$365 | \$430 | \$391 | \$409 | \$360 |
| Less: Assumed Return on Equity (See Below) | | | | | | |
| Low Scenario | \$1,533,042 | \$704,736 | \$1,650,298 | \$748,309 | \$2,484,335 | \$1,538,439 |
| Middle Scenario | \$1,731,639 | \$825,026 | \$1,861,025 | \$873,626 | \$2,818,674 | \$1,799,122 |
| High Scenario | \$1,952,432 | \$967,511 | \$2,093,948 | \$1,021,139 | \$3,200,015 | \$2,106,807 |
| Residual Land Value Before Program Costs | | | | | | |
| Low Scenario | \$1,068,716 | \$3,033,703 | (\$3,230,601) | (\$674,883) | \$6,608,990 | \$6,937,370 |
| Per SF Site Area | \$74 | \$211 | (\$224) | (\$47) | \$330 | \$347 |
| Per Dwelling Unit | \$15,052 | \$89,227 | (\$57,689) | (\$24,996) | \$62,349 | \$96,352 |
| Per SF Bonus GFA | \$32.99 | | (\$99.71) | | \$220.30 | |
| Middle Scenario | \$3,013,039 | \$3,005,036 | (\$545,681) | \$619,727 | \$6,458,479 | \$6,839,755 |
| Per SF Site Area | \$209 | \$209 | (\$38) | \$43 | \$323 | \$342 |
| Per Dwelling Unit | \$42,437 | \$88,383 | (\$9,744) | \$22,953 | \$60,929 | \$94,997 |
| Per SF Bonus GFA | \$93.00 | | (\$16.84) | | \$215.28 | |
| High Scenario | \$3,421,732 | \$3,276,111 | \$2,078,040 | \$1,853,137 | \$7,299,474 | \$7,372,704 |
| Per SF Site Area | \$238 | \$228 | \$144 | \$129 | \$365 | \$369 |
| Per Dwelling Unit | \$48,193 | \$96,356 | \$37,108 | \$68,635 | \$68,863 | \$102,399 |
| Per SF Bonus GFA | \$105.61 | | \$64.14 | | \$243.32 | |
| Equity Investment @ 40% | | | | | | |
| Low Scenario | \$6,047,673 | \$2,596,401 | \$6,536,241 | \$2,777,953 | \$9,631,397 | \$5,690,163 |
| Middle Scenario | \$6,671,164 | \$2,893,609 | \$7,210,272 | \$3,096,109 | \$10,592,477 | \$6,344,343 |
| High Scenario | \$7,319,134 | \$3,215,297 | \$7,908,784 | \$3,438,745 | \$11,605,396 | \$7,050,363 |
| Assumed Investment Period (Months) | 4 | 4 | 4 | 4 | 4 | 4 |
| Increase in Net Value from Bonus Before Prog. Costs | | | | | | |
| Low Scenario | \$3,451,272 | | \$3,758,288 | | \$3,941,234 | |
| Middle Scenario | \$3,777,555 | | \$4,114,163 | | \$4,248,134 | |
| High Scenario | \$4,103,837 | | \$4,470,039 | | \$4,555,033 | |

Table 53
Land Residual Analysis, Incentive Program Requirements
Low Rise and Mid Rise Prototypes
Lower Cap Rates Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | | 4 to 6 Stories | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Residential Rental | |
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 8A With Incentive | Prototype 8B No Incentive | Prototype 9A With Incentive | Prototype 9B No Incentive |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$490,860 | | \$490,860 | | \$454,500 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$597,840 | | \$0 | | \$693,934 | |
| Middle Scenario | \$743,525 | | \$123,440 | | \$858,212 | |
| High Scenario | \$905,490 | | \$297,280 | | \$1,045,585 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | \$836,977 | | \$0 | | \$1,526,654 | |
| Middle Scenario | \$1,040,935 | | \$185,160 | | \$1,888,066 | |
| High Scenario | \$1,267,686 | | \$445,920 | | \$2,300,287 | |
| Residual Land Value After Prog. Costs | | | | | | |
| 1. Current In-Lieu Fee | | | | | | |
| Low Scenario | \$577,856 | | (\$3,721,461) | | \$6,154,490 | |
| Per SF Site Area | \$40 | | (\$258) | | \$308 | |
| Per SF Bonus GFA | \$17.84 | | (\$114.86) | | \$205.15 | |
| Middle Scenario | \$2,522,179 | | (\$1,036,541) | | \$6,003,979 | |
| Per SF Site Area | \$175 | | (\$72) | | \$300 | |
| Per SF Bonus GFA | \$77.85 | | (\$31.99) | | \$200.13 | |
| High Scenario | \$2,930,872 | | \$1,587,180 | | \$6,844,974 | |
| Per SF Site Area | \$204 | | \$110 | | \$342 | |
| Per SF Bonus GFA | \$90.46 | | \$48.99 | | \$228.17 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$470,875 | | (\$3,230,601) | | \$5,915,056 | |
| Per SF Site Area | \$33 | | (\$224) | | \$296 | |
| Per SF Bonus GFA | \$14.53 | | (\$99.71) | | \$197.17 | |
| Middle Scenario | \$2,269,514 | | (\$669,121) | | \$5,600,267 | |
| Per SF Site Area | \$158 | | (\$46) | | \$280 | |
| Per SF Bonus GFA | \$70.05 | | (\$20.65) | | \$186.68 | |
| High Scenario | \$2,516,242 | | \$1,780,760 | | \$6,253,889 | |
| Per SF Site Area | \$175 | | \$124 | | \$313 | |
| Per SF Bonus GFA | \$77.66 | | \$54.96 | | \$208.46 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | (\$198,970) | | (\$3,676,521) | | \$4,308,703 | |
| Per SF Site Area | (\$14) | | (\$255) | | \$215 | |
| Per SF Bonus GFA | (\$6.14) | | (\$113.47) | | \$143.62 | |
| Middle Scenario | \$1,745,353 | | (\$991,601) | | \$4,158,192 | |
| Per SF Site Area | \$121 | | (\$69) | | \$208 | |
| Per SF Bonus GFA | \$53.87 | | (\$30.60) | | \$138.61 | |
| High Scenario | \$2,154,046 | | \$1,632,120 | | \$4,999,187 | |
| Per SF Site Area | \$150 | | \$113 | | \$250 | |
| Per SF Bonus GFA | \$66.48 | | \$50.37 | | \$166.64 | |
| Equity Investment @ 40% of TDC | | | | | | |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Assumed Return on Equity (1) | 6% | 6% | 6% | 6% | 6% | 6% |
| Low Scenario | \$6,387,673 | \$2,936,401 | \$6,876,241 | \$3,117,953 | \$10,351,397 | \$6,410,163 |
| Middle Scenario | \$7,215,164 | \$3,437,609 | \$7,754,272 | \$3,640,109 | \$11,744,477 | \$7,496,343 |
| High Scenario | \$8,135,134 | \$4,031,297 | \$8,724,784 | \$4,254,745 | \$13,333,396 | \$8,778,363 |

(1) Return on equity measured as net project value divided by the number of years equity investment divided by total equity investment.
(2) Annual net cash flow (NOI less debt service) divided by total equity investment.

Source: DRA.

Table 53
Land Residual Analysis, Incentive Program Rec
Low Rise and Mid Rise Prototypes
Lower Cap Rates Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 to 6 Stories | | 6 Stories to 7 Stories | | | |
|--|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Residential Ownership | | Residential Rental | | Residential Ownership | |
| | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 11A With Incentive | Prototype 11B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| Site Area (SF) | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Residential Net SF | 68,900 | 46,900 | 87,900 | 68,900 | 87,900 | 68,900 |
| Total Net SF | 71,000 | 49,000 | 90,000 | 71,000 | 90,000 | 71,000 |
| Residential Units | 84 | 57 | 135 | 106 | 107 | 84 |
| Approximate Building Stories | 6 | 4 | 7 | 6 | 7 | 6 |
| Gross SF Bonus GFA | 30,000 | | 25,000 | | 25,000 | |
| Total Annual Net Operating Income, Rental Uses | | | | | | |
| Low Scenario | | | \$1,655,658 | \$1,304,218 | | |
| NOI Per NSF | | | \$18.40 | \$18.37 | | |
| Middle Scenario | | | \$1,778,076 | \$1,399,936 | | |
| NOI Per NSF | | | \$19.76 | \$19.72 | | |
| High Scenario | | | \$1,961,091 | \$1,543,301 | | |
| NOI Per NSF | | | \$21.79 | \$21.74 | | |
| Cap Rate | | | 4.25% | 4.25% | | |
| Total Market Value (Capitalized NOI for Rental; Net Sales Proceeds for Ownership) | | | | | | |
| Low Scenario | \$19,636,500 | \$13,366,500 | \$38,956,659 | \$30,687,482 | \$25,061,190 | \$19,643,055 |
| Per NSF | \$285 | \$285 | \$443 | \$445 | \$285 | \$285 |
| Middle Scenario | \$26,182,000 | \$17,822,000 | \$41,837,082 | \$32,939,671 | \$33,414,920 | \$26,190,740 |
| Per NSF | \$380 | \$380 | \$476 | \$478 | \$380 | \$380 |
| High Scenario | \$32,727,500 | \$22,277,500 | \$46,143,318 | \$36,312,965 | \$41,768,650 | \$32,738,425 |
| Per NSF | \$475 | \$475 | \$525 | \$527 | \$475 | \$475 |
| Less: Total Development Cost, Excluding Land | | | | | | |
| Low Scenario | \$26,086,183 | \$15,508,312 | \$33,426,810 | \$24,482,308 | \$31,955,944 | \$26,086,183 |
| Per NSF | \$367 | \$316 | \$371 | \$345 | \$355 | \$367 |
| Middle Scenario | \$28,689,651 | \$17,291,790 | \$36,879,428 | \$26,925,388 | \$35,256,404 | \$28,689,651 |
| Per NSF | \$404 | \$353 | \$410 | \$379 | \$392 | \$404 |
| High Scenario | \$31,422,719 | \$19,204,868 | \$40,522,846 | \$29,559,269 | \$38,747,664 | \$31,483,919 |
| Per NSF | \$443 | \$392 | \$450 | \$416 | \$431 | \$443 |
| Less: Assumed Return on Equity (See Below) | | | | | | |
| Low Scenario | \$2,677,074 | \$1,661,598 | \$3,463,374 | \$2,604,702 | \$3,322,171 | \$2,758,674 |
| Middle Scenario | \$3,030,686 | \$1,936,492 | \$3,947,465 | \$2,991,877 | \$3,791,655 | \$3,161,246 |
| High Scenario | \$3,431,301 | \$2,258,387 | \$4,500,753 | \$3,448,250 | \$4,330,336 | \$3,633,016 |
| Residual Land Value Before Program Costs | | | | | | |
| Low Scenario | (\$6,449,683) | (\$2,141,812) | \$5,529,849 | \$6,205,175 | (\$6,894,754) | (\$6,443,128) |
| Per SF Site Area | (\$322) | (\$107) | \$276 | \$310 | (\$345) | (\$322) |
| Per Dwelling Unit | (\$76,782) | (\$37,576) | \$40,962 | \$58,539 | (\$64,437) | (\$76,704) |
| Per SF Bonus GFA | (\$214.99) | | \$221.19 | | (\$275.79) | |
| Middle Scenario | (\$2,507,651) | \$530,210 | \$4,957,654 | \$6,014,282 | (\$1,841,484) | (\$2,498,911) |
| Per SF Site Area | (\$125) | \$27 | \$248 | \$301 | (\$92) | (\$125) |
| Per Dwelling Unit | (\$29,853) | \$9,302 | \$36,723 | \$56,739 | (\$17,210) | (\$29,749) |
| Per SF Bonus GFA | (\$83.59) | | \$198.31 | | (\$73.66) | |
| High Scenario | \$1,304,781 | \$3,072,632 | \$5,620,471 | \$6,753,696 | \$3,020,986 | \$1,254,506 |
| Per SF Site Area | \$65 | \$154 | \$281 | \$338 | \$151 | \$63 |
| Per Dwelling Unit | \$15,533 | \$53,906 | \$41,633 | \$63,714 | \$28,234 | \$14,935 |
| Per SF Bonus GFA | \$43.49 | | \$224.82 | | \$120.84 | |
| Equity Investment @ 40% | | | | | | |
| Low Scenario | \$10,434,473 | \$6,203,325 | \$13,370,724 | \$9,792,923 | \$12,782,378 | \$10,434,473 |
| Middle Scenario | \$11,475,860 | \$6,916,716 | \$14,751,771 | \$10,770,155 | \$14,102,562 | \$11,475,860 |
| High Scenario | \$12,569,088 | \$7,681,947 | \$16,209,139 | \$11,823,708 | \$15,499,066 | \$12,593,568 |
| Assumed Investment Period (Months) | 4 | 4 | 4 | 4 | 4 | 4 |
| Increase in Net Value from Bonus Before Prog. Costs | | | | | | |
| Low Scenario | \$4,231,148 | | \$3,577,801 | | \$2,347,905 | |
| Middle Scenario | \$4,559,144 | | \$3,981,616 | | \$2,626,701 | |
| High Scenario | \$4,887,140 | | \$4,385,431 | | \$2,905,498 | |

Table 53
Land Residual Analysis, Incentive Program Rec
Low Rise and Mid Rise Prototypes
Lower Cap Rates Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 to 6 Stories | | 6 Stories to 7 Stories | | | |
|--|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Residential Ownership | | Residential Rental | | Residential Ownership | |
| | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 11A With Incentive | Prototype 11B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$454,500 | | \$378,750 | | \$378,750 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$31,600 | | \$647,543 | | \$1,295,085 | |
| Middle Scenario | \$202,160 | | \$796,953 | | \$1,593,907 | |
| High Scenario | \$392,400 | | \$967,720 | | \$1,935,440 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | \$63,200 | | \$4,020 | | \$14,740 | |
| Middle Scenario | \$404,320 | | \$136,860 | | \$501,820 | |
| High Scenario | \$784,800 | | \$289,380 | | \$1,061,060 | |
| Residual Land Value After Prog. Costs | | | | | | |
| 1. Current In-Lieu Fee | | | | | | |
| Low Scenario | (\$6,904,183) | | \$5,151,099 | | (\$7,273,504) | |
| Per SF Site Area | (\$345) | | \$258 | | (\$364) | |
| Per SF Bonus GFA | (\$230.14) | | \$206.04 | | (\$290.94) | |
| Middle Scenario | (\$2,962,151) | | \$4,578,904 | | (\$2,220,234) | |
| Per SF Site Area | (\$148) | | \$229 | | (\$111) | |
| Per SF Bonus GFA | (\$98.74) | | \$183.16 | | (\$88.81) | |
| High Scenario | \$850,281 | | \$5,241,721 | | \$2,642,236 | |
| Per SF Site Area | \$43 | | \$262 | | \$132 | |
| Per SF Bonus GFA | \$28.34 | | \$209.67 | | \$105.69 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | (\$6,481,283) | | \$4,882,307 | | (\$8,189,839) | |
| Per SF Site Area | (\$324) | | \$244 | | (\$409) | |
| Per SF Bonus GFA | (\$216.04) | | \$195.29 | | (\$327.59) | |
| Middle Scenario | (\$2,709,811) | | \$4,160,701 | | (\$3,435,391) | |
| Per SF Site Area | (\$135) | | \$208 | | (\$172) | |
| Per SF Bonus GFA | (\$90.33) | | \$166.43 | | (\$137.42) | |
| High Scenario | \$912,381 | | \$4,652,751 | | \$1,085,546 | |
| Per SF Site Area | \$46 | | \$233 | | \$54 | |
| Per SF Bonus GFA | \$30.41 | | \$186.11 | | \$43.42 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | (\$7,234,483) | | \$5,240,469 | | (\$7,955,814) | |
| Per SF Site Area | (\$362) | | \$262 | | (\$398) | |
| Per SF Bonus GFA | (\$241.15) | | \$209.62 | | (\$318.23) | |
| Middle Scenario | (\$3,292,451) | | \$4,668,274 | | (\$2,902,544) | |
| Per SF Site Area | (\$165) | | \$233 | | (\$145) | |
| Per SF Bonus GFA | (\$109.75) | | \$186.73 | | (\$116.10) | |
| High Scenario | \$519,981 | | \$5,331,091 | | \$1,959,926 | |
| Per SF Site Area | \$26 | | \$267 | | \$98 | |
| Per SF Bonus GFA | \$17.33 | | \$213.24 | | \$78.40 | |
| Equity Investment @ 40% of TDC | | | | | | |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Assumed Return on Equity (1) | 6% | 6% | 6% | 6% | 6% | 6% |
| Low Scenario | \$11,154,473 | \$6,923,325 | \$14,430,724 | \$10,852,923 | \$13,842,378 | \$11,494,473 |
| Middle Scenario | \$12,627,860 | \$8,068,716 | \$16,447,771 | \$12,466,155 | \$15,798,562 | \$13,171,860 |
| High Scenario | \$14,297,088 | \$9,409,947 | \$18,753,139 | \$14,367,708 | \$18,043,066 | \$15,137,568 |

(1) Return on equity measured as net project value divide
(2) Annual net cash flow (NOI less debt service) divide

Source: DRA.

Table 54
Land Residual Analysis, Incentive Program Requirements
Low Rise and Mid Rise Prototypes
Higher Cap Rates Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | | 4 to 6 Stories | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Residential Rental | |
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 8A With Incentive | Prototype 8B No Incentive | Prototype 9A With Incentive | Prototype 9B No Incentive |
| Site Area (SF) | 14,400 | 14,400 | 14,400 | 14,400 | 20,000 | 20,000 |
| Retail Net SF | - | - | - | - | 2,100 | 2,100 |
| Residential Net SF | 46,000 | 22,000 | 46,000 | 22,000 | 68,900 | 46,900 |
| Total Net SF | 46,000 | 22,000 | 46,000 | 22,000 | 71,000 | 49,000 |
| Residential Units | 71 | 34 | 56 | 27 | 106 | 72 |
| Approximate Building Stories | 7 | 4 | 7 | 4 | 6 | 4 |
| Gross SF Bonus GFA | 32,400 | | 32,400 | | 30,000 | |
| Total Annual Net Operating Income, Rental Uses | | | | | | |
| Low Scenario | \$753,140 | \$404,800 | | | \$1,304,218 | \$899,418 |
| NOI Per NSF | \$16.37 | \$18.40 | | | \$18.37 | \$18.36 |
| Middle Scenario | \$910,460 | \$435,160 | | | \$1,399,936 | \$964,776 |
| NOI Per NSF | \$19.79 | \$19.78 | | | \$19.72 | \$19.69 |
| High Scenario | \$1,006,060 | \$480,860 | | | \$1,543,301 | \$1,062,441 |
| NOI Per NSF | \$21.87 | \$21.86 | | | \$21.74 | \$21.68 |
| Cap Rate | 5.00% | 5.00% | | | 5.00% | 5.00% |
| Total Market Value (Capitalized NOI for Rental; Net Sales Proceeds for Ownership) | | | | | | |
| Low Scenario | \$15,062,800 | \$8,096,000 | \$13,110,000 | \$6,270,000 | \$26,084,360 | \$17,988,360 |
| Per NSF | \$327 | \$368 | \$285 | \$285 | \$379 | \$384 |
| Middle Scenario | \$18,209,200 | \$8,703,200 | \$17,480,000 | \$8,360,000 | \$27,998,720 | \$19,295,520 |
| Per NSF | \$396 | \$396 | \$380 | \$380 | \$406 | \$411 |
| High Scenario | \$20,121,200 | \$9,617,200 | \$21,850,000 | \$10,450,000 | \$30,866,020 | \$21,248,820 |
| Per NSF | \$437 | \$437 | \$475 | \$475 | \$448 | \$453 |
| Less: Total Development Cost, Excluding Land | | | | | | |
| Low Scenario | \$15,119,184 | \$6,491,003 | \$16,340,601 | \$6,944,883 | \$24,078,493 | \$14,225,407 |
| Per NSF | \$329 | \$295 | \$355 | \$316 | \$339 | \$290 |
| Middle Scenario | \$16,677,910 | \$7,234,023 | \$18,025,681 | \$7,740,273 | \$26,481,192 | \$15,860,857 |
| Per NSF | \$363 | \$329 | \$392 | \$352 | \$373 | \$324 |
| High Scenario | \$18,297,836 | \$8,038,242 | \$19,771,960 | \$8,596,863 | \$29,013,491 | \$17,625,908 |
| Per NSF | \$398 | \$365 | \$430 | \$391 | \$409 | \$360 |
| Less: Assumed Return on Equity (See Below) | | | | | | |
| Low Scenario | \$1,533,042 | \$704,736 | \$1,650,298 | \$748,309 | \$2,484,335 | \$1,538,439 |
| Middle Scenario | \$1,731,639 | \$825,026 | \$1,861,025 | \$873,626 | \$2,818,674 | \$1,799,122 |
| High Scenario | \$1,952,432 | \$967,511 | \$2,093,948 | \$1,021,139 | \$3,200,015 | \$2,106,807 |
| Residual Land Value Before Program Costs | | | | | | |
| Low Scenario | (\$1,589,425) | \$1,604,997 | (\$3,230,601) | (\$674,883) | \$2,005,868 | \$3,762,953 |
| Per SF Site Area | (\$110) | \$111 | (\$224) | (\$47) | \$100 | \$188 |
| Per Dwelling Unit | (\$22,386) | \$47,206 | (\$57,689) | (\$24,996) | \$18,923 | \$52,263 |
| Per SF Bonus GFA | -\$49.06 | | -\$99.71 | | \$66.86 | |
| Middle Scenario | (\$200,349) | \$1,469,177 | (\$545,681) | \$619,727 | \$1,517,528 | \$3,434,663 |
| Per SF Site Area | (\$14) | \$102 | (\$38) | \$43 | \$76 | \$172 |
| Per Dwelling Unit | (\$2,822) | \$43,211 | (\$9,744) | \$22,953 | \$14,316 | \$47,704 |
| Per SF Bonus GFA | -\$6.18 | | -\$16.84 | | \$50.58 | |
| High Scenario | (\$129,068) | \$1,578,958 | \$2,078,040 | \$1,853,137 | \$1,852,529 | \$3,622,912 |
| Per SF Site Area | (\$9) | \$110 | \$144 | \$129 | \$93 | \$181 |
| Per Dwelling Unit | (\$1,818) | \$46,440 | \$37,108 | \$68,635 | \$17,477 | \$50,318 |
| Per SF Bonus GFA | -\$3.98 | | \$64.14 | | \$61.75 | |
| Equity Investment @ 40% | | | | | | |
| Low Scenario | \$6,047,673 | \$2,596,401 | \$6,536,241 | \$2,777,953 | \$9,631,397 | \$5,690,163 |
| Middle Scenario | \$6,671,164 | \$2,893,609 | \$7,210,272 | \$3,096,109 | \$10,592,477 | \$6,344,343 |
| High Scenario | \$7,319,134 | \$3,215,297 | \$7,908,784 | \$3,438,745 | \$11,605,396 | \$7,050,363 |
| Assumed Investment Period (Months) | 4 | 4 | 4 | 4 | 4 | 4 |
| Increase in Net Value from Bonus Before Prog. Costs | | | | | | |
| Low Scenario | \$3,451,272 | | \$3,758,288 | | \$3,941,234 | |
| Middle Scenario | \$3,777,555 | | \$4,114,163 | | \$4,248,134 | |
| High Scenario | \$4,103,837 | | \$4,470,039 | | \$4,555,033 | |

Table 54
Land Residual Analysis, Incentive Program Requirements
Low Rise and Mid Rise Prototypes
Higher Cap Rates Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | | 4 to 6 Stories | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Residential Rental | |
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 8A With Incentive | Prototype 8B No Incentive | Prototype 9A With Incentive | Prototype 9B No Incentive |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$490,860 | | \$490,860 | | \$454,500 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$597,840 | | \$0 | | \$693,934 | |
| Middle Scenario | \$743,525 | | \$123,440 | | \$858,212 | |
| High Scenario | \$905,490 | | \$297,280 | | \$1,045,585 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | \$836,977 | | \$0 | | \$1,526,654 | |
| Middle Scenario | \$1,040,935 | | \$185,160 | | \$1,888,066 | |
| High Scenario | \$1,267,686 | | \$445,920 | | \$2,300,287 | |
| Residual Land Value After Prog. Costs | | | | | | |
| 1. Current In-Lieu Fee | | | | | | |
| Low Scenario | (\$2,080,285) | | (\$3,721,461) | | \$1,551,368 | |
| Per SF Site Area | (\$144) | | (\$258) | | \$78 | |
| Per SF Bonus GFA | (\$64.21) | | (\$114.86) | | \$51.71 | |
| Middle Scenario | (\$691,209) | | (\$1,036,541) | | \$1,063,028 | |
| Per SF Site Area | (\$48) | | (\$72) | | \$53 | |
| Per SF Bonus GFA | (\$21.33) | | (\$31.99) | | \$35.43 | |
| High Scenario | (\$619,928) | | \$1,587,180 | | \$1,398,029 | |
| Per SF Site Area | (\$43) | | \$110 | | \$70 | |
| Per SF Bonus GFA | (\$19.13) | | \$48.99 | | \$46.60 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | (\$2,187,266) | | (\$3,230,601) | | \$1,311,934 | |
| Per SF Site Area | (\$152) | | (\$224) | | \$66 | |
| Per SF Bonus GFA | (\$67.51) | | (\$99.71) | | \$43.73 | |
| Middle Scenario | (\$943,874) | | (\$669,121) | | \$659,316 | |
| Per SF Site Area | (\$66) | | (\$46) | | \$33 | |
| Per SF Bonus GFA | (\$29.13) | | (\$20.65) | | \$21.98 | |
| High Scenario | (\$1,034,558) | | \$1,780,760 | | \$806,944 | |
| Per SF Site Area | (\$72) | | \$124 | | \$40 | |
| Per SF Bonus GFA | (\$31.93) | | \$54.96 | | \$26.90 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | (\$2,857,111) | | (\$3,676,521) | | (\$294,420) | |
| Per SF Site Area | (\$198) | | (\$255) | | (\$15) | |
| Per SF Bonus GFA | (\$88.18) | | (\$113.47) | | (\$9.81) | |
| Middle Scenario | (\$1,468,035) | | (\$991,601) | | (\$782,759) | |
| Per SF Site Area | (\$102) | | (\$69) | | (\$39) | |
| Per SF Bonus GFA | (\$45.31) | | (\$30.60) | | (\$26.09) | |
| High Scenario | (\$1,396,754) | | \$1,632,120 | | (\$447,758) | |
| Per SF Site Area | (\$97) | | \$113 | | (\$22) | |
| Per SF Bonus GFA | (\$43.11) | | \$50.37 | | (\$14.93) | |
| Equity Investment @ 40% of TDC | | | | | | |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Assumed Return on Equity (1) | 6% | 6% | 6% | 6% | 6% | 6% |
| Low Scenario | \$6,387,673 | \$2,936,401 | \$6,876,241 | \$3,117,953 | \$10,351,397 | \$6,410,163 |
| Middle Scenario | \$7,215,164 | \$3,437,609 | \$7,754,272 | \$3,640,109 | \$11,744,477 | \$7,496,343 |
| High Scenario | \$8,135,134 | \$4,031,297 | \$8,724,784 | \$4,254,745 | \$13,333,396 | \$8,778,363 |

(1) Return on equity measured as net project value divided by the number of years equity investment divided by total equity investment.
(2) Annual net cash flow (NOI less debt service) divided by total equity investment.

Source: DRA.

Table 54
Land Residual Analysis, Incentive Program Rec
Low Rise and Mid Rise Prototypes
Higher Cap Rates Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 to 6 Stories | | 6 Stories to 7 Stories | | | |
|--|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Residential Ownership | | Residential Rental | | Residential Ownership | |
| | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 11A With Incentive | Prototype 11B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| Site Area (SF) | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Residential Net SF | 68,900 | 46,900 | 87,900 | 68,900 | 87,900 | 68,900 |
| Total Net SF | 71,000 | 49,000 | 90,000 | 71,000 | 90,000 | 71,000 |
| Residential Units | 84 | 57 | 135 | 106 | 107 | 84 |
| Approximate Building Stories | 6 | 4 | 7 | 6 | 7 | 6 |
| Gross SF Bonus GFA | 30,000 | | 25,000 | | 25,000 | |
| Total Annual Net Operating Income, Rental Uses | | | | | | |
| Low Scenario | | | \$1,655,658 | \$1,304,218 | | |
| NOI Per NSF | | | \$18.40 | \$18.37 | | |
| Middle Scenario | | | \$1,778,076 | \$1,399,936 | | |
| NOI Per NSF | | | \$19.76 | \$19.72 | | |
| High Scenario | | | \$1,961,091 | \$1,543,301 | | |
| NOI Per NSF | | | \$21.79 | \$21.74 | | |
| Cap Rate | | | 5.00% | 5.00% | | |
| Total Market Value (Capitalized NOI for Rental; Net Sales Proceeds for Ownership) | | | | | | |
| Low Scenario | \$19,636,500 | \$13,366,500 | \$33,113,160 | \$26,084,360 | \$25,061,190 | \$19,643,055 |
| Per NSF | \$285 | \$285 | \$377 | \$379 | \$285 | \$285 |
| Middle Scenario | \$26,182,000 | \$17,822,000 | \$35,561,520 | \$27,998,720 | \$33,414,920 | \$26,190,740 |
| Per NSF | \$380 | \$380 | \$405 | \$406 | \$380 | \$380 |
| High Scenario | \$32,727,500 | \$22,277,500 | \$39,221,820 | \$30,866,020 | \$41,768,650 | \$32,738,425 |
| Per NSF | \$475 | \$475 | \$446 | \$448 | \$475 | \$475 |
| Less: Total Development Cost, Excluding Land | | | | | | |
| Low Scenario | \$26,086,183 | \$15,508,312 | \$33,426,810 | \$24,482,308 | \$31,955,944 | \$26,086,183 |
| Per NSF | \$367 | \$316 | \$371 | \$345 | \$355 | \$367 |
| Middle Scenario | \$28,689,651 | \$17,291,790 | \$36,879,428 | \$26,925,388 | \$35,256,404 | \$28,689,651 |
| Per NSF | \$404 | \$353 | \$410 | \$379 | \$392 | \$404 |
| High Scenario | \$31,422,719 | \$19,204,868 | \$40,522,846 | \$29,559,269 | \$38,747,664 | \$31,483,919 |
| Per NSF | \$443 | \$392 | \$450 | \$416 | \$431 | \$443 |
| Less: Assumed Return on Equity (See Below) | | | | | | |
| Low Scenario | \$2,677,074 | \$1,661,598 | \$3,463,374 | \$2,604,702 | \$3,322,171 | \$2,758,674 |
| Middle Scenario | \$3,030,686 | \$1,936,492 | \$3,947,465 | \$2,991,877 | \$3,791,655 | \$3,161,246 |
| High Scenario | \$3,431,301 | \$2,258,387 | \$4,500,753 | \$3,448,250 | \$4,330,336 | \$3,633,016 |
| Residual Land Value Before Program Costs | | | | | | |
| Low Scenario | (\$6,449,683) | (\$2,141,812) | (\$313,650) | \$1,602,053 | (\$6,894,754) | (\$6,443,128) |
| Per SF Site Area | (\$322) | (\$107) | (\$16) | \$80 | (\$345) | (\$322) |
| Per Dwelling Unit | (\$76,782) | (\$37,576) | (\$2,323) | \$15,114 | (\$64,437) | (\$76,704) |
| Per SF Bonus GFA | -\$214.99 | | -\$12.55 | | -\$275.79 | |
| Middle Scenario | (\$2,507,651) | \$530,210 | (\$1,317,908) | \$1,073,332 | (\$1,841,484) | (\$2,498,911) |
| Per SF Site Area | (\$125) | \$27 | (\$66) | \$54 | (\$92) | (\$125) |
| Per Dwelling Unit | (\$29,853) | \$9,302 | (\$9,762) | \$10,126 | (\$17,210) | (\$29,749) |
| Per SF Bonus GFA | -\$83.59 | | -\$52.72 | | -\$73.66 | |
| High Scenario | \$1,304,781 | \$3,072,632 | (\$1,301,026) | \$1,306,751 | \$3,020,986 | \$1,254,506 |
| Per SF Site Area | \$65 | \$154 | (\$65) | \$65 | \$151 | \$63 |
| Per Dwelling Unit | \$15,533 | \$53,906 | (\$9,637) | \$12,328 | \$28,234 | \$14,935 |
| Per SF Bonus GFA | \$43.49 | | -\$52.04 | | \$120.84 | |
| Equity Investment @ 40% | | | | | | |
| Low Scenario | \$10,434,473 | \$6,203,325 | \$13,370,724 | \$9,792,923 | \$12,782,378 | \$10,434,473 |
| Middle Scenario | \$11,475,860 | \$6,916,716 | \$14,751,771 | \$10,770,155 | \$14,102,562 | \$11,475,860 |
| High Scenario | \$12,569,088 | \$7,681,947 | \$16,209,139 | \$11,823,708 | \$15,499,066 | \$12,593,568 |
| Assumed Investment Period (Months) | 4 | 4 | 4 | 4 | 4 | 4 |
| Increase in Net Value from Bonus Before Prog. Costs | | | | | | |
| Low Scenario | \$4,231,148 | | \$3,577,801 | | \$2,347,905 | |
| Middle Scenario | \$4,559,144 | | \$3,981,616 | | \$2,626,701 | |
| High Scenario | \$4,887,140 | | \$4,385,431 | | \$2,905,498 | |

Table 54
Land Residual Analysis, Incentive Program Rec
Low Rise and Mid Rise Prototypes
Higher Cap Rates Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 to 6 Stories | | 6 Stories to 7 Stories | | | |
|--|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Residential Ownership | | Residential Rental | | Residential Ownership | |
| | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 11A With Incentive | Prototype 11B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$454,500 | | \$378,750 | | \$378,750 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$31,600 | | \$647,543 | | \$1,295,085 | |
| Middle Scenario | \$202,160 | | \$796,953 | | \$1,593,907 | |
| High Scenario | \$392,400 | | \$967,720 | | \$1,935,440 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | \$63,200 | | \$4,020 | | \$14,740 | |
| Middle Scenario | \$404,320 | | \$136,860 | | \$501,820 | |
| High Scenario | \$784,800 | | \$289,380 | | \$1,061,060 | |
| Residual Land Value After Prog. Costs | | | | | | |
| 1. Current In-Lieu Fee | | | | | | |
| Low Scenario | (\$6,904,183) | | (\$692,400) | | (\$7,273,504) | |
| Per SF Site Area | (\$345) | | (\$35) | | (\$364) | |
| Per SF Bonus GFA | (\$230.14) | | (\$27.70) | | (\$290.94) | |
| Middle Scenario | (\$2,962,151) | | (\$1,696,658) | | (\$2,220,234) | |
| Per SF Site Area | (\$148) | | (\$85) | | (\$111) | |
| Per SF Bonus GFA | (\$98.74) | | (\$67.87) | | (\$88.81) | |
| High Scenario | \$850,281 | | (\$1,679,776) | | \$2,642,236 | |
| Per SF Site Area | \$43 | | (\$84) | | \$132 | |
| Per SF Bonus GFA | \$28.34 | | (\$67.19) | | \$105.69 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | (\$6,481,283) | | (\$961,192) | | (\$8,189,839) | |
| Per SF Site Area | (\$324) | | (\$48) | | (\$409) | |
| Per SF Bonus GFA | (\$216.04) | | (\$38.45) | | (\$327.59) | |
| Middle Scenario | (\$2,709,811) | | (\$2,114,861) | | (\$3,435,391) | |
| Per SF Site Area | (\$135) | | (\$106) | | (\$172) | |
| Per SF Bonus GFA | (\$90.33) | | (\$84.59) | | (\$137.42) | |
| High Scenario | \$912,381 | | (\$2,268,746) | | \$1,085,546 | |
| Per SF Site Area | \$46 | | (\$113) | | \$54 | |
| Per SF Bonus GFA | \$30.41 | | (\$90.75) | | \$43.42 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | (\$7,234,483) | | (\$603,030) | | (\$7,955,814) | |
| Per SF Site Area | (\$362) | | (\$30) | | (\$398) | |
| Per SF Bonus GFA | (\$241.15) | | (\$24.12) | | (\$318.23) | |
| Middle Scenario | (\$3,292,451) | | (\$1,607,288) | | (\$2,902,544) | |
| Per SF Site Area | (\$165) | | (\$80) | | (\$145) | |
| Per SF Bonus GFA | (\$109.75) | | (\$64.29) | | (\$116.10) | |
| High Scenario | \$519,981 | | (\$1,590,406) | | \$1,959,926 | |
| Per SF Site Area | \$26 | | (\$80) | | \$98 | |
| Per SF Bonus GFA | \$17.33 | | (\$63.62) | | \$78.40 | |
| Equity Investment @ 40% of TDC | | | | | | |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Assumed Return on Equity (1) | 6% | 6% | 6% | 6% | 6% | 6% |
| Low Scenario | \$11,154,473 | \$6,923,325 | \$14,430,724 | \$10,852,923 | \$13,842,378 | \$11,494,473 |
| Middle Scenario | \$12,627,860 | \$8,068,716 | \$16,447,771 | \$12,466,155 | \$15,798,562 | \$13,171,860 |
| High Scenario | \$14,297,088 | \$9,409,947 | \$18,753,139 | \$14,367,708 | \$18,043,066 | \$15,137,568 |

(1) Return on equity measured as net project value divide
(2) Annual net cash flow (NOI less debt service) divide

Source: DRA.

Table 55
Estimated Residual Land Value Per SF Site Area and Per SF Bonus Floor Area
Development Prototypes with and without Incentives
Lower Cap Rates Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| Housing Prototypes | Residual Land Value @ Indicated Cap Rate | | | | | | | | |
|------------------------------------|--|----------------------------|------------------|---------------------------|--------------------------------------|---------------------------|--|---------------------------|--|
| | Prototypes without Incentives | Prototypes With Incentives | | | | | | | |
| | | Before Program Costs | | | After Payment of Current In Lieu Fee | | After Performance Costs/Fee Scenario 1 | | After Performance Costs/Fee Scenario 2 |
| | Per Square Foot Site Area | Per Square Foot Site Area | Per SF Bonus GFA | Per Square Foot Site Area | Per SF Bonus GFA | Per Square Foot Site Area | Per SF Bonus GFA | Per Square Foot Site Area | Per SF Bonus GFA |
| DOWNTOWN PROTOTYPES | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% |
| Residential Rental Prototype 1 | \$325 | \$351 | \$35.53 | \$137 | \$13.85 | (\$142) | (\$14.39) | (\$613) | (\$62.05) |
| Residential Ownership Prototype 2 | \$923 | \$1,683 | \$177.54 | \$1,478 | \$155.86 | \$1,381 | \$145.67 | \$1,142 | \$120.51 |
| | 5.00% | 5.00% | | 5.00% | | 5.00% | | 5.00% | |
| Commercial Prototype 3 | (\$13) | \$54 | \$10.75 | (\$79) | (\$15.70) | (\$169) | (\$33.75) | N/A | N/A |
| SOUTH LAKE UNION PROTOTYPES | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% |
| Residential Rental Prototype 4 | \$900 | \$581 | \$83.49 | \$440 | \$63.14 | \$328 | \$47.03 | \$93 | \$13.32 |
| Residential Ownership Prototype 5 | \$566 | \$189 | \$29.15 | \$58 | \$8.94 | \$34 | \$5.29 | (\$95) | (\$14.70) |
| | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Commercial Prototype 6 | (\$59) | (\$4) | (\$1.63) | (\$70) | \$13.85 | (\$115) | (\$46.13) | N/A | N/A |
| LOWRISE TO MIDRISE | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% |
| Residential Rental Prototype 7 | | | | | | | | | |
| Low Scenario | \$211 | \$74 | \$32.99 | \$40 | \$17.84 | \$33 | \$14.53 | (\$14) | (\$6) |
| Middle Scenario | \$209 | \$209 | \$93.00 | \$175 | \$77.85 | \$158 | \$70.05 | \$121 | \$54 |
| High Scenario | \$228 | \$238 | \$105.61 | \$204 | \$90.46 | \$175 | \$77.66 | \$150 | \$66 |
| Residential Ownership Prototype 8 | | | | | | | | | |
| Low Scenario | (\$47) | (\$224) | (\$99.71) | (\$258) | \$17.84 | (\$224) | (\$99.71) | (\$255) | (\$113) |
| Middle Scenario | \$43 | (\$38) | (\$16.84) | (\$72) | \$77.85 | (\$46) | (\$20.65) | (\$69) | (\$31) |
| High Scenario | \$129 | \$144 | \$64.14 | \$110 | \$90.46 | \$124 | \$54.96 | \$113 | \$50 |
| 4 STORIES TO 6 STORIES | | | | | | | | | |
| Residential Rental Prototype 9 | | | | | | | | | |
| Low Scenario | \$347 | \$330 | \$220.30 | \$308 | \$205.15 | \$296 | \$197.17 | \$215 | \$144 |
| Middle Scenario | \$342 | \$323 | \$215.28 | \$300 | \$200.13 | \$280 | \$186.68 | \$208 | \$139 |
| High Scenario | \$369 | \$365 | \$243.32 | \$342 | \$228.17 | \$313 | \$208.46 | \$250 | \$167 |
| Residential Ownership Prototype 10 | | | | | | | | | |
| Low Scenario | (\$107) | (\$322) | (\$214.99) | (\$345) | (\$230.14) | (\$324) | (\$216.04) | (\$362) | (\$241) |
| Middle Scenario | \$27 | (\$125) | (\$83.59) | (\$148) | (\$98.74) | (\$135) | (\$90.33) | (\$165) | (\$110) |
| High Scenario | \$154 | \$65 | \$43.49 | \$43 | \$28.34 | \$46 | \$30.41 | \$26 | \$17 |
| 6 STORIES TO 7 STORIES | | | | | | | | | |
| Residential Rental Prototype 11 | | | | | | | | | |
| Low Scenario | \$310 | \$276 | \$221.19 | \$258 | \$206.04 | \$244 | \$195.29 | \$262 | \$210 |
| Middle Scenario | \$301 | \$248 | \$198.31 | \$229 | \$183.16 | \$208 | \$166.43 | \$233 | \$187 |
| High Scenario | \$338 | \$281 | \$224.82 | \$262 | \$209.67 | \$233 | \$186.11 | \$267 | \$213 |
| Residential Ownership Prototype 12 | | | | | | | | | |
| Low Scenario | (\$322) | (\$345) | (\$275.79) | (\$364) | (\$290.94) | (\$409) | (\$328) | (\$398) | (\$318) |
| Middle Scenario | (\$125) | (\$92) | (\$73.66) | (\$111) | (\$88.81) | (\$172) | (\$137) | (\$145) | (\$116) |
| High Scenario | \$63 | \$151 | \$120.84 | \$132 | \$105.69 | \$54 | \$43 | \$98 | \$78 |

(1) Prototypes with incentive.
(2) Includes gap cost of affordable housing performance requirements plus estimated cost of TDR requirements, as applicable.
(3) Return on equity calculated as total increase in project value divided by equity investment divided by average number of years of equity investment.
Estimated project ROE of the prototype with the incentive before program costs, and under in lieu fee payment and performance options.
Source: DRA

Table 56
Estimated Residual Land Value Per SF Site Area and Per SF Bonus Floor Area
Development Prototypes with and without Incentives
Higher Cap Rates Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Residual Land Value @ Indicated Cap Rate | | | | | | | | |
|------------------------------------|--|----------------------------|------------------|---------------------------|--------------------------------------|---------------------------|--|---------------------------|--|
| | Prototypes without Incentives | Prototypes With Incentives | | | | | | | |
| | | Before Program Costs | | | After Payment of Current In Lieu Fee | | After Performance Costs/Fee Scenario 1 | | After Performance Costs/Fee Scenario 2 |
| Housing Prototypes | Per Square Foot Site Area | Per Square Foot Site Area | Per SF Bonus GFA | Per Square Foot Site Area | Per SF Bonus GFA | Per Square Foot Site Area | Per SF Bonus GFA | Per Square Foot Site Area | Per SF Bonus GFA |
| DOWNTOWN PROTOTYPES | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Residential Rental Prototype 1 | (\$743) | (\$1,367) | (\$138.31) | (\$1,581) | (\$160) | (\$1,860) | (\$188.24) | (\$2,331) | (\$235.90) |
| Residential Ownership Prototype 2 | \$923 | \$1,683 | \$177.54 | \$1,478 | \$155.86 | \$1,381 | \$145.67 | \$1,142 | \$120.51 |
| | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% |
| Commercial Prototype 3 | (\$32) | (\$27) | (\$5.44) | (\$159) | (\$31.89) | (\$250) | (\$49.94) | N/A | N/A |
| SOUTH LAKE UNION PROTOTYPES | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Residential Rental Prototype 4 | \$555 | (\$270) | (\$38.75) | (\$412) | (\$59.10) | (\$524) | (\$75.21) | (\$759) | (\$108.92) |
| Residential Ownership Prototype 5 | \$566 | \$189 | \$29.15 | \$58 | \$8.94 | \$34 | \$5.29 | (\$95) | (\$14.70) |
| | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% |
| Commercial Prototype 6 | (\$88) | (\$65) | (\$26.22) | (\$131) | (\$159.99) | (\$176) | (\$70.72) | N/A | N/A |
| LOWRISE TO MIDRISE | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Residential Rental Prototype 7 | | | | | | | | | |
| Low Scenario | \$111 | (\$110) | (\$49.06) | (\$144) | (\$64.21) | (\$152) | (\$67.51) | (\$198) | (\$88) |
| Middle Scenario | \$102 | (\$14) | (\$6.18) | (\$48) | (\$21.33) | (\$66) | (\$29.13) | (\$102) | (\$45) |
| High Scenario | \$110 | (\$9) | (\$3.98) | (\$43) | (\$19.13) | (\$72) | (\$31.93) | (\$97) | (\$43) |
| Residential Ownership Prototype 8 | | | | | | | | | |
| Low Scenario | (\$47) | (\$224) | (\$99.71) | (\$258) | (\$64.21) | (\$224) | (\$99.71) | (\$255) | (\$113) |
| Middle Scenario | \$43 | (\$38) | (\$16.84) | (\$72) | (\$21.33) | (\$46) | (\$20.65) | (\$69) | (\$31) |
| High Scenario | \$129 | \$144 | \$64.14 | \$110 | (\$19.13) | \$124 | \$54.96 | \$113 | \$50 |
| 4 STORIES TO 6 STORIES | | | | | | | | | |
| Residential Rental Prototype 9 | | | | | | | | | |
| Low Scenario | \$188 | \$100 | \$66.86 | \$78 | \$51.71 | \$66 | \$43.73 | (\$15) | (\$10) |
| Middle Scenario | \$172 | \$76 | \$50.58 | \$53 | \$35.43 | \$33 | \$21.98 | (\$39) | (\$26) |
| High Scenario | \$181 | \$93 | \$61.75 | \$70 | \$46.60 | \$40 | \$26.90 | (\$22) | (\$15) |
| Residential Ownership Prototype 10 | | | | | | | | | |
| Low Scenario | (\$107) | (\$322) | (\$214.99) | (\$345) | (\$230.14) | (\$324) | (\$216.04) | (\$362) | (\$241) |
| Middle Scenario | \$27 | (\$125) | (\$83.59) | (\$148) | (\$98.74) | (\$135) | (\$90.33) | (\$165) | (\$110) |
| High Scenario | \$154 | \$65 | \$43.49 | \$43 | \$28.34 | \$46 | \$30.41 | \$26 | \$17 |
| 6 STORIES TO 7 STORIES | | | | | | | | | |
| Residential Rental Prototype 11 | | | | | | | | | |
| Low Scenario | \$80 | (\$16) | (\$12.55) | (\$35) | (\$27.70) | (\$48) | (\$38.45) | (\$30) | (\$24) |
| Middle Scenario | \$54 | (\$66) | (\$52.72) | (\$85) | (\$67.87) | (\$106) | (\$84.59) | (\$80) | (\$64) |
| High Scenario | \$65 | (\$65) | (\$52.04) | (\$84) | (\$67.19) | (\$113) | (\$90.75) | (\$80) | (\$64) |
| Residential Ownership Prototype 12 | | | | | | | | | |
| Low Scenario | (\$322) | (\$345) | (\$275.79) | (\$364) | (\$290.94) | (\$409) | (\$328) | (\$398) | (\$318) |
| Middle Scenario | (\$125) | (\$92) | (\$73.66) | (\$111) | (\$88.81) | (\$172) | (\$137) | (\$145) | (\$116) |
| High Scenario | \$63 | \$151 | \$120.84 | \$132 | \$105.69 | \$54 | \$43 | \$98 | \$78 |

(1) Prototypes with incentive.
(2) Includes gap cost of affordable housing performance requirements plus estimated cost of TDR requirements, as applicable.
(3) Return on equity calculated as total increase in project value divided by equity investment divided by average number of years of equity investment.
Estimated project ROE of the prototype with the incentive before program costs, and under in lieu fee payment and performance options.
Source: DRA

Table 57
Development and Financing Cost Assumptions
Downtown and South Lake Union Prototypes
Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Downtown/HR | | | | | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 1A With Incentive | Prototype 1B No Incentive | Prototype 2A With Incentive | Prototype 2B No Incentive | Prototype 3A With Incentive | Prototype 3B No Incentive |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Office Net SF | 0 | 0 | 0 | 0 | 249,480 | 129,600 |
| Residential Net SF | 308,900 | 194,900 | 283,900 | 174,900 | 0 | 0 |
| Total Net SF | 311,000 | 197,000 | 286,000 | 177,000 | 251,580 | 131,700 |
| Total Gross SF Building Area (Including Parking) | 509,500 | 323,300 | 524,500 | 323,300 | 447,000 | 224,000 |
| Residential Units | 426 | 269 | 344 | 212 | 0 | 0 |
| Site Area (SF) | 15,000 | 15,000 | 15,000 | 15,000 | 32,400 | 32,400 |
| Approximate Building Stories | 40 | 24 | 40 | 24 | 8 | 4 |
| Hard Cost Assumptions | | | | | | |
| Land Price per SF Site Area | \$800 | \$800 | \$800 | \$800 | \$800 | \$800 |
| Land Price per Unit | \$28,169 | \$44,610 | \$34,884 | \$56,604 | N/A | N/A |
| Building Demolition Costs | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 |
| Site Improvements (Per Site SF) | \$0 | \$0 | \$0 | \$0 | \$50 | \$50 |
| Hard Construction Cost (Per Gross SF, Incl. Pkg) | \$220 | \$210 | \$220 | \$210 | \$145 | \$145 |
| Subtotal: Site/Hard Costs Per Gross SF, Incl. Pkg) | \$220 | \$210 | \$220 | \$210 | \$151 | \$157 |
| Hard Cost Contingency (% of Hard Costs) | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| WA State Sales Tax (% of Hard Costs Plus Conting.) | 9.5% | 9.5% | 9.5% | 9.5% | 9.5% | 9.5% |
| Soft Cost Assumptions (% of Hard Costs) | | | | | | |
| Architecture/Engineering/Consultants | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% |
| Financing Costs | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| Other Soft Costs (1) | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Residential Condo Addit. Insur./Expenses | 0.0% | 0.0% | 2.0% | 2.0% | 0.0% | 0.0% |
| Subtotal--Soft Cost % | 16.0% | 16.0% | 18.0% | 18.0% | 16.0% | 16.0% |
| Developer Overhead (% TDC Less Land & Sales Tax) | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |

(1) Includes insurance, legal, accounting, marketing, lease-up, permits and fees.
Source: DRA

Table 57
Development and Financing Cost Assumptions
Downtown and South Lake Union Prototypes
Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | South Lake Union | | | | | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 4A With Incentive | Prototype 4B No Incentive | Prototype 5A With Incentive | Prototype 5B No Incentive | Prototype 6A With Incentive | Prototype 6B No Incentive |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Office Net SF | 0 | 0 | 0 | 0 | 238,400 | 152,800 |
| Residential Net SF | 202,900 | 89,900 | 184,900 | 79,900 | 0 | 0 |
| Total Net SF | 205,000 | 92,000 | 187,000 | 82,000 | 240,500 | 154,900 |
| Total Gross SF Building Area (Including Parking) | 341,250 | 153,000 | 341,250 | 148,000 | 414,000 | 267,000 |
| Residential Units | 280 | 124 | 218 | 94 | 0 | 0 |
| Site Area (SF) | 21,000 | 21,000 | 21,000 | 21,000 | 43,000 | 43,000 |
| Approximate Building Stories | 24 | 7 | 24 | 7 | 8 | 5 |
| Hard Cost Assumptions | | | | | | |
| Land Price per SF Site Area | \$400 | \$400 | \$400 | \$400 | \$400 | \$400 |
| Land Price per Unit | \$30,000 | \$67,742 | \$38,532 | \$89,362 | N/A | N/A |
| Building Demolition Costs | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 |
| Site Improvements (Per Site SF) | \$0 | \$0 | \$0 | \$0 | \$50 | \$50 |
| Hard Construction Cost (Per Gross SF, Incl. Pkg) | \$210 | \$125 | \$210 | \$125 | \$145 | \$145 |
| Subtotal: Site/Hard Costs Per Gross SF, Incl. Pkg) | \$210 | \$125 | \$210 | \$125 | \$154 | \$159 |
| Hard Cost Contingency (% of Hard Costs) | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| WA State Sales Tax (% of Hard Costs Plus Conting.) | 9.5% | 9.5% | 9.5% | 9.5% | 9.5% | 9.5% |
| Soft Cost Assumptions (% of Hard Costs) | | | | | | |
| Architecture/Engineering/Consultants | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% |
| Financing Costs | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| Other Soft Costs (1) | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Residential Condo Addit. Insur./Expenses | 0.0% | 0.0% | 2.0% | 2.0% | 0.0% | 0.0% |
| Subtotal--Soft Cost % | 16.0% | 16.0% | 18.0% | 18.0% | 16.0% | 16.0% |
| Developer Overhead (% TDC Less Land & Sales Tax) | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |

(1) Includes insurance, legal, accounting, marketing, le
Source: DRA

Table 58
Development and Financing Cost Assumptions
Low Rise and Mid Rise Prototypes
Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | | |
|--|--------------------|--------------|-----------------------|--------------|----------|
| | Residential Rental | | Residential Ownership | | |
| | Prototype 7A | Prototype 7B | Prototype 8A | Prototype 8B | |
| | With Incentive | No Incentive | With Incentive | No Incentive | |
| Retail Net SF | 0 | 0 | 0 | 0 | |
| Office Net SF | 0 | 0 | 0 | 0 | |
| Residential Net SF | 46,000 | 22,000 | 46,000 | 22,000 | |
| Total Net SF | 46,000 | 22,000 | 46,000 | 22,000 | |
| Total Gross SF Building Area (Including Parking) | 77,200 | 36,800 | 82,200 | 38,800 | |
| Total Residential Units | 71 | 34 | 56 | 27 | |
| Site Area (SF) | 14,400 | 14,400 | 14,400 | 14,400 | |
| Approximate Building Stories | 7 | 4 | 7 | 4 | |
| Hard Cost Assumptions | | | | | |
| Land Price | | | | | |
| Low Scenario | Per Unit | \$11,972 | \$25,000 | \$15,179 | \$31,481 |
| | Per Site SF | \$59 | \$59 | \$59 | \$59 |
| Middle Scenario | Per Unit | \$19,155 | \$40,000 | \$24,286 | \$50,370 |
| | Per Site SF | \$94 | \$94 | \$94 | \$94 |
| High Scenario | Per Unit | \$28,732 | \$60,000 | \$36,429 | \$75,556 |
| | Per Site SF | \$142 | \$142 | \$142 | \$142 |
| Building Demolition Costs | | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| On-site Improvements (Per Site SF) | | \$0 | \$0 | \$0 | \$0 |
| Hard Construction Cost (Per Gross SF Incl. Pkg.) | | | | | |
| Low Scenario | | \$145 | \$130 | \$145 | \$130 |
| Middle Scenario | | \$160 | \$145 | \$160 | \$145 |
| High Scenario | | \$175 | \$160 | \$175 | \$160 |
| Hard Cost Contingency (% of Hard Costs) | | 5.0% | 5.0% | 5.0% | 5.0% |
| WA State Sales Tax (% of Hard Costs Plus Conting.) | | 9.5% | 9.5% | 9.5% | 9.5% |
| Soft Cost Assumptions (% of Hard Costs) | | | | | |
| Architecture/Engineering/Consultants | | 8.0% | 8.0% | 8.0% | 8.0% |
| Financing Costs | | 5.0% | 5.0% | 5.0% | 5.0% |
| Other Soft Costs (1) | | 3.0% | 3.0% | 3.0% | 3.0% |
| Residential Condo Addit. Insur./Expenses | | 0.0% | 0.0% | 2.0% | 2.0% |
| Subtotal--Soft Cost % | | 16.0% | 16.0% | 18.0% | 18.0% |
| Developer Overhead (% TDC Less Land & Sales Tax) | | 3.0% | 3.0% | 3.0% | 3.0% |

(1) Includes insurance, legal, accounting, marketing, lease-up, permits and fees.

Source: DRA

Table 58
Development and Financing Cost Assumptions
Low Rise and Mid Rise Prototypes
Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 Stories to 6 Stories | | | | |
|--|------------------------|--------------|-----------------------|---------------|----------|
| | Residential Rental | | Residential Ownership | | |
| | Prototype 9A | Prototype 9B | Prototype 10A | Prototype 10B | |
| | With Incentive | No Incentive | With Incentive | No Incentive | |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | |
| Office Net SF | 0 | 0 | 0 | 0 | |
| Residential Net SF | 68,900 | 46,900 | 68,900 | 46,900 | |
| Total Net SF | 71,000 | 49,000 | 71,000 | 49,000 | |
| Total Gross SF Building Area (Including Parking) | 119,000 | 81,000 | 127,000 | 87,000 | |
| Total Residential Units | 106 | 72 | 84 | 57 | |
| Site Area (SF) | 20,000 | 20,000 | 20,000 | 20,000 | |
| Approximate Building Stories | 6 | 4 | 6 | 4 | |
| Hard Cost Assumptions | | | | | |
| Land Price | | | | | |
| Low Scenario | Per Unit | \$16,981 | \$25,000 | \$21,429 | \$31,579 |
| | Per Site SF | \$90 | \$90 | \$90 | \$90 |
| Middle Scenario | Per Unit | \$27,170 | \$40,000 | \$34,286 | \$50,526 |
| | Per Site SF | \$144 | \$144 | \$144 | \$144 |
| High Scenario | Per Unit | \$40,755 | \$60,000 | \$51,429 | \$75,789 |
| | Per Site SF | \$216 | \$216 | \$216 | \$216 |
| Building Demolition Costs | | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| On-site Improvements (Per Site SF) | | \$0 | \$0 | \$0 | \$0 |
| Hard Construction Cost (Per Gross SF Incl. Pkg.) | | | | | |
| Low Scenario | | \$150 | \$130 | \$150 | \$130 |
| Middle Scenario | | \$165 | \$145 | \$165 | \$145 |
| High Scenario | | \$180 | \$160 | \$180 | \$160 |
| Hard Cost Contingency (% of Hard Costs) | | 5.0% | 5.0% | 5.0% | 5.0% |
| WA State Sales Tax (% of Hard Costs Plus Conting.) | | 9.5% | 9.5% | 9.5% | 9.5% |
| Soft Cost Assumptions (% of Hard Costs) | | | | | |
| Architecture/Engineering/Consultants | | 8.0% | 8.0% | 8.0% | 8.0% |
| Financing Costs | | 5.0% | 5.0% | 5.0% | 5.0% |
| Other Soft Costs (1) | | 3.0% | 3.0% | 3.0% | 3.0% |
| Residential Condo Addit. Insur./Expenses | | 0.0% | 0.0% | 2.0% | 2.0% |
| Subtotal--Soft Cost % | | 16.0% | 16.0% | 18.0% | 18.0% |
| Developer Overhead (% TDC Less Land & Sales Tax) | | 3.0% | 3.0% | 3.0% | 3.0% |

(1) Includes insurance, legal, accounting, marketing, le
Source: DRA

Table 58
Development and Financing Cost Assumptions
Low Rise and Mid Rise Prototypes
Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 6 Stories to 7 Stories | | | | |
|--|------------------------|---------------|-----------------------|---------------|----------|
| | Residential Rental | | Residential Ownership | | |
| | Prototype 11A | Prototype 11B | Prototype 12A | Prototype 12B | |
| | With Incentive | No Incentive | With Incentive | No Incentive | |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | |
| Office Net SF | 0 | 0 | 0 | 0 | |
| Residential Net SF | 87,900 | 68,900 | 87,900 | 68,900 | |
| Total Net SF | 90,000 | 71,000 | 90,000 | 71,000 | |
| Total Gross SF Building Area (Including Parking) | 171,000 | 121,000 | 161,000 | 127,000 | |
| Total Residential Units | 135 | 106 | 107 | 84 | |
| Site Area (SF) | 20,000 | 20,000 | 20,000 | 20,000 | |
| Approximate Building Stories | 7 | 6 | 7 | 6 | |
| Hard Cost Assumptions | | | | | |
| Land Price | | | | | |
| Low Scenario | Per Unit | \$19,630 | \$25,000 | \$24,766 | \$31,548 |
| | Per Site SF | \$133 | \$133 | \$133 | \$133 |
| Middle Scenario | Per Unit | \$31,407 | \$40,000 | \$39,626 | \$50,476 |
| | Per Site SF | \$212 | \$212 | \$212 | \$212 |
| High Scenario | Per Unit | \$47,111 | \$60,000 | \$59,439 | \$75,714 |
| | Per Site SF | \$318 | \$318 | \$318 | \$318 |
| Building Demolition Costs | | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| On-site Improvements (Per Site SF) | | \$0 | \$0 | \$0 | \$0 |
| Hard Construction Cost (Per Gross SF Incl. Pkg.) | | | | | |
| Low Scenario | | \$145 | \$150 | \$145 | \$150 |
| Middle Scenario | | \$160 | \$165 | \$160 | \$165 |
| High Scenario | | \$175 | \$180 | \$175 | \$180 |
| Hard Cost Contingency (% of Hard Costs) | | 5.0% | 5.0% | 5.0% | 5.0% |
| WA State Sales Tax (% of Hard Costs Plus Conting.) | | 9.5% | 9.5% | 9.5% | 9.5% |
| Soft Cost Assumptions (% of Hard Costs) | | | | | |
| Architecture/Engineering/Consultants | | 8.0% | 8.0% | 8.0% | 8.0% |
| Financing Costs | | 5.0% | 5.0% | 5.0% | 5.0% |
| Other Soft Costs (1) | | 3.0% | 3.0% | 3.0% | 3.0% |
| Residential Condo Addit. Insur./Expenses | | 0.0% | 0.0% | 2.0% | 2.0% |
| Subtotal--Soft Cost % | | 16.0% | 16.0% | 18.0% | 18.0% |
| Developer Overhead (% TDC Less Land & Sales Tax) | | 3.0% | 3.0% | 3.0% | 3.0% |

(1) Includes insurance, legal, accounting, marketing, le
Source: DRA

Table 59
Prototype Development Cost Budgets
Downtown and South Lake Union Prototypes
Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Downtown/HR | | | | | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 1A With Incentive | Prototype 1B No Incentive | Prototype 2A With Incentive | Prototype 2B No Incentive | Prototype 3A With Incentive | Prototype 3B No Incentive |
| <i>Residential Units</i> | 426 | 269 | 344 | 212 | 0 | 0 |
| <i>Retail Net SF</i> | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| <i>Office Net SF</i> | 0 | 0 | 0 | 0 | 249,480 | 129,600 |
| <i>Residential Net SF</i> | 308,900 | 194,900 | 283,900 | 174,900 | 0 | 0 |
| <i>Total Net SF</i> | 311,000 | 197,000 | 286,000 | 177,000 | 251,580 | 131,700 |
| <i>Total Gross SF Building Area (Including Parking)</i> | 509,500 | 323,300 | 524,500 | 323,300 | 447,000 | 224,000 |
| <i>Residential Units</i> | 426 | 269 | 344 | 212 | 0 | 0 |
| <i>Average Unit Size (Net SF)</i> | 725 | 725 | 825 | 825 | N/A | N/A |
| <i>Site Area (SF)</i> | 15,000 | 15,000 | 15,000 | 15,000 | 32,400 | 32,400 |
| <i>Approximate Building Stories</i> | 40 | 24 | 40 | 24 | 8 | 4 |
| Development Cost Budget | | | | | | |
| Land Acquisition | \$12,000,000 | \$12,000,000 | \$12,000,000 | \$12,000,000 | \$25,920,000 | \$25,920,000 |
| Demolition of Existing Building | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 |
| Site Improvements | \$0 | \$0 | \$0 | \$0 | \$1,620,000 | \$1,620,000 |
| Hard Construction Costs | \$112,090,000 | \$67,893,000 | \$115,390,000 | \$67,893,000 | \$64,815,000 | \$32,480,000 |
| Hard Cost Contingency | \$5,604,500 | \$3,394,650 | \$5,769,500 | \$3,394,650 | \$3,321,750 | \$1,705,000 |
| Washington State Sales Tax | \$10,648,550 | \$6,772,327 | \$11,510,153 | \$6,772,327 | \$6,626,891 | \$3,401,475 |
| Architecture/Engineering/Consultants | \$8,967,200 | \$5,431,440 | \$9,231,200 | \$5,431,440 | \$5,314,800 | \$2,728,000 |
| Financing Costs | \$5,604,500 | \$3,394,650 | \$5,769,500 | \$3,394,650 | \$3,321,750 | \$1,705,000 |
| Other Soft Costs (1) | \$3,362,700 | \$2,036,790 | \$3,461,700 | \$2,036,790 | \$1,993,050 | \$1,023,000 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$2,307,800 | \$1,357,860 | \$0 | \$0 |
| Developer Overhead/Project Management | \$4,433,367 | \$2,829,016 | \$4,622,391 | \$2,869,752 | \$3,193,691 | \$2,019,930 |
| Total Development Costs, Including Land | \$162,860,817 | \$103,901,873 | \$170,212,244 | \$105,300,468 | \$116,276,932 | \$72,752,405 |
| TDC Per Housing Unit | \$382,302 | \$381,830 | \$491,048 | \$490,875 | N/A | N/A |
| TDC per Net Rentable/Saleable SF | \$524 | \$527 | \$595 | \$595 | \$462 | \$552 |
| TDC Per Gross SF, Including Parking | \$320 | \$321 | \$325 | \$326 | \$260 | \$325 |
| Total Development Costs Excluding Land | \$150,860,817 | \$91,901,873 | \$158,212,244 | \$93,300,468 | \$90,356,932 | \$46,832,405 |

Source: DRA

Table 59
Prototype Development Cost Budgets
Downtown and South Lake Union Prototypes
Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | South Lake Union | | | | | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 4A With Incentive | Prototype 4B No Incentive | Prototype 5A With Incentive | Prototype 5B No Incentive | Prototype 6A With Incentive | Prototype 6B No Incentive |
| <i>Residential Units</i> | 280 | 124 | 218 | 94 | 0 | 0 |
| <i>Retail Net SF</i> | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| <i>Office Net SF</i> | 0 | 0 | 0 | 0 | 238,400 | 152,800 |
| <i>Residential Net SF</i> | 202,900 | 89,900 | 184,900 | 79,900 | 0 | 0 |
| <i>Total Net SF</i> | 205,000 | 92,000 | 187,000 | 82,000 | 240,500 | 154,900 |
| <i>Total Gross SF Building Area (Including Parking)</i> | 341,250 | 153,000 | 341,250 | 148,000 | 414,000 | 267,000 |
| <i>Residential Units</i> | 280 | 124 | 218 | 94 | 0 | 0 |
| <i>Average Unit Size (Net SF)</i> | 725 | 725 | 848 | 850 | N/A | N/A |
| <i>Site Area (SF)</i> | 21,000 | 21,000 | 21,000 | 21,000 | 43,000 | 43,000 |
| <i>Approximate Building Stories</i> | 24 | 7 | 24 | 7 | 8 | 5 |
| Development Cost Budget | | | | | | |
| Land Acquisition | \$8,400,000 | \$8,400,000 | \$8,400,000 | \$8,400,000 | \$17,200,000 | \$17,200,000 |
| Demolition of Existing Building | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 |
| Site Improvements | \$0 | \$0 | \$0 | \$0 | \$2,150,000 | \$2,150,000 |
| Hard Construction Costs | \$71,662,500 | \$19,125,000 | \$71,662,500 | \$18,500,000 | \$60,030,000 | \$38,715,000 |
| Hard Cost Contingency | \$3,583,125 | \$956,250 | \$3,583,125 | \$925,000 | \$3,109,000 | \$2,043,250 |
| Washington State Sales Tax | \$7,148,334 | \$1,907,719 | \$7,148,334 | \$1,845,375 | \$6,202,455 | \$4,076,284 |
| Architecture/Engineering/Consultants | \$5,733,000 | \$1,530,000 | \$5,733,000 | \$1,480,000 | \$4,974,400 | \$3,269,200 |
| Financing Costs | \$3,583,125 | \$956,250 | \$3,583,125 | \$925,000 | \$3,109,000 | \$2,043,250 |
| Other Soft Costs (1) | \$2,149,875 | \$573,750 | \$2,149,875 | \$555,000 | \$1,865,400 | \$1,225,950 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$1,433,250 | \$370,000 | \$0 | \$0 |
| Developer Overhead/Project Management | \$2,857,849 | \$950,738 | \$2,900,846 | \$939,150 | \$2,777,634 | \$2,003,900 |
| Total Development Costs, Including Land | \$105,267,808 | \$34,549,706 | \$106,744,056 | \$34,089,525 | \$101,567,889 | \$72,876,833 |
| TDC Per Housing Unit | \$375,956 | \$278,627 | \$489,652 | \$362,655 | N/A | N/A |
| TDC per Net Rentable/Saleable SF | \$514 | \$376 | \$571 | \$416 | \$422 | \$470 |
| TDC Per Gross SF, Including Parking | \$308 | \$226 | \$313 | \$230 | \$245 | \$273 |
| Total Development Costs Excluding Land | \$96,867,808 | \$26,149,706 | \$98,344,056 | \$25,689,525 | \$84,367,889 | \$55,676,833 |

Source: DRA

Table 60
Prototype Development Cost Budgets
Low Rise and Mid Rise Prototypes
Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | |
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 8A With Incentive | Prototype 8B No Incentive |
| <i>Residential Units</i> | 71 | 34 | 56 | 27 |
| <i>Retail Net SF</i> | 0 | 0 | 0 | 0 |
| <i>Residential Net SF</i> | 46,000 | 22,000 | 46,000 | 22,000 |
| <i>Total Net SF</i> | 46,000 | 22,000 | 46,000 | 22,000 |
| <i>Total Gross SF Building Area (Including Parking)</i> | 77,200 | 36,800 | 82,200 | 38,800 |
| <i>Residential Units</i> | 71 | 34 | 56 | 27 |
| <i>Average Unit Size (Net SF)</i> | 648 | 647 | 821 | 815 |
| <i>Site Area (SF)</i> | 14,400 | 14,400 | 14,400 | 14,400 |
| <i>Approximate Building Stories</i> | 7 | 4 | 7 | 4 |
| LOW SCENARIO | | | | |
| Land Acquisition | \$850,000 | \$850,000 | \$850,000 | \$850,000 |
| Demolition of Existing Building | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| Construction Hard Costs | \$11,194,000 | \$4,784,000 | \$11,919,000 | \$5,044,000 |
| Hard Cost Contingency | \$559,700 | \$239,200 | \$595,950 | \$252,200 |
| Washington State Sales Tax | \$1,116,602 | \$477,204 | \$1,188,920 | \$503,139 |
| Architecture/Engineering/Consultants | \$895,520 | \$382,720 | \$953,520 | \$403,520 |
| Financing Costs | \$559,700 | \$239,200 | \$595,950 | \$252,200 |
| Other Soft Costs (1) | \$335,820 | \$143,520 | \$357,570 | \$151,320 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$238,380 | \$100,880 |
| Developer Overhead & Proj. Manage. | \$407,842 | \$175,159 | \$441,311 | \$187,624 |
| Total Development Costs, Including Land | \$15,969,184 | \$7,341,003 | \$17,190,601 | \$7,794,883 |
| TDC Per Housing Unit | \$224,918 | \$215,912 | \$306,975 | \$288,699 |
| TDC per Net Rentable/Saleable SF | \$347 | \$334 | \$374 | \$354 |
| TDC per Gross SF, Including Parking | \$207 | \$199 | \$209 | \$201 |
| Total Development Costs, Excluding Land | \$15,119,184 | \$6,491,003 | \$16,340,601 | \$6,944,883 |
| MIDDLE SCENARIO | | | | |
| Land Acquisition | \$1,360,000 | \$1,360,000 | \$1,360,000 | \$1,360,000 |
| Demolition of Existing Building | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| Construction Hard Costs | \$12,352,000 | \$5,336,000 | \$13,152,000 | \$5,626,000 |
| Tenant Improvements | \$0 | \$0 | \$0 | \$0 |
| Underground Parking | \$0 | \$0 | \$0 | \$0 |
| Structured Parking | \$0 | \$0 | \$0 | \$0 |
| Hard Cost Contingency | \$617,600 | \$266,800 | \$657,600 | \$281,300 |
| Washington State Sales Tax | \$1,232,112 | \$532,266 | \$1,311,912 | \$561,194 |
| Architecture/Engineering/Consultants | \$988,160 | \$426,880 | \$1,052,160 | \$450,080 |
| Financing Costs | \$617,600 | \$266,800 | \$657,600 | \$281,300 |
| Other Soft Costs (1) | \$370,560 | \$160,080 | \$394,560 | \$168,780 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$263,040 | \$112,520 |
| Developer Overhead & Proj. Manage. | \$449,878 | \$195,197 | \$486,809 | \$209,099 |
| Total Development Costs, Including Land | \$18,037,910 | \$8,594,023 | \$19,385,681 | \$9,100,273 |
| TDC Per Housing Unit | \$254,055 | \$252,765 | \$346,173 | \$337,047 |
| TDC per Net Rentable/Saleable SF | \$392 | \$391 | \$421 | \$414 |
| TDC per Gross SF, Including Parking | \$234 | \$234 | \$236 | \$235 |
| Total Development Costs, Excluding Land | \$16,677,910 | \$7,234,023 | \$18,025,681 | \$7,740,273 |
| HIGH SCENARIO | | | | |
| Land Acquisition | \$2,040,000 | \$2,040,000 | \$2,040,000 | \$2,040,000 |
| Demolition of Existing Building | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| Construction Hard Costs | \$13,510,000 | \$5,888,000 | \$14,385,000 | \$6,208,000 |
| Hard Cost Contingency | \$675,500 | \$294,400 | \$719,250 | \$310,400 |
| Washington State Sales Tax | \$1,347,623 | \$587,328 | \$1,434,904 | \$619,248 |
| Architecture/Engineering/Consultants | \$1,080,800 | \$471,040 | \$1,150,800 | \$496,640 |
| Financing Costs | \$675,500 | \$294,400 | \$719,250 | \$310,400 |
| Other Soft Costs (1) | \$405,300 | \$176,640 | \$431,550 | \$186,240 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$287,700 | \$124,160 |
| Developer Overhead & Proj. Manage. | \$553,113 | \$276,434 | \$593,507 | \$291,775 |
| Total Development Costs, Including Land | \$20,337,836 | \$10,078,242 | \$21,811,960 | \$10,636,863 |
| TDC Per Housing Unit | \$286,448 | \$296,419 | \$389,499 | \$393,958 |
| TDC per Net Rentable/Saleable SF | \$442 | \$458 | \$474 | \$483 |
| TDC per Gross SF, Including Parking | \$263 | \$274 | \$265 | \$274 |
| Total Development Costs, Excluding Land | \$18,297,836 | \$8,038,242 | \$19,771,960 | \$8,596,863 |

Source: DRA

Table 60
Prototype Development Cost Budgets
Low Rise and Mid Rise Prototypes
Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 Stories to 6 Stories | | | |
|---|--------------------------------|------------------------------|---------------------------------|-------------------------------|
| | Residential Rental | | Residential Ownership | |
| | Prototype 9A With Incentive | Prototype 9B No Incentive | Prototype 10A With Incentive | Prototype 10B No Incentive |
| <i>Residential Units</i> | 106 | 72 | 84 | 57 |
| <i>Retail Net SF</i> | 2,100 | 2,100 | 2,100 | 2,100 |
| <i>Residential Net SF</i> | 68,900 | 46,900 | 68,900 | 46,900 |
| <i>Total Net SF</i> | 71,000 | 49,000 | 71,000 | 49,000 |
| <i>Total Gross SF Building Area (Including Parking)</i> | 119,000 | 81,000 | 127,000 | 87,000 |
| <i>Residential Units</i> | 106 | 72 | 84 | 57 |
| <i>Average Unit Size (Net SF)</i> | 650 | 651 | 820 | 823 |
| <i>Site Area (SF)</i> | 20,000 | 20,000 | 20,000 | 20,000 |
| <i>Approximate Building Stories</i> | 6 | 4 | 6 | 4 |
| LOW SCENARIO | | | | |
| Land Acquisition | \$1,800,000 | \$1,800,000 | \$1,800,000 | \$1,800,000 |
| Demolition of Existing Building | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| Construction Hard Costs | \$17,850,000 | \$10,530,000 | \$19,050,000 | \$11,310,000 |
| Hard Cost Contingency | \$892,500 | \$526,500 | \$952,500 | \$565,500 |
| Washington State Sales Tax | \$1,780,538 | \$1,050,368 | \$1,900,238 | \$1,128,173 |
| Architecture/Engineering/Consultants | \$1,428,000 | \$842,400 | \$1,524,000 | \$904,800 |
| Financing Costs | \$892,500 | \$526,500 | \$952,500 | \$565,500 |
| Other Soft Costs (1) | \$535,500 | \$315,900 | \$571,500 | \$339,300 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$381,000 | \$226,200 |
| Developer Overhead & Proj. Manage. | \$649,455 | \$383,739 | \$704,445 | \$418,839 |
| Total Development Costs, Including Land | \$25,878,493 | \$16,025,407 | \$27,886,183 | \$17,308,312 |
| TDC Per Housing Unit | \$244,137 | \$222,575 | \$331,978 | \$303,655 |
| TDC per Net Rentable/Saleable SF | \$364 | \$327 | \$393 | \$353 |
| TDC per Gross SF, Including Parking | \$217 | \$198 | \$220 | \$199 |
| Total Development Costs, Excluding Land | \$24,078,493 | \$14,225,407 | \$26,086,183 | \$15,508,312 |
| MIDDLE SCENARIO | | | | |
| Land Acquisition | \$2,880,000 | \$2,880,000 | \$2,880,000 | \$2,880,000 |
| Demolition of Existing Building | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| Construction Hard Costs | \$19,635,000 | \$11,745,000 | \$20,955,000 | \$12,615,000 |
| Tenant Improvements | \$0 | \$0 | \$0 | \$0 |
| Underground Parking | \$0 | \$0 | \$0 | \$0 |
| Structured Parking | \$0 | \$0 | \$0 | \$0 |
| Hard Cost Contingency | \$981,750 | \$587,250 | \$1,047,750 | \$630,750 |
| Washington State Sales Tax | \$1,958,591 | \$1,171,564 | \$2,090,261 | \$1,258,346 |
| Architecture/Engineering/Consultants | \$1,570,800 | \$939,600 | \$1,676,400 | \$1,009,200 |
| Financing Costs | \$981,750 | \$587,250 | \$1,047,750 | \$630,750 |
| Other Soft Costs (1) | \$589,050 | \$352,350 | \$628,650 | \$378,450 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$419,100 | \$252,300 |
| Developer Overhead & Proj. Manage. | \$714,251 | \$427,844 | \$774,740 | \$466,994 |
| Total Development Costs, Including Land | \$29,361,192 | \$18,740,857 | \$31,569,651 | \$20,171,790 |
| TDC Per Housing Unit | \$276,992 | \$260,290 | \$375,829 | \$353,891 |
| TDC per Net Rentable/Saleable SF | \$414 | \$382 | \$445 | \$412 |
| TDC per Gross SF, Including Parking | \$247 | \$231 | \$249 | \$232 |
| Total Development Costs, Excluding Land | \$26,481,192 | \$15,860,857 | \$28,689,651 | \$17,291,790 |
| HIGH SCENARIO | | | | |
| Land Acquisition | \$4,320,000 | \$4,320,000 | \$4,320,000 | \$4,320,000 |
| Demolition of Existing Building | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| Construction Hard Costs | \$21,420,000 | \$12,960,000 | \$22,860,000 | \$13,920,000 |
| Hard Cost Contingency | \$1,071,000 | \$648,000 | \$1,143,000 | \$696,000 |
| Washington State Sales Tax | \$2,136,645 | \$1,292,760 | \$2,280,285 | \$1,388,520 |
| Architecture/Engineering/Consultants | \$1,713,600 | \$1,036,800 | \$1,828,800 | \$1,113,600 |
| Financing Costs | \$1,071,000 | \$648,000 | \$1,143,000 | \$696,000 |
| Other Soft Costs (1) | \$642,600 | \$388,800 | \$685,800 | \$417,600 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$457,200 | \$278,400 |
| Developer Overhead & Proj. Manage. | \$908,646 | \$601,548 | \$974,634 | \$644,748 |
| Total Development Costs, Including Land | \$33,333,491 | \$21,945,908 | \$35,742,719 | \$23,524,868 |
| TDC Per Housing Unit | \$314,467 | \$304,804 | \$425,509 | \$412,717 |
| TDC per Net Rentable/Saleable SF | \$469 | \$448 | \$503 | \$480 |
| TDC per Gross SF, Including Parking | \$280 | \$271 | \$281 | \$270 |
| Total Development Costs, Excluding Land | \$29,013,491 | \$17,625,908 | \$31,422,719 | \$19,204,868 |

Source: DRA

Table 60
Prototype Development Cost Budgets
Low Rise and Mid Rise Prototypes
Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 6 Stories to 7 Stories | | | |
|---|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Residential Rental | | Residential Ownership | |
| | Prototype 11A With Incentive | Prototype 11B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| <i>Residential Units</i> | 135 | 106 | 107 | 84 |
| <i>Retail Net SF</i> | 2,100 | 2,100 | 2,100 | 2,100 |
| <i>Residential Net SF</i> | 87,900 | 68,900 | 87,900 | 68,900 |
| <i>Total Net SF</i> | 90,000 | 71,000 | 90,000 | 71,000 |
| <i>Total Gross SF Building Area (Including Parking)</i> | 171,000 | 121,000 | 161,000 | 127,000 |
| <i>Residential Units</i> | 135 | 106 | 107 | 84 |
| <i>Average Unit Size (Net SF)</i> | 651 | 650 | 821 | 820 |
| <i>Site Area (SF)</i> | 20,000 | 20,000 | 20,000 | 20,000 |
| <i>Approximate Building Stories</i> | 7 | 6 | 7 | 6 |
| LOW SCENARIO | | | | |
| Land Acquisition | \$2,650,000 | \$2,650,000 | \$2,650,000 | \$2,650,000 |
| Demolition of Existing Building | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| Construction Hard Costs | \$24,795,000 | \$18,150,000 | \$23,345,000 | \$19,050,000 |
| Hard Cost Contingency | \$1,239,750 | \$907,500 | \$1,167,250 | \$952,500 |
| Washington State Sales Tax | \$2,473,301 | \$1,810,463 | \$2,328,664 | \$1,900,238 |
| Architecture/Engineering/Consultants | \$1,983,600 | \$1,452,000 | \$1,867,600 | \$1,524,000 |
| Financing Costs | \$1,239,750 | \$907,500 | \$1,167,250 | \$952,500 |
| Other Soft Costs (1) | \$743,850 | \$544,500 | \$700,350 | \$571,500 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$466,900 | \$381,000 |
| Developer Overhead & Proj. Manage. | \$901,559 | \$660,345 | \$862,931 | \$704,445 |
| Total Development Costs, Including Land | \$36,076,810 | \$27,132,308 | \$34,605,944 | \$28,736,183 |
| TDC Per Housing Unit | \$267,236 | \$255,965 | \$323,420 | \$342,097 |
| TDC per Net Rentable/Saleable SF | \$401 | \$382 | \$385 | \$405 |
| TDC per Gross SF, Including Parking | \$211 | \$224 | \$215 | \$226 |
| Total Development Costs, Excluding Land | \$33,426,810 | \$24,482,308 | \$31,955,944 | \$26,086,183 |
| MIDDLE SCENARIO | | | | |
| Land Acquisition | \$4,240,000 | \$4,240,000 | \$4,240,000 | \$4,240,000 |
| Demolition of Existing Building | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| Construction Hard Costs | \$27,360,000 | \$19,965,000 | \$25,760,000 | \$20,955,000 |
| Tenant Improvements | \$0 | \$0 | \$0 | \$0 |
| Underground Parking | \$0 | \$0 | \$0 | \$0 |
| Structured Parking | \$0 | \$0 | \$0 | \$0 |
| Hard Cost Contingency | \$1,368,000 | \$998,250 | \$1,288,000 | \$1,047,750 |
| Washington State Sales Tax | \$2,729,160 | \$1,991,509 | \$2,569,560 | \$2,090,261 |
| Architecture/Engineering/Consultants | \$2,188,800 | \$1,597,200 | \$2,060,800 | \$1,676,400 |
| Financing Costs | \$1,368,000 | \$998,250 | \$1,288,000 | \$1,047,750 |
| Other Soft Costs (1) | \$820,800 | \$598,950 | \$772,800 | \$628,650 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$515,200 | \$419,100 |
| Developer Overhead & Proj. Manage. | \$994,668 | \$726,230 | \$952,044 | \$774,740 |
| Total Development Costs, Including Land | \$41,119,428 | \$31,165,388 | \$39,496,404 | \$32,929,651 |
| TDC Per Housing Unit | \$304,588 | \$294,013 | \$369,125 | \$392,020 |
| TDC per Net Rentable/Saleable SF | \$457 | \$439 | \$439 | \$464 |
| TDC per Gross SF, Including Parking | \$240 | \$258 | \$245 | \$259 |
| Total Development Costs, Excluding Land | \$36,879,428 | \$26,925,388 | \$35,256,404 | \$28,689,651 |
| HIGH SCENARIO | | | | |
| Land Acquisition | \$6,360,000 | \$6,360,000 | \$6,360,000 | \$6,360,000 |
| Demolition of Existing Building | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| Construction Hard Costs | \$29,925,000 | \$21,780,000 | \$28,175,000 | \$22,860,000 |
| Hard Cost Contingency | \$1,496,250 | \$1,089,000 | \$1,408,750 | \$1,143,000 |
| Washington State Sales Tax | \$2,985,019 | \$2,172,555 | \$2,810,456 | \$2,280,285 |
| Architecture/Engineering/Consultants | \$2,394,000 | \$1,742,400 | \$2,254,000 | \$1,828,800 |
| Financing Costs | \$1,496,250 | \$1,089,000 | \$1,408,750 | \$1,143,000 |
| Other Soft Costs (1) | \$897,750 | \$653,400 | \$845,250 | \$685,800 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$563,500 | \$457,200 |
| Developer Overhead & Proj. Manage. | \$1,278,578 | \$982,914 | \$1,231,958 | \$1,035,834 |
| Total Development Costs, Including Land | \$46,882,846 | \$35,919,269 | \$45,107,664 | \$37,843,919 |
| TDC Per Housing Unit | \$347,280 | \$338,861 | \$421,567 | \$450,523 |
| TDC per Net Rentable/Saleable SF | \$521 | \$506 | \$501 | \$533 |
| TDC per Gross SF, Including Parking | \$274 | \$297 | \$280 | \$298 |
| Total Development Costs, Excluding Land | \$40,522,846 | \$29,559,269 | \$38,747,664 | \$31,483,919 |

Source: DRA

Table 61
Estimated Net Operating Income from Apartments
Downtown and South Lake Union Prototypes
Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Downtown/HR | | South Lake Union | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Prototype 1A With Incentive | Prototype 1B No Incentive | Prototype 4A With Incentive | Prototype 4B No Incentive |
| Net Rentable SF of Apartment Space | 308,900 | 194,900 | 202,900 | 89,900 |
| Net Rentable SF of Retail Space | 2,100 | 2,100 | 2,100 | 2,100 |
| Approximate Building Stories | 40 | 24 | 24 | 7 |
| Number of Apartment Units | | | | |
| Studio | 107 | 67 | 70 | 31 |
| One Bedroom | 213 | 135 | 141 | 62 |
| Two Bedroom | 106 | 67 | 70 | 31 |
| Three Bedroom | 0 | 0 | 0 | 0 |
| Total | 426 | 269 | 280 | 124 |
| Monthly Rent Per Unit | | | | |
| Studio | \$1,725 | \$1,670 | \$1,705 | \$1,475 |
| One Bedroom | \$2,275 | \$2,205 | \$2,247 | \$1,995 |
| Two Bedroom | \$3,150 | \$3,050 | \$3,100 | \$2,800 |
| Three Bedroom | \$0 | \$0 | \$0 | \$0 |
| Average | \$2,355 | \$2,282 | \$2,329 | \$2,066 |
| Unit Size (Square Feet) | | | | |
| Studio | 500 | 500 | 500 | 500 |
| One Bedroom | 700 | 700 | 700 | 700 |
| Two Bedroom | 1,000 | 1,000 | 1,000 | 1,000 |
| Three Bedroom | - | - | - | - |
| Average | 725 | 725 | 725 | 725 |
| Monthly Rent Per Square Foot | | | | |
| Studio | \$3.45 | \$3.34 | \$3.41 | \$2.95 |
| One Bedroom | \$3.25 | \$3.15 | \$3.21 | \$2.85 |
| Two Bedroom | \$3.15 | \$3.05 | \$3.10 | \$2.80 |
| Three Bedroom | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Average | \$3.25 | \$3.20 | \$3.21 | \$2.85 |
| Miscellaneous Income (\$/Unit/Year) | \$100 | \$100 | \$100 | \$100 |
| Rental Vacancy Rate | 5.0% | 5.0% | 5.0% | 5.0% |
| Rental Operating Cost/Unit | \$11,000 | \$10,500 | \$9,800 | \$8,500 |
| Retail Income (\$/NSF/Year) | \$20.00 | \$20.00 | \$20.00 | \$20.00 |
| Retail Vacancy Rate (% Gross Retail Income) | 5% | 5% | 5% | 5% |
| Retail Operating Cost (% of Gross Retail Income) | 5% | 5% | 5% | 5% |
| Monthly Gross Income | | | | |
| Studio | \$184,575 | \$111,890 | \$119,350 | \$45,725 |
| One Bedroom | \$484,575 | \$297,675 | \$315,704 | \$123,690 |
| Two Bedroom | \$333,900 | \$204,350 | \$217,000 | \$86,800 |
| Three Bedroom | \$0 | \$0 | \$0 | \$0 |
| Total Monthly Gross Income | \$1,003,050 | \$613,915 | \$652,054 | \$256,215 |
| Annual Gross Income | \$12,036,600 | \$7,366,980 | \$7,824,642 | \$3,074,580 |
| Less: Vacancy | (\$601,830) | (\$368,349) | (\$391,232) | (\$153,729) |
| Plus: Misc. Income | \$511,200 | \$322,800 | \$336,000 | \$148,800 |
| Plus: Retail Income | \$42,000 | \$42,000 | \$42,000 | \$42,000 |
| Adjusted Annual Gross Income | \$11,987,970 | \$7,363,431 | \$7,811,410 | \$3,111,651 |
| Operating Costs | | | | |
| Apartment Operating Costs | (\$4,686,000) | (\$2,824,500) | (\$2,744,000) | (\$1,054,000) |
| Retail Operating Costs | (\$2,100) | (\$2,100) | (\$2,100) | (\$2,100) |
| Net Operating Income | \$7,299,870 | \$4,536,831 | \$5,065,310 | \$2,055,551 |

Source: Hendricks Berkadia; Reis Reports; CBRE; survey of competitive apartment projects; Dupre and Scott; DRA

Table 62
Estimated Net Operating Income from Apartments
Low Rise and Mid Rise Prototypes
Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | 4 Stories to 6 Stories | | 6 Stories to 7 Stories | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|---------------------------------|-------------------------------|
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 9A With Incentive | Prototype 9B No Incentive | Prototype 11A With Incentive | Prototype 11B No Incentive |
| Net Rentable SF of Apartment Space | 46,000 | 22,000 | 68,900 | 46,900 | 87,900 | 68,900 |
| Net Rentable SF of Retail Space | 0 | 0 | 2,100 | 2,100 | 2,100 | 2,100 |
| Approximate Building Stories | 7 | 4 | 6 | 4 | 7 | 6 |
| Number of Apartment Units | | | | | | |
| Studio | 18 | 9 | 27 | 18 | 34 | 27 |
| One Bedroom | 36 | 17 | 53 | 36 | 68 | 53 |
| Two Bedroom | 17 | 8 | 26 | 18 | 33 | 26 |
| Three Bedroom | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 71 | 34 | 106 | 72 | 135 | 106 |
| Unit Size (Square Feet) | | | | | | |
| Studio | 450 | 450 | 450 | 450 | 450 | 450 |
| One Bedroom | 650 | 650 | 650 | 650 | 650 | 650 |
| Two Bedroom | 850 | 850 | 850 | 850 | 850 | 850 |
| Three Bedroom | - | - | - | - | - | - |
| Average | 650 | 650 | 650 | 650 | 650 | 650 |
| Average Monthly Rent Per Square Foot | | | | | | |
| Low Scenario | \$2.30 | \$2.30 | \$2.30 | \$2.30 | \$2.30 | \$2.30 |
| Middle Scenario | \$2.60 | \$2.60 | \$2.60 | \$2.60 | \$2.60 | \$2.60 |
| High Scenario | \$2.85 | \$2.85 | \$2.85 | \$2.85 | \$2.85 | \$2.85 |
| Miscellaneous Income (\$/Unit/Year) | \$120 | \$120 | \$120 | \$120 | \$120 | \$120 |
| Rental Vacancy Rate | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| Rental Operating Cost/Unit | | | | | | |
| Low and Middle Scenarios | \$6,500 | \$6,500 | \$6,500 | \$6,500 | \$6,500 | \$6,500 |
| High Scenario | \$7,000 | \$7,000 | \$7,000 | \$7,000 | \$7,000 | \$7,000 |
| Retail Income (\$/NSF/Year) | \$18.00 | \$18.00 | \$18.00 | \$18.00 | \$18.00 | \$18.00 |
| Retail Vacancy Rate (% Gross Retail Income) | 10% | 10% | 10% | 10% | 10% | 10% |
| Retail Operating Cost (% of Gross Retail Income) | 40% | 40% | 40% | 40% | 40% | 40% |
| LOW SCENARIO | | | | | | |
| Total Monthly Gross Income | \$105,800 | \$50,600 | \$158,470 | \$107,870 | \$202,170 | \$158,470 |
| Annual Gross Income | \$1,269,600 | \$607,200 | \$1,901,640 | \$1,294,440 | \$2,426,040 | \$1,901,640 |
| Less: Vacancy | (\$63,480) | (\$30,360) | (\$95,082) | (\$64,722) | (\$121,302) | (\$95,082) |
| Plus: Misc. Income | \$8,520 | \$48,960 | \$152,640 | \$103,680 | \$194,400 | \$152,640 |
| Plus: Retail Income | \$0 | \$0 | \$37,800 | \$37,800 | \$37,800 | \$37,800 |
| Adjusted Annual Gross Income | \$1,214,640 | \$625,800 | \$1,996,998 | \$1,371,198 | \$2,536,938 | \$1,996,998 |
| Operating Costs | | | | | | |
| Apartment Operating Costs | (\$461,500) | (\$221,000) | (\$689,000) | (\$468,000) | (\$877,500) | (\$689,000) |
| Retail Operating Costs | \$0 | \$0 | (\$3,780) | (\$3,780) | (\$3,780) | (\$3,780) |
| Net Operating Income | \$753,140 | \$404,800 | \$1,304,218 | \$899,418 | \$1,655,658 | \$1,304,218 |
| MIDDLE SCENARIO | | | | | | |
| Total Monthly Gross Income | \$119,600 | \$57,200 | \$179,140 | \$121,940 | \$228,540 | \$179,140 |
| Annual Gross Income | \$1,435,200 | \$686,400 | \$2,149,680 | \$1,463,280 | \$2,742,480 | \$2,149,680 |
| Less: Vacancy | (\$71,760) | (\$34,320) | (\$107,484) | (\$73,164) | (\$137,124) | (\$107,484) |
| Plus: Misc. Income | \$8,520 | \$4,080 | \$12,720 | \$8,640 | \$16,200 | \$12,720 |
| Plus: Retail Income | \$0 | \$0 | \$37,800 | \$37,800 | \$37,800 | \$37,800 |
| Adjusted Annual Gross Income | \$1,371,960 | \$656,160 | \$2,092,716 | \$1,436,556 | \$2,659,356 | \$2,092,716 |
| Operating Costs | | | | | | |
| Apartment Operating Costs | (\$461,500) | (\$221,000) | (\$689,000) | (\$468,000) | (\$877,500) | (\$689,000) |
| Retail Operating Costs | \$0 | \$0 | (\$3,780) | (\$3,780) | (\$3,780) | (\$3,780) |
| Net Operating Income | \$910,460 | \$435,160 | \$1,399,936 | \$964,776 | \$1,778,076 | \$1,399,936 |
| HIGH SCENARIO | | | | | | |
| Total Monthly Gross Income | \$131,100 | \$62,700 | \$196,365 | \$133,665 | \$250,515 | \$196,365 |
| Annual Gross Income | \$1,573,200 | \$752,400 | \$2,356,380 | \$1,603,980 | \$3,006,180 | \$2,356,380 |
| Less: Vacancy | (\$78,660) | (\$37,620) | (\$117,819) | (\$80,199) | (\$150,309) | (\$117,819) |
| Plus: Misc. Income | \$8,520 | \$4,080 | \$12,720 | \$8,640 | \$16,200 | \$12,720 |
| Plus: Retail Income | \$0 | \$0 | \$37,800 | \$37,800 | \$37,800 | \$37,800 |
| Adjusted Annual Gross Income | \$1,503,060 | \$718,860 | \$2,289,081 | \$1,570,221 | \$2,909,871 | \$2,289,081 |
| Operating Costs | | | | | | |
| Apartment Operating Costs | (\$497,000) | (\$238,000) | (\$742,000) | (\$504,000) | (\$945,000) | (\$742,000) |
| Retail Operating Costs | \$0 | \$0 | (\$3,780) | (\$3,780) | (\$3,780) | (\$3,780) |
| Net Operating Income | \$1,006,060 | \$480,860 | \$1,543,301 | \$1,062,441 | \$1,961,091 | \$1,543,301 |
| Capitalization Rate (1) | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% |
| Capitalized Market Value | \$23,672,000 | \$11,314,353 | \$36,312,965 | \$24,998,612 | \$46,143,318 | \$36,312,965 |
| Capitalized Value Per SF | \$31 | \$28 | \$28 | \$28 | \$28 | \$28 |
| Capitalized Value Per Unit | \$333,408 | \$332,775 | \$342,575 | \$347,203 | \$341,802 | \$342,575 |

Source: Hendricks Berkadia; Reis Reports; CBRE; survey of competitive apartment projects; Dupre and Scott; DRA

Table 63
Estimated Condominium Net Sales Income
Downtown and South Lake Union Prototypes
Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Downtown/HR | | South Lake Union | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Prototype 2A With Incentive | Prototype 2B No Incentive | Prototype 5A With Incentive | Prototype 5B No Incentive |
| Net Saleable SF of Condo Space | 283,900 | 174,900 | 184,900 | 79,900 |
| Building Stories | 40 | 24 | 40 | 24 |
| Number of Condo Units | | | | |
| Studio | 114 | 70 | 55 | 24 |
| One Bedroom | 172 | 106 | 120 | 52 |
| Two Bedroom | 52 | 32 | 39 | 17 |
| Three Bedroom | 6 | 4 | 4 | 1 |
| Total | 344 | 212 | 218 | 94 |
| Sales Price Per Unit | | | | |
| Studio | \$487,500 | \$487,500 | \$422,500 | \$357,500 |
| One Bedroom | \$600,000 | \$560,000 | \$520,000 | \$440,000 |
| Two Bedroom | \$870,000 | \$810,000 | \$750,000 | \$630,000 |
| Three Bedroom | \$1,050,000 | \$1,005,000 | \$900,000 | \$825,000 |
| Average | \$610,795 | \$581,841 | \$543,735 | \$456,586 |
| Unit Size (Square Feet) | | | | |
| Studio | 650 | 650 | 650 | 650 |
| One Bedroom | 800 | 800 | 800 | 800 |
| Two Bedroom | 1,200 | 1,200 | 1,200 | 1,200 |
| Three Bedroom | 1,500 | 1,500 | 1,500 | 1,500 |
| Average | 825 | 825 | 849 | 849 |
| Sales Price Per Square Foot | | | | |
| Studio | \$750 | \$750 | \$650 | \$550 |
| One Bedroom | \$750 | \$700 | \$650 | \$550 |
| Two Bedroom | \$725 | \$675 | \$625 | \$525 |
| Three Bedroom | \$700 | \$670 | \$600 | \$550 |
| Average Price/SF | \$741 | \$706 | \$641 | \$538 |
| Sales Costs (% of Gross Sales Income) | 5% | 5% | 5% | 5% |
| Gross Sales Income | | | | |
| Studio | \$55,575,000 | \$34,125,000 | \$23,237,500 | \$8,580,000 |
| One Bedroom | \$103,200,000 | \$59,360,000 | \$62,400,000 | \$22,880,000 |
| Two Bedroom | \$45,240,000 | \$25,920,000 | \$29,250,000 | \$10,710,000 |
| Three Bedroom | \$6,300,000 | \$4,020,000 | \$3,600,000 | \$825,000 |
| Total Gross Sales Income | \$210,315,000 | \$123,425,000 | \$118,487,500 | \$42,995,000 |
| Less: Sales Costs | (\$10,515,750) | (\$6,171,250) | (\$5,924,375) | (\$2,149,750) |
| Net Sales Income | \$199,799,250 | \$117,253,750 | \$112,563,125 | \$40,845,250 |
| Net Sales Income Per Net Saleable SF | \$704 | \$670 | \$609 | \$511 |

Source: Dataquick Information System; DRA

Table 64
Estimated Condominium Net Sales Income
Low Rise and Mid Rise Prototypes
Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | 4 Stories to 6 Stories | | 6 Stories to 7 Stories | |
|--|--------------------------------|------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Prototype 8A With Incentive | Prototype 8B No Incentive | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| Net Saleable SF of Condo Space | 46,000 | 22,000 | 68,900 | 46,900 | 87,934 | 68,923 |
| Number of Condo Units | | | | | | |
| Studio | 0 | 0 | 0 | 0 | 0 | 0 |
| One Bedroom | 28 | 14 | 42 | 29 | 54 | 42 |
| Two Bedroom | 22 | 11 | 34 | 23 | 43 | 34 |
| Three Bedroom | 6 | 3 | 8 | 5 | 10 | 8 |
| Total | 56 | 28 | 84 | 57 | 107 | 84 |
| Unit Size (Square Feet) | | | | | | |
| Studio | - | - | - | - | - | - |
| One Bedroom | 700 | 700 | 700 | 700 | 700 | 700 |
| Two Bedroom | 900 | 900 | 900 | 900 | 900 | 900 |
| Three Bedroom | 1,100 | 1,100 | 1,100 | 1,100 | 1,100 | 1,100 |
| Average | 820 | 820 | 820 | 820 | 820 | 820 |
| Average Sales Price Per Square Foot | | | | | | |
| Low Scenario | \$300.00 | \$300.00 | \$300.00 | \$300.00 | \$300.00 | \$300.00 |
| Middle Scenario | \$400.00 | \$400.00 | \$400.00 | \$400.00 | \$400.00 | \$400.00 |
| High Scenario | \$500.00 | \$500.00 | \$500.00 | \$500.00 | \$500.00 | \$500.00 |
| Average Sales Price Per Unit | | | | | | |
| Low Scenario | \$246,000 | \$246,000 | \$246,000 | \$246,000 | \$246,000 | \$246,000 |
| Middle Scenario | \$328,000 | \$328,000 | \$328,000 | \$328,000 | \$328,000 | \$328,000 |
| High Scenario | \$410,000 | \$410,000 | \$410,000 | \$410,000 | \$410,000 | \$410,000 |
| Sales Costs (% of Gross Sales Income) | 5% | 5% | 5% | 5% | 5% | 5% |

Table 64
Estimated Condominium Net Sales Income
Low Rise and Mid Rise Prototypes
Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | 4 Stories to 6 Stories | | 6 Stories to 7 Stories | |
|--------------------------------------|--------------------------------|------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Prototype 8A With Incentive | Prototype 8B No Incentive | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| LOW SCENARIO | | | | | | |
| Total Gross Sales Income | \$13,800,000 | \$6,600,000 | \$20,670,000 | \$14,070,000 | \$26,380,200 | \$20,676,900 |
| Less: Sales Costs | (\$690,000) | (\$330,000) | (\$1,033,500) | (\$703,500) | (\$1,319,010) | (\$1,033,845) |
| Net Sales Income | \$13,110,000 | \$6,270,000 | \$19,636,500 | \$13,366,500 | \$25,061,190 | \$19,643,055 |
| Net Sales Income Per Net Saleable SF | \$285 | \$285 | \$285 | \$285 | \$285 | \$285 |
| MIDDLE SCENARIO | | | | | | |
| Total Gross Sales Income | \$18,400,000 | \$8,800,000 | \$27,560,000 | \$18,760,000 | \$35,173,600 | \$27,569,200 |
| Less: Sales Costs | (\$920,000) | (\$440,000) | (\$1,378,000) | (\$938,000) | (\$1,758,680) | (\$1,378,460) |
| Net Sales Income | \$17,480,000 | \$8,360,000 | \$26,182,000 | \$17,822,000 | \$33,414,920 | \$26,190,740 |
| Net Sales Income Per Net Saleable SF | \$380 | \$380 | \$380 | \$380 | \$380 | \$380 |
| HIGH SCENARIO | | | | | | |
| Total Gross Sales Income | \$23,000,000 | \$11,000,000 | \$34,450,000 | \$23,450,000 | \$43,967,000 | \$34,461,500 |
| Less: Sales Costs | (\$1,150,000) | (\$550,000) | (\$1,722,500) | (\$1,172,500) | (\$2,198,350) | (\$1,723,075) |
| Net Sales Income | \$21,850,000 | \$10,450,000 | \$32,727,500 | \$22,277,500 | \$41,768,650 | \$32,738,425 |
| Net Sales Income Per Net Saleable SF | \$475 | \$475 | \$475 | \$475 | \$475 | \$475 |

Source: Dataquick Information System; DRA

Table 65
Estimated Net Operating Income from Commercial Prototypes
Version B
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Downtown/HR | | South Lake Union | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Prototype 3A With Incentive | Prototype 3B No Incentive | Prototype 6A With Incentive | Prototype 6B No Incentive |
| <i>Net SF Office</i> | 249,480 | 129,600 | 238,400 | 152,800 |
| <i>Net SF Retail</i> | 2,100 | 2,100 | 2,100 | 2,100 |
| <i>Parking Spaces--Office</i> | 324 | 162 | 298 | 191 |
| <i>Approximate Building Stories</i> | 8 | 4 | 8 | 5 |
| Office Income/Operating Assumptions | | | | |
| Monthly Office Rent Per NSF (NNN) | \$2.67 | \$2.67 | \$2.67 | \$2.67 |
| Annual Office Rent Per NSF (NNN) | \$32.00 | \$32.00 | \$32.00 | \$32.00 |
| Office Vacancy Rate | 10.0% | 0.10 | 10.0% | 10.0% |
| Parking Income (\$/Space/Month) | \$350.00 | \$350.00 | \$225.00 | \$225.00 |
| Parking Vacancy Rate | 10.0% | 10.0% | 10.0% | 10.0% |
| Office Operating Expenses Per NSF | \$10 | \$10 | \$10 | \$10 |
| Parking Operating Expense (% of Gross Income) | 20% | 20% | 20% | 20% |
| Retail Income/Operating Assumptions | | | | |
| Monthly Rent Per NSF (NNN) | \$2.75 | \$2.75 | \$2.75 | \$2.75 |
| Annual Rent Per NSF (NNN) | \$33.00 | \$33.00 | \$33.00 | \$33.00 |
| Vacancy Rate | 7.0% | 7.0% | 7.0% | 7.0% |
| Operating Expense (% of Gross Income) | 42% | 42% | 42% | 42% |
| Stabilized Net Operating Income | | | | |
| Annual Gross Office Rental Income | \$7,983,360 | \$4,147,200 | \$7,628,800 | \$4,889,600 |
| Plus: Annual Gross Parking Income | \$1,360,800 | \$680,400 | \$804,600 | \$515,700 |
| Plus: Annual Gross Retail Rental Income | \$69,300 | \$69,300 | \$69,300 | \$69,300 |
| Annual Gross Rental Income | \$9,413,460 | \$4,896,900 | \$8,502,700 | \$5,474,600 |
| Less: Rental Vacancies | (\$941,346) | (\$489,690) | (\$850,270) | (\$547,460) |
| Less: Parking Vacancies | (\$136,080) | (\$68,040) | (\$80,460) | (\$51,570) |
| Less: Retail Vacancies | (\$4,851) | (\$4,851) | (\$4,851) | (\$4,851) |
| Adjusted Annual Gross Income | \$8,331,183 | \$4,334,319 | \$7,567,119 | \$4,870,719 |
| Less: Office Operating Expenses | (\$2,494,800) | (\$1,296,000) | (\$2,384,000) | (\$1,528,000) |
| Less: Parking Operating Expenses | (\$272,160) | (\$136,080) | (\$160,920) | (\$103,140) |
| Less: Retail Operating Expenses | (\$29,106) | (\$29,106) | (\$29,106) | (\$29,106) |
| Net Operating Income | \$5,535,117 | \$2,902,239 | \$5,022,199 | \$3,239,579 |
| Net Operating Income Per NSF | \$22.19 | \$22.39 | \$21.07 | \$21.20 |

(1) Based on Class A office stabilized cap rates of 5.00% to 5.75% for Seattle from CBRE Cap Rate Survey, First Half 2013.

Source: CBRE; Reis Reports; Downtown Seattle Association; Realty Rates; DRA.

Table 66
Estimated Net Value of Incentive Per SF of Bonus Floor Area
Development Prototypes with Incentives
Lower Cap Rates Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | | Column 1 | Column 2 | Column 3 | Column 4 | Column 5 | Column 6 | Column 7 | Column 8 | Column 9 | Column 10 | Column 11 | Column 12 | |
|------------------------------------|--------------|-------------------------------------|---|--------------------------------|--|--|---|--|---|---|---|---|---|---------|
| | | Bonus Floor Area (GSF) of Incentive | Project ROE of Prototypes without Incentive at Cap Rate of: (1) | Equity Investment Required (2) | Net Value of Investment at ROE of Prototype Without Incentive @ Cap Rate of: (3) | Prototypes with Incentives | | | | | | | | |
| | | | | | | Before Program Costs | | After Payment of Current In Lieu Fee | | After Performance Cost/Fee: Scenario 1 | | After Performance Costs: Scenario 2 | | |
| | | | | | | Projected Net Value of Investment Before Program Costs (4) | Value of Incentive Before Program Costs (5) | Projected Net Value of Investment After Payment of Current In Lieu Fee (4) | Value of Incentive After Payment of Current In Lieu Fee (5) | Projected Net Value of Investment After Performance Costs: Scenario 1 (4) | Value of Incentive After Performance Cost/Fee: Scenario 1 (5) | Projected Net Value of Investment After Performance Costs: Scenario 2 (4) | Value of Incentive After Performance Cost/Fee: Scenario 2 (5) | |
| Housing Prototypes | | | | | | | | | | | | | | |
| DOWNTOWN PROTOTYPES | | | | | | | | | | | | | | |
| Residential Rental | Prototype 1 | 148,200 | 4.25% | \$437 | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | |
| | | | 11.17% | | \$195 | \$229 | \$33 | \$207 | \$12 | \$179 | (\$16) | \$132 | (\$64) | |
| Residential Ownership | Prototype 2 | 142,200 | 12.52% | | \$239 | \$312 | \$73 | \$290 | \$52 | \$280 | \$42 | \$255 | \$17 | |
| | | | 5.00% | | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | |
| Commercial | Prototype 3 | 162,000 | 0.84% | \$283 | \$10 | \$142 | \$133 | \$116 | \$106 | \$98 | \$88 | N/A | N/A | |
| SOUTH LAKE UNION PROTOTYPES | | | | | | | | | | | | | | |
| Residential Rental | Prototype 4 | 146,250 | 4.25% | \$286 | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | |
| | | | 37.77% | | \$433 | \$206 | (\$226) | \$186 | (\$247) | \$170 | (\$263) | \$137 | (\$296) | |
| Residential Ownership | Prototype 5 | 136,250 | 18.92% | | \$236 | \$105 | (\$131) | \$84 | (\$152) | \$81 | (\$155) | \$61 | (\$175) | |
| | | | 5.00% | | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | |
| Commercial | Prototype 6 | 107,000 | 8.29% | \$376 | \$125 | \$240 | \$116 | \$214 | \$89 | \$196 | \$71 | N/A | N/A | |
| LOWRISE TO MIDRISE | | | | | | | | | | | | | | |
| Residential Rental | Prototype 7 | 32,400 | 4.25% | \$197 | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | |
| | | | 28.99% | | \$229 | \$132.90 | (\$96) | \$117.75 | (\$111) | \$114.45 | (\$114) | \$94 | (\$135) | |
| | | | 22.01% | | \$196 | \$194 | (\$2) | \$178 | (\$18) | \$171 | (\$25) | \$154 | (\$42) | |
| | | | 17.05% | \$251 | \$171 | \$201 | \$29 | \$185 | \$14 | \$173 | \$1 | \$161 | (\$10) | |
| Residential Ownership | Prototype 8 | 32,400 | | \$212 | (\$74) | (\$98) | (\$24) | (\$113) | (\$39) | (\$98) | (\$24) | (\$111) | (\$37) | |
| | | | -8.71% | | \$239 | (\$10) | (\$36) | (\$11) | (\$36) | (\$25) | (\$15) | (\$35) | (\$25) | |
| | | | -1.07% | | \$269 | \$34 | \$48 | \$13.91 | \$33 | (\$1) | \$39 | \$5 | \$35 | \$0 |
| | | | 3.20% | | | | | | | | | | | |
| 4 STORIES TO 6 STORIES | | | | | | | | | | | | | | |
| Residential Rental | Prototype 9 | 30,000 | | \$345 | \$417 | \$288 | (\$129) | \$273 | (\$144) | \$265 | (\$152) | \$211 | (\$206) | |
| | | | 30.19% | | \$391 | \$361 | \$263 | (\$97) | \$248 | (\$112) | \$234.83 | (\$126) | \$187 | (\$174) |
| | | | 23.02% | | \$444 | \$318 | \$257 | (\$61) | \$242 | (\$76) | \$222 | (\$95) | \$181 | (\$137) |
| | | | 17.88% | | | | | | | | | | | |
| Residential Ownership | Prototype 10 | 30,000 | | \$372 | (\$161) | (\$229) | (\$68) | (\$244) | (\$83) | (\$230) | (\$69) | (\$255) | (\$94) | |
| | | | -10.86% | | \$421 | (\$58) | (\$118) | (\$61) | (\$134) | (\$76) | (\$125) | (\$68) | (\$145) | (\$87) |
| | | | -3.42% | | \$477 | \$16 | (\$24) | (\$40) | (\$39) | (\$55) | (\$37) | (\$53) | (\$50) | (\$66) |
| | | | 0.83% | | | | | | | | | | | |
| 6 STORIES TO 7 STORIES | | | | | | | | | | | | | | |
| Residential Rental | Prototype 11 | 25,000 | | \$577 | \$393 | \$310 | (\$82) | \$295 | (\$97) | \$285 | (\$108) | \$299 | (\$94) | |
| | | | 17.00% | | \$658 | \$322 | \$249 | (\$72) | \$234 | (\$88) | \$218 | (\$104) | \$238 | (\$84) |
| | | | 12.23% | | \$750 | \$268 | \$212 | (\$56) | \$197 | (\$71) | \$174 | (\$94) | \$201 | (\$67) |
| | | | 8.93% | | | | | | | | | | | |
| Residential Ownership | Prototype 12 | 25,000 | | \$554 | (\$372) | (\$312) | \$60 | (\$327) | \$45 | (\$363) | \$8 | (\$354) | \$18 | |
| | | | -16.79% | | \$632 | (\$235) | (\$150) | \$86 | (\$165) | \$71 | (\$213) | \$22 | (\$192) | \$43 |
| | | | -9.31% | | \$722 | (\$134) | (\$17) | \$118 | (\$32) | \$102 | (\$94) | \$40 | (\$59) | \$75 |
| | | | -4.65% | | | | | | | | | | | |

(1) Return on equity calculated as total increase in project value DIVIDED BY equity investment DIVIDED BY average number of years of equity investment. Estimated project ROE of the prototypes without incentives (from return on equity analysis tables: Tables 10 through 13).

(2) Amount of equity investment required for prototypes with incentives, from return on equity analysis tables (Tables 10 through 13).

(3) Equals rate of return on equity of prototype without incentive MULTIPLIED BY the equity required for the prototype with incentive MULTIPLIED BY number of years of assumed investment period (assumed to be 4 years).

(4) Net value of investment of prototype with incentive from return on equity analysis table (Tables 10 through 13) before program costs, after payment of in-lieu fee, and after estimated performance costs under Scenarios 1 and 2.

(5) Net value of investment of prototype with incentive from return on equity analysis table (Tables 10 through 13) before program costs, after payment of in-lieu fee, and after estimated performance costs under Scenarios 1 and 2 MINUS net value of investment at ROE of prototype without incentive.

Source: DRA

Table 67
Estimated Net Value of Incentive Per SF of Bonus Floor Area
Development Prototypes with Incentives
Higher Cap Rates Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Column 1 | Column 2 | Column 3 | Column 4 | Column 5 | Column 6 | Column 7 | Column 8 | Column 9 | Column 10 | Column 11 | Column 12 |
|------------------------------------|-------------------------------------|---|--------------------------------|--|--|---|--|---|---|---|---|---|
| Housing Prototypes | Bonus Floor Area (GSF) of Incentive | Project ROE of Prototypes without Incentive at Cap Rate of: (1) | Equity Investment Required (2) | Net Value of Investment at ROE of Incentive @ Cap Rate of: (3) | Prototypes with Incentives | | | | | | | |
| | | | | | Before Program Costs | | After Payment of Current In Lieu Fee | | After Performance Cost/Fee: Scenario 1 | | After Performance Costs: Scenario 2 | |
| | | | | | Projected Net Value of Investment Before Program Costs (4) | Value of Incentive Before Program Costs (5) | Projected Net Value of Investment After Payment of Current In Lieu Fee (4) | Value of Incentive After Payment of Current In Lieu Fee (5) | Projected Net Value of Investment After Performance Costs: Scenario 1 (4) | Value of Incentive After After Performance Cost/Fee: Scenario 1 (5) | Projected Net Value of Investment After Performance Costs: Scenario 2 (4) | Value of Incentive After After Performance Cost/Fee: Scenario 2 (5) |
| DOWNTOWN PROTOTYPES | | | | | | | | | | | | |
| Residential Rental | Prototype 1 | 148,200 | 5.00% | \$437.49 | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Residential Ownership | Prototype 2 | 142,200 | 0.12% | \$476.62 | \$2 | \$30 | \$28 | \$9 | \$7 | (\$19) | (\$21) | (\$67) |
| | | | 12.52% | | \$239 | \$312 | \$73 | \$290 | \$52 | \$280 | \$42 | \$255 |
| | | | 5.50% | | | | | | | | | |
| Commercial | Prototype 3 | 162,000 | -4.92% | \$282.98 | (\$56) | \$65 | \$121 | \$39 | \$94 | \$20.47 | \$76 | N/A |
| | | | | | | | | | | | | |
| SOUTH LAKE UNION PROTOTYPES | | | | | | | | | | | | |
| Residential Rental | Prototype 4 | 146,250 | 5.00% | \$286.43 | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Residential Ownership | Prototype 5 | 136,250 | 22.73% | \$311.79 | \$260 | \$68 | (\$192) | \$48 | (\$213) | \$32 | (\$229) | (\$2) |
| | | | 18.92% | | \$236 | \$105 | (\$131) | \$84 | (\$152) | \$81 | (\$155) | \$61 |
| | | | 5.50% | | | | | | | | | |
| Commercial | Prototype 6 | 107,000 | 1.86% | \$375.55 | \$28 | \$133.26 | \$105 | \$107 | \$79 | \$89 | \$61 | N/A |
| | | | | | | | | | | | | |
| LOWRISE TO MIDRISE | | | | | | | | | | | | |
| Residential Rental | Prototype 7 | 32,400 | 5.00% | \$197.15 | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Low Scenario | | | 15.27% | \$222.69 | \$120 | \$39 | (\$81) | \$24 | (\$97) | \$21 | (\$100) | (\$0) |
| Middle Scenario | | | 9.33% | \$251.08 | \$83 | \$81 | (\$2) | \$66 | (\$17) | \$58 | (\$25) | (\$41) |
| High Scenario | | | 5.12% | | \$51 | \$76 | \$25 | \$61 | \$10 | \$48 | (\$3) | \$37 |
| Residential Ownership | Prototype 8 | 32,400 | | | | | | | | | | |
| Low Scenario | | | -8.71% | \$212.23 | (\$74) | (\$98) | (\$24) | (\$113) | (\$39) | (\$98) | (\$24) | (\$111) |
| Middle Scenario | | | -1.07% | \$239.33 | (\$10) | (\$21) | (\$11) | (\$36) | (\$26) | (\$25) | (\$15) | (\$35) |
| High Scenario | | | 3.20% | \$269.28 | \$34 | \$48 | \$14 | \$33 | (\$1) | \$39 | \$5 | \$35 |
| | | | | | | | | | | | | |
| 4 STORIES TO 6 STORIES | | | | | | | | | | | | |
| Residential Rental | Prototype 9 | 30,000 | | | | | | | | | | |
| Low Scenario | | | 16.29% | \$345.05 | \$225 | \$115 | (\$110) | \$100 | (\$125) | \$92 | (\$133) | \$39 |
| Middle Scenario | | | 10.19% | \$391.48 | \$160 | \$77 | (\$83) | \$62 | (\$98) | \$49 | (\$111) | \$0 |
| High Scenario | | | 5.83% | \$444.45 | \$104 | \$52 | (\$52) | \$37 | (\$67) | \$17 | (\$86) | (\$25) |
| Residential Ownership | Prototype 10 | 30,000 | | | | | | | | | | |
| Low Scenario | | | -10.86% | \$371.82 | (\$161) | (\$229) | (\$68) | (\$244) | (\$83) | (\$230) | (\$69) | (\$255) |
| Middle Scenario | | | -3.42% | \$420.93 | (\$58) | (\$118) | (\$61) | (\$134) | (\$76) | (\$125) | (\$68) | (\$145) |
| High Scenario | | | 0.83% | \$476.57 | \$16 | (\$24) | (\$40) | (\$39) | (\$55) | (\$37) | (\$53) | (\$50) |
| | | | | | | | | | | | | |
| 6 STORIES TO 7 STORIES | | | | | | | | | | | | |
| Residential Rental | Prototype 11 | 25,000 | | | | | | | | | | |
| Low Scenario | | | 5.08% | \$577.23 | \$117 | \$47 | (\$70) | \$32 | (\$85) | \$21 | (\$96) | \$36 |
| Middle Scenario | | | 1.02% | \$657.91 | \$27 | (\$35) | (\$62) | (\$50) | (\$77) | (\$67) | (\$93) | (\$46) |
| High Scenario | | | -1.78% | \$750.13 | (\$53) | (\$101) | (\$47) | (\$116) | (\$63) | (\$140) | (\$86) | (\$112) |
| Residential Ownership | Prototype 12 | 25,000 | | | | | | | | | | |
| Low Scenario | | | -16.79% | \$553.70 | (\$372) | (\$312) | \$60 | (\$327) | \$45 | (\$363) | \$8 | (\$354) |
| Middle Scenario | | | -9.31% | \$631.94 | (\$235) | (\$150) | \$86 | (\$165) | \$71 | (\$213) | \$22 | (\$192) |
| High Scenario | | | -4.65% | \$721.72 | (\$134) | (\$17) | \$118 | (\$32) | \$102 | (\$94) | \$40 | (\$59) |

(1) Return on equity calculated as total increase in project value DIVIDED BY equity investment DIVIDED BY average number of years of equity investment. Estimated project ROE of the prototypes without incentives (from return on equity analysis tables: Tables 10 through 13).
(2) Amount of equity investment required for prototypes with incentives, from return on equity analysis tables (Tables 10 through 13).
(3) Equals rate of return on equity of prototype without incentive MULTIPLIED BY the equity required for the prototype with incentive MULTIPLIED BY number of years of assumed investment period (assumed to be 4 years).
(4) Net value of investment of prototype with incentive from return on equity analysis table (Tables 10 through 13) before program costs, after payment of in-lieu fee, and after estimated performance costs under Scenarios 1 and 2.
(5) Net value of investment of prototype with incentive from return on equity analysis table (Tables 10 through 13) before program costs, after payment of in-lieu fee, and after estimated performance costs under Scenarios 1 and 2 MINUS net value of investment at ROE of prototype without incentive.
Source: DRA

Table 68
Return on Equity Analysis, Incentive Program Requirements
Downtown and South Lake Union Prototypes
Lower Cap Rates Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Downtown/HR | | | | | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 1A With Incentive | Prototype 1B No Incentive | Prototype 2A With Incentive | Prototype 2B No Incentive | Prototype 3A With Incentive | Prototype 3B No Incentive |
| Site Area (SF) | 15,000 | 15,000 | 15,000 | 15,000 | 32,400 | 32,400 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Office Net SF | - | - | - | - | 249,480 | 129,600 |
| Residential Net SF | 308,900 | 194,900 | 283,900 | 174,900 | - | - |
| Total Net SF | 311,000 | 197,000 | 286,000 | 177,000 | 251,580 | 131,700 |
| Residential Units | 426 | 269 | 344 | 212 | - | - |
| Approximate Building Stories | 40 | 24 | 40 | 24 | 8 | 4 |
| Total Annual Net Operating Income, Rental Uses | \$8,329,906 | \$5,166,168 | | | \$6,882,309 | \$3,602,079 |
| NOI Per NSF | \$26.78 | \$26.22 | | | \$27.36 | \$27.35 |
| Cap Rate | 4.25% | 4.25% | | | 5.00% | 5.00% |
| Capitalized Value, Rental Uses | \$195,997,779 | \$121,556,894 | | | \$137,646,180 | \$72,041,580 |
| Net Condo Sales Proceeds | | | \$213,785,198 | \$125,461,513 | | |
| Total Market Value | \$195,997,779 | \$121,556,894 | \$213,785,198 | \$125,461,513 | \$137,646,180 | \$72,041,580 |
| Total Value Per NSF | \$630 | \$617 | \$748 | \$709 | \$547 | \$547 |
| Less: Total Development Cost, Incl. Land | \$162,088,317 | \$103,129,373 | \$169,439,744 | \$104,527,968 | \$114,608,332 | \$71,083,805 |
| Total Development Cost Per NSF | \$521 | \$523 | \$592 | \$591 | \$456 | \$540 |
| Net Value of Investment Before Program Costs | \$33,909,462 | \$18,427,521 | \$44,345,454 | \$20,933,544 | \$23,037,848 | \$957,775 |
| Net Value/SF Site Area | \$2,260.63 | \$1,228.50 | \$2,956.36 | \$1,395.57 | \$711.04 | \$29.56 |
| Net Value/Dwelling Unit | \$79,600 | \$68,504 | \$128,911 | \$98,743 | N/A | N/A |
| Equity Investment @ 40% of TDC | \$64,835,326.80 | \$41,251,749 | \$67,775,897 | \$41,811,187 | \$45,843,333 | \$28,433,522 |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Return on Equity (1) | 13% | 11% | 16% | 13% | 13% | 1% |
| Increase in Net Project Value from Bonus Before Program Costs | \$15,481,940 | | \$23,411,910 | | \$22,080,073 | |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$3,212,976 | | \$3,082,896 | | \$4,285,305 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$7,359,308 | | \$4,484,798 | | \$7,209,000 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$14,384,102 | | \$8,025,428 | | N/A | |
| Net Value of Investment After Program Costs | | | | | | |
| 1. Current In-Lieu Fee | \$30,696,486 | | \$41,262,558 | | \$18,752,543 | |
| Return on Equity (1) | 12% | | 15% | | 10% | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$26,550,154 | | \$39,860,656 | | \$15,828,848 | |
| Return on Equity (1) | 10% | | 15% | | 9% | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$19,525,360 | | \$36,320,026 | | N/A | |
| Return on Equity (1) | 8% | | 13% | | N/A | |
| Cash Flow Summary, Permanent Loan | | | | | | |
| Debt 70% | \$113,461,822 | \$72,190,560.86 | | | \$80,225,832 | \$49,758,664 |
| Equity 30% | \$48,626,495 | \$30,938,812 | | | \$34,382,500 | \$21,325,142 |
| Annual Debt Service 5% 20 Yrs | \$748,798 | \$476,426 | | | \$529,455 | \$328,385 |
| Net Cash Flow | \$7,581,108 | \$4,689,742 | | | \$6,352,854 | \$3,273,694 |
| Annual Return on Equity (Annual NOI/Equity) (2) | 11.7% | 11.4% | | | 13.9% | |

(1) Return on equity measured as net project value divided by the number of years equity investment divided by total equity investment.

(2) Annual net cash flow (NOI less debt service) divided by total equity investment.

(3) Gap cost for current housing set-asides for residential; \$40 per GSF bonus commercial housing fee (plus TDR as applicable).

(4) Gap cost for 10% affordable units for residential (plus TDR as applicable).

Source: DRA.

Table 68
Return on Equity Analysis, Incentive Program |
Downtown and South Lake Union Prototypes
Lower Cap Rates Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | South Lake Union | | | | | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 4A With Incentive | Prototype 4B No Incentive | Prototype 5A With Incentive | Prototype 5B No Incentive | Prototype 6A With Incentive | Prototype 6B No Incentive |
| Site Area (SF) | 21,000 | 21,000 | 21,000 | 21,000 | 43,000 | 43,000 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Office Net SF | - | - | - | - | 238,400 | 152,800 |
| Residential Net SF | 203,900 | 89,900 | 184,900 | 79,900 | - | - |
| Total Net SF | 206,000 | 92,000 | 187,000 | 82,000 | 240,500 | 154,900 |
| Residential Units | 281 | 124 | 218 | 94 | - | - |
| Approximate Building Stories | 24 | 7 | 24 | 7 | 8 | 5 |
| Total Annual Net Operating Income, Rental Uses | \$5,719,630 | \$2,318,834 | | | \$6,309,559 | \$4,064,699 |
| NOI Per NSF | \$27.77 | \$25.20 | | | \$26.24 | \$26.24 |
| Cap Rate | 4.25% | 4.25% | | | 5.00% | 5.00% |
| Capitalized Value, Rental Uses | \$134,579,529 | \$54,560,800 | | | \$126,191,180 | \$81,293,980 |
| Net Condo Sales Proceeds | | | \$120,442,544 | \$43,704,418 | | |
| Total Market Value | \$134,579,529 | \$54,560,800 | \$120,442,544 | \$43,704,418 | \$126,191,180 | \$81,293,980 |
| Total Value Per NSF | \$653 | \$593 | \$644 | \$533 | \$525 | \$525 |
| Less: Total Development Cost, Incl. Land | \$104,727,058 | \$34,008,956 | \$106,203,306 | \$33,548,775 | \$100,460,639 | \$71,769,583 |
| Total Development Cost Per NSF | \$508 | \$370 | \$568 | \$409 | \$418 | \$463 |
| Net Value of Investment Before Program Costs | \$29,852,471 | \$20,551,844 | \$14,239,238 | \$10,155,643 | \$25,730,541 | \$9,524,397 |
| Net Value/SF Site Area | \$1,421.55 | \$978.66 | \$678.06 | \$483.60 | \$598.38 | \$221.50 |
| Net Value/Dwelling Unit | \$106,237 | \$165,741 | \$65,318 | \$108,039 | N/A | N/A |
| Equity Investment @ 40% of TDC | \$41,890,823 | \$13,603,583 | \$42,481,322 | \$13,419,510 | \$40,184,256 | \$28,707,833 |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Return on Equity (1) | 18% | 38% | 8% | 19% | 16% | 8% |
| Increase in Net Project Value from Bonus Before Program Costs | \$9,300,628 | | \$4,083,596 | | \$16,206,144 | |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$2,955,420 | | \$2,753,340 | | \$2,830,418 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$5,317,653 | | \$3,225,480 | | \$4,761,500 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$10,238,406 | | \$5,918,856 | | N/A | |
| Net Value of Investment After Program Costs | | | | | | |
| 1. Current In-Lieu Fee | \$26,897,051 | | \$11,485,898 | | \$22,900,124 | |
| Return on Equity (1) | 16% | | 7% | | 14% | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$24,534,819 | | \$11,013,758 | | \$20,969,041 | |
| Return on Equity (1) | 15% | | 6% | | 13% | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$19,614,065 | | \$8,320,382 | | N/A | |
| Return on Equity (1) | 12% | | 5% | | N/A | |
| Cash Flow Summary, Permanent Loan | | | | | | |
| Debt 70% | \$73,308,941 | \$23,806,269 | | | \$70,322,447 | \$50,238,708 |
| Equity 30% | \$31,418,117 | \$10,202,687 | | | \$30,138,192 | \$21,530,875 |
| Annual Debt Service 5% 20 Yrs | \$483,807 | \$157,111 | | | \$464,097 | \$331,553 |
| Net Cash Flow | \$5,235,823 | \$2,161,723 | | | \$5,845,462 | \$3,733,146 |
| Annual Return on Equity (Annual NOI/Equity) (2) | 12.5% | 15.9% | | | 14.5% | 13.0% |

(1) Return on equity measured as net project value divide
(2) Annual net cash flow (NOI less debt service) divide
(3) Gap cost for current housing set-asides for residential
(4) Gap cost for 10% affordable units for residential (pl
Source: DRA.

Table 69
Return on Equity Analysis, Incentive Program Requirements
Downtown and South Lake Union Prototypes
Higher Cap Rates Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Downtown/HR | | | | | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 1A With Incentive | Prototype 1B No Incentive | Prototype 2A With Incentive | Prototype 2B No Incentive | Prototype 3A With Incentive | Prototype 3B No Incentive |
| Site Area (SF) | 15,000 | 15,000 | 15,000 | 15,000 | 32,400 | 32,400 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Office Net SF | - | - | - | - | 249,480 | 129,600 |
| Residential Net SF | 308,900 | 194,900 | 283,900 | 174,900 | - | - |
| Total Net SF | 311,000 | 197,000 | 286,000 | 177,000 | 251,580 | 131,700 |
| Residential Units | 426 | 269 | 344 | 212 | - | - |
| Approximate Building Stories | 40 | 24 | 40 | 24 | 8 | 4 |
| Total Annual Net Operating Income, Rental Uses | \$8,329,906 | \$5,166,168 | | | \$6,882,309 | \$3,602,079 |
| NOI Per NSF | \$26.78 | \$26.22 | | | \$27.36 | \$27.35 |
| Cap Rate | 5.00% | 5.00% | | | 5.50% | 5.50% |
| Capitalized Value, Rental Uses | \$166,598,112 | \$103,323,360 | | | \$125,132,891 | \$65,492,345 |
| Net Condo Sales Proceeds | | | \$213,785,198 | \$125,461,513 | | |
| Total Market Value | \$166,598,112 | \$103,323,360 | \$213,785,198 | \$125,461,513 | \$125,132,891 | \$65,492,345 |
| Total Value Per NSF | \$536 | \$524 | \$748 | \$709 | \$497 | \$497 |
| Less: Total Development Cost, Incl. Land | \$162,088,317 | \$103,129,373 | \$169,439,744 | \$104,527,968 | \$114,608,332 | \$71,083,805 |
| Total Development Cost Per NSF | \$521 | \$523 | \$592 | \$591 | \$456 | \$540 |
| Net Value of Investment Before Program Costs | \$4,509,795 | \$193,987 | \$44,345,454 | \$20,933,544 | \$10,524,559 | (\$5,591,460) |
| Net Value/SF Site Area | \$300.65 | \$12.93 | \$2,956.36 | \$1,395.57 | \$324.83 | (\$172.58) |
| Net Value/Dwelling Unit | \$10,586 | \$721 | \$128,911 | \$98,743 | N/A | N/A |
| Equity Investment @ 40% of TDC | \$64,835,327 | \$41,251,749 | \$67,775,897 | \$41,811,187 | \$45,843,333 | \$28,433,522 |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Return on Equity Before Program Costs (1) | 2% | 0% | 16% | 13% | 6% | -5% |
| Increase in Net Project Value from Bonus Before Program Costs | \$4,315,808 | | \$23,411,910 | | \$16,116,019 | |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$3,212,976 | | \$3,082,896 | | \$4,285,305 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$7,359,308 | | \$4,484,798 | | \$7,209,000 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$14,384,102 | | \$8,025,428 | | N/A | |
| Net Value of Investment After Program Costs | | | | | | |
| 1. Current In-Lieu Fee | \$1,296,819 | | \$41,262,558 | | \$6,239,254 | |
| Return on Equity (1) | 1% | | 15% | | 3% | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | (\$2,849,513) | | \$39,860,656 | | \$3,315,559 | |
| Return on Equity (1) | -1% | | 15% | | 2% | |
| 3. Gap Cost Scenario 2: 10% Units (4) | (\$9,874,307) | | \$36,320,026 | | N/A | |
| Return on Equity (1) | -4% | | 13% | | N/A | |
| Cash Flow Summary | | | | | | |
| Debt 60% | \$97,252,990 | \$61,877,623.59 | | | \$68,764,999 | \$42,650,283 |
| Equity 40% | \$64,835,327 | \$41,251,749 | | | \$45,843,333 | \$28,433,522 |
| Annual Debt Service 5% 20 Yrs | \$641,827 | \$408,365 | | | \$453,819 | \$281,473 |
| Net Cash Flow | \$7,688,079 | \$4,757,803 | | | \$6,428,490 | \$3,320,606 |
| Annual Return on Equity (Annual NOI/Equity) (2) | 11.9% | 11.5% | | | 14.0% | |

(1) Return on equity measured as net project value divided by the number of years equity investment divided by total equity investment.

(2) Annual net cash flow (NOI less debt service) divided by total equity investment.

(3) Gap cost for current housing set-asides for residential; \$40 per GSF bonus commercial housing fee (plus TDR as applicable).

(4) Gap cost for 10% affordable units for residential (plus TDR as applicable).

Source: DRA.

Table 69
Return on Equity Analysis, Incentive Program |
Downtown and South Lake Union Prototypes
Higher Cap Rates Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | South Lake Union | | | | | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 4A With Incentive | Prototype 4B No Incentive | Prototype 5A With Incentive | Prototype 5B No Incentive | Prototype 6A With Incentive | Prototype 6B No Incentive |
| Site Area (SF) | 21,000 | 21,000 | 21,000 | 21,000 | 43,000 | 43,000 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Office Net SF | - | - | - | - | 238,400 | 152,800 |
| Residential Net SF | 203,900 | 89,900 | 184,900 | 79,900 | - | - |
| Total Net SF | 206,000 | 92,000 | 187,000 | 82,000 | 240,500 | 154,900 |
| Residential Units | 281 | 124 | 218 | 94 | - | - |
| Approximate Building Stories | 24 | 7 | 24 | 7 | 8 | 5 |
| Total Annual Net Operating Income, Rental Uses | \$5,719,630 | \$2,318,834 | | | \$6,309,559 | \$4,064,699 |
| NOI Per NSF | \$27.77 | \$25.20 | | | \$26.24 | \$26.24 |
| Cap Rate | 5.00% | 5.00% | | | 5.50% | 5.50% |
| Capitalized Value, Rental Uses | \$114,392,600 | \$46,376,680 | | | \$114,719,255 | \$73,903,618 |
| Net Condo Sales Proceeds | | | \$120,442,544 | \$43,704,418 | | |
| Total Market Value | \$114,392,600 | \$46,376,680 | \$120,442,544 | \$43,704,418 | \$114,719,255 | \$73,903,618 |
| Total Value Per NSF | \$555 | \$504 | \$644 | \$533 | \$477 | \$477 |
| Less: Total Development Cost, Incl. Land | \$104,727,058 | \$34,008,956 | \$106,203,306 | \$33,548,775 | \$100,460,639 | \$71,769,583 |
| Total Development Cost Per NSF | \$508 | \$370 | \$568 | \$409 | \$418 | \$463 |
| Net Value of Investment Before Program Costs | \$9,665,542 | \$12,367,724 | \$14,239,238 | \$10,155,643 | \$14,258,616 | \$2,134,035 |
| Net Value/SF Site Area | \$460.26 | \$588.94 | \$678.06 | \$483.60 | \$331.60 | \$49.63 |
| Net Value/Dwelling Unit | \$34,397 | \$99,740 | \$65,318 | \$108,039 | N/A | N/A |
| Equity Investment @ 40% of TDC | \$41,890,823 | \$13,603,583 | \$42,481,322 | \$13,419,510 | \$40,184,256 | \$28,707,833 |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Return on Equity Before Program Costs (1) | 6% | 23% | 8% | 19% | 9% | 2% |
| Increase in Net Project Value from Bonus Before Program Costs | (\$2,702,182) | | \$4,083,596 | | \$12,124,581 | |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$2,955,420 | | \$2,753,340 | | \$2,830,418 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$5,317,653 | | \$3,225,480 | | \$4,761,500 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$10,238,406 | | \$5,918,856 | | N/A | |
| Net Value of Investment After Program Costs | | | | | | |
| 1. Current In-Lieu Fee | \$6,710,122 | | \$11,485,898 | | \$11,428,198 | |
| Return on Equity (1) | 4% | | 7% | | 7% | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$4,347,889 | | \$11,013,758 | | \$9,497,116 | |
| Return on Equity (1) | 3% | | 6% | | 6% | |
| 3. Gap Cost Scenario 2: 10% Units (4) | (\$572,864) | | \$8,320,382 | | N/A | |
| Return on Equity (1) | 0% | | 5% | | N/A | |
| Cash Flow Summary | | | | | | |
| Debt 60% | \$62,836,235 | \$20,405,374 | | | \$60,276,383 | \$43,061,750 |
| Equity 40% | \$41,890,823 | \$13,603,583 | | | \$40,184,256 | \$28,707,833 |
| Annual Debt Service 5% 20 Yrs | \$414,691 | \$134,666 | | | \$397,797 | \$284,188 |
| Net Cash Flow | \$5,304,939 | \$2,184,168 | | | \$5,911,762 | \$3,780,511 |
| Annual Return on Equity (Annual NOI/Equity) (2) | 12.7% | 16.1% | | | 14.7% | 13.2% |

(1) Return on equity measured as net project value divided by equity
(2) Annual net cash flow (NOI less debt service) divided by equity
(3) Gap cost for current housing set-asides for residential
(4) Gap cost for 10% affordable units for residential (pl)
Source: DRA.

Table 70
Return on Equity Analysis, Incentive Program Requirements
Low Rise and Mid Rise Prototypes
Lower Cap Rates Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | | 4 to 6 Stories | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Residential Rental | |
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 8A With Incentive | Prototype 8B No Incentive | Prototype 9A With Incentive | Prototype 9B No Incentive |
| Site Area (SF) | 14,400 | 14,400 | 14,400 | 14,400 | 20,000 | 20,000 |
| Retail Net SF | - | - | - | - | 2,100 | 2,100 |
| Residential Net SF | 46,000 | 22,000 | 46,000 | 22,000 | 68,900 | 46,900 |
| Total Net SF | 46,000 | 22,000 | 46,000 | 22,000 | 71,000 | 49,000 |
| Residential Units | 71 | 34 | 56 | 27 | 106 | 72 |
| Approximate Building Stories | 7 | 4 | 7 | 4 | 6 | 4 |
| Total Annual Net Operating Income, Rental Uses | | | | | | |
| Low Scenario | \$861,691 | \$456,716 | | | \$1,466,808 | \$1,010,093 |
| NOI Per NSF | \$18.73 | \$20.76 | | | \$20.66 | \$20.61 |
| Middle Scenario | \$1,033,170 | \$493,847 | | | \$1,583,734 | \$1,089,886 |
| NOI Per NSF | \$22.46 | \$22.45 | | | \$22.31 | \$22.24 |
| High Scenario | \$1,140,569 | \$545,190 | | | \$1,744,771 | \$1,199,581 |
| NOI Per NSF | \$24.79 | \$24.78 | | | \$24.57 | \$24.48 |
| Cap Rate | 4.25% | 4.25% | | | 4.25% | 4.25% |
| Total Market Value (Capitalized NOI for Rental; Net Sales Proceeds for Ownership) | | | | | | |
| Low Scenario | \$20,275,078 | \$10,746,249 | \$14,027,700 | \$6,708,900 | \$34,513,135 | \$23,766,885 |
| Per NSF | \$441 | \$488 | \$305 | \$305 | \$501 | \$507 |
| Middle Scenario | \$24,309,873 | \$11,619,934 | \$18,703,600 | \$8,945,200 | \$37,264,321 | \$25,644,387 |
| Per NSF | \$528 | \$528 | \$407 | \$407 | \$541 | \$547 |
| High Scenario | \$26,836,908 | \$12,828,005 | \$23,379,500 | \$11,181,500 | \$41,053,447 | \$28,225,442 |
| Per NSF | \$583 | \$583 | \$508 | \$508 | \$596 | \$602 |
| Less: Total Development Cost, Include. Land | | | | | | |
| Low Scenario | \$15,969,184 | \$7,341,003 | \$17,190,601 | \$7,794,883 | \$25,878,493 | \$16,025,407 |
| Per NSF | \$347 | \$334 | \$374 | \$354 | \$364 | \$327 |
| Middle Scenario | \$18,037,910 | \$8,594,023 | \$19,385,681 | \$9,100,273 | \$29,361,192 | \$18,740,857 |
| Per NSF | \$392 | \$391 | \$421 | \$414 | \$414 | \$382 |
| High Scenario | \$20,337,836 | \$10,078,242 | \$21,811,960 | \$10,636,863 | \$33,333,491 | \$21,945,908 |
| Per NSF | \$442 | \$458 | \$474 | \$483 | \$469 | \$448 |
| Net Value of Investment Before Program Costs | | | | | | |
| Low Scenario | \$4,305,894 | \$3,405,246 | (\$3,162,901) | (\$1,085,983) | \$8,634,642 | \$7,741,479 |
| Per SF Site Area | \$299.02 | \$236.48 | (\$219.65) | (\$75.42) | \$431.73 | \$387.07 |
| Per Dwelling Unit | \$60,646 | \$100,154 | (\$56,480) | (\$40,222) | \$81,459 | \$107,521 |
| Return on Equity (1) | 17% | 29% | -11% | -9% | 21% | 30% |
| Middle Scenario | \$6,271,963 | \$3,025,911 | (\$682,081) | (\$155,073) | \$7,903,129 | \$6,903,530 |
| Per SF Site Area | \$435.55 | \$210.13 | (\$47.37) | (\$10.77) | \$395.16 | \$345.18 |
| Per Dwelling Unit | \$88,338 | \$88,997 | (\$12,180) | (\$5,743) | \$74,558 | \$95,882 |
| Return on Equity (1) | 22% | 22% | -2% | -1% | 17% | 23% |
| High Scenario | \$6,499,073 | \$2,749,762 | \$1,567,540 | \$544,637 | \$7,719,956 | \$6,279,534 |
| Per SF Site Area | \$451.32 | \$190.96 | \$108.86 | \$37.82 | \$386.00 | \$313.98 |
| Per Dwelling Unit | \$91,536 | \$80,875 | \$27,992 | \$20,172 | \$72,830 | \$87,216 |
| Return on Equity (1) | 20% | 17% | 4% | 3% | 14% | 18% |
| Equity Investment @ 40% | | | | | | |
| Low Scenario | \$6,387,673 | \$2,936,401 | \$6,876,241 | \$3,117,953 | \$10,351,397 | \$6,410,163 |
| Middle Scenario | \$7,215,164 | \$3,437,609 | \$7,754,272 | \$3,640,109 | \$11,744,477 | \$7,496,343 |
| High Scenario | \$8,135,134 | \$4,031,297 | \$8,724,784 | \$4,254,745 | \$13,333,396 | \$8,778,363 |
| Assumed Investment Period (Months) | 4 | 4 | 4 | 4 | 4 | 4 |
| Increase in Net Value from Bonus Before Prog. Costs | | | | | | |
| Low Scenario | \$3,451,272 | | \$3,758,288 | | \$3,941,234 | |
| Middle Scenario | \$3,777,555 | | \$4,114,163 | | \$4,248,134 | |
| High Scenario | \$4,103,837 | | \$4,470,039 | | \$4,555,033 | |

Table 70
Return on Equity Analysis, Incentive Program Requirements
Low Rise and Mid Rise Prototypes
Lower Cap Rates Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | | 4 to 6 Stories | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Residential Rental | |
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 8A With Incentive | Prototype 8B No Incentive | Prototype 9A With Incentive | Prototype 9B No Incentive |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$490,860 | | \$490,860 | | \$454,500 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$597,840 | | \$0 | | \$693,934 | |
| Middle Scenario | \$743,525 | | \$123,440 | | \$858,212 | |
| High Scenario | \$905,490 | | \$297,280 | | \$1,045,585 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | \$836,977 | | \$0 | | \$1,526,654 | |
| Middle Scenario | \$1,040,935 | | \$185,160 | | \$1,888,066 | |
| High Scenario | \$1,267,686 | | \$445,920 | | \$2,300,287 | |
| Increase in Net Value from Bonus After Prog. Costs | | | | | | |
| 1. Current In-Lieu Fee | | | | | | |
| Low Scenario | \$3,815,034 | | (\$3,653,761) | | \$8,180,142 | |
| Return on Equity (1) | 15% | | -13% | | 20% | |
| Middle Scenario | \$5,781,103 | | (\$1,172,941) | | \$7,448,629 | |
| Return on Equity (1) | 20% | | -4% | | 16% | |
| High Scenario | \$6,008,213 | | \$1,076,680 | | \$7,265,456 | |
| Return on Equity (1) | 18% | | 3% | | 14% | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$3,708,054 | | (\$3,162,901) | | \$7,940,708 | |
| Return on Equity (1) | 15% | | -11% | | 19% | |
| Middle Scenario | \$5,528,438 | | (\$805,521) | | \$7,044,917 | |
| Return on Equity (1) | 19% | | -3% | | 15% | |
| High Scenario | \$5,593,583 | | \$1,270,260 | | \$6,674,371 | |
| Return on Equity (1) | 17% | | 4% | | 13% | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | \$3,038,208 | | (\$3,608,821) | | \$6,334,355 | |
| Return on Equity (1) | 12% | | -13% | | 15% | |
| Middle Scenario | \$5,004,277 | | (\$1,128,001) | | \$5,602,842 | |
| Return on Equity (1) | 17% | | -4% | | 12% | |
| High Scenario | \$5,231,387 | | \$1,121,620 | | \$5,419,669 | |
| Return on Equity (1) | 16% | | 3% | | 10% | |
| Cash Flow Summary | | | | | | |
| Low Scenario | | | | | | |
| Debt 60% | \$9,581,510 | \$4,404,602 | | | \$15,527,095.50 | \$9,615,244 |
| Equity 40% | \$6,387,673 | \$2,936,401 | | | \$10,351,397 | \$6,410,163 |
| Middle Scenario | | | | | | |
| Debt 60% | \$10,822,746 | \$5,156,414 | | | \$17,616,715 | \$11,244,514 |
| Equity 40% | \$7,215,164 | \$3,437,609 | | | \$11,744,477 | \$7,496,343 |
| High Scenario | | | | | | |
| Debt 60% | \$12,202,701 | \$6,046,945 | | | \$20,000,095 | \$13,167,545 |
| Equity 40% | \$8,135,134 | \$4,031,297 | | | \$13,333,396 | \$8,778,363 |
| Annual Debt Service 5% 20 Yrs | | | | | | |
| Low Scenario | \$105,390 | \$367,053 | | | \$170,787 | \$801,277 |
| Middle Scenario | \$119,042 | \$429,705 | | | \$193,771 | \$937,051 |
| High Scenario | \$134,221 | \$503,916 | | | \$219,986 | \$1,097,304 |
| Net Cash Flow | | | | | | |
| Low Scenario | \$756,301 | \$89,662 | | | \$1,296,022 | \$208,816 |
| Annual Return on Equity (2) | 11.8% | 3.1% | | | 12.5% | 3.3% |
| Middle Scenario | \$914,127 | \$64,143 | | | \$1,389,963 | \$152,836 |
| Annual Return on Equity (2) | 12.7% | 1.9% | | | 11.8% | 2.0% |
| High Scenario | \$1,006,348 | \$41,274 | | | \$1,524,785 | \$102,277 |
| Annual Return on Equity (2) | 8.2% | 0.7% | | | 7.6% | 0.8% |

(1) Return on equity measured as net project value divided by the number of years equity investment divided by total equity investment.
(2) Annual net cash flow (NOI less debt service) divided by total equity investment.
(3) Gap cost for current housing set-asides for residential; \$40 per GSF bonus commercial housing fee (plus TDR as applicable).
(4) Gap cost for 10% affordable units for residential (plus TDR as applicable).

Table 70
Return on Equity Analysis, Incentive Program |
Low Rise and Mid Rise Prototypes
Lower Cap Rates Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 to 6 Stories | | 6 Stories to 7 Stories | | | |
|--|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Residential Ownership | | Residential Rental | | Residential Ownership | |
| | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 11A With Incentive | Prototype 11B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| Site Area (SF) | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Residential Net SF | 68,900 | 46,900 | 87,900 | 68,900 | 87,900 | 68,900 |
| Total Net SF | 71,000 | 49,000 | 90,000 | 71,000 | 90,000 | 71,000 |
| Residential Units | 84 | 57 | 135 | 106 | 107 | 84 |
| Approximate Building Stories | 6 | 4 | 7 | 6 | 7 | 6 |
| Total Annual Net Operating Income, Rental Uses | | | | | | |
| Low Scenario | | | \$1,863,084 | \$1,466,808 | | |
| NOI Per NSF | | | \$20.70 | \$20.66 | | |
| Middle Scenario | | | \$2,012,558 | \$1,583,734 | | |
| NOI Per NSF | | | \$22.36 | \$22.31 | | |
| High Scenario | | | \$2,218,119 | \$1,744,771 | | |
| NOI Per NSF | | | \$24.65 | \$24.57 | | |
| Cap Rate | | | 4.25% | 4.25% | | |
| Total Market Value (Capitalized NOI for Rental; Net Sales Proceeds for Ownership) | | | | | | |
| Low Scenario | \$21,011,055 | \$14,302,155 | \$43,837,280 | \$34,513,135 | \$26,815,473 | \$21,018,069 |
| Per NSF | \$305 | \$305 | \$499 | \$501 | \$305 | \$305 |
| Middle Scenario | \$28,014,740 | \$19,069,540 | \$47,354,307 | \$37,264,321 | \$35,753,964 | \$28,024,092 |
| Per NSF | \$407 | \$407 | \$539 | \$541 | \$407 | \$407 |
| High Scenario | \$35,018,425 | \$23,836,925 | \$52,191,044 | \$41,053,447 | \$44,692,456 | \$35,030,115 |
| Per NSF | \$508 | \$508 | \$594 | \$596 | \$508 | \$508 |
| Less: Total Development Cost, Include. Land | | | | | | |
| Low Scenario | \$27,886,183 | \$17,308,312 | \$36,076,810 | \$27,132,308 | \$34,605,944 | \$28,736,183 |
| Per NSF | \$393 | \$353 | \$401 | \$382 | \$385 | \$405 |
| Middle Scenario | \$31,569,651 | \$20,171,790 | \$41,119,428 | \$31,165,388 | \$39,496,404 | \$32,929,651 |
| Per NSF | \$445 | \$412 | \$457 | \$439 | \$439 | \$464 |
| High Scenario | \$35,742,719 | \$23,524,868 | \$46,882,846 | \$35,919,269 | \$45,107,664 | \$37,843,919 |
| Per NSF | \$503 | \$480 | \$521 | \$506 | \$501 | \$533 |
| Net Value of Investment Before Program Costs | | | | | | |
| Low Scenario | (\$6,875,128) | (\$3,006,157) | \$7,760,471 | \$7,380,827 | (\$7,790,471) | (\$7,718,114) |
| Per SF Site Area | (\$343.76) | (\$150.31) | \$388.02 | \$369.04 | (\$389.52) | (\$385.91) |
| Per Dwelling Unit | (\$81,847) | (\$52,740) | \$57,485 | \$69,630 | (\$72,808) | (\$91,882) |
| Return on Equity (1) | -15% | -11% | 13% | 17% | -14% | -17% |
| Middle Scenario | (\$3,554,911) | (\$1,102,250) | \$6,234,879 | \$6,098,933 | (\$3,742,440) | (\$4,905,559) |
| Per SF Site Area | (\$177.75) | (\$55.11) | \$311.74 | \$304.95 | (\$187.12) | (\$245.28) |
| Per Dwelling Unit | (\$42,320) | (\$19,338) | \$46,184 | \$57,537 | (\$34,976) | (\$58,400) |
| Return on Equity (1) | -7% | -3% | 9% | 12% | -6% | -9% |
| High Scenario | (\$724,294) | \$312,057 | \$5,308,198 | \$5,134,178 | (\$415,208) | (\$2,813,804) |
| Per SF Site Area | (\$36.21) | \$15.60 | \$265.41 | \$256.71 | (\$20.76) | (\$140.69) |
| Per Dwelling Unit | (\$8,623) | \$5,475 | \$39,320 | \$48,436 | (\$3,880) | (\$33,498) |
| Return on Equity (1) | -1% | 1% | 7% | 9% | -1% | -5% |
| Equity Investment @ 40% | | | | | | |
| Low Scenario | \$11,154,473 | \$6,923,325 | \$14,430,724 | \$10,852,923 | \$13,842,378 | \$11,494,473 |
| Middle Scenario | \$12,627,860 | \$8,068,716 | \$16,447,771 | \$12,466,155 | \$15,798,562 | \$13,171,860 |
| High Scenario | \$14,297,088 | \$9,409,947 | \$18,753,139 | \$14,367,708 | \$18,043,066 | \$15,137,568 |
| Assumed Investment Period (Months) | 4 | 4 | 4 | 4 | 4 | 4 |
| Increase in Net Value from Bonus Before Prog. Costs | | | | | | |
| Low Scenario | \$4,231,148 | | \$3,577,801 | | \$2,347,905 | |
| Middle Scenario | \$4,559,144 | | \$3,981,616 | | \$2,626,701 | |
| High Scenario | \$4,887,140 | | \$4,385,431 | | \$2,905,498 | |

Table 70
Return on Equity Analysis, Incentive Program |
Low Rise and Mid Rise Prototypes
Lower Cap Rates Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 to 6 Stories | | 6 Stories to 7 Stories | | | |
|---|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Residential Ownership | | Residential Rental | | Residential Ownership | |
| | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 11A With Incentive | Prototype 11B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$454,500 | | \$378,750 | | \$378,750 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$31,600 | | \$647,543 | | \$1,295,085 | |
| Middle Scenario | \$202,160 | | \$796,953 | | \$1,593,907 | |
| High Scenario | \$392,400 | | \$967,720 | | \$1,935,440 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | \$63,200 | | \$4,020 | | \$14,740 | |
| Middle Scenario | \$404,320 | | \$136,860 | | \$501,820 | |
| High Scenario | \$784,800 | | \$289,380 | | \$1,061,060 | |
| Increase in Net Value from Bonus After Prog. Costs | | | | | | |
| 1. Current In-Lieu Fee | | | | | | |
| Low Scenario | (\$7,329,628) | | \$7,381,721 | | (\$8,169,221) | |
| Return on Equity (1) | -16% | | 13% | | -15% | |
| Middle Scenario | (\$4,009,411) | | \$5,856,129 | | (\$4,121,190) | |
| Return on Equity (1) | -8% | | 9% | | -7% | |
| High Scenario | (\$1,178,794) | | \$4,929,448 | | (\$793,958) | |
| Return on Equity (1) | -2% | | 7% | | -1% | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | (\$6,906,728) | | \$7,112,928 | | (\$9,085,556) | |
| Return on Equity (1) | -15% | | 12% | | -16% | |
| Middle Scenario | (\$3,757,071) | | \$5,437,925 | | (\$5,336,346) | |
| Return on Equity (1) | -7% | | 8% | | -8% | |
| High Scenario | (\$1,116,694) | | \$4,340,478 | | (\$2,350,648) | |
| Return on Equity (1) | -2% | | 6% | | -3% | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | (\$7,659,928) | | \$7,471,091 | | (\$8,851,531) | |
| Return on Equity (1) | -17% | | 13% | | -16% | |
| Middle Scenario | (\$4,339,711) | | \$5,945,499 | | (\$4,803,500) | |
| Return on Equity (1) | -9% | | 9% | | -8% | |
| High Scenario | (\$1,509,094) | | \$5,018,818 | | (\$1,476,268) | |
| Return on Equity (1) | -3% | | 7% | | -2% | |
| Cash Flow Summary | | | | | | |
| Low Scenario | | | | | | |
| Debt | 60% | | \$21,646,086 | \$16,279,385 | | |
| Equity | 40% | | \$14,430,724 | \$10,852,923 | | |
| Middle Scenario | | | | | | |
| Debt | 60% | | \$24,671,657 | \$18,699,233 | | |
| Equity | 40% | | \$16,447,771 | \$12,466,155 | | |
| High Scenario | | | | | | |
| Debt | 60% | | \$28,129,708 | \$21,551,561 | | |
| Equity | 40% | | \$18,753,139 | \$14,367,708 | | |
| Annual Debt Service 5% 20 Yrs | | | | | | |
| Low Scenario | | | \$238,091 | \$1,356,627 | | |
| Middle Scenario | | | \$271,370 | \$1,558,282 | | |
| High Scenario | | | \$309,406 | \$1,795,978 | | |
| Net Cash Flow | | | | | | |
| Low Scenario | | | | | | |
| Annual Return on Equity (2) | | | \$1,624,993 | \$110,182 | | |
| Annual Return on Equity (2) | | | 11.3% | 1.0% | | |
| Middle Scenario | | | | | | |
| Annual Return on Equity (2) | | | \$1,741,188 | \$25,451 | | |
| Annual Return on Equity (2) | | | 10.6% | 0.2% | | |
| High Scenario | | | | | | |
| Annual Return on Equity (2) | | | \$1,908,713 | (\$51,207) | | |
| Annual Return on Equity (2) | | | 6.8% | -0.2% | | |

(1) Return on equity measured as net project value divide
(2) Annual net cash flow (NOI less debt service) divide
(3) Gap cost for current housing set-asides for residenti
(4) Gap cost for 10% affordable units for residential (pl

Table 71
Return on Equity Analysis, Incentive Program Requirements
Low Rise and Mid Rise Prototypes
Higher Cap Rates Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | | 4 to 6 Stories | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Residential Rental | |
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 8A With Incentive | Prototype 8B No Incentive | Prototype 9A With Incentive | Prototype 9B No Incentive |
| Site Area (SF) | 14,400 | 14,400 | 14,400 | 14,400 | 20,000 | 20,000 |
| Retail Net SF | - | - | - | - | 2,100 | 2,100 |
| Residential Net SF | 46,000 | 22,000 | 46,000 | 22,000 | 68,900 | 46,900 |
| Total Net SF | 46,000 | 22,000 | 46,000 | 22,000 | 71,000 | 49,000 |
| Residential Units | 71 | 34 | 56 | 27 | 106 | 72 |
| Approximate Building Stories | 7 | 4 | 7 | 4 | 6 | 4 |
| Total Annual Net Operating Income, Rental Uses | | | | | | |
| Low Scenario | \$861,691 | \$456,716 | | | \$1,466,808 | \$1,010,093 |
| NOI Per NSF | \$18.73 | \$20.76 | | | \$20.66 | \$20.61 |
| Middle Scenario | \$1,033,170 | \$493,847 | | | \$1,583,734 | \$1,089,886 |
| NOI Per NSF | \$22.46 | \$22.45 | | | \$22.31 | \$22.24 |
| High Scenario | \$1,140,569 | \$545,190 | | | \$1,744,771 | \$1,199,581 |
| NOI Per NSF | \$24.79 | \$24.78 | | | \$24.57 | \$24.48 |
| Cap Rate | 5.00% | 5.00% | | | 5.00% | 5.00% |
| Total Market Value (Capitalized NOI for Rental; Net Sales Proceeds for Ownership) | | | | | | |
| Low Scenario | \$17,233,816 | \$9,134,312 | \$14,027,700 | \$6,708,900 | \$29,336,164 | \$20,201,852 |
| Per NSF | \$375 | \$415 | \$305 | \$305 | \$426 | \$431 |
| Middle Scenario | \$20,663,392 | \$9,876,944 | \$18,703,600 | \$8,945,200 | \$31,674,673 | \$21,797,729 |
| Per NSF | \$449 | \$449 | \$407 | \$407 | \$460 | \$465 |
| High Scenario | \$22,811,372 | \$10,903,804 | \$23,379,500 | \$11,181,500 | \$34,895,430 | \$23,991,626 |
| Per NSF | \$496 | \$496 | \$508 | \$508 | \$506 | \$512 |
| Less: Total Development Cost, Include. Land | | | | | | |
| Low Scenario | \$15,969,184 | \$7,341,003 | \$17,190,601 | \$7,794,883 | \$25,878,493 | \$16,025,407 |
| Per NSF | \$347 | \$334 | \$374 | \$354 | \$364 | \$327 |
| Middle Scenario | \$18,037,910 | \$8,594,023 | \$19,385,681 | \$9,100,273 | \$29,361,192 | \$18,740,857 |
| Per NSF | \$392 | \$391 | \$421 | \$414 | \$414 | \$382 |
| High Scenario | \$20,337,836 | \$10,078,242 | \$21,811,960 | \$10,636,863 | \$33,333,491 | \$21,945,908 |
| Per NSF | \$442 | \$458 | \$474 | \$483 | \$469 | \$448 |
| Net Value of Investment Before Program Costs | | | | | | |
| Low Scenario | \$1,264,632 | \$1,793,309 | (\$3,162,901) | (\$1,085,983) | \$3,457,672 | \$4,176,446 |
| Per NSF | \$87.82 | \$124.54 | (\$219.65) | (\$75.42) | \$172.88 | \$208.82 |
| Per Dwelling Unit | \$17,812 | \$52,744 | (\$56,480) | (\$40,222) | \$32,620 | \$58,006 |
| Return on Equity (1) | 5% | 15% | -11% | -9% | 8% | 16% |
| Middle Scenario | \$2,625,482 | \$1,282,921 | (\$682,081) | (\$155,073) | \$2,313,481 | \$3,056,872 |
| Per NSF | \$182.33 | \$89.09 | (\$47.37) | (\$10.77) | \$115.67 | \$152.84 |
| Per Dwelling Unit | \$36,979 | \$37,733 | (\$12,180) | (\$5,743) | \$21,825 | \$42,457 |
| Return on Equity (1) | 9% | 9% | -2% | -1% | 5% | 10% |
| High Scenario | \$2,473,537 | \$825,562 | \$1,567,540 | \$544,637 | \$1,561,939 | \$2,045,718 |
| Per NSF | \$171.77 | \$57.33 | \$108.86 | \$37.82 | \$78.10 | \$102.29 |
| Per Dwelling Unit | \$34,839 | \$24,281 | \$27,992 | \$20,172 | \$14,735 | \$28,413 |
| Return on Equity (1) | 8% | 5% | 4% | 3% | 3% | 6% |
| Equity Investment @ 40% | | | | | | |
| Low Scenario | \$6,387,673 | \$2,936,401 | \$6,876,241 | \$3,117,953 | \$10,351,397 | \$6,410,163 |
| Middle Scenario | \$7,215,164 | \$3,437,609 | \$7,754,272 | \$3,640,109 | \$11,744,477 | \$7,496,343 |
| High Scenario | \$8,135,134 | \$4,031,297 | \$8,724,784 | \$4,254,745 | \$13,333,396 | \$8,778,363 |
| Assumed Investment Period (Months) | 4 | 4 | 4 | 4 | 4 | 4 |
| Increase in Net Value from Bonus Before Prog. Costs | | | | | | |
| Low Scenario | \$3,451,272 | | \$3,758,288 | | \$3,941,234 | |
| Middle Scenario | \$3,777,555 | | \$4,114,163 | | \$4,248,134 | |
| High Scenario | \$4,103,837 | | \$4,470,039 | | \$4,555,033 | |

Table 71
Return on Equity Analysis, Incentive Program Requirements
Low Rise and Mid Rise Prototypes
Higher Cap Rates Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | | 4 to 6 Stories | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Residential Rental | |
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 8A With Incentive | Prototype 8B No Incentive | Prototype 9A With Incentive | Prototype 9B No Incentive |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$490,860 | | \$490,860 | | \$454,500 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$597,840 | | \$0 | | \$693,934 | |
| Middle Scenario | \$743,525 | | \$123,440 | | \$858,212 | |
| High Scenario | \$905,490 | | \$297,280 | | \$1,045,585 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | \$836,977 | | \$0 | | \$1,526,654 | |
| Middle Scenario | \$1,040,935 | | \$185,160 | | \$1,888,066 | |
| High Scenario | \$1,267,686 | | \$445,920 | | \$2,300,287 | |
| Increase in Net Value from Bonus After Prog. Costs | | | | | | |
| 1. Current In-Lieu Fee | | | | | | |
| Low Scenario | \$773,772 | | (\$3,653,761) | | \$3,003,172 | |
| Return on Equity (1) | 3% | | -13% | | 7% | |
| Middle Scenario | \$2,134,622 | | (\$1,172,941) | | \$1,858,981 | |
| Return on Equity (1) | 7% | | -4% | | 4% | |
| High Scenario | \$1,982,677 | | \$1,076,680 | | \$1,107,439 | |
| Return on Equity (1) | 6% | | 3% | | 2% | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$666,792 | | (\$3,162,901) | | \$2,763,738 | |
| Return on Equity (1) | 3% | | -11% | | 7% | |
| Middle Scenario | \$1,881,957 | | (\$805,521) | | \$1,455,269 | |
| Return on Equity (1) | 7% | | -3% | | 3% | |
| High Scenario | \$1,568,047 | | \$1,270,260 | | \$516,354 | |
| Return on Equity (1) | 5% | | 4% | | 1% | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | (\$3,054) | | (\$3,608,821) | | \$1,157,385 | |
| Return on Equity (1) | 0% | | -13% | | 3% | |
| Middle Scenario | \$1,357,796 | | (\$1,128,001) | | \$13,194 | |
| Return on Equity (1) | 5% | | -4% | | 0% | |
| High Scenario | \$1,205,851 | | \$1,121,620 | | (\$738,348) | |
| Return on Equity (1) | 4% | | 3% | | -1% | |
| Cash Flow Summary | | | | | | |
| Low Scenario | | | | | | |
| Debt 60% | \$9,581,510 | \$4,404,602 | | | \$15,527,095.50 | \$9,615,244 |
| Equity 40% | \$6,387,673 | \$2,936,401 | | | \$10,351,397 | \$6,410,163 |
| Middle Scenario | | | | | | |
| Debt 60% | \$10,822,746 | \$5,156,414 | | | \$17,616,715 | \$11,244,514 |
| Equity 40% | \$7,215,164 | \$3,437,609 | | | \$11,744,477 | \$7,496,343 |
| High Scenario | | | | | | |
| Debt 60% | \$12,202,701 | \$6,046,945 | | | \$20,000,095 | \$13,167,545 |
| Equity 40% | \$8,135,134 | \$4,031,297 | | | \$13,333,396 | \$8,778,363 |
| Annual Debt Service 5% 20 Yrs | | | | | | |
| Low Scenario | \$105,390 | \$367,053 | | | \$170,787 | \$801,277 |
| Middle Scenario | \$119,042 | \$429,705 | | | \$193,771 | \$937,051 |
| High Scenario | \$134,221 | \$503,916 | | | \$219,986 | \$1,097,304 |
| Net Cash Flow | | | | | | |
| Low Scenario | \$756,301 | \$89,662 | | | \$1,296,022 | \$208,816 |
| Annual Return on Equity (2) | 11.8% | 3.1% | | | 12.5% | 3.3% |
| Middle Scenario | \$914,127 | \$64,143 | | | \$1,389,963 | \$152,836 |
| Annual Return on Equity (2) | 12.7% | 1.9% | | | 11.8% | 2.0% |
| High Scenario | \$1,006,348 | \$41,274 | | | \$1,524,785 | \$102,277 |
| Annual Return on Equity (2) | 8.2% | 0.7% | | | 7.6% | 0.8% |

(1) Return on equity measured as net project value divided by the number of years equity investment divided by total equity investment.
(2) Annual net cash flow (NOI less debt service) divided by total equity investment.

Source: DRA.

Table 71
Return on Equity Analysis, Incentive Program |
Low Rise and Mid Rise Prototypes
Higher Cap Rates Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 to 6 Stories | | 6 Stories to 7 Stories | | | |
|--|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Residential Ownership | | Residential Rental | | Residential Ownership | |
| | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 11A With Incentive | Prototype 11B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| Site Area (SF) | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Residential Net SF | 68,900 | 46,900 | 87,900 | 68,900 | 87,900 | 68,900 |
| Total Net SF | 71,000 | 49,000 | 90,000 | 71,000 | 90,000 | 71,000 |
| Residential Units | 84 | 57 | 135 | 106 | 107 | 84 |
| Approximate Building Stories | 6 | 4 | 7 | 6 | 7 | 6 |
| Total Annual Net Operating Income, Rental Uses | | | | | | |
| Low Scenario | | | \$1,863,084 | \$1,466,808 | | |
| NOI Per NSF | | | \$20.70 | \$20.66 | | |
| Middle Scenario | | | \$2,012,558 | \$1,583,734 | | |
| NOI Per NSF | | | \$22.36 | \$22.31 | | |
| High Scenario | | | \$2,218,119 | \$1,744,771 | | |
| NOI Per NSF | | | \$24.65 | \$24.57 | | |
| Cap Rate | | | 5.00% | 5.00% | | |
| Total Market Value (Capitalized NOI for Rental; Net Sales Proceeds for Ownership) | | | | | | |
| Low Scenario | \$21,011,055 | \$14,302,155 | \$37,261,688 | \$29,336,164 | \$26,815,473 | \$21,018,069 |
| Per NSF | \$305 | \$305 | \$424 | \$426 | \$305 | \$305 |
| Middle Scenario | \$28,014,740 | \$19,069,540 | \$40,251,161 | \$31,674,673 | \$35,753,964 | \$28,024,092 |
| Per NSF | \$407 | \$407 | \$458 | \$460 | \$407 | \$407 |
| High Scenario | \$35,018,425 | \$23,836,925 | \$44,362,388 | \$34,895,430 | \$44,692,456 | \$35,030,115 |
| Per NSF | \$508 | \$508 | \$505 | \$506 | \$508 | \$508 |
| Less: Total Development Cost, Include. Land | | | | | | |
| Low Scenario | \$27,886,183 | \$17,308,312 | \$36,076,810 | \$27,132,308 | \$34,605,944 | \$28,736,183 |
| Per NSF | \$393 | \$353 | \$401 | \$382 | \$385 | \$405 |
| Middle Scenario | \$31,569,651 | \$20,171,790 | \$41,119,428 | \$31,165,388 | \$39,496,404 | \$32,929,651 |
| Per NSF | \$445 | \$412 | \$457 | \$439 | \$439 | \$464 |
| High Scenario | \$35,742,719 | \$23,524,868 | \$46,882,846 | \$35,919,269 | \$45,107,664 | \$37,843,919 |
| Per NSF | \$503 | \$480 | \$521 | \$506 | \$501 | \$533 |
| Net Value of Investment Before Program Costs | | | | | | |
| Low Scenario | (\$6,875,128) | (\$3,006,157) | \$1,184,879 | \$2,203,857 | (\$7,790,471) | (\$7,718,114) |
| Per NSF | (\$343.76) | (\$150.31) | \$59.24 | \$110.19 | (\$389.52) | (\$385.91) |
| Per Dwelling Unit | (\$81,847) | (\$52,740) | \$8,777 | \$20,791 | (\$72,808) | (\$91,882) |
| Return on Equity (1) | -15% | -11% | 2% | 5% | -14% | -17% |
| Middle Scenario | (\$3,554,911) | (\$1,102,250) | (\$868,267) | \$509,285 | (\$3,742,440) | (\$4,905,559) |
| Per NSF | (\$177.75) | (\$55.11) | (\$43.41) | \$25.46 | (\$187.12) | (\$245.28) |
| Per Dwelling Unit | (\$42,320) | (\$19,338) | (\$6,432) | \$4,805 | (\$34,976) | (\$58,400) |
| Return on Equity (1) | -7% | -3% | -1% | 1% | -6% | -9% |
| High Scenario | (\$724,294) | \$312,057 | (\$2,520,458) | (\$1,023,839) | (\$415,208) | (\$2,813,804) |
| Per NSF | (\$36.21) | \$15.60 | (\$126.02) | (\$51.19) | (\$20.76) | (\$140.69) |
| Per Dwelling Unit | (\$8,623) | \$5,475 | (\$18,670) | (\$9,659) | (\$3,880) | (\$33,498) |
| Return on Equity (1) | -1% | 1% | -3% | -2% | -1% | -5% |
| Equity Investment @ 40% | | | | | | |
| Low Scenario | \$11,154,473 | \$6,923,325 | \$14,430,724 | \$10,852,923 | \$13,842,378 | \$11,494,473 |
| Middle Scenario | \$12,627,860 | \$8,068,716 | \$16,447,771 | \$12,466,155 | \$15,798,562 | \$13,171,860 |
| High Scenario | \$14,297,088 | \$9,409,947 | \$18,753,139 | \$14,367,708 | \$18,043,066 | \$15,137,568 |
| Assumed Investment Period (Months) | 4 | 4 | 4 | 4 | 4 | 4 |
| Increase in Net Value from Bonus Before Prog. Costs | | | | | | |
| Low Scenario | \$4,231,148 | | \$3,577,801 | | \$2,347,905 | |
| Middle Scenario | \$4,559,144 | | \$3,981,616 | | \$2,626,701 | |
| High Scenario | \$4,887,140 | | \$4,385,431 | | \$2,905,498 | |

Table 71
Return on Equity Analysis, Incentive Program |
Low Rise and Mid Rise Prototypes
Higher Cap Rates Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 to 6 Stories | | 6 Stories to 7 Stories | | | |
|---|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Residential Ownership | | Residential Rental | | Residential Ownership | |
| | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 11A With Incentive | Prototype 11B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$454,500 | | \$378,750 | | \$378,750 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$31,600 | | \$647,543 | | \$1,295,085 | |
| Middle Scenario | \$202,160 | | \$796,953 | | \$1,593,907 | |
| High Scenario | \$392,400 | | \$967,720 | | \$1,935,440 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | \$63,200 | | \$4,020 | | \$14,740 | |
| Middle Scenario | \$404,320 | | \$136,860 | | \$501,820 | |
| High Scenario | \$784,800 | | \$289,380 | | \$1,061,060 | |
| Increase in Net Value from Bonus After Prog. Costs | | | | | | |
| 1. Current In-Lieu Fee | | | | | | |
| Low Scenario | (\$7,329,628) | | \$806,129 | | (\$8,169,221) | |
| Return on Equity (1) | -16% | | 1% | | -15% | |
| Middle Scenario | (\$4,009,411) | | (\$1,247,017) | | (\$4,121,190) | |
| Return on Equity (1) | -8% | | -2% | | -7% | |
| High Scenario | (\$1,178,794) | | (\$2,899,208) | | (\$793,958) | |
| Return on Equity (1) | -2% | | -4% | | -1% | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | (\$6,906,728) | | \$537,336 | | (\$9,085,556) | |
| Return on Equity (1) | -15% | | 1% | | -16% | |
| Middle Scenario | (\$3,757,071) | | (\$1,665,221) | | (\$5,336,346) | |
| Return on Equity (1) | -7% | | -3% | | -8% | |
| High Scenario | (\$1,116,694) | | (\$3,488,178) | | (\$2,350,648) | |
| Return on Equity (1) | -2% | | -5% | | -3% | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | (\$7,659,928) | | \$895,499 | | (\$8,851,531) | |
| Return on Equity (1) | -17% | | 2% | | -16% | |
| Middle Scenario | (\$4,339,711) | | (\$1,157,647) | | (\$4,803,500) | |
| Return on Equity (1) | -9% | | -2% | | -8% | |
| High Scenario | (\$1,509,094) | | (\$2,809,838) | | (\$1,476,268) | |
| Return on Equity (1) | -3% | | -4% | | -2% | |
| Cash Flow Summary | | | | | | |
| Low Scenario | | | | | | |
| Debt 60% | | | \$21,646,086 | \$16,279,385 | | |
| Equity 40% | | | \$14,430,724 | \$10,852,923 | | |
| Middle Scenario | | | | | | |
| Debt 60% | | | \$24,671,657 | \$18,699,233 | | |
| Equity 40% | | | \$16,447,771 | \$12,466,155 | | |
| High Scenario | | | | | | |
| Debt 60% | | | \$28,129,708 | \$21,551,561 | | |
| Equity 40% | | | \$18,753,139 | \$14,367,708 | | |
| Annual Debt Service 5% 20 Yrs | | | | | | |
| Low Scenario | | | \$238,091 | \$1,356,627 | | |
| Middle Scenario | | | \$271,370 | \$1,558,282 | | |
| High Scenario | | | \$309,406 | \$1,795,978 | | |
| Net Cash Flow | | | | | | |
| Low Scenario | | | \$1,624,993 | \$110,182 | | |
| Annual Return on Equity (2) | | | 11.3% | 1.0% | | |
| Middle Scenario | | | \$1,741,188 | \$25,451 | | |
| Annual Return on Equity (2) | | | 10.6% | 0.2% | | |
| High Scenario | | | \$1,908,713 | (\$51,207) | | |
| Annual Return on Equity (2) | | | 6.8% | -0.2% | | |

(1) Return on equity measured as net project value divide
(2) Annual net cash flow (NOI less debt service) divide

Source: DRA.

Table 72
Land Residual Analysis, Incentive Program Requirements
Downtown and South Lake Union Prototypes
Lower Cap Rates Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Downtown/HR | | | | | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 1A With Incentive | Prototype 1B No Incentive | Prototype 2A With Incentive | Prototype 2B No Incentive | Prototype 3A With Incentive | Prototype 3B No Incentive |
| Site Area (SF) | 15,000 | 15,000 | 15,000 | 15,000 | 32,400 | 32,400 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Office Net SF | - | - | - | - | 249,480 | 129,600 |
| Residential Net SF | 308,900 | 194,900 | 283,900 | 174,900 | - | - |
| Total Net SF | 311,000 | 197,000 | 286,000 | 177,000 | 251,580 | 131,700 |
| Residential Units | 426 | 269 | 344 | 212 | - | - |
| Approximate Building Stories | 40 | 24 | 40 | 24 | 8 | 4 |
| Bonus Gross Floor Area (GSF) | 148,200 | | 142,200 | | 162,000 | |
| Total Annual Net Operating Income, Rental Uses | \$8,329,906 | \$5,166,168 | | | \$6,882,309 | \$3,602,079 |
| NOI Per NSF | \$26.78 | \$26.22 | | | \$27.36 | \$27.35 |
| Cap Rate | 4.25% | 4.25% | | | 5.00% | 5.00% |
| Capitalized Value, Rental Uses | \$195,997,779 | \$121,556,894 | | | \$137,646,180 | \$72,041,580 |
| Net Condo Sales Proceeds | | | \$213,785,198 | \$125,461,513 | | |
| Total Market Value | \$195,997,779 | \$121,556,894 | \$213,785,198 | \$125,461,513 | \$137,646,180 | \$72,041,580 |
| Total Value Per NSF | \$630 | \$617 | \$748 | \$709 | \$547 | \$547 |
| Less: Total Development Cost, Excl. Land | \$150,838,317 | \$91,879,373 | \$158,189,744 | \$93,277,968 | \$90,308,332 | \$46,783,805 |
| Total Development Cost Per NSF | \$485 | \$466 | \$553 | \$527 | \$359 | \$355 |
| Less: Assumed Return on Equity (See Below) | \$15,560,478 | \$9,900,420 | \$16,266,215 | \$10,034,685 | \$18,337,333 | \$11,373,409 |
| Residual Land Value Before Program Costs | \$29,598,983 | \$19,777,102 | \$39,329,239 | \$22,148,859 | \$29,000,515 | \$13,884,366 |
| Resid. Value/SF Site Area | \$1,973.27 | \$1,318.47 | \$2,621.95 | \$1,476.59 | \$895.08 | \$428.53 |
| Resid. Value/Dwelling Unit | \$69,481 | \$73,521 | \$114,329 | \$104,476 | N/A | N/A |
| Resid. Value/SF Bonus GFA | \$199.72 | | \$276.58 | | \$179.02 | |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$3,212,976 | | \$3,082,896 | | \$4,285,305 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$7,359,308 | | \$4,484,798 | | \$7,209,000 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$14,384,102 | | \$8,025,428 | | N/A | |
| Residual Land Value After Program Costs | | | | | | |
| 1. Current In-Lieu Fee | \$26,386,007 | | \$36,246,343 | | \$24,715,210 | |
| Resid. Value/SF Site Area | \$1,759 | | \$2,416 | | \$763 | |
| Resid. Value/SF Bonus GFA | \$178.04 | | \$254.90 | | \$152.56 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$22,239,675 | | \$34,844,441 | | \$21,791,515 | |
| Resid. Value/SF Site Area | \$1,483 | | \$2,323 | | \$673 | |
| Resid. Value/SF Bonus GFA | \$150.07 | | \$245.04 | | \$134.52 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$15,214,881 | | \$31,303,811 | | N/A | |
| Resid. Value/SF Site Area | \$1,014 | | \$2,087 | | N/A | |
| Resid. Value/SF Bonus GFA | \$102.66 | | \$220.14 | | N/A | |
| Equity Investment @ 40% of TDC | \$64,835,327 | \$41,251,749 | \$67,775,897 | \$41,811,187 | \$45,843,333 | \$28,433,522 |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Assumed Return on Equity (1) | 6% | 6% | 6% | 6% | 10% | 10% |

(1) Return on equity measured as net project value divided by the number of years equity investment divided by total equity investment.

(2) Annual net cash flow (NOI less debt service) divided by total equity investment.

(3) Gap cost for current housing set-asides for residential; \$40 per GSF bonus commercial housing fee (plus TDR as applicable).

(4) Gap cost for 10% affordable units for residential (plus TDR as applicable).

Source: DRA.

Table 72
Land Residual Analysis, Incentive Program Rec
Downtown and South Lake Union Prototypes
Lower Cap Rates Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | South Lake Union | | | | | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 4A With Incentive | Prototype 4B No Incentive | Prototype 5A With Incentive | Prototype 5B No Incentive | Prototype 6A With Incentive | Prototype 6B No Incentive |
| Site Area (SF) | 21,000 | 21,000 | 21,000 | 21,000 | 43,000 | 43,000 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Office Net SF | - | - | - | - | 238,400 | 152,800 |
| Residential Net SF | 202,900 | 89,900 | 184,900 | 79,900 | - | - |
| Total Net SF | 205,000 | 92,000 | 187,000 | 82,000 | 240,500 | 154,900 |
| Residential Units | 280 | 124 | 218 | 94 | - | - |
| Approximate Building Stories | 24 | 7 | 24 | 7 | 8 | 5 |
| Bonus Gross Floor Area (GSF) | 146,250 | | 136,250 | | 107,000 | |
| Total Annual Net Operating Income, Rental Uses | \$5,719,630 | \$2,318,834 | | | \$6,309,559 | \$4,064,699 |
| NOI Per NSF | \$27.90 | \$25.20 | | | \$26.24 | \$26.24 |
| Cap Rate | 4.25% | 4.25% | | | 5.00% | 5.00% |
| Capitalized Value, Rental Uses | \$134,579,529 | \$54,560,800 | | | \$126,191,180 | \$81,293,980 |
| Net Condo Sales Proceeds | | | \$120,442,544 | \$43,704,418 | | |
| Total Market Value | \$134,579,529 | \$54,560,800 | \$120,442,544 | \$43,704,418 | \$126,191,180 | \$81,293,980 |
| Total Value Per NSF | \$656 | \$593 | \$644 | \$533 | \$525 | \$525 |
| Less: Total Development Cost, Excl. Land | \$96,852,058 | \$26,133,956 | \$98,328,306 | \$25,673,775 | \$84,335,639 | \$55,644,583 |
| Total Development Cost Per NSF | \$472 | \$284 | \$526 | \$313 | \$351 | \$359 |
| Less: Assumed Return on Equity (See Below) | \$10,053,798 | \$3,264,860 | \$10,195,517 | \$3,220,682 | \$16,073,702 | \$11,483,133 |
| Residual Land Value Before Program Costs | \$27,673,674 | \$25,161,984 | \$11,918,721 | \$14,809,960 | \$25,781,839 | \$14,166,263 |
| Resid. Value/SF Site Area | \$1,317.79 | \$1,198.19 | \$567.56 | \$705.24 | \$599.58 | \$329.45 |
| Resid. Value/Dwelling Unit | \$98,835 | \$202,919 | \$54,673 | \$157,553 | N/A | N/A |
| Resid. Value/SF Bonus GFA | \$189.22 | | \$87.48 | | \$240.95 | |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$2,955,420 | | \$2,753,340 | | \$2,830,418 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$5,317,653 | | \$3,225,480 | | \$4,761,500 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$10,238,406 | | \$5,918,856 | | N/A | |
| Residual Land Value After Program Costs | | | | | | |
| 1. Current In-Lieu Fee | \$24,718,254 | | \$9,165,381 | | \$22,951,421 | |
| Resid. Value/SF Site Area | \$1,177 | | \$436 | | \$534 | |
| Resid. Value/SF Bonus GFA | \$169.01 | | \$67.27 | | \$214.50 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$22,356,021 | | \$8,693,241 | | \$21,020,339 | |
| Resid. Value/SF Site Area | \$1,065 | | \$414 | | \$489 | |
| Resid. Value/SF Bonus GFA | \$152.86 | | \$63.80 | | \$196.45 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$17,435,268 | | \$5,999,865 | | N/A | |
| Resid. Value/SF Site Area | \$830 | | \$286 | | N/A | |
| Resid. Value/SF Bonus GFA | \$119.22 | | \$44.04 | | N/A | |
| Equity Investment @ 40% of TDC | \$41,890,823 | \$13,603,583 | \$42,481,322 | \$13,419,510 | \$40,184,256 | \$28,707,833 |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Assumed Return on Equity (1) | 6% | 6% | 6% | 6% | 10% | 10% |

(1) Return on equity measured as net project value divided by equity investment
(2) Annual net cash flow (NOI less debt service) divided by equity investment
(3) Gap cost for current housing set-asides for residential (pl)
(4) Gap cost for 10% affordable units for residential (pl)
Source: DRA.

Table 73
Land Residual Analysis, Incentive Program Requirements
Downtown and South Lake Union Prototypes
Higher Cap Rates Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Downtown/HR | | | | | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 1A With Incentive | Prototype 1B No Incentive | Prototype 2A With Incentive | Prototype 2B No Incentive | Prototype 3A With Incentive | Prototype 3B No Incentive |
| Site Area (SF) | 15,000 | 15,000 | 15,000 | 15,000 | 32,400 | 32,400 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Office Net SF | - | - | - | - | 249,480 | 129,600 |
| Residential Net SF | 308,900 | 194,900 | 283,900 | 174,900 | - | - |
| Total Net SF | 311,000 | 197,000 | 286,000 | 177,000 | 251,580 | 131,700 |
| Residential Units | 426 | 269 | 344 | 212 | - | - |
| Approximate Building Stories | 40 | 24 | 40 | 24 | 8 | 4 |
| Bonus Gross Floor Area (GSF) | 148,200 | | 142,200 | | 162,000 | |
| Total Annual Net Operating Income, Rental Uses | \$8,329,906 | \$5,166,168 | | | \$6,882,309 | \$3,602,079 |
| NOI Per NSF | \$26.78 | \$26.22 | | | \$27.36 | \$27.35 |
| Cap Rate | 5.00% | 5.00% | | | 5.50% | 5.50% |
| Capitalized Value, Rental Uses | \$166,598,112 | \$103,323,360 | | | \$125,132,891 | \$65,492,345 |
| Net Condo Sales Proceeds | | | \$213,785,198 | \$125,461,513 | | |
| Total Market Value | \$166,598,112 | \$103,323,360 | \$213,785,198 | \$125,461,513 | \$125,132,891 | \$65,492,345 |
| Total Value Per NSF | \$536 | \$524 | \$748 | \$709 | \$497 | \$497 |
| Less: Total Development Cost, Excl. Land | \$150,838,317 | \$91,879,373 | \$158,189,744 | \$93,277,968 | \$90,308,332 | \$46,783,805 |
| Total Development Cost Per NSF | \$485 | \$466 | \$553 | \$527 | \$359 | \$355 |
| Less: Assumed Return on Equity (See Below) | \$15,560,478 | \$9,900,420 | \$16,266,215 | \$10,034,685 | \$11,002,400 | \$6,824,045 |
| Residual Land Value Before Program Costs | \$199,317 | \$1,543,568 | \$39,329,239 | \$22,148,859 | \$23,822,159 | \$11,884,495 |
| Resid. Value/SF Site Area | \$13.29 | \$102.90 | \$2,621.95 | \$1,476.59 | \$735.25 | \$366.81 |
| Resid. Value/Dwelling Unit | \$468 | \$5,738 | \$114,329 | \$104,476 | N/A | N/A |
| Resid. Value/SF Bonus GFA | \$1.34 | | \$276.58 | | \$147.05 | |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$3,212,976 | | \$3,082,896 | | \$4,285,305 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$7,359,308 | | \$4,484,798 | | \$7,209,000 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$14,384,102 | | \$8,025,428 | | N/A | |
| Residual Land Value After Program Costs | | | | | | |
| 1. Current In-Lieu Fee | (\$3,013,659) | | \$36,246,343 | | \$19,536,854 | |
| Resid. Value/SF Site Area | (\$201) | | \$2,416 | | \$603 | |
| Resid. Value/SF Bonus GFA | (\$20.34) | | \$254.90 | | \$120.60 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | (\$7,159,992) | | \$34,844,441 | | \$16,613,159 | |
| Resid. Value/SF Site Area | (\$477) | | \$2,323 | | \$513 | |
| Resid. Value/SF Bonus GFA | (\$48.31) | | \$245.04 | | \$102.55 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | (\$14,184,786) | | \$31,303,811 | | N/A | |
| Resid. Value/SF Site Area | (\$946) | | \$2,087 | | N/A | |
| Resid. Value/SF Bonus GFA | (\$95.71) | | \$220.14 | | N/A | |
| Equity Investment @ 40% of TDC | \$64,835,327 | \$41,251,749 | \$67,775,897 | \$41,811,187 | \$45,843,333 | \$28,433,522 |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Assumed Return on Equity (1) | 6% | 6% | 6% | 6% | 6% | 6% |

(1) Return on equity measured as net project value divided by the number of years equity investment divided by total equity investment.

(2) Annual net cash flow (NOI less debt service) divided by total equity investment.

(3) Gap cost for current housing set-asides for residential; \$40 per GSF bonus commercial housing fee (plus TDR as applicable).

(4) Gap cost for 10% affordable units for residential (plus TDR as applicable).

Source: DRA.

Table 73
Land Residual Analysis, Incentive Program Rec
Downtown and South Lake Union Prototypes
Higher Cap Rates Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | South Lake Union | | | | | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 4A With Incentive | Prototype 4B No Incentive | Prototype 5A With Incentive | Prototype 5B No Incentive | Prototype 6A With Incentive | Prototype 6B No Incentive |
| Site Area (SF) | 21,000 | 21,000 | 21,000 | 21,000 | 43,000 | 43,000 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Office Net SF | - | - | - | - | 238,400 | 152,800 |
| Residential Net SF | 202,900 | 89,900 | 184,900 | 79,900 | - | - |
| Total Net SF | 205,000 | 92,000 | 187,000 | 82,000 | 240,500 | 154,900 |
| Residential Units | 280 | 124 | 218 | 94 | - | - |
| Approximate Building Stories | 24 | 7 | 24 | 7 | 8 | 5 |
| Bonus Gross Floor Area (GSF) | 146,250 | | 136,250 | | 107,000 | |
| Total Annual Net Operating Income, Rental Uses | \$5,719,630 | \$2,318,834 | | | \$6,309,559 | \$4,064,699 |
| NOI Per NSF | \$27.90 | \$25.20 | | | \$26.24 | \$26.24 |
| Cap Rate | 5.00% | 5.00% | | | 5.50% | 5.50% |
| Capitalized Value, Rental Uses | \$114,392,600 | \$46,376,680 | | | \$114,719,255 | \$73,903,618 |
| Net Condo Sales Proceeds | | | \$120,442,544 | \$43,704,418 | | |
| Total Market Value | \$114,392,600 | \$46,376,680 | \$120,442,544 | \$43,704,418 | \$114,719,255 | \$73,903,618 |
| Total Value Per NSF | \$558 | \$504 | \$644 | \$533 | \$477 | \$477 |
| Less: Total Development Cost, Excl. Land | \$96,852,058 | \$26,133,956 | \$98,328,306 | \$25,673,775 | \$84,335,639 | \$55,644,583 |
| Total Development Cost Per NSF | \$472 | \$284 | \$526 | \$313 | \$351 | \$359 |
| Less: Assumed Return on Equity (See Below) | \$10,053,798 | \$3,264,860 | \$10,195,517 | \$3,220,682 | \$9,644,221 | \$6,889,880 |
| Residual Land Value Before Program Costs | \$7,486,744 | \$16,977,864 | \$11,918,721 | \$14,809,960 | \$20,739,394 | \$11,369,155 |
| Resid. Value/SF Site Area | \$356.51 | \$808.47 | \$567.56 | \$705.24 | \$482.31 | \$264.40 |
| Resid. Value/Dwelling Unit | \$26,738 | \$136,918 | \$54,673 | \$157,553 | N/A | N/A |
| Resid. Value/SF Bonus GFA | \$51.19 | | \$87.48 | | \$193.83 | |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$2,955,420 | | \$2,753,340 | | \$2,830,418 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$5,317,653 | | \$3,225,480 | | \$4,761,500 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | \$10,238,406 | | \$5,918,856 | | N/A | |
| Residual Land Value After Program Costs | | | | | | |
| 1. Current In-Lieu Fee | \$4,531,324 | | \$9,165,381 | | \$17,908,977 | |
| Resid. Value/SF Site Area | \$216 | | \$436 | | \$416 | |
| Resid. Value/SF Bonus GFA | \$30.98 | | \$67.27 | | \$167.37 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | \$2,169,092 | | \$8,693,241 | | \$15,977,894 | |
| Resid. Value/SF Site Area | \$103 | | \$414 | | \$372 | |
| Resid. Value/SF Bonus GFA | \$14.83 | | \$63.80 | | \$149.33 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | (\$2,751,662) | | \$5,999,865 | | N/A | |
| Resid. Value/SF Site Area | (\$131) | | \$286 | | N/A | |
| Resid. Value/SF Bonus GFA | (\$18.81) | | \$44.04 | | N/A | |
| Equity Investment @ 40% of TDC | \$41,890,823 | \$13,603,583 | \$42,481,322 | \$13,419,510 | \$40,184,256 | \$28,707,833 |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Assumed Return on Equity (1) | 6% | 6% | 6% | 6% | 6% | 6% |

(1) Return on equity measured as net project value divided by equity investment
(2) Annual net cash flow (NOI less debt service) divided by equity investment
(3) Gap cost for current housing set-asides for residential (pl)
(4) Gap cost for 10% affordable units for residential (pl)
Source: DRA.

Table 74
Land Residual Analysis, Incentive Program Requirements
Low Rise and Mid Rise Prototypes
Lower Cap Rates Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | | 4 to 6 Stories | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Residential Rental | |
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 8A With Incentive | Prototype 8B No Incentive | Prototype 9A With Incentive | Prototype 9B No Incentive |
| Site Area (SF) | 14,400 | 14,400 | 14,400 | 14,400 | 20,000 | 20,000 |
| Retail Net SF | - | - | - | - | 2,100 | 2,100 |
| Residential Net SF | 46,000 | 22,000 | 46,000 | 22,000 | 68,900 | 46,900 |
| Total Net SF | 46,000 | 22,000 | 46,000 | 22,000 | 71,000 | 49,000 |
| Residential Units | 71 | 34 | 56 | 27 | 106 | 72 |
| Approximate Building Stories | 7 | 4 | 7 | 4 | 6 | 4 |
| Gross SF Bonus GFA | 32,400 | | 32,400 | | 30,000 | |
| Total Annual Net Operating Income, Rental Uses | | | | | | |
| Low Scenario | \$861,691 | \$456,716 | | | \$1,466,808 | \$1,010,093 |
| NOI Per NSF | \$18.73 | \$20.76 | | | \$20.66 | \$20.61 |
| Middle Scenario | \$1,033,170 | \$493,847 | | | \$1,583,734 | \$1,089,886 |
| NOI Per NSF | \$22.46 | \$22.45 | | | \$22.31 | \$22.24 |
| High Scenario | \$1,140,569 | \$545,190 | | | \$1,744,771 | \$1,199,581 |
| NOI Per NSF | \$24.79 | \$24.78 | | | \$24.57 | \$24.48 |
| Cap Rate | 4.25% | 4.25% | | | 4.25% | 4.25% |
| Total Market Value (Capitalized NOI for Rental; Net Sales Proceeds for Ownership) | | | | | | |
| Low Scenario | \$20,275,078 | \$10,746,249 | \$14,027,700 | \$6,708,900 | \$34,513,135 | \$23,766,885 |
| Per NSF | \$441 | \$488 | \$305 | \$305 | \$501 | \$507 |
| Middle Scenario | \$24,309,873 | \$11,619,934 | \$18,703,600 | \$8,945,200 | \$37,264,321 | \$25,644,387 |
| Per NSF | \$528 | \$528 | \$407 | \$407 | \$541 | \$547 |
| High Scenario | \$26,836,908 | \$12,828,005 | \$23,379,500 | \$11,181,500 | \$41,053,447 | \$28,225,442 |
| Per NSF | \$583 | \$583 | \$508 | \$508 | \$596 | \$602 |
| Less: Total Development Cost, Excluding Land | | | | | | |
| Low Scenario | \$15,119,184 | \$6,491,003 | \$16,340,601 | \$6,944,883 | \$24,078,493 | \$14,225,407 |
| Per NSF | \$329 | \$295 | \$355 | \$316 | \$339 | \$290 |
| Middle Scenario | \$16,677,910 | \$7,234,023 | \$18,025,681 | \$7,740,273 | \$26,481,192 | \$15,860,857 |
| Per NSF | \$363 | \$329 | \$392 | \$352 | \$373 | \$324 |
| High Scenario | \$18,297,836 | \$8,038,242 | \$19,771,960 | \$8,596,863 | \$29,013,491 | \$17,625,908 |
| Per NSF | \$398 | \$365 | \$430 | \$391 | \$409 | \$360 |
| Less: Assumed Return on Equity (See Below) | | | | | | |
| Low Scenario | \$1,533,042 | \$704,736 | \$1,650,298 | \$748,309 | \$2,484,335 | \$1,538,439 |
| Middle Scenario | \$1,731,639 | \$825,026 | \$1,861,025 | \$873,626 | \$2,818,674 | \$1,799,122 |
| High Scenario | \$1,952,432 | \$967,511 | \$2,093,948 | \$1,021,139 | \$3,200,015 | \$2,106,807 |
| Residual Land Value Before Program Costs | | | | | | |
| Low Scenario | \$3,622,852 | \$4,255,246 | (\$2,312,901) | (\$235,983) | \$10,434,642 | \$9,541,479 |
| Per SF Site Area | \$252 | \$296 | (\$161) | (\$16) | \$522 | \$477 |
| Per Dwelling Unit | \$51,026 | \$125,154 | (\$41,302) | (\$8,740) | \$98,440 | \$132,521 |
| Per SF Bonus GFA | \$111.82 | | (\$71.39) | | \$347.82 | |
| Middle Scenario | \$5,900,324 | \$4,385,911 | \$677,919 | \$1,204,927 | \$10,783,129 | \$9,783,530 |
| Per SF Site Area | \$410 | \$305 | \$47 | \$84 | \$539 | \$489 |
| Per Dwelling Unit | \$83,103 | \$128,997 | \$12,106 | \$44,627 | \$101,728 | \$135,882 |
| Per SF Bonus GFA | \$182.11 | | \$20.92 | | \$359.44 | |
| High Scenario | \$6,586,641 | \$4,789,762 | \$3,607,540 | \$2,584,637 | \$12,039,956 | \$10,599,534 |
| Per SF Site Area | \$457 | \$333 | \$251 | \$179 | \$602 | \$530 |
| Per Dwelling Unit | \$92,770 | \$140,875 | \$64,420 | \$95,727 | \$113,584 | \$147,216 |
| Per SF Bonus GFA | \$203.29 | | \$111.34 | | \$401.33 | |
| Equity Investment @ 40% | | | | | | |
| Low Scenario | \$6,047,673 | \$2,596,401 | \$6,536,241 | \$2,777,953 | \$9,631,397 | \$5,690,163 |
| Middle Scenario | \$6,671,164 | \$2,893,609 | \$7,210,272 | \$3,096,109 | \$10,592,477 | \$6,344,343 |
| High Scenario | \$7,319,134 | \$3,215,297 | \$7,908,784 | \$3,438,745 | \$11,605,396 | \$7,050,363 |
| Assumed Investment Period (Months) | 4 | 4 | 4 | 4 | 4 | 4 |
| Increase in Net Value from Bonus Before Prog. Costs | | | | | | |
| Low Scenario | \$3,451,272 | | \$3,758,288 | | \$3,941,234 | |
| Middle Scenario | \$3,777,555 | | \$4,114,163 | | \$4,248,134 | |
| High Scenario | \$4,103,837 | | \$4,470,039 | | \$4,555,033 | |

Table 74
Land Residual Analysis, Incentive Program Requirements
Low Rise and Mid Rise Prototypes
Lower Cap Rates Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | | 4 to 6 Stories | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Residential Rental | |
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 8A With Incentive | Prototype 8B No Incentive | Prototype 9A With Incentive | Prototype 9B No Incentive |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$490,860 | | \$490,860 | | \$454,500 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$597,840 | | \$0 | | \$693,934 | |
| Middle Scenario | \$743,525 | | \$123,440 | | \$858,212 | |
| High Scenario | \$905,490 | | \$297,280 | | \$1,045,585 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | \$836,977 | | \$0 | | \$1,526,654 | |
| Middle Scenario | \$1,040,935 | | \$185,160 | | \$1,888,066 | |
| High Scenario | \$1,267,686 | | \$445,920 | | \$2,300,287 | |
| Residual Land Value After Prog. Costs | | | | | | |
| 1. Current In-Lieu Fee | | | | | | |
| Low Scenario | \$3,131,992 | | (\$2,803,761) | | \$9,980,142 | |
| Per SF Site Area | \$217 | | (\$195) | | \$499 | |
| Per SF Bonus GFA | \$96.67 | | (\$86.54) | | \$332.67 | |
| Middle Scenario | \$5,409,464 | | \$187,059 | | \$10,328,629 | |
| Per SF Site Area | \$376 | | \$13 | | \$516 | |
| Per SF Bonus GFA | \$166.96 | | \$5.77 | | \$344.29 | |
| High Scenario | \$6,095,781 | | \$3,116,680 | | \$11,585,456 | |
| Per SF Site Area | \$423 | | \$216 | | \$579 | |
| Per SF Bonus GFA | \$188.14 | | \$96.19 | | \$386.18 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$3,025,012 | | (\$2,312,901) | | \$9,740,708 | |
| Per SF Site Area | \$210 | | (\$161) | | \$487 | |
| Per SF Bonus GFA | \$93.36 | | (\$71.39) | | \$324.69 | |
| Middle Scenario | \$5,156,799 | | \$554,479 | | \$9,924,917 | |
| Per SF Site Area | \$358 | | \$39 | | \$496 | |
| Per SF Bonus GFA | \$159.16 | | \$17.11 | | \$330.83 | |
| High Scenario | \$5,681,151 | | \$3,310,260 | | \$10,994,371 | |
| Per SF Site Area | \$395 | | \$230 | | \$550 | |
| Per SF Bonus GFA | \$175.34 | | \$102.17 | | \$366.48 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | \$2,355,166 | | (\$2,758,821) | | \$8,134,355 | |
| Per SF Site Area | \$164 | | (\$192) | | \$407 | |
| Per SF Bonus GFA | \$72.69 | | (\$85.15) | | \$271.15 | |
| Middle Scenario | \$4,632,638 | | \$231,999 | | \$8,482,842 | |
| Per SF Site Area | \$322 | | \$16 | | \$424 | |
| Per SF Bonus GFA | \$142.98 | | \$7.16 | | \$282.76 | |
| High Scenario | \$5,318,955 | | \$3,161,620 | | \$9,739,669 | |
| Per SF Site Area | \$369 | | \$220 | | \$487 | |
| Per SF Bonus GFA | \$164.17 | | \$97.58 | | \$324.66 | |
| Equity Investment @ 40% of TDC | | | | | | |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Assumed Return on Equity (1) | 6% | 6% | 6% | 6% | 6% | 6% |
| Low Scenario | \$6,387,673 | \$2,936,401 | \$6,876,241 | \$3,117,953 | \$10,351,397 | \$6,410,163 |
| Middle Scenario | \$7,215,164 | \$3,437,609 | \$7,754,272 | \$3,640,109 | \$11,744,477 | \$7,496,343 |
| High Scenario | \$8,135,134 | \$4,031,297 | \$8,724,784 | \$4,254,745 | \$13,333,396 | \$8,778,363 |

(1) Return on equity measured as net project value divided by the number of years equity investment divided by total equity investment.
(2) Annual net cash flow (NOI less debt service) divided by total equity investment.

Source: DRA.

Table 74
Land Residual Analysis, Incentive Program Rec
Low Rise and Mid Rise Prototypes
Lower Cap Rates Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 to 6 Stories | | 6 Stories to 7 Stories | | | |
|--|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Residential Ownership | | Residential Rental | | Residential Ownership | |
| | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 11A With Incentive | Prototype 11B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| Site Area (SF) | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Residential Net SF | 68,900 | 46,900 | 87,900 | 68,900 | 87,900 | 68,900 |
| Total Net SF | 71,000 | 49,000 | 90,000 | 71,000 | 90,000 | 71,000 |
| Residential Units | 84 | 57 | 135 | 106 | 107 | 84 |
| Approximate Building Stories | 6 | 4 | 7 | 6 | 7 | 6 |
| Gross SF Bonus GFA | 30,000 | | 25,000 | | 25,000 | |
| Total Annual Net Operating Income, Rental Uses | | | | | | |
| Low Scenario | | | \$1,863,084 | \$1,466,808 | | |
| NOI Per NSF | | | \$20.70 | \$20.66 | | |
| Middle Scenario | | | \$2,012,558 | \$1,583,734 | | |
| NOI Per NSF | | | \$22.36 | \$22.31 | | |
| High Scenario | | | \$2,218,119 | \$1,744,771 | | |
| NOI Per NSF | | | \$24.65 | \$24.57 | | |
| Cap Rate | | | 4.25% | 4.25% | | |
| Total Market Value (Capitalized NOI for Rental; Net Sales Proceeds for Ownership) | | | | | | |
| Low Scenario | \$21,011,055 | \$14,302,155 | \$43,837,280 | \$34,513,135 | \$26,815,473 | \$21,018,069 |
| Per NSF | \$305 | \$305 | \$499 | \$501 | \$305 | \$305 |
| Middle Scenario | \$28,014,740 | \$19,069,540 | \$47,354,307 | \$37,264,321 | \$35,753,964 | \$28,024,092 |
| Per NSF | \$407 | \$407 | \$539 | \$541 | \$407 | \$407 |
| High Scenario | \$35,018,425 | \$23,836,925 | \$52,191,044 | \$41,053,447 | \$44,692,456 | \$35,030,115 |
| Per NSF | \$508 | \$508 | \$594 | \$596 | \$508 | \$508 |
| Less: Total Development Cost, Excluding Land | | | | | | |
| Low Scenario | \$26,086,183 | \$15,508,312 | \$33,426,810 | \$24,482,308 | \$31,955,944 | \$26,086,183 |
| Per NSF | \$367 | \$316 | \$371 | \$345 | \$355 | \$367 |
| Middle Scenario | \$28,689,651 | \$17,291,790 | \$36,879,428 | \$26,925,388 | \$35,256,404 | \$28,689,651 |
| Per NSF | \$404 | \$353 | \$410 | \$379 | \$392 | \$404 |
| High Scenario | \$31,422,719 | \$19,204,868 | \$40,522,846 | \$29,559,269 | \$38,747,664 | \$31,483,919 |
| Per NSF | \$443 | \$392 | \$450 | \$416 | \$431 | \$443 |
| Less: Assumed Return on Equity (See Below) | | | | | | |
| Low Scenario | \$2,677,074 | \$1,661,598 | \$3,463,374 | \$2,604,702 | \$3,322,171 | \$2,758,674 |
| Middle Scenario | \$3,030,686 | \$1,936,492 | \$3,947,465 | \$2,991,877 | \$3,791,655 | \$3,161,246 |
| High Scenario | \$3,431,301 | \$2,258,387 | \$4,500,753 | \$3,448,250 | \$4,330,336 | \$3,633,016 |
| Residual Land Value Before Program Costs | | | | | | |
| Low Scenario | (\$5,075,128) | (\$1,206,157) | \$10,410,471 | \$10,030,827 | (\$5,140,471) | (\$5,068,114) |
| Per SF Site Area | (\$254) | (\$60) | \$521 | \$502 | (\$257) | (\$253) |
| Per Dwelling Unit | (\$60,418) | (\$21,161) | \$77,115 | \$94,630 | (\$48,042) | (\$60,335) |
| Per SF Bonus GFA | (\$169.17) | | \$416.42 | | (\$205.62) | |
| Middle Scenario | (\$674,911) | \$1,777,750 | \$10,474,879 | \$10,338,933 | \$497,560 | (\$665,559) |
| Per SF Site Area | (\$34) | \$89 | \$524 | \$517 | \$25 | (\$33) |
| Per Dwelling Unit | (\$8,035) | \$31,189 | \$77,592 | \$97,537 | \$4,650 | (\$7,923) |
| Per SF Bonus GFA | (\$22.50) | | \$419.00 | | \$19.90 | |
| High Scenario | \$3,595,706 | \$4,632,057 | \$11,668,198 | \$11,494,178 | \$5,944,792 | \$3,546,196 |
| Per SF Site Area | \$180 | \$232 | \$583 | \$575 | \$297 | \$177 |
| Per Dwelling Unit | \$42,806 | \$81,264 | \$86,431 | \$108,436 | \$55,559 | \$42,217 |
| Per SF Bonus GFA | \$119.86 | | \$466.73 | | \$237.79 | |
| Equity Investment @ 40% | | | | | | |
| Low Scenario | \$10,434,473 | \$6,203,325 | \$13,370,724 | \$9,792,923 | \$12,782,378 | \$10,434,473 |
| Middle Scenario | \$11,475,860 | \$6,916,716 | \$14,751,771 | \$10,770,155 | \$14,102,562 | \$11,475,860 |
| High Scenario | \$12,569,088 | \$7,681,947 | \$16,209,139 | \$11,823,708 | \$15,499,066 | \$12,593,568 |
| Assumed Investment Period (Months) | 4 | 4 | 4 | 4 | 4 | 4 |
| Increase in Net Value from Bonus Before Prog. Costs | | | | | | |
| Low Scenario | \$4,231,148 | | \$3,577,801 | | \$2,347,905 | |
| Middle Scenario | \$4,559,144 | | \$3,981,616 | | \$2,626,701 | |
| High Scenario | \$4,887,140 | | \$4,385,431 | | \$2,905,498 | |

Table 74
Land Residual Analysis, Incentive Program Rec
Low Rise and Mid Rise Prototypes
Lower Cap Rates Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 to 6 Stories | | 6 Stories to 7 Stories | | | |
|--|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Residential Ownership | | Residential Rental | | Residential Ownership | |
| | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 11A With Incentive | Prototype 11B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$454,500 | | \$378,750 | | \$378,750 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$31,600 | | \$647,543 | | \$1,295,085 | |
| Middle Scenario | \$202,160 | | \$796,953 | | \$1,593,907 | |
| High Scenario | \$392,400 | | \$967,720 | | \$1,935,440 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | \$63,200 | | \$4,020 | | \$14,740 | |
| Middle Scenario | \$404,320 | | \$136,860 | | \$501,820 | |
| High Scenario | \$784,800 | | \$289,380 | | \$1,061,060 | |
| Residual Land Value After Prog. Costs | | | | | | |
| 1. Current In-Lieu Fee | | | | | | |
| Low Scenario | (\$5,529,628) | | \$10,031,721 | | (\$5,519,221) | |
| Per SF Site Area | (\$276) | | \$502 | | (\$276) | |
| Per SF Bonus GFA | (\$184.32) | | \$401.27 | | (\$220.77) | |
| Middle Scenario | (\$1,129,411) | | \$10,096,129 | | \$118,810 | |
| Per SF Site Area | (\$56) | | \$505 | | \$6 | |
| Per SF Bonus GFA | (\$37.65) | | \$403.85 | | \$4.75 | |
| High Scenario | \$3,141,206 | | \$11,289,448 | | \$5,566,042 | |
| Per SF Site Area | \$157 | | \$564 | | \$278 | |
| Per SF Bonus GFA | \$104.71 | | \$451.58 | | \$222.64 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | (\$5,106,728) | | \$9,762,928 | | (\$6,435,556) | |
| Per SF Site Area | (\$255) | | \$488 | | (\$322) | |
| Per SF Bonus GFA | (\$170.22) | | \$390.52 | | (\$257.42) | |
| Middle Scenario | (\$877,071) | | \$9,677,925 | | (\$1,096,346) | |
| Per SF Site Area | (\$44) | | \$484 | | (\$55) | |
| Per SF Bonus GFA | (\$29.24) | | \$387.12 | | (\$43.85) | |
| High Scenario | \$3,203,306 | | \$10,700,478 | | \$4,009,352 | |
| Per SF Site Area | \$160 | | \$535 | | \$200 | |
| Per SF Bonus GFA | \$106.78 | | \$428.02 | | \$160.37 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | (\$5,859,928) | | \$10,121,091 | | (\$6,201,531) | |
| Per SF Site Area | (\$293) | | \$506 | | (\$310) | |
| Per SF Bonus GFA | (\$195.33) | | \$404.84 | | (\$248.06) | |
| Middle Scenario | (\$1,459,711) | | \$10,185,499 | | (\$563,500) | |
| Per SF Site Area | (\$73) | | \$509 | | (\$28) | |
| Per SF Bonus GFA | (\$48.66) | | \$407.42 | | (\$22.54) | |
| High Scenario | \$2,810,906 | | \$11,378,818 | | \$4,883,732 | |
| Per SF Site Area | \$141 | | \$569 | | \$244 | |
| Per SF Bonus GFA | \$93.70 | | \$455.15 | | \$195.35 | |
| Equity Investment @ 40% of TDC | | | | | | |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Assumed Return on Equity (1) | 6% | 6% | 6% | 6% | 6% | 6% |
| Low Scenario | \$11,154,473 | \$6,923,325 | \$14,430,724 | \$10,852,923 | \$13,842,378 | \$11,494,473 |
| Middle Scenario | \$12,627,860 | \$8,068,716 | \$16,447,771 | \$12,466,155 | \$15,798,562 | \$13,171,860 |
| High Scenario | \$14,297,088 | \$9,409,947 | \$18,753,139 | \$14,367,708 | \$18,043,066 | \$15,137,568 |

(1) Return on equity measured as net project value divi

(2) Annual net cash flow (NOI less debt service) divide

Source: DRA.

Table 75
Land Residual Analysis, Incentive Program Requirements
Low Rise and Mid Rise Prototypes
Higher Cap Rates Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | | 4 to 6 Stories | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Residential Rental | |
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 8A With Incentive | Prototype 8B No Incentive | Prototype 9A With Incentive | Prototype 9B No Incentive |
| Site Area (SF) | 14,400 | 14,400 | 14,400 | 14,400 | 20,000 | 20,000 |
| Retail Net SF | - | - | - | - | 2,100 | 2,100 |
| Residential Net SF | 46,000 | 22,000 | 46,000 | 22,000 | 68,900 | 46,900 |
| Total Net SF | 46,000 | 22,000 | 46,000 | 22,000 | 71,000 | 49,000 |
| Residential Units | 71 | 34 | 56 | 27 | 106 | 72 |
| Approximate Building Stories | 7 | 4 | 7 | 4 | 6 | 4 |
| Gross SF Bonus GFA | 32,400 | | 32,400 | | 30,000 | |
| Total Annual Net Operating Income, Rental Uses | | | | | | |
| Low Scenario | \$861,691 | \$456,716 | | | \$1,466,808 | \$1,010,093 |
| NOI Per NSF | \$18.73 | \$20.76 | | | \$20.66 | \$20.61 |
| Middle Scenario | \$1,033,170 | \$493,847 | | | \$1,583,734 | \$1,089,886 |
| NOI Per NSF | \$22.46 | \$22.45 | | | \$22.31 | \$22.24 |
| High Scenario | \$1,140,569 | \$545,190 | | | \$1,744,771 | \$1,199,581 |
| NOI Per NSF | \$24.79 | \$24.78 | | | \$24.57 | \$24.48 |
| Cap Rate | 5.00% | 5.00% | | | 5.00% | 5.00% |
| Total Market Value (Capitalized NOI for Rental; Net Sales Proceeds for Ownership) | | | | | | |
| Low Scenario | \$17,233,816 | \$9,134,312 | \$14,027,700 | \$6,708,900 | \$29,336,164 | \$20,201,852 |
| Per NSF | \$375 | \$415 | \$305 | \$305 | \$426 | \$431 |
| Middle Scenario | \$20,663,392 | \$9,876,944 | \$18,703,600 | \$8,945,200 | \$31,674,673 | \$21,797,729 |
| Per NSF | \$449 | \$449 | \$407 | \$407 | \$460 | \$465 |
| High Scenario | \$22,811,372 | \$10,903,804 | \$23,379,500 | \$11,181,500 | \$34,895,430 | \$23,991,626 |
| Per NSF | \$496 | \$496 | \$508 | \$508 | \$506 | \$512 |
| Less: Total Development Cost, Excluding Land | | | | | | |
| Low Scenario | \$15,119,184 | \$6,491,003 | \$16,340,601 | \$6,944,883 | \$24,078,493 | \$14,225,407 |
| Per NSF | \$329 | \$295 | \$355 | \$316 | \$339 | \$290 |
| Middle Scenario | \$16,677,910 | \$7,234,023 | \$18,025,681 | \$7,740,273 | \$26,481,192 | \$15,860,857 |
| Per NSF | \$363 | \$329 | \$392 | \$352 | \$373 | \$324 |
| High Scenario | \$18,297,836 | \$8,038,242 | \$19,771,960 | \$8,596,863 | \$29,013,491 | \$17,625,908 |
| Per NSF | \$398 | \$365 | \$430 | \$391 | \$409 | \$360 |
| Less: Assumed Return on Equity (See Below) | | | | | | |
| Low Scenario | \$1,533,042 | \$704,736 | \$1,650,298 | \$748,309 | \$2,484,335 | \$1,538,439 |
| Middle Scenario | \$1,731,639 | \$825,026 | \$1,861,025 | \$873,626 | \$2,818,674 | \$1,799,122 |
| High Scenario | \$1,952,432 | \$967,511 | \$2,093,948 | \$1,021,139 | \$3,200,015 | \$2,106,807 |
| Residual Land Value Before Program Costs | | | | | | |
| Low Scenario | \$581,591 | \$2,643,309 | (\$2,312,901) | (\$235,983) | \$5,257,672 | \$5,976,446 |
| Per SF Site Area | \$40 | \$184 | (\$161) | (\$16) | \$263 | \$299 |
| Per Dwelling Unit | \$8,191 | \$77,744 | (\$41,302) | (\$8,740) | \$49,601 | \$83,006 |
| Per SF Bonus GFA | \$17.95 | | -\$71.39 | | \$175.26 | |
| Middle Scenario | \$2,253,843 | \$2,642,921 | \$677,919 | \$1,204,927 | \$5,193,481 | \$5,936,872 |
| Per SF Site Area | \$157 | \$184 | \$47 | \$84 | \$260 | \$297 |
| Per Dwelling Unit | \$31,744 | \$77,733 | \$12,106 | \$44,627 | \$48,995 | \$82,457 |
| Per SF Bonus GFA | \$69.56 | | \$20.92 | | \$173.12 | |
| High Scenario | \$2,561,104 | \$2,865,562 | \$3,607,540 | \$2,584,637 | \$5,881,939 | \$6,365,718 |
| Per SF Site Area | \$178 | \$199 | \$251 | \$179 | \$294 | \$318 |
| Per Dwelling Unit | \$36,072 | \$84,281 | \$64,420 | \$95,727 | \$55,490 | \$88,413 |
| Per SF Bonus GFA | \$79.05 | | \$111.34 | | \$196.06 | |
| Equity Investment @ 40% | | | | | | |
| Low Scenario | \$6,047,673 | \$2,596,401 | \$6,536,241 | \$2,777,953 | \$9,631,397 | \$5,690,163 |
| Middle Scenario | \$6,671,164 | \$2,893,609 | \$7,210,272 | \$3,096,109 | \$10,592,477 | \$6,344,343 |
| High Scenario | \$7,319,134 | \$3,215,297 | \$7,908,784 | \$3,438,745 | \$11,605,396 | \$7,050,363 |
| Assumed Investment Period (Months) | 4 | 4 | 4 | 4 | 4 | 4 |
| Increase in Net Value from Bonus Before Prog. Costs | | | | | | |
| Low Scenario | \$3,451,272 | | \$3,758,288 | | \$3,941,234 | |
| Middle Scenario | \$3,777,555 | | \$4,114,163 | | \$4,248,134 | |
| High Scenario | \$4,103,837 | | \$4,470,039 | | \$4,555,033 | |

Table 75
Land Residual Analysis, Incentive Program Requirements
Low Rise and Mid Rise Prototypes
Higher Cap Rates Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | | 4 to 6 Stories | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Residential Rental | |
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 8A With Incentive | Prototype 8B No Incentive | Prototype 9A With Incentive | Prototype 9B No Incentive |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$490,860 | | \$490,860 | | \$454,500 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$597,840 | | \$0 | | \$693,934 | |
| Middle Scenario | \$743,525 | | \$123,440 | | \$858,212 | |
| High Scenario | \$905,490 | | \$297,280 | | \$1,045,585 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | \$836,977 | | \$0 | | \$1,526,654 | |
| Middle Scenario | \$1,040,935 | | \$185,160 | | \$1,888,066 | |
| High Scenario | \$1,267,686 | | \$445,920 | | \$2,300,287 | |
| Residual Land Value After Prog. Costs | | | | | | |
| 1. Current In-Lieu Fee | | | | | | |
| Low Scenario | \$90,731 | | (\$2,803,761) | | \$4,803,172 | |
| Per SF Site Area | \$6 | | (\$195) | | \$240 | |
| Per SF Bonus GFA | \$2.80 | | (\$86.54) | | \$160.11 | |
| Middle Scenario | \$1,762,983 | | \$187,059 | | \$4,738,981 | |
| Per SF Site Area | \$122 | | \$13 | | \$237 | |
| Per SF Bonus GFA | \$54.41 | | \$5.77 | | \$157.97 | |
| High Scenario | \$2,070,244 | | \$3,116,680 | | \$5,427,439 | |
| Per SF Site Area | \$144 | | \$216 | | \$271 | |
| Per SF Bonus GFA | \$63.90 | | \$96.19 | | \$180.91 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | (\$16,250) | | (\$2,312,901) | | \$4,563,738 | |
| Per SF Site Area | (\$1) | | (\$161) | | \$228 | |
| Per SF Bonus GFA | (\$0.50) | | (\$71.39) | | \$152.12 | |
| Middle Scenario | \$1,510,318 | | \$554,479 | | \$4,335,269 | |
| Per SF Site Area | \$105 | | \$39 | | \$217 | |
| Per SF Bonus GFA | \$46.61 | | \$17.11 | | \$144.51 | |
| High Scenario | \$1,655,614 | | \$3,310,260 | | \$4,836,354 | |
| Per SF Site Area | \$115 | | \$230 | | \$242 | |
| Per SF Bonus GFA | \$51.10 | | \$102.17 | | \$161.21 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | (\$686,095) | | (\$2,758,821) | | \$2,957,385 | |
| Per SF Site Area | (\$48) | | (\$192) | | \$148 | |
| Per SF Bonus GFA | (\$21.18) | | (\$85.15) | | \$98.58 | |
| Middle Scenario | \$986,157 | | \$231,999 | | \$2,893,194 | |
| Per SF Site Area | \$68 | | \$16 | | \$145 | |
| Per SF Bonus GFA | \$30.44 | | \$7.16 | | \$96.44 | |
| High Scenario | \$1,293,418 | | \$3,161,620 | | \$3,581,652 | |
| Per SF Site Area | \$90 | | \$220 | | \$179 | |
| Per SF Bonus GFA | \$39.92 | | \$97.58 | | \$119.39 | |
| Equity Investment @ 40% of TDC | | | | | | |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Assumed Return on Equity (1) | 6% | 6% | 6% | 6% | 6% | 6% |
| Low Scenario | \$6,387,673 | \$2,936,401 | \$6,876,241 | \$3,117,953 | \$10,351,397 | \$6,410,163 |
| Middle Scenario | \$7,215,164 | \$3,437,609 | \$7,754,272 | \$3,640,109 | \$11,744,477 | \$7,496,343 |
| High Scenario | \$8,135,134 | \$4,031,297 | \$8,724,784 | \$4,254,745 | \$13,333,396 | \$8,778,363 |

(1) Return on equity measured as net project value divided by the number of years equity investment divided by total equity investment.
(2) Annual net cash flow (NOI less debt service) divided by total equity investment.

Source: DRA.

Table 75
Land Residual Analysis, Incentive Program Rec
Low Rise and Mid Rise Prototypes
Higher Cap Rates Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 to 6 Stories | | 6 Stories to 7 Stories | | | |
|--|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Residential Ownership | | Residential Rental | | Residential Ownership | |
| | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 11A With Incentive | Prototype 11B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| Site Area (SF) | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Residential Net SF | 68,900 | 46,900 | 87,900 | 68,900 | 87,900 | 68,900 |
| Total Net SF | 71,000 | 49,000 | 90,000 | 71,000 | 90,000 | 71,000 |
| Residential Units | 84 | 57 | 135 | 106 | 107 | 84 |
| Approximate Building Stories | 6 | 4 | 7 | 6 | 7 | 6 |
| Gross SF Bonus GFA | 30,000 | | 25,000 | | 25,000 | |
| Total Annual Net Operating Income, Rental Uses | | | | | | |
| Low Scenario | | | \$1,863,084 | \$1,466,808 | | |
| NOI Per NSF | | | \$20.70 | \$20.66 | | |
| Middle Scenario | | | \$2,012,558 | \$1,583,734 | | |
| NOI Per NSF | | | \$22.36 | \$22.31 | | |
| High Scenario | | | \$2,218,119 | \$1,744,771 | | |
| NOI Per NSF | | | \$24.65 | \$24.57 | | |
| Cap Rate | | | 5.00% | 5.00% | | |
| Total Market Value (Capitalized NOI for Rental; Net Sales Proceeds for Ownership) | | | | | | |
| Low Scenario | \$21,011,055 | \$14,302,155 | \$37,261,688 | \$29,336,164 | \$26,815,473 | \$21,018,069 |
| Per NSF | \$305 | \$305 | \$424 | \$426 | \$305 | \$305 |
| Middle Scenario | \$28,014,740 | \$19,069,540 | \$40,251,161 | \$31,674,673 | \$35,753,964 | \$28,024,092 |
| Per NSF | \$407 | \$407 | \$458 | \$460 | \$407 | \$407 |
| High Scenario | \$35,018,425 | \$23,836,925 | \$44,362,388 | \$34,895,430 | \$44,692,456 | \$35,030,115 |
| Per NSF | \$508 | \$508 | \$505 | \$506 | \$508 | \$508 |
| Less: Total Development Cost, Excluding Land | | | | | | |
| Low Scenario | \$26,086,183 | \$15,508,312 | \$33,426,810 | \$24,482,308 | \$31,955,944 | \$26,086,183 |
| Per NSF | \$367 | \$316 | \$371 | \$345 | \$355 | \$367 |
| Middle Scenario | \$28,689,651 | \$17,291,790 | \$36,879,428 | \$26,925,388 | \$35,256,404 | \$28,689,651 |
| Per NSF | \$404 | \$353 | \$410 | \$379 | \$392 | \$404 |
| High Scenario | \$31,422,719 | \$19,204,868 | \$40,522,846 | \$29,559,269 | \$38,747,664 | \$31,483,919 |
| Per NSF | \$443 | \$392 | \$450 | \$416 | \$431 | \$443 |
| Less: Assumed Return on Equity (See Below) | | | | | | |
| Low Scenario | \$2,677,074 | \$1,661,598 | \$3,463,374 | \$2,604,702 | \$3,322,171 | \$2,758,674 |
| Middle Scenario | \$3,030,686 | \$1,936,492 | \$3,947,465 | \$2,991,877 | \$3,791,655 | \$3,161,246 |
| High Scenario | \$3,431,301 | \$2,258,387 | \$4,500,753 | \$3,448,250 | \$4,330,336 | \$3,633,016 |
| Residual Land Value Before Program Costs | | | | | | |
| Low Scenario | (\$5,075,128) | (\$1,206,157) | \$3,834,879 | \$4,853,857 | (\$5,140,471) | (\$5,068,114) |
| Per SF Site Area | (\$254) | (\$60) | \$192 | \$243 | (\$257) | (\$253) |
| Per Dwelling Unit | (\$60,418) | (\$21,161) | \$28,407 | \$45,791 | (\$48,042) | (\$60,335) |
| Per SF Bonus GFA | -\$169.17 | | \$153.40 | | -\$205.62 | |
| Middle Scenario | (\$674,911) | \$1,777,750 | \$3,371,733 | \$4,749,285 | \$497,560 | (\$665,559) |
| Per SF Site Area | (\$34) | \$89 | \$169 | \$237 | \$25 | (\$33) |
| Per Dwelling Unit | (\$8,035) | \$31,189 | \$24,976 | \$44,805 | \$4,650 | (\$7,923) |
| Per SF Bonus GFA | -\$22.50 | | \$134.87 | | \$19.90 | |
| High Scenario | \$3,595,706 | \$4,632,057 | \$3,839,542 | \$5,336,161 | \$5,944,792 | \$3,546,196 |
| Per SF Site Area | \$180 | \$232 | \$192 | \$267 | \$297 | \$177 |
| Per Dwelling Unit | \$42,806 | \$81,264 | \$28,441 | \$50,341 | \$55,559 | \$42,217 |
| Per SF Bonus GFA | \$119.86 | | \$153.58 | | \$237.79 | |
| Equity Investment @ 40% | | | | | | |
| Low Scenario | \$10,434,473 | \$6,203,325 | \$13,370,724 | \$9,792,923 | \$12,782,378 | \$10,434,473 |
| Middle Scenario | \$11,475,860 | \$6,916,716 | \$14,751,771 | \$10,770,155 | \$14,102,562 | \$11,475,860 |
| High Scenario | \$12,569,088 | \$7,681,947 | \$16,209,139 | \$11,823,708 | \$15,499,066 | \$12,593,568 |
| Assumed Investment Period (Months) | 4 | 4 | 4 | 4 | 4 | 4 |
| Increase in Net Value from Bonus Before Prog. Costs | | | | | | |
| Low Scenario | \$4,231,148 | | \$3,577,801 | | \$2,347,905 | |
| Middle Scenario | \$4,559,144 | | \$3,981,616 | | \$2,626,701 | |
| High Scenario | \$4,887,140 | | \$4,385,431 | | \$2,905,498 | |

Table 75
Land Residual Analysis, Incentive Program Rec
Low Rise and Mid Rise Prototypes
Higher Cap Rates Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 to 6 Stories | | 6 Stories to 7 Stories | | | |
|--|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Residential Ownership | | Residential Rental | | Residential Ownership | |
| | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 11A With Incentive | Prototype 11B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| Less: Cost of Bonus Program | | | | | | |
| 1. Current In-Lieu Fee | \$454,500 | | \$378,750 | | \$378,750 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | \$31,600 | | \$647,543 | | \$1,295,085 | |
| Middle Scenario | \$202,160 | | \$796,953 | | \$1,593,907 | |
| High Scenario | \$392,400 | | \$967,720 | | \$1,935,440 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | \$63,200 | | \$4,020 | | \$14,740 | |
| Middle Scenario | \$404,320 | | \$136,860 | | \$501,820 | |
| High Scenario | \$784,800 | | \$289,380 | | \$1,061,060 | |
| Residual Land Value After Prog. Costs | | | | | | |
| 1. Current In-Lieu Fee | | | | | | |
| Low Scenario | (\$5,529,628) | | \$3,456,129 | | (\$5,519,221) | |
| Per SF Site Area | (\$276) | | \$173 | | (\$276) | |
| Per SF Bonus GFA | (\$184.32) | | \$138.25 | | (\$220.77) | |
| Middle Scenario | (\$1,129,411) | | \$2,992,983 | | \$118,810 | |
| Per SF Site Area | (\$56) | | \$150 | | \$6 | |
| Per SF Bonus GFA | (\$37.65) | | \$119.72 | | \$4.75 | |
| High Scenario | \$3,141,206 | | \$3,460,792 | | \$5,566,042 | |
| Per SF Site Area | \$157 | | \$173 | | \$278 | |
| Per SF Bonus GFA | \$104.71 | | \$138.43 | | \$222.64 | |
| 2. Gap Cost/Com Fee Scenario 1 (3) | | | | | | |
| Low Scenario | (\$5,106,728) | | \$3,187,336 | | (\$6,435,556) | |
| Per SF Site Area | (\$255) | | \$159 | | (\$322) | |
| Per SF Bonus GFA | (\$170.22) | | \$127.49 | | (\$257.42) | |
| Middle Scenario | (\$877,071) | | \$2,574,779 | | (\$1,096,346) | |
| Per SF Site Area | (\$44) | | \$129 | | (\$55) | |
| Per SF Bonus GFA | (\$29.24) | | \$102.99 | | (\$43.85) | |
| High Scenario | \$3,203,306 | | \$2,871,822 | | \$4,009,352 | |
| Per SF Site Area | \$160 | | \$144 | | \$200 | |
| Per SF Bonus GFA | \$106.78 | | \$114.87 | | \$160.37 | |
| 3. Gap Cost Scenario 2: 10% Units (4) | | | | | | |
| Low Scenario | (\$5,859,928) | | \$3,545,499 | | (\$6,201,531) | |
| Per SF Site Area | (\$293) | | \$177 | | (\$310) | |
| Per SF Bonus GFA | (\$195.33) | | \$141.82 | | (\$248.06) | |
| Middle Scenario | (\$1,459,711) | | \$3,082,353 | | (\$563,500) | |
| Per SF Site Area | (\$73) | | \$154 | | (\$28) | |
| Per SF Bonus GFA | (\$48.66) | | \$123.29 | | (\$22.54) | |
| High Scenario | \$2,810,906 | | \$3,550,162 | | \$4,883,732 | |
| Per SF Site Area | \$141 | | \$178 | | \$244 | |
| Per SF Bonus GFA | \$93.70 | | \$142.01 | | \$195.35 | |
| Equity Investment @ 40% of TDC | | | | | | |
| Assumed Investment Period (Years) | 4 | 4 | 4 | 4 | 4 | 4 |
| Assumed Return on Equity (1) | 6% | 6% | 6% | 6% | 6% | 6% |
| Low Scenario | \$11,154,473 | \$6,923,325 | \$14,430,724 | \$10,852,923 | \$13,842,378 | \$11,494,473 |
| Middle Scenario | \$12,627,860 | \$8,068,716 | \$16,447,771 | \$12,466,155 | \$15,798,562 | \$13,171,860 |
| High Scenario | \$14,297,088 | \$9,409,947 | \$18,753,139 | \$14,367,708 | \$18,043,066 | \$15,137,568 |

(1) Return on equity measured as net project value divide
(2) Annual net cash flow (NOI less debt service) divide

Source: DRA.

Table 76
Estimated Residual Land Value Per SF Site Area and Per SF Bonus Floor Area
Development Prototypes with and without Incentives
Lower Cap Rates Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Residual Land Value @ Indicated Cap Rate | | | | | | | | |
|------------------------------------|--|----------------------------|------------------|---------------------------|--------------------------------------|---------------------------|--|---------------------------|--|
| | Prototypes without Incentives | Prototypes With Incentives | | | | | | | |
| | | Before Program Costs | | | After Payment of Current In Lieu Fee | | After Performance Costs/Fee Scenario 1 | | After Performance Costs/Fee Scenario 2 |
| Housing Prototypes | Per Square Foot Site Area | Per Square Foot Site Area | Per SF Bonus GFA | Per Square Foot Site Area | Per SF Bonus GFA | Per Square Foot Site Area | Per SF Bonus GFA | Per Square Foot Site Area | Per SF Bonus GFA |
| DOWNTOWN PROTOTYPES | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% |
| Residential Rental Prototype 1 | \$1,318 | \$1,973 | \$199.72 | \$1,759 | \$178.04 | \$1,483 | \$150.07 | \$1,014 | \$102.66 |
| Residential Ownership Prototype 2 | \$1,477 | \$2,622 | \$276.58 | \$2,416 | \$254.90 | \$2,323 | \$245.04 | \$2,087 | \$220.14 |
| | 5.00% | 5.00% | | 5.00% | | 5.00% | | 5.00% | |
| Commercial Prototype 3 | \$429 | \$895 | \$179.02 | \$763 | \$152.56 | \$673 | \$134.52 | N/A | N/A |
| SOUTH LAKE UNION PROTOTYPES | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% |
| Residential Rental Prototype 4 | \$1,198 | \$1,318 | \$189.22 | \$1,177 | \$169.01 | \$1,065 | \$152.86 | \$830 | \$119.22 |
| Residential Ownership Prototype 5 | \$705 | \$568 | \$87.48 | \$436 | \$67.27 | \$414 | \$63.80 | \$286 | \$44.04 |
| | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Commercial Prototype 6 | \$329 | \$600 | \$240.95 | \$534 | \$178.04 | \$489 | \$196.45 | N/A | N/A |
| LOWRISE TO MIDRISE | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% |
| Residential Rental Prototype 7 | | | | | | | | | |
| Low Scenario | \$296 | \$252 | \$111.82 | \$217 | \$96.67 | \$210 | \$93.36 | \$164 | \$73 |
| Middle Scenario | \$305 | \$410 | \$182.11 | \$376 | \$166.96 | \$358 | \$159.16 | \$322 | \$143 |
| High Scenario | \$333 | \$457 | \$203.29 | \$423 | \$188.14 | \$395 | \$175.34 | \$369 | \$164 |
| Residential Ownership Prototype 8 | | | | | | | | | |
| Low Scenario | (\$16) | (\$161) | (\$71.39) | (\$195) | \$96.67 | (\$161) | (\$71.39) | (\$192) | (\$85) |
| Middle Scenario | \$84 | \$47 | \$20.92 | \$13 | \$166.96 | \$39 | \$17.11 | \$16 | \$7 |
| High Scenario | \$179 | \$251 | \$111.34 | \$216 | \$188.14 | \$230 | \$102.17 | \$220 | \$98 |
| 4 STORIES TO 6 STORIES | | | | | | | | | |
| Residential Rental Prototype 9 | | | | | | | | | |
| Low Scenario | \$477 | \$522 | \$347.82 | \$499 | \$332.67 | \$487 | \$324.69 | \$407 | \$271 |
| Middle Scenario | \$489 | \$539 | \$359.44 | \$516 | \$344.29 | \$496 | \$330.83 | \$424 | \$283 |
| High Scenario | \$530 | \$602 | \$401.33 | \$579 | \$386.18 | \$550 | \$366.48 | \$487 | \$325 |
| Residential Ownership Prototype 10 | | | | | | | | | |
| Low Scenario | (\$60) | (\$254) | (\$169.17) | (\$276) | (\$184.32) | (\$255) | (\$170.22) | (\$293) | (\$195) |
| Middle Scenario | \$89 | (\$34) | (\$22.50) | (\$56) | (\$37.65) | (\$44) | (\$29.24) | (\$73) | (\$49) |
| High Scenario | \$232 | \$180 | \$119.86 | \$157 | \$104.71 | \$160 | \$106.78 | \$141 | \$94 |
| 6 STORIES TO 7 STORIES | | | | | | | | | |
| Residential Rental Prototype 11 | | | | | | | | | |
| Low Scenario | \$502 | \$521 | \$416.42 | \$502 | \$401.27 | \$488 | \$390.52 | \$506 | \$405 |
| Middle Scenario | \$517 | \$524 | \$419.00 | \$505 | \$403.85 | \$484 | \$387.12 | \$509 | \$407 |
| High Scenario | \$575 | \$583 | \$466.73 | \$564 | \$451.58 | \$535 | \$428.02 | \$569 | \$455 |
| Residential Ownership Prototype 12 | | | | | | | | | |
| Low Scenario | (\$253) | (\$257) | (\$205.62) | (\$276) | (\$220.77) | (\$322) | (\$257) | (\$310) | (\$248) |
| Middle Scenario | (\$33) | \$25 | \$19.90 | \$6 | \$4.75 | (\$55) | (\$44) | (\$28) | (\$23) |
| High Scenario | \$177 | \$297 | \$237.79 | \$278 | \$222.64 | \$200 | \$160 | \$244 | \$195 |

(1) Prototypes with incentive.
(2) Includes gap cost of affordable housing performance requirements plus estimated cost of TDR requirements, as applicable.
(3) Return on equity calculated as total increase in project value divided by equity investment divided by average number of years of equity investment.
Estimated project ROE of the prototype with the incentive before program costs, and under in lieu fee payment and performance options.
Source: DRA

Table 77
Estimated Residual Land Value Per SF Site Area and Per SF Bonus Floor Area
Development Prototypes with and without Incentives
Higher Cap Rates Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | | Residual Land Value @ Indicated Cap Rate | | | | | | | | |
|------------------------------------|--------------|--|----------------------------|------------------|--------------------------------------|------------------|--|------------------|--|------------------|
| | | Prototypes without Incentives | Prototypes With Incentives | | | | | | | |
| | | | Before Program Costs | | After Payment of Current In Lieu Fee | | After Performance Costs/Fee Scenario 1 | | After Performance Costs/Fee Scenario 2 | |
| Housing Prototypes | | Per Square Foot Site Area | Per Square Foot Site Area | Per SF Bonus GFA | Per Square Foot Site Area | Per SF Bonus GFA | Per Square Foot Site Area | Per SF Bonus GFA | Per Square Foot Site Area | Per SF Bonus GFA |
| DOWNTOWN PROTOTYPES | | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Residential Rental | Prototype 1 | \$103 | \$13 | \$1.34 | (\$201) | (\$20) | (\$477) | (\$48.31) | (\$946) | (\$95.71) |
| Residential Ownership | Prototype 2 | \$1,477 | \$2,622 | \$276.58 | \$2,416 | \$254.90 | \$2,323 | \$245.04 | \$2,087 | \$220.14 |
| | | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% |
| Commercial | Prototype 3 | \$367 | \$735 | \$147.05 | \$603 | \$120.60 | \$513 | \$102.55 | N/A | N/A |
| SOUTH LAKE UNION PROTOTYPES | | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Residential Rental | Prototype 4 | \$808 | \$357 | \$51.19 | \$216 | \$30.98 | \$103 | \$14.83 | (\$131) | (\$18.81) |
| Residential Ownership | Prototype 5 | \$705 | \$568 | \$87.48 | \$436 | \$67.27 | \$414 | \$63.80 | \$286 | \$44.04 |
| | | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% |
| Commercial | Prototype 6 | \$264 | \$482 | \$193.83 | \$416 | (\$20.34) | \$372 | \$149.33 | N/A | N/A |
| LOWRISE TO MIDRISE | | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Residential Rental | Prototype 7 | \$184 | \$40 | \$17.95 | \$6 | \$2.80 | (\$1) | (\$0.50) | (\$48) | (\$21) |
| Low Scenario | | \$184 | \$157 | \$69.56 | \$122 | \$54.41 | \$105 | \$46.61 | \$68 | \$30 |
| Middle Scenario | | \$199 | \$178 | \$79.05 | \$144 | \$63.90 | \$115 | \$51.10 | \$90 | \$40 |
| High Scenario | Prototype 8 | (\$16) | (\$161) | (\$71.39) | (\$195) | \$2.80 | (\$161) | (\$71.39) | (\$192) | (\$85) |
| Low Scenario | | \$84 | \$47 | \$20.92 | \$13 | \$54.41 | \$39 | \$17.11 | \$16 | \$7 |
| Middle Scenario | | \$179 | \$251 | \$111.34 | \$216 | \$63.90 | \$230 | \$102.17 | \$220 | \$98 |
| High Scenario | | | | | | | | | | |
| 4 STORIES TO 6 STORIES | | | | | | | | | | |
| Residential Rental | Prototype 9 | \$299 | \$263 | \$175.26 | \$240 | \$160.11 | \$228 | \$152.12 | \$148 | \$99 |
| Low Scenario | | \$297 | \$260 | \$173.12 | \$237 | \$157.97 | \$217 | \$144.51 | \$145 | \$96 |
| Middle Scenario | | \$318 | \$294 | \$196.06 | \$271 | \$180.91 | \$242 | \$161.21 | \$179 | \$119 |
| High Scenario | Prototype 10 | (\$60) | (\$254) | (\$169.17) | (\$276) | (\$184.32) | (\$255) | (\$170.22) | (\$293) | (\$195) |
| Low Scenario | | \$89 | (\$34) | (\$22.50) | (\$56) | (\$37.65) | (\$44) | (\$29.24) | (\$73) | (\$49) |
| Middle Scenario | | \$232 | \$180 | \$119.86 | \$157 | \$104.71 | \$160 | \$106.78 | \$141 | \$94 |
| High Scenario | | | | | | | | | | |
| 6 STORIES TO 7 STORIES | | | | | | | | | | |
| Residential Rental | Prototype 11 | \$243 | \$192 | \$153.40 | \$173 | \$138.25 | \$159 | \$127.49 | \$177 | \$142 |
| Low Scenario | | \$237 | \$169 | \$134.87 | \$150 | \$119.72 | \$129 | \$102.99 | \$154 | \$123 |
| Middle Scenario | | \$267 | \$192 | \$153.58 | \$173 | \$138.43 | \$144 | \$114.87 | \$178 | \$142 |
| High Scenario | Prototype 12 | (\$253) | (\$257) | (\$205.62) | (\$276) | (\$220.77) | (\$322) | (\$257) | (\$310) | (\$248) |
| Low Scenario | | (\$33) | \$25 | \$19.90 | \$6 | \$4.75 | (\$55) | (\$44) | (\$28) | (\$23) |
| Middle Scenario | | \$177 | \$297 | \$237.79 | \$278 | \$222.64 | \$200 | \$160 | \$244 | \$195 |
| High Scenario | | | | | | | | | | |

(1) Prototypes with incentive.
(2) Includes gap cost of affordable housing performance requirements plus estimated cost of TDR requirements, as applicable.
(3) Return on equity calculated as total increase in project value divided by equity investment divided by average number of years of equity investment.
Estimated project ROE of the prototype with the incentive before program costs, and under in lieu fee payment and performance options.
Source: DRA

Table 78
Development and Financing Cost Assumptions
Downtown and South Lake Union Prototypes
Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Downtown/HR | | | | | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 1A With Incentive | Prototype 1B No Incentive | Prototype 2A With Incentive | Prototype 2B No Incentive | Prototype 3A With Incentive | Prototype 3B No Incentive |
| <i>Retail Net SF</i> | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| <i>Office Net SF</i> | 0 | 0 | 0 | 0 | 249,480 | 129,600 |
| <i>Residential Net SF</i> | 308,900 | 194,900 | 283,900 | 174,900 | 0 | 0 |
| <i>Total Net SF</i> | 311,000 | 197,000 | 286,000 | 177,000 | 251,580 | 131,700 |
| <i>Total Gross SF Building Area (Including Parking)</i> | 509,500 | 323,300 | 524,500 | 323,300 | 447,000 | 224,000 |
| <i>Residential Units</i> | 426 | 269 | 344 | 212 | 0 | 0 |
| <i>Site Area (SF)</i> | 15,000 | 15,000 | 15,000 | 15,000 | 32,400 | 32,400 |
| <i>Approximate Building Stories</i> | 40 | 24 | 40 | 24 | 8 | 4 |
| Hard Cost Assumptions | | | | | | |
| Land Price per SF Site Area | \$750 | \$750 | \$750 | \$750 | \$750 | \$750 |
| Land Price per Unit | \$26,408 | \$41,822 | \$32,703 | \$53,066 | N/A | N/A |
| Building Demolition Costs | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 |
| Site Improvements (Per Site SF) | \$0 | \$0 | \$0 | \$0 | \$50 | \$50 |
| Hard Construction Cost (Per Gross SF, Incl. Pkg) | \$220 | \$210 | \$220 | \$210 | \$145 | \$145 |
| <i>Subtotal: Site/Hard Costs Per Gross SF, Incl. Pkg)</i> | <i>\$220</i> | <i>\$210</i> | <i>\$220</i> | <i>\$210</i> | <i>\$151</i> | <i>\$157</i> |
| Hard Cost Contingency (% of Hard Costs) | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| WA State Sales Tax (% of Hard Costs Plus Conting.) | 9.5% | 9.5% | 9.5% | 9.5% | 9.5% | 9.5% |
| Soft Cost Assumptions (% of Hard Costs) | | | | | | |
| Architecture/Engineering/Consultants | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% |
| Financing Costs | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| Other Soft Costs (1) | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Residential Condo Addit. Insur./Expenses | 0.0% | 0.0% | 2.0% | 2.0% | 0.0% | 0.0% |
| <i>Subtotal--Soft Cost %</i> | <i>16.0%</i> | <i>16.0%</i> | <i>18.0%</i> | <i>18.0%</i> | <i>16.0%</i> | <i>16.0%</i> |
| Developer Overhead (% TDC Less Land & Sales Tax) | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |

(1) Includes insurance, legal, accounting, marketing, lease-up, permits and fees.

Source: DRA

Table 78
Development and Financing Cost Assumptions
Downtown and South Lake Union Prototypes
Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | South Lake Union | | | | | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 4A With Incentive | Prototype 4B No Incentive | Prototype 5A With Incentive | Prototype 5B No Incentive | Prototype 6A With Incentive | Prototype 6B No Incentive |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Office Net SF | 0 | 0 | 0 | 0 | 238,400 | 152,800 |
| Residential Net SF | 202,900 | 89,900 | 184,900 | 79,900 | 0 | 0 |
| Total Net SF | 205,000 | 92,000 | 187,000 | 82,000 | 240,500 | 154,900 |
| Total Gross SF Building Area (Including Parking) | 341,250 | 153,000 | 341,250 | 148,000 | 414,000 | 267,000 |
| Residential Units | 280 | 124 | 218 | 94 | 0 | 0 |
| Site Area (SF) | 21,000 | 21,000 | 21,000 | 21,000 | 43,000 | 43,000 |
| Approximate Building Stories | 24 | 7 | 24 | 7 | 8 | 5 |
| Hard Cost Assumptions | | | | | | |
| Land Price per SF Site Area | \$375 | \$375 | \$375 | \$375 | \$375 | \$375 |
| Land Price per Unit | \$28,125 | \$63,508 | \$36,124 | \$83,777 | N/A | N/A |
| Building Demolition Costs | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 |
| Site Improvements (Per Site SF) | \$0 | \$0 | \$0 | \$0 | \$50 | \$50 |
| Hard Construction Cost (Per Gross SF, Incl. Pkg) | \$210 | \$125 | \$210 | \$125 | \$145 | \$145 |
| Subtotal: Site/Hard Costs Per Gross SF, Incl. Pkg) | \$210 | \$125 | \$210 | \$125 | \$154 | \$159 |
| Hard Cost Contingency (% of Hard Costs) | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| WA State Sales Tax (% of Hard Costs Plus Conting.) | 9.5% | 9.5% | 9.5% | 9.5% | 9.5% | 9.5% |
| Soft Cost Assumptions (% of Hard Costs) | | | | | | |
| Architecture/Engineering/Consultants | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% |
| Financing Costs | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| Other Soft Costs (1) | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Residential Condo Addit. Insur./Expenses | 0.0% | 0.0% | 2.0% | 2.0% | 0.0% | 0.0% |
| Subtotal--Soft Cost % | 16.0% | 16.0% | 18.0% | 18.0% | 16.0% | 16.0% |
| Developer Overhead (% TDC Less Land & Sales Tax) | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |

(1) Includes insurance, legal, accounting, marketing, le
Source: DRA

Table 79
Development and Financing Cost Assumptions
Low Rise and Mid Rise Prototypes
Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | | |
|--|--------------------|--------------|-----------------------|--------------|----------|
| | Residential Rental | | Residential Ownership | | |
| | Prototype 7A | Prototype 7B | Prototype 8A | Prototype 8B | |
| | With Incentive | No Incentive | With Incentive | No Incentive | |
| Retail Net SF | 0 | 0 | 0 | 0 | |
| Office Net SF | 0 | 0 | 0 | 0 | |
| Residential Net SF | 46,000 | 22,000 | 46,000 | 22,000 | |
| Total Net SF | 46,000 | 22,000 | 46,000 | 22,000 | |
| Total Gross SF Building Area (Including Parking) | 77,200 | 36,800 | 82,200 | 38,800 | |
| Total Residential Units | 71 | 34 | 56 | 27 | |
| Site Area (SF) | 14,400 | 14,400 | 14,400 | 14,400 | |
| Approximate Building Stories | 7 | 4 | 7 | 4 | |
| Hard Cost Assumptions | | | | | |
| Land Price | | | | | |
| Low Scenario | Per Unit | \$11,972 | \$25,000 | \$15,179 | \$31,481 |
| | Per Site SF | \$59 | \$59 | \$59 | \$59 |
| Middle Scenario | Per Unit | \$19,155 | \$40,000 | \$24,286 | \$50,370 |
| | Per Site SF | \$94 | \$94 | \$94 | \$94 |
| High Scenario | Per Unit | \$28,732 | \$60,000 | \$36,429 | \$75,556 |
| | Per Site SF | \$142 | \$142 | \$142 | \$142 |
| Building Demolition Costs | | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| On-site Improvements (Per Site SF) | | \$0 | \$0 | \$0 | \$0 |
| Hard Construction Cost (Per Gross SF Incl. Pkg.) | | | | | |
| Low Scenario | | \$145 | \$130 | \$145 | \$130 |
| Middle Scenario | | \$160 | \$145 | \$160 | \$145 |
| High Scenario | | \$175 | \$160 | \$175 | \$160 |
| Hard Cost Contingency (% of Hard Costs) | | 5.0% | 5.0% | 5.0% | 5.0% |
| WA State Sales Tax (% of Hard Costs Plus Conting.) | | 9.5% | 9.5% | 9.5% | 9.5% |
| Soft Cost Assumptions (% of Hard Costs) | | | | | |
| Architecture/Engineering/Consultants | | 8.0% | 8.0% | 8.0% | 8.0% |
| Financing Costs | | 5.0% | 5.0% | 5.0% | 5.0% |
| Other Soft Costs (1) | | 3.0% | 3.0% | 3.0% | 3.0% |
| Residential Condo Addit. Insur./Expenses | | 0.0% | 0.0% | 2.0% | 2.0% |
| Subtotal--Soft Cost % | | 16.0% | 16.0% | 18.0% | 18.0% |
| Developer Overhead (% TDC Less Land & Sales Tax) | | 3.0% | 3.0% | 3.0% | 3.0% |

(1) Includes insurance, legal, accounting, marketing, lease-up, permits and fees.

Source: DRA

Table 79
Development and Financing Cost Assumptions
Low Rise and Mid Rise Prototypes
Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 Stories to 6 Stories | | | | |
|--|------------------------|--------------|-----------------------|---------------|----------|
| | Residential Rental | | Residential Ownership | | |
| | Prototype 9A | Prototype 9B | Prototype 10A | Prototype 10B | |
| | With Incentive | No Incentive | With Incentive | No Incentive | |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | |
| Office Net SF | 0 | 0 | 0 | 0 | |
| Residential Net SF | 68,900 | 46,900 | 68,900 | 46,900 | |
| Total Net SF | 71,000 | 49,000 | 71,000 | 49,000 | |
| Total Gross SF Building Area (Including Parking) | 119,000 | 81,000 | 127,000 | 87,000 | |
| Total Residential Units | 106 | 72 | 84 | 57 | |
| Site Area (SF) | 20,000 | 20,000 | 20,000 | 20,000 | |
| Approximate Building Stories | 6 | 4 | 6 | 4 | |
| Hard Cost Assumptions | | | | | |
| Land Price | | | | | |
| Low Scenario | Per Unit | \$16,981 | \$25,000 | \$21,429 | \$31,579 |
| | Per Site SF | \$90 | \$90 | \$90 | \$90 |
| Middle Scenario | Per Unit | \$27,170 | \$40,000 | \$34,286 | \$50,526 |
| | Per Site SF | \$144 | \$144 | \$144 | \$144 |
| High Scenario | Per Unit | \$40,755 | \$60,000 | \$51,429 | \$75,789 |
| | Per Site SF | \$216 | \$216 | \$216 | \$216 |
| Building Demolition Costs | | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| On-site Improvements (Per Site SF) | | \$0 | \$0 | \$0 | \$0 |
| Hard Construction Cost (Per Gross SF Incl. Pkg.) | | | | | |
| Low Scenario | | \$150 | \$130 | \$150 | \$130 |
| Middle Scenario | | \$165 | \$145 | \$165 | \$145 |
| High Scenario | | \$180 | \$160 | \$180 | \$160 |
| Hard Cost Contingency (% of Hard Costs) | | 5.0% | 5.0% | 5.0% | 5.0% |
| WA State Sales Tax (% of Hard Costs Plus Conting.) | | 9.5% | 9.5% | 9.5% | 9.5% |
| Soft Cost Assumptions (% of Hard Costs) | | | | | |
| Architecture/Engineering/Consultants | | 8.0% | 8.0% | 8.0% | 8.0% |
| Financing Costs | | 5.0% | 5.0% | 5.0% | 5.0% |
| Other Soft Costs (1) | | 3.0% | 3.0% | 3.0% | 3.0% |
| Residential Condo Addit. Insur./Expenses | | 0.0% | 0.0% | 2.0% | 2.0% |
| Subtotal--Soft Cost % | | 16.0% | 16.0% | 18.0% | 18.0% |
| Developer Overhead (% TDC Less Land & Sales Tax) | | 3.0% | 3.0% | 3.0% | 3.0% |

(1) Includes insurance, legal, accounting, marketing, le
Source: DRA

Table 79
Development and Financing Cost Assumptions
Low Rise and Mid Rise Prototypes
Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 6 Stories to 7 Stories | | | | |
|--|------------------------|---------------|-----------------------|---------------|----------|
| | Residential Rental | | Residential Ownership | | |
| | Prototype 11A | Prototype 11B | Prototype 12A | Prototype 12B | |
| | With Incentive | No Incentive | With Incentive | No Incentive | |
| Retail Net SF | 2,100 | 2,100 | 2,100 | 2,100 | |
| Office Net SF | 0 | 0 | 0 | 0 | |
| Residential Net SF | 87,900 | 68,900 | 87,900 | 68,900 | |
| Total Net SF | 90,000 | 71,000 | 90,000 | 71,000 | |
| Total Gross SF Building Area (Including Parking) | 171,000 | 121,000 | 161,000 | 127,000 | |
| Total Residential Units | 135 | 106 | 107 | 84 | |
| Site Area (SF) | 20,000 | 20,000 | 20,000 | 20,000 | |
| Approximate Building Stories | 7 | 6 | 7 | 6 | |
| Hard Cost Assumptions | | | | | |
| Land Price | | | | | |
| Low Scenario | Per Unit | \$19,630 | \$25,000 | \$24,766 | \$31,548 |
| | Per Site SF | \$133 | \$133 | \$133 | \$133 |
| Middle Scenario | Per Unit | \$31,407 | \$40,000 | \$39,626 | \$50,476 |
| | Per Site SF | \$212 | \$212 | \$212 | \$212 |
| High Scenario | Per Unit | \$47,111 | \$60,000 | \$59,439 | \$75,714 |
| | Per Site SF | \$318 | \$318 | \$318 | \$318 |
| Building Demolition Costs | | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| On-site Improvements (Per Site SF) | | \$0 | \$0 | \$0 | \$0 |
| Hard Construction Cost (Per Gross SF Incl. Pkg.) | | | | | |
| Low Scenario | | \$145 | \$150 | \$145 | \$150 |
| Middle Scenario | | \$160 | \$165 | \$160 | \$165 |
| High Scenario | | \$175 | \$180 | \$175 | \$180 |
| Hard Cost Contingency (% of Hard Costs) | | 5.0% | 5.0% | 5.0% | 5.0% |
| WA State Sales Tax (% of Hard Costs Plus Conting.) | | 9.5% | 9.5% | 9.5% | 9.5% |
| Soft Cost Assumptions (% of Hard Costs) | | | | | |
| Architecture/Engineering/Consultants | | 8.0% | 8.0% | 8.0% | 8.0% |
| Financing Costs | | 5.0% | 5.0% | 5.0% | 5.0% |
| Other Soft Costs (1) | | 3.0% | 3.0% | 3.0% | 3.0% |
| Residential Condo Addit. Insur./Expenses | | 0.0% | 0.0% | 2.0% | 2.0% |
| Subtotal--Soft Cost % | | 16.0% | 16.0% | 18.0% | 18.0% |
| Developer Overhead (% TDC Less Land & Sales Tax) | | 3.0% | 3.0% | 3.0% | 3.0% |

(1) Includes insurance, legal, accounting, marketing, le
Source: DRA

Table 80
Prototype Development Cost Budgets
Downtown and South Lake Union Prototypes
Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Downtown/HR | | | | | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 1A With Incentive | Prototype 1B No Incentive | Prototype 2A With Incentive | Prototype 2B No Incentive | Prototype 3A With Incentive | Prototype 3B No Incentive |
| <i>Residential Units</i> | 426 | 269 | 344 | 212 | 0 | 0 |
| <i>Retail Net SF</i> | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| <i>Office Net SF</i> | 0 | 0 | 0 | 0 | 249,480 | 129,600 |
| <i>Residential Net SF</i> | 308,900 | 194,900 | 283,900 | 174,900 | 0 | 0 |
| <i>Total Net SF</i> | 311,000 | 197,000 | 286,000 | 177,000 | 251,580 | 131,700 |
| <i>Total Gross SF Building Area (Including Parking)</i> | 509,500 | 323,300 | 524,500 | 323,300 | 447,000 | 224,000 |
| <i>Residential Units</i> | 426 | 269 | 344 | 212 | 0 | 0 |
| <i>Average Unit Size (Net SF)</i> | 725 | 725 | 825 | 825 | N/A | N/A |
| <i>Site Area (SF)</i> | 15,000 | 15,000 | 15,000 | 15,000 | 32,400 | 32,400 |
| <i>Approximate Building Stories</i> | 40 | 24 | 40 | 24 | 8 | 4 |
| Development Cost Budget | | | | | | |
| Land Acquisition | \$11,250,000 | \$11,250,000 | \$11,250,000 | \$11,250,000 | \$24,300,000 | \$24,300,000 |
| Demolition of Existing Building | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 |
| Site Improvements | \$0 | \$0 | \$0 | \$0 | \$1,620,000 | \$1,620,000 |
| Hard Construction Costs | \$112,090,000 | \$67,893,000 | \$115,390,000 | \$67,893,000 | \$64,815,000 | \$32,480,000 |
| Hard Cost Contingency | \$5,604,500 | \$3,394,650 | \$5,769,500 | \$3,394,650 | \$3,321,750 | \$1,705,000 |
| Washington State Sales Tax | \$10,648,550 | \$6,772,327 | \$11,510,153 | \$6,772,327 | \$6,626,891 | \$3,401,475 |
| Architecture/Engineering/Consultants | \$8,967,200 | \$5,431,440 | \$9,231,200 | \$5,431,440 | \$5,314,800 | \$2,728,000 |
| Financing Costs | \$5,604,500 | \$3,394,650 | \$5,769,500 | \$3,394,650 | \$3,321,750 | \$1,705,000 |
| Other Soft Costs (1) | \$3,362,700 | \$2,036,790 | \$3,461,700 | \$2,036,790 | \$1,993,050 | \$1,023,000 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$2,307,800 | \$1,357,860 | \$0 | \$0 |
| Developer Overhead/Project Management | \$4,410,867 | \$2,806,516 | \$4,599,891 | \$2,847,252 | \$3,145,091 | \$1,971,330 |
| Total Development Costs, Including Land | \$162,088,317 | \$103,129,373 | \$169,439,744 | \$104,527,968 | \$114,608,332 | \$71,083,805 |
| TDC Per Housing Unit | \$380,489 | \$378,932 | \$488,572 | \$487,575 | N/A | N/A |
| TDC per Net Rentable/Saleable SF | \$521 | \$523 | \$592 | \$591 | \$456 | \$540 |
| TDC Per Gross SF, Including Parking | \$318 | \$319 | \$323 | \$323 | \$256 | \$317 |
| Total Development Costs Excluding Land | \$150,838,317 | \$91,879,373 | \$158,189,744 | \$93,277,968 | \$90,308,332 | \$46,783,805 |

Source: DRA

Table 80
Prototype Development Cost Budgets
Downtown and South Lake Union Prototypes
Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | South Lake Union | | | | | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | | Commercial | |
| | Prototype 4A With Incentive | Prototype 4B No Incentive | Prototype 5A With Incentive | Prototype 5B No Incentive | Prototype 6A With Incentive | Prototype 6B No Incentive |
| <i>Residential Units</i> | 280 | 124 | 218 | 94 | 0 | 0 |
| <i>Retail Net SF</i> | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| <i>Office Net SF</i> | 0 | 0 | 0 | 0 | 238,400 | 152,800 |
| <i>Residential Net SF</i> | 202,900 | 89,900 | 184,900 | 79,900 | 0 | 0 |
| <i>Total Net SF</i> | 205,000 | 92,000 | 187,000 | 82,000 | 240,500 | 154,900 |
| <i>Total Gross SF Building Area (Including Parking)</i> | 341,250 | 153,000 | 341,250 | 148,000 | 414,000 | 267,000 |
| <i>Residential Units</i> | 280 | 124 | 218 | 94 | 0 | 0 |
| <i>Average Unit Size (Net SF)</i> | 725 | 725 | 848 | 850 | N/A | N/A |
| <i>Site Area (SF)</i> | 21,000 | 21,000 | 21,000 | 21,000 | 43,000 | 43,000 |
| <i>Approximate Building Stories</i> | 24 | 7 | 24 | 7 | 8 | 5 |
| Development Cost Budget | | | | | | |
| Land Acquisition | \$7,875,000 | \$7,875,000 | \$7,875,000 | \$7,875,000 | \$16,125,000 | \$16,125,000 |
| Demolition of Existing Building | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 |
| Site Improvements | \$0 | \$0 | \$0 | \$0 | \$2,150,000 | \$2,150,000 |
| Hard Construction Costs | \$71,662,500 | \$19,125,000 | \$71,662,500 | \$18,500,000 | \$60,030,000 | \$38,715,000 |
| Hard Cost Contingency | \$3,583,125 | \$956,250 | \$3,583,125 | \$925,000 | \$3,109,000 | \$2,043,250 |
| Washington State Sales Tax | \$7,148,334 | \$1,907,719 | \$7,148,334 | \$1,845,375 | \$6,202,455 | \$4,076,284 |
| Architecture/Engineering/Consultants | \$5,733,000 | \$1,530,000 | \$5,733,000 | \$1,480,000 | \$4,974,400 | \$3,269,200 |
| Financing Costs | \$3,583,125 | \$956,250 | \$3,583,125 | \$925,000 | \$3,109,000 | \$2,043,250 |
| Other Soft Costs (1) | \$2,149,875 | \$573,750 | \$2,149,875 | \$555,000 | \$1,865,400 | \$1,225,950 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$1,433,250 | \$370,000 | \$0 | \$0 |
| Developer Overhead/Project Management | \$2,842,099 | \$934,988 | \$2,885,096 | \$923,400 | \$2,745,384 | \$1,971,650 |
| Total Development Costs, Including Land | \$104,727,058 | \$34,008,956 | \$106,203,306 | \$33,548,775 | \$100,460,639 | \$71,769,583 |
| TDC Per Housing Unit | \$374,025 | \$274,266 | \$487,171 | \$356,902 | N/A | N/A |
| TDC per Net Rentable/Saleable SF | \$511 | \$370 | \$568 | \$409 | \$418 | \$463 |
| TDC Per Gross SF, Including Parking | \$307 | \$222 | \$311 | \$227 | \$243 | \$269 |
| Total Development Costs Excluding Land | \$96,852,058 | \$26,133,956 | \$98,328,306 | \$25,673,775 | \$84,335,639 | \$55,644,583 |

Source: DRA

Table 81
Prototype Development Cost Budgets
Low Rise and Mid Rise Prototypes
Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Residential Rental | | Residential Ownership | |
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 8A With Incentive | Prototype 8B No Incentive |
| <i>Residential Units</i> | 71 | 34 | 56 | 27 |
| <i>Retail Net SF</i> | 0 | 0 | 0 | 0 |
| <i>Residential Net SF</i> | 46,000 | 22,000 | 46,000 | 22,000 |
| <i>Total Net SF</i> | 46,000 | 22,000 | 46,000 | 22,000 |
| <i>Total Gross SF Building Area (Including Parking)</i> | 77,200 | 36,800 | 82,200 | 38,800 |
| <i>Residential Units</i> | 71 | 34 | 56 | 27 |
| <i>Average Unit Size (Net SF)</i> | 648 | 647 | 821 | 815 |
| <i>Site Area (SF)</i> | 14,400 | 14,400 | 14,400 | 14,400 |
| <i>Approximate Building Stories</i> | 7 | 4 | 7 | 4 |
| LOW SCENARIO | | | | |
| Land Acquisition | \$850,000 | \$850,000 | \$850,000 | \$850,000 |
| Demolition of Existing Building | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| Construction Hard Costs | \$11,194,000 | \$4,784,000 | \$11,919,000 | \$5,044,000 |
| Hard Cost Contingency | \$559,700 | \$239,200 | \$595,950 | \$252,200 |
| Washington State Sales Tax | \$1,116,602 | \$477,204 | \$1,188,920 | \$503,139 |
| Architecture/Engineering/Consultants | \$895,520 | \$382,720 | \$953,520 | \$403,520 |
| Financing Costs | \$559,700 | \$239,200 | \$595,950 | \$252,200 |
| Other Soft Costs (1) | \$335,820 | \$143,520 | \$357,570 | \$151,320 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$238,380 | \$100,880 |
| Developer Overhead & Proj. Manage. | \$407,842 | \$175,159 | \$441,311 | \$187,624 |
| Total Development Costs, Including Land | \$15,969,184 | \$7,341,003 | \$17,190,601 | \$7,794,883 |
| TDC Per Housing Unit | \$224,918 | \$215,912 | \$306,975 | \$288,699 |
| TDC per Net Rentable/Saleable SF | \$347 | \$334 | \$374 | \$354 |
| TDC per Gross SF, Including Parking | \$207 | \$199 | \$209 | \$201 |
| Total Development Costs, Excluding Land | \$15,119,184 | \$6,491,003 | \$16,340,601 | \$6,944,883 |
| MIDDLE SCENARIO | | | | |
| Land Acquisition | \$1,360,000 | \$1,360,000 | \$1,360,000 | \$1,360,000 |
| Demolition of Existing Building | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| Construction Hard Costs | \$12,352,000 | \$5,336,000 | \$13,152,000 | \$5,626,000 |
| Tenant Improvements | \$0 | \$0 | \$0 | \$0 |
| Underground Parking | \$0 | \$0 | \$0 | \$0 |
| Structured Parking | \$0 | \$0 | \$0 | \$0 |
| Hard Cost Contingency | \$617,600 | \$266,800 | \$657,600 | \$281,300 |
| Washington State Sales Tax | \$1,232,112 | \$532,266 | \$1,311,912 | \$561,194 |
| Architecture/Engineering/Consultants | \$988,160 | \$426,880 | \$1,052,160 | \$450,080 |
| Financing Costs | \$617,600 | \$266,800 | \$657,600 | \$281,300 |
| Other Soft Costs (1) | \$370,560 | \$160,080 | \$394,560 | \$168,780 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$263,040 | \$112,520 |
| Developer Overhead & Proj. Manage. | \$449,878 | \$195,197 | \$486,809 | \$209,099 |
| Total Development Costs, Including Land | \$18,037,910 | \$8,594,023 | \$19,385,681 | \$9,100,273 |
| TDC Per Housing Unit | \$254,055 | \$252,765 | \$346,173 | \$337,047 |
| TDC per Net Rentable/Saleable SF | \$392 | \$391 | \$421 | \$414 |
| TDC per Gross SF, Including Parking | \$234 | \$234 | \$236 | \$235 |
| Total Development Costs, Excluding Land | \$16,677,910 | \$7,234,023 | \$18,025,681 | \$7,740,273 |
| HIGH SCENARIO | | | | |
| Land Acquisition | \$2,040,000 | \$2,040,000 | \$2,040,000 | \$2,040,000 |
| Demolition of Existing Building | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| Construction Hard Costs | \$13,510,000 | \$5,888,000 | \$14,385,000 | \$6,208,000 |
| Hard Cost Contingency | \$675,500 | \$294,400 | \$719,250 | \$310,400 |
| Washington State Sales Tax | \$1,347,623 | \$587,328 | \$1,434,904 | \$619,248 |
| Architecture/Engineering/Consultants | \$1,080,800 | \$471,040 | \$1,150,800 | \$496,640 |
| Financing Costs | \$675,500 | \$294,400 | \$719,250 | \$310,400 |
| Other Soft Costs (1) | \$405,300 | \$176,640 | \$431,550 | \$186,240 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$287,700 | \$124,160 |
| Developer Overhead & Proj. Manage. | \$553,113 | \$276,434 | \$593,507 | \$291,775 |
| Total Development Costs, Including Land | \$20,337,836 | \$10,078,242 | \$21,811,960 | \$10,636,863 |
| TDC Per Housing Unit | \$286,448 | \$296,419 | \$389,499 | \$393,958 |
| TDC per Net Rentable/Saleable SF | \$442 | \$458 | \$474 | \$483 |
| TDC per Gross SF, Including Parking | \$263 | \$274 | \$265 | \$274 |
| Total Development Costs, Excluding Land | \$18,297,836 | \$8,038,242 | \$19,771,960 | \$8,596,863 |

Source: DRA

Table 81
Prototype Development Cost Budgets
Low Rise and Mid Rise Prototypes
Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 4 Stories to 6 Stories | | | |
|---|--------------------------------|------------------------------|---------------------------------|-------------------------------|
| | Residential Rental | | Residential Ownership | |
| | Prototype 9A With Incentive | Prototype 9B No Incentive | Prototype 10A With Incentive | Prototype 10B No Incentive |
| <i>Residential Units</i> | 106 | 72 | 84 | 57 |
| <i>Retail Net SF</i> | 2,100 | 2,100 | 2,100 | 2,100 |
| <i>Residential Net SF</i> | 68,900 | 46,900 | 68,900 | 46,900 |
| <i>Total Net SF</i> | 71,000 | 49,000 | 71,000 | 49,000 |
| <i>Total Gross SF Building Area (Including Parking)</i> | 119,000 | 81,000 | 127,000 | 87,000 |
| <i>Residential Units</i> | 106 | 72 | 84 | 57 |
| <i>Average Unit Size (Net SF)</i> | 650 | 651 | 820 | 823 |
| <i>Site Area (SF)</i> | 20,000 | 20,000 | 20,000 | 20,000 |
| <i>Approximate Building Stories</i> | 6 | 4 | 6 | 4 |
| LOW SCENARIO | | | | |
| Land Acquisition | \$1,800,000 | \$1,800,000 | \$1,800,000 | \$1,800,000 |
| Demolition of Existing Building | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| Construction Hard Costs | \$17,850,000 | \$10,530,000 | \$19,050,000 | \$11,310,000 |
| Hard Cost Contingency | \$892,500 | \$526,500 | \$952,500 | \$565,500 |
| Washington State Sales Tax | \$1,780,538 | \$1,050,368 | \$1,900,238 | \$1,128,173 |
| Architecture/Engineering/Consultants | \$1,428,000 | \$842,400 | \$1,524,000 | \$904,800 |
| Financing Costs | \$892,500 | \$526,500 | \$952,500 | \$565,500 |
| Other Soft Costs (1) | \$535,500 | \$315,900 | \$571,500 | \$339,300 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$381,000 | \$226,200 |
| Developer Overhead & Proj. Manage. | \$649,455 | \$383,739 | \$704,445 | \$418,839 |
| Total Development Costs, Including Land | \$25,878,493 | \$16,025,407 | \$27,886,183 | \$17,308,312 |
| TDC Per Housing Unit | \$244,137 | \$222,575 | \$331,978 | \$303,655 |
| TDC per Net Rentable/Saleable SF | \$364 | \$327 | \$393 | \$353 |
| TDC per Gross SF, Including Parking | \$217 | \$198 | \$220 | \$199 |
| Total Development Costs, Excluding Land | \$24,078,493 | \$14,225,407 | \$26,086,183 | \$15,508,312 |
| MIDDLE SCENARIO | | | | |
| Land Acquisition | \$2,880,000 | \$2,880,000 | \$2,880,000 | \$2,880,000 |
| Demolition of Existing Building | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| Construction Hard Costs | \$19,635,000 | \$11,745,000 | \$20,955,000 | \$12,615,000 |
| Tenant Improvements | \$0 | \$0 | \$0 | \$0 |
| Underground Parking | \$0 | \$0 | \$0 | \$0 |
| Structured Parking | \$0 | \$0 | \$0 | \$0 |
| Hard Cost Contingency | \$981,750 | \$587,250 | \$1,047,750 | \$630,750 |
| Washington State Sales Tax | \$1,958,591 | \$1,171,564 | \$2,090,261 | \$1,258,346 |
| Architecture/Engineering/Consultants | \$1,570,800 | \$939,600 | \$1,676,400 | \$1,009,200 |
| Financing Costs | \$981,750 | \$587,250 | \$1,047,750 | \$630,750 |
| Other Soft Costs (1) | \$589,050 | \$352,350 | \$628,650 | \$378,450 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$419,100 | \$252,300 |
| Developer Overhead & Proj. Manage. | \$714,251 | \$427,844 | \$774,740 | \$466,994 |
| Total Development Costs, Including Land | \$29,361,192 | \$18,740,857 | \$31,569,651 | \$20,171,790 |
| TDC Per Housing Unit | \$276,992 | \$260,290 | \$375,829 | \$353,891 |
| TDC per Net Rentable/Saleable SF | \$414 | \$382 | \$445 | \$412 |
| TDC per Gross SF, Including Parking | \$247 | \$231 | \$249 | \$232 |
| Total Development Costs, Excluding Land | \$26,481,192 | \$15,860,857 | \$28,689,651 | \$17,291,790 |
| HIGH SCENARIO | | | | |
| Land Acquisition | \$4,320,000 | \$4,320,000 | \$4,320,000 | \$4,320,000 |
| Demolition of Existing Building | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| Construction Hard Costs | \$21,420,000 | \$12,960,000 | \$22,860,000 | \$13,920,000 |
| Hard Cost Contingency | \$1,071,000 | \$648,000 | \$1,143,000 | \$696,000 |
| Washington State Sales Tax | \$2,136,645 | \$1,292,760 | \$2,280,285 | \$1,388,520 |
| Architecture/Engineering/Consultants | \$1,713,600 | \$1,036,800 | \$1,828,800 | \$1,113,600 |
| Financing Costs | \$1,071,000 | \$648,000 | \$1,143,000 | \$696,000 |
| Other Soft Costs (1) | \$642,600 | \$388,800 | \$685,800 | \$417,600 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$457,200 | \$278,400 |
| Developer Overhead & Proj. Manage. | \$908,646 | \$601,548 | \$974,634 | \$644,748 |
| Total Development Costs, Including Land | \$33,333,491 | \$21,945,908 | \$35,742,719 | \$23,524,868 |
| TDC Per Housing Unit | \$314,467 | \$304,804 | \$425,509 | \$412,717 |
| TDC per Net Rentable/Saleable SF | \$469 | \$448 | \$503 | \$480 |
| TDC per Gross SF, Including Parking | \$280 | \$271 | \$281 | \$270 |
| Total Development Costs, Excluding Land | \$29,013,491 | \$17,625,908 | \$31,422,719 | \$19,204,868 |

Source: DRA

Table 81
Prototype Development Cost Budgets
Low Rise and Mid Rise Prototypes
Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | 6 Stories to 7 Stories | | | |
|---|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Residential Rental | | Residential Ownership | |
| | Prototype 11A With Incentive | Prototype 11B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| <i>Residential Units</i> | 135 | 106 | 107 | 84 |
| <i>Retail Net SF</i> | 2,100 | 2,100 | 2,100 | 2,100 |
| <i>Residential Net SF</i> | 87,900 | 68,900 | 87,900 | 68,900 |
| <i>Total Net SF</i> | 90,000 | 71,000 | 90,000 | 71,000 |
| <i>Total Gross SF Building Area (Including Parking)</i> | 171,000 | 121,000 | 161,000 | 127,000 |
| <i>Residential Units</i> | 135 | 106 | 107 | 84 |
| <i>Average Unit Size (Net SF)</i> | 651 | 650 | 821 | 820 |
| <i>Site Area (SF)</i> | 20,000 | 20,000 | 20,000 | 20,000 |
| <i>Approximate Building Stories</i> | 7 | 6 | 7 | 6 |
| LOW SCENARIO | | | | |
| Land Acquisition | \$2,650,000 | \$2,650,000 | \$2,650,000 | \$2,650,000 |
| Demolition of Existing Building | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| Construction Hard Costs | \$24,795,000 | \$18,150,000 | \$23,345,000 | \$19,050,000 |
| Hard Cost Contingency | \$1,239,750 | \$907,500 | \$1,167,250 | \$952,500 |
| Washington State Sales Tax | \$2,473,301 | \$1,810,463 | \$2,328,664 | \$1,900,238 |
| Architecture/Engineering/Consultants | \$1,983,600 | \$1,452,000 | \$1,867,600 | \$1,524,000 |
| Financing Costs | \$1,239,750 | \$907,500 | \$1,167,250 | \$952,500 |
| Other Soft Costs (1) | \$743,850 | \$544,500 | \$700,350 | \$571,500 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$466,900 | \$381,000 |
| Developer Overhead & Proj. Manage. | \$901,559 | \$660,345 | \$862,931 | \$704,445 |
| Total Development Costs, Including Land | \$36,076,810 | \$27,132,308 | \$34,605,944 | \$28,736,183 |
| TDC Per Housing Unit | \$267,236 | \$255,965 | \$323,420 | \$342,097 |
| TDC per Net Rentable/Saleable SF | \$401 | \$382 | \$385 | \$405 |
| TDC per Gross SF, Including Parking | \$211 | \$224 | \$215 | \$226 |
| Total Development Costs, Excluding Land | \$33,426,810 | \$24,482,308 | \$31,955,944 | \$26,086,183 |
| MIDDLE SCENARIO | | | | |
| Land Acquisition | \$4,240,000 | \$4,240,000 | \$4,240,000 | \$4,240,000 |
| Demolition of Existing Building | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| Construction Hard Costs | \$27,360,000 | \$19,965,000 | \$25,760,000 | \$20,955,000 |
| Tenant Improvements | \$0 | \$0 | \$0 | \$0 |
| Underground Parking | \$0 | \$0 | \$0 | \$0 |
| Structured Parking | \$0 | \$0 | \$0 | \$0 |
| Hard Cost Contingency | \$1,368,000 | \$998,250 | \$1,288,000 | \$1,047,750 |
| Washington State Sales Tax | \$2,729,160 | \$1,991,509 | \$2,569,560 | \$2,090,261 |
| Architecture/Engineering/Consultants | \$2,188,800 | \$1,597,200 | \$2,060,800 | \$1,676,400 |
| Financing Costs | \$1,368,000 | \$998,250 | \$1,288,000 | \$1,047,750 |
| Other Soft Costs (1) | \$820,800 | \$598,950 | \$772,800 | \$628,650 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$515,200 | \$419,100 |
| Developer Overhead & Proj. Manage. | \$994,668 | \$726,230 | \$952,044 | \$774,740 |
| Total Development Costs, Including Land | \$41,119,428 | \$31,165,388 | \$39,496,404 | \$32,929,651 |
| TDC Per Housing Unit | \$304,588 | \$294,013 | \$369,125 | \$392,020 |
| TDC per Net Rentable/Saleable SF | \$457 | \$439 | \$439 | \$464 |
| TDC per Gross SF, Including Parking | \$240 | \$258 | \$245 | \$259 |
| Total Development Costs, Excluding Land | \$36,879,428 | \$26,925,388 | \$35,256,404 | \$28,689,651 |
| HIGH SCENARIO | | | | |
| Land Acquisition | \$6,360,000 | \$6,360,000 | \$6,360,000 | \$6,360,000 |
| Demolition of Existing Building | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| Construction Hard Costs | \$29,925,000 | \$21,780,000 | \$28,175,000 | \$22,860,000 |
| Hard Cost Contingency | \$1,496,250 | \$1,089,000 | \$1,408,750 | \$1,143,000 |
| Washington State Sales Tax | \$2,985,019 | \$2,172,555 | \$2,810,456 | \$2,280,285 |
| Architecture/Engineering/Consultants | \$2,394,000 | \$1,742,400 | \$2,254,000 | \$1,828,800 |
| Financing Costs | \$1,496,250 | \$1,089,000 | \$1,408,750 | \$1,143,000 |
| Other Soft Costs (1) | \$897,750 | \$653,400 | \$845,250 | \$685,800 |
| Residential Condo Addit. Insur./Expenses | \$0 | \$0 | \$563,500 | \$457,200 |
| Developer Overhead & Proj. Manage. | \$1,278,578 | \$982,914 | \$1,231,958 | \$1,035,834 |
| Total Development Costs, Including Land | \$46,882,846 | \$35,919,269 | \$45,107,664 | \$37,843,919 |
| TDC Per Housing Unit | \$347,280 | \$338,861 | \$421,567 | \$450,523 |
| TDC per Net Rentable/Saleable SF | \$521 | \$506 | \$501 | \$533 |
| TDC per Gross SF, Including Parking | \$274 | \$297 | \$280 | \$298 |
| Total Development Costs, Excluding Land | \$40,522,846 | \$29,559,269 | \$38,747,664 | \$31,483,919 |

Source: DRA

Table 82
Estimated Net Operating Income from Apartments
Downtown and South Lake Union Prototypes
Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Downtown/HR | | South Lake Union | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Prototype 1A With Incentive | Prototype 1B No Incentive | Prototype 4A With Incentive | Prototype 4B No Incentive |
| Net Rentable SF of Apartment Space | 308,900 | 194,900 | 202,900 | 89,900 |
| Net Rentable SF of Retail Space | 2,100 | 2,100 | 2,100 | 2,100 |
| Approximate Building Stories | 40 | 24 | 24 | 7 |
| Number of Apartment Units | | | | |
| Studio | 107 | 67 | 70 | 31 |
| One Bedroom | 213 | 135 | 140 | 62 |
| Two Bedroom | 106 | 67 | 70 | 31 |
| Three Bedroom | 0 | 0 | 0 | 0 |
| Total | 426 | 269 | 280 | 124 |
| Monthly Rent Per Unit | | | | |
| Studio | \$1,880 | \$1,820 | \$1,858 | \$1,608 |
| One Bedroom | \$2,480 | \$2,403 | \$2,449 | \$2,175 |
| Two Bedroom | \$3,434 | \$3,325 | \$3,379 | \$3,052 |
| Three Bedroom | \$0 | \$0 | \$0 | \$0 |
| Average | \$2,567 | \$2,487 | \$2,534 | \$2,253 |
| Unit Size (Square Feet) | | | | |
| Studio | 500 | 500 | 500 | 500 |
| One Bedroom | 700 | 700 | 700 | 700 |
| Two Bedroom | 1,000 | 1,000 | 1,000 | 1,000 |
| Three Bedroom | - | - | - | - |
| Average | 725 | 725 | 725 | 725 |
| Monthly Rent Per Square Foot | | | | |
| Studio | \$3.45 | \$3.34 | \$3.41 | \$2.95 |
| One Bedroom | \$3.25 | \$3.15 | \$3.21 | \$2.85 |
| Two Bedroom | \$3.15 | \$3.05 | \$3.10 | \$2.80 |
| Three Bedroom | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Average | \$3.54 | \$3.20 | \$3.49 | \$3.11 |
| Miscellaneous Income (\$/Unit/Year) | \$100 | \$100 | \$100 | \$100 |
| Rental Vacancy Rate | 5.0% | 5.0% | 5.0% | 5.0% |
| Rental Operating Cost/Unit | \$11,000 | \$10,500 | \$9,800 | \$8,500 |
| Retail Income (\$/NSF/Year) | \$20.00 | \$20.00 | \$20.00 | \$20.00 |
| Retail Vacancy Rate (% Gross Retail Income) | 5% | 5% | 5% | 5% |
| Retail Operating Cost (% of Gross Retail Income) | 5% | 5% | 5% | 5% |
| Monthly Gross Income | | | | |
| Studio | \$201,160 | \$121,940 | \$130,060 | \$49,848 |
| One Bedroom | \$528,240 | \$324,405 | \$342,860 | \$134,850 |
| Two Bedroom | \$364,004 | \$222,775 | \$236,530 | \$94,612 |
| Three Bedroom | \$0 | \$0 | \$0 | \$0 |
| Total Monthly Gross Income | \$1,093,404 | \$669,120 | \$709,450 | \$279,310 |
| Annual Gross Income | \$13,120,848 | \$8,029,440 | \$8,513,400 | \$3,351,720 |
| Less: Vacancy | (\$656,042) | (\$401,472) | (\$425,670) | (\$167,586) |
| Plus: Misc. Income | \$511,200 | \$322,800 | \$336,000 | \$148,800 |
| Plus: Retail Income | \$42,000 | \$42,000 | \$42,000 | \$42,000 |
| Adjusted Annual Gross Income | \$13,018,006 | \$7,992,768 | \$8,465,730 | \$3,374,934 |
| Operating Costs | | | | |
| Apartment Operating Costs | (\$4,686,000) | (\$2,824,500) | (\$2,744,000) | (\$1,054,000) |
| Retail Operating Costs | (\$2,100) | (\$2,100) | (\$2,100) | (\$2,100) |
| Net Operating Income | \$8,329,906 | \$5,166,168 | \$5,719,630 | \$2,318,834 |

Source: Hendricks Berkadia; Reis Reports; CBRE; survey of competitive apartment projects; Dupre and Scott; DRA

Table 83
Estimated Net Operating Income from Apartments
Low Rise and Mid Rise Prototypes
Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | 4 Stories to 6 Stories | | 6 Stories to 7 Stories | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|---------------------------------|-------------------------------|
| | Prototype 7A With Incentive | Prototype 7B No Incentive | Prototype 9A With Incentive | Prototype 9B No Incentive | Prototype 11A With Incentive | Prototype 11B No Incentive |
| Net Rentable SF of Apartment Space | 46,000 | 22,000 | 68,900 | 46,900 | 87,900 | 68,900 |
| Net Rentable SF of Retail Space | 0 | 0 | 2,100 | 2,100 | 2,100 | 2,100 |
| Approximate Building Stories | 7 | 4 | 6 | 4 | 7 | 6 |
| Number of Apartment Units | | | | | | |
| Studio | 18 | 9 | 27 | 18 | 34 | 27 |
| One Bedroom | 36 | 17 | 53 | 36 | 68 | 53 |
| Two Bedroom | 17 | 8 | 26 | 18 | 33 | 26 |
| Three Bedroom | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 71 | 34 | 106 | 72 | 135 | 106 |
| Unit Size (Square Feet) | | | | | | |
| Studio | 450 | 450 | 450 | 450 | 450 | 450 |
| One Bedroom | 650 | 650 | 650 | 650 | 650 | 650 |
| Two Bedroom | 850 | 850 | 850 | 850 | 850 | 850 |
| Three Bedroom | - | - | - | - | - | - |
| Average | 650 | 650 | 650 | 650 | 650 | 650 |
| Average Monthly Rent Per Square Foot | | | | | | |
| Low Scenario | \$2.51 | \$2.51 | \$2.51 | \$2.51 | \$2.51 | \$2.51 |
| Middle Scenario | \$2.83 | \$2.83 | \$2.83 | \$2.83 | \$2.83 | \$2.83 |
| High Scenario | \$3.11 | \$3.11 | \$3.11 | \$3.11 | \$3.11 | \$3.11 |
| Miscellaneous Income (\$/Unit/Year) | \$120 | \$120 | \$120 | \$120 | \$120 | \$120 |
| Rental Vacancy Rate | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| Rental Operating Cost/Unit | | | | | | |
| Low and Middle Scenarios | \$6,500 | \$6,500 | \$6,500 | \$6,500 | \$6,500 | \$6,500 |
| High Scenario | \$7,000 | \$7,000 | \$7,000 | \$7,000 | \$7,000 | \$7,000 |
| Retail Income (\$/NSF/Year) | \$18.00 | \$18.00 | \$18.00 | \$18.00 | \$18.00 | \$18.00 |
| Retail Vacancy Rate (% Gross Retail Income) | 10% | 10% | 10% | 10% | 10% | 10% |
| Retail Operating Cost (% of Gross Retail Income) | 40% | 40% | 40% | 40% | 40% | 40% |
| LOW SCENARIO | | | | | | |
| Total Monthly Gross Income | \$115,322 | \$55,154 | \$172,732 | \$117,578 | \$220,365 | \$172,732 |
| Annual Gross Income | \$1,383,864 | \$661,848 | \$2,072,788 | \$1,410,940 | \$2,644,384 | \$2,072,788 |
| Less: Vacancy | (\$69,193) | (\$33,092) | (\$103,639) | (\$70,547) | (\$132,219) | (\$103,639) |
| Plus: Misc. Income | \$8,520 | \$48,960 | \$152,640 | \$103,680 | \$194,400 | \$152,640 |
| Plus: Retail Income | \$0 | \$0 | \$37,800 | \$37,800 | \$37,800 | \$37,800 |
| Adjusted Annual Gross Income | \$1,323,191 | \$677,716 | \$2,159,588 | \$1,481,873 | \$2,744,364 | \$2,159,588 |
| Operating Costs | | | | | | |
| Apartment Operating Costs | (\$461,500) | (\$221,000) | (\$689,000) | (\$468,000) | (\$877,500) | (\$689,000) |
| Retail Operating Costs | \$0 | \$0 | (\$3,780) | (\$3,780) | (\$3,780) | (\$3,780) |
| Net Operating Income | \$861,691 | \$456,716 | \$1,466,808 | \$1,010,093 | \$1,863,084 | \$1,466,808 |
| MIDDLE SCENARIO | | | | | | |
| Total Monthly Gross Income | \$130,364 | \$62,348 | \$195,263 | \$132,915 | \$249,109 | \$195,263 |
| Annual Gross Income | \$1,564,368 | \$748,176 | \$2,343,151 | \$1,594,975 | \$2,989,303 | \$2,343,151 |
| Less: Vacancy | (\$78,218) | (\$37,409) | (\$117,158) | (\$79,749) | (\$149,465) | (\$117,158) |
| Plus: Misc. Income | \$8,520 | \$4,080 | \$12,720 | \$8,640 | \$16,200 | \$12,720 |
| Plus: Retail Income | \$0 | \$0 | \$37,800 | \$37,800 | \$37,800 | \$37,800 |
| Adjusted Annual Gross Income | \$1,494,670 | \$714,847 | \$2,276,514 | \$1,561,666 | \$2,893,838 | \$2,276,514 |
| Operating Costs | | | | | | |
| Apartment Operating Costs | (\$461,500) | (\$221,000) | (\$689,000) | (\$468,000) | (\$877,500) | (\$689,000) |
| Retail Operating Costs | \$0 | \$0 | (\$3,780) | (\$3,780) | (\$3,780) | (\$3,780) |
| Net Operating Income | \$1,033,170 | \$493,847 | \$1,583,734 | \$1,089,886 | \$2,012,558 | \$1,583,734 |
| HIGH SCENARIO | | | | | | |
| Total Monthly Gross Income | \$142,899 | \$68,343 | \$214,038 | \$145,695 | \$273,061 | \$214,038 |
| Annual Gross Income | \$1,714,788 | \$820,116 | \$2,568,454 | \$1,748,338 | \$3,276,736 | \$2,568,454 |
| Less: Vacancy | (\$85,739) | (\$41,006) | (\$128,423) | (\$87,417) | (\$163,837) | (\$128,423) |
| Plus: Misc. Income | \$8,520 | \$4,080 | \$12,720 | \$8,640 | \$16,200 | \$12,720 |
| Plus: Retail Income | \$0 | \$0 | \$37,800 | \$37,800 | \$37,800 | \$37,800 |
| Adjusted Annual Gross Income | \$1,637,569 | \$783,190 | \$2,490,551 | \$1,707,361 | \$3,166,899 | \$2,490,551 |
| Operating Costs | | | | | | |
| Apartment Operating Costs | (\$497,000) | (\$238,000) | (\$742,000) | (\$504,000) | (\$945,000) | (\$742,000) |
| Retail Operating Costs | \$0 | \$0 | (\$3,780) | (\$3,780) | (\$3,780) | (\$3,780) |
| Net Operating Income | \$1,140,569 | \$545,190 | \$1,744,771 | \$1,199,581 | \$2,218,119 | \$1,744,771 |
| Capitalization Rate (1) | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% |
| Capitalized Market Value | \$26,836,908 | \$12,828,005 | \$41,053,447 | \$28,225,442 | \$52,191,044 | \$41,053,447 |
| Capitalized Value Per SF | \$31 | \$28 | \$28 | \$28 | \$28 | \$28 |
| Capitalized Value Per Unit | \$377,985 | \$377,294 | \$387,297 | \$392,020 | \$386,600 | \$387,297 |

Source: Hendricks Berkadia; Reis Reports; CBRE; survey of competitive apartment projects; Dupre and Scott; DRA

Table 84
Estimated Condominium Net Sales Income
Downtown and South Lake Union Prototypes
Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Downtown/HR | | South Lake Union | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Prototype 2A With Incentive | Prototype 2B No Incentive | Prototype 5A With Incentive | Prototype 5B No Incentive |
| Net Saleable SF of Condo Space | 283,900 | 174,900 | 184,900 | 79,900 |
| Building Stories | 40 | 24 | 40 | 24 |
| Number of Condo Units | | | | |
| Studio | 114 | 70 | 55 | 24 |
| One Bedroom | 172 | 106 | 120 | 52 |
| Two Bedroom | 52 | 32 | 39 | 17 |
| Three Bedroom | 6 | 4 | 4 | 1 |
| Total | 344 | 212 | 218 | 94 |
| Sales Price Per Unit | | | | |
| Studio | \$521,625 | \$521,625 | \$452,075 | \$382,525 |
| One Bedroom | \$642,000 | \$599,200 | \$556,400 | \$470,800 |
| Two Bedroom | \$930,900 | \$866,700 | \$802,500 | \$674,100 |
| Three Bedroom | \$1,123,500 | \$1,075,350 | \$963,000 | \$882,750 |
| Average | \$653,551 | \$622,569 | \$581,797 | \$488,548 |
| Unit Size (Square Feet) | | | | |
| Studio | 650 | 650 | 650 | 650 |
| One Bedroom | 800 | 800 | 800 | 800 |
| Two Bedroom | 1,200 | 1,200 | 1,200 | 1,200 |
| Three Bedroom | 1,500 | 1,500 | 1,500 | 1,500 |
| Average | 825 | 825 | 849 | 849 |
| Sales Price Per Square Foot | | | | |
| Studio | \$803 | \$803 | \$696 | \$589 |
| One Bedroom | \$803 | \$749 | \$696 | \$589 |
| Two Bedroom | \$776 | \$722 | \$669 | \$562 |
| Three Bedroom | \$749 | \$717 | \$642 | \$589 |
| Average Price/SF | \$793 | \$755 | \$686 | \$576 |
| Sales Costs (% of Gross Sales Income) | 5% | 5% | 5% | 5% |
| Gross Sales Income | | | | |
| Studio | \$59,465,250 | \$36,513,750 | \$24,864,125 | \$9,180,600 |
| One Bedroom | \$110,424,000 | \$63,515,200 | \$66,768,000 | \$24,481,600 |
| Two Bedroom | \$48,406,800 | \$27,734,400 | \$31,297,500 | \$11,459,700 |
| Three Bedroom | \$6,741,000 | \$4,301,400 | \$3,852,000 | \$882,750 |
| Total Gross Sales Income | \$225,037,050 | \$132,064,750 | \$126,781,625 | \$46,004,650 |
| Less: Sales Costs | (\$11,251,853) | (\$6,603,238) | (\$6,339,081) | (\$2,300,233) |
| Net Sales Income | \$213,785,198 | \$125,461,513 | \$120,442,544 | \$43,704,418 |
| Net Sales Income Per Net Saleable SF | \$753 | \$717 | \$651 | \$547 |

Source: Dataquik Information System; DRA

Table 85
Estimated Condominium Net Sales Income
Low Rise and Mid Rise Prototypes
Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | 4 Stories to 6 Stories | | 6 Stories to 7 Stories | |
|--|--------------------------------|------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Prototype 8A With Incentive | Prototype 8B No Incentive | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| Net Saleable SF of Condo Space | 46,000 | 22,000 | 68,900 | 46,900 | 87,934 | 68,923 |
| Number of Condo Units | | | | | | |
| Studio | 0 | 0 | 0 | 0 | 0 | 0 |
| One Bedroom | 28 | 14 | 42 | 29 | 54 | 42 |
| Two Bedroom | 22 | 11 | 34 | 23 | 43 | 34 |
| Three Bedroom | 6 | 3 | 8 | 5 | 10 | 8 |
| Total | 56 | 28 | 84 | 57 | 107 | 84 |
| Unit Size (Square Feet) | | | | | | |
| Studio | - | - | - | - | - | - |
| One Bedroom | 700 | 700 | 700 | 700 | 700 | 700 |
| Two Bedroom | 900 | 900 | 900 | 900 | 900 | 900 |
| Three Bedroom | 1,100 | 1,100 | 1,100 | 1,100 | 1,100 | 1,100 |
| Average | 820 | 820 | 820 | 820 | 820 | 820 |
| Average Sales Price Per Square Foot | | | | | | |
| Low Scenario | \$321.00 | \$321.00 | \$321.00 | \$321.00 | \$321.00 | \$321.00 |
| Middle Scenario | \$428.00 | \$428.00 | \$428.00 | \$428.00 | \$428.00 | \$428.00 |
| High Scenario | \$535.00 | \$535.00 | \$535.00 | \$535.00 | \$535.00 | \$535.00 |
| Average Sales Price Per Unit | | | | | | |
| Low Scenario | \$263,220 | \$263,220 | \$263,220 | \$263,220 | \$263,220 | \$263,220 |
| Middle Scenario | \$350,960 | \$350,960 | \$350,960 | \$350,960 | \$350,960 | \$350,960 |
| High Scenario | \$438,700 | \$438,700 | \$438,700 | \$438,700 | \$438,700 | \$438,700 |
| Sales Costs (% of Gross Sales Income) | 5% | 5% | 5% | 5% | 5% | 5% |

Table 85
Estimated Condominium Net Sales Income
Low Rise and Mid Rise Prototypes
Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Lowrise to Midrise | | 4 Stories to 6 Stories | | 6 Stories to 7 Stories | |
|--------------------------------------|--------------------------------|------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | Prototype 8A With Incentive | Prototype 8B No Incentive | Prototype 10A With Incentive | Prototype 10B No Incentive | Prototype 12A With Incentive | Prototype 12B No Incentive |
| LOW SCENARIO | | | | | | |
| Total Gross Sales Income | \$14,766,000 | \$7,062,000 | \$22,116,900 | \$15,054,900 | \$28,226,814 | \$22,124,283 |
| Less: Sales Costs | (\$738,300) | (\$353,100) | (\$1,105,845) | (\$752,745) | (\$1,411,341) | (\$1,106,214) |
| Net Sales Income | \$14,027,700 | \$6,708,900 | \$21,011,055 | \$14,302,155 | \$26,815,473 | \$21,018,069 |
| Net Sales Income Per Net Saleable SF | \$305 | \$305 | \$305 | \$305 | \$305 | \$305 |
| MIDDLE SCENARIO | | | | | | |
| Total Gross Sales Income | \$19,688,000 | \$9,416,000 | \$29,489,200 | \$20,073,200 | \$37,635,752 | \$29,499,044 |
| Less: Sales Costs | (\$984,400) | (\$470,800) | (\$1,474,460) | (\$1,003,660) | (\$1,881,788) | (\$1,474,952) |
| Net Sales Income | \$18,703,600 | \$8,945,200 | \$28,014,740 | \$19,069,540 | \$35,753,964 | \$28,024,092 |
| Net Sales Income Per Net Saleable SF | \$407 | \$407 | \$407 | \$407 | \$407 | \$407 |
| HIGH SCENARIO | | | | | | |
| Total Gross Sales Income | \$24,610,000 | \$11,770,000 | \$36,861,500 | \$25,091,500 | \$47,044,690 | \$36,873,805 |
| Less: Sales Costs | (\$1,230,500) | (\$588,500) | (\$1,843,075) | (\$1,254,575) | (\$2,352,235) | (\$1,843,690) |
| Net Sales Income | \$23,379,500 | \$11,181,500 | \$35,018,425 | \$23,836,925 | \$44,692,456 | \$35,030,115 |
| Net Sales Income Per Net Saleable SF | \$508 | \$508 | \$508 | \$508 | \$508 | \$508 |

Source: Dataquick Information System; DRA

Table 86
Estimated Net Operating Income from Commercial Prototypes
Version C
Seattle Affordable Housing Incentive Program
Economic Analysis
2014

| | Downtown/HR | | South Lake Union | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Prototype 3A With Incentive | Prototype 3B No Incentive | Prototype 6A With Incentive | Prototype 6B No Incentive |
| <i>Net SF Office</i> | 249,480 | 129,600 | 238,400 | 152,800 |
| <i>Net SF Retail</i> | 2,100 | 2,100 | 2,100 | 2,100 |
| <i>Parking Spaces--Office</i> | 324 | 162 | 298 | 191 |
| <i>Approximate Building Stories</i> | 8 | 4 | 8 | 5 |
| Office Income/Operating Assumptions | | | | |
| Monthly Office Rent Per NSF (NNN) | \$3.17 | \$3.17 | \$3.17 | \$3.17 |
| Annual Office Rent Per NSF (NNN) | \$38.00 | \$38.00 | \$38.00 | \$38.00 |
| Office Vacancy Rate | 10.0% | 0.10 | 10.0% | 10.0% |
| Parking Income (\$/Space/Month) | \$350.00 | \$350.00 | \$225.00 | \$225.00 |
| Parking Vacancy Rate | 10.0% | 10.0% | 10.0% | 10.0% |
| Office Operating Expenses Per NSF | \$10 | \$10 | \$10 | \$10 |
| Parking Operating Expense (% of Gross Income) | 20% | 20% | 20% | 20% |
| Retail Income/Operating Assumptions | | | | |
| Monthly Rent Per NSF (NNN) | \$2.75 | \$2.75 | \$2.75 | \$2.75 |
| Annual Rent Per NSF (NNN) | \$33.00 | \$33.00 | \$33.00 | \$33.00 |
| Vacancy Rate | 7.0% | 7.0% | 7.0% | 7.0% |
| Operating Expense (% of Gross Income) | 42% | 42% | 42% | 42% |
| Stabilized Net Operating Income | | | | |
| Annual Gross Office Rental Income | \$9,480,240 | \$4,924,800 | \$9,059,200 | \$5,806,400 |
| Plus: Annual Gross Parking Income | \$1,360,800 | \$680,400 | \$804,600 | \$515,700 |
| Plus: Annual Gross Retail Rental Income | \$69,300 | \$69,300 | \$69,300 | \$69,300 |
| Annual Gross Rental Income | \$10,910,340 | \$5,674,500 | \$9,933,100 | \$6,391,400 |
| Less: Rental Vacancies | (\$1,091,034) | (\$567,450) | (\$993,310) | (\$639,140) |
| Less: Parking Vacancies | (\$136,080) | (\$68,040) | (\$80,460) | (\$51,570) |
| Less: Retail Vacancies | (\$4,851) | (\$4,851) | (\$4,851) | (\$4,851) |
| Adjusted Annual Gross Income | \$9,678,375 | \$5,034,159 | \$8,854,479 | \$5,695,839 |
| Less: Office Operating Expenses | (\$2,494,800) | (\$1,296,000) | (\$2,384,000) | (\$1,528,000) |
| Less: Parking Operating Expenses | (\$272,160) | (\$136,080) | (\$160,920) | (\$103,140) |
| Less: Retail Operating Expenses | (\$29,106) | (\$29,106) | (\$29,106) | (\$29,106) |
| Net Operating Income | \$6,882,309 | \$3,602,079 | \$6,309,559 | \$4,064,699 |
| Net Operating Income Per NSF | \$27.59 | \$27.79 | \$26.47 | \$26.60 |

(1) Based on Class A office stabilized cap rates of 5.00% to 5.75% for Seattle from CBRE Cap Rate Survey, First Half 2013.

Source: CBRE; Reis Reports; Downtown Seattle Association; Realty Rates; DRA.