

2016 PLANNING COMMISSION



BELLEVUE

APPENDIX 1

Location

Commission meetings are held in the Council Conference Room unless otherwise posted.

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MAY 25

CITY OF BELLEVUE

EASTGATE INCENTIVE ZONING ANALYSIS

April, 2015

Submitted to:



Submitted by:





Community Attributes tells data rich stories about communities
that are important to decision-makers.

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INTRODUCTION

BACKGROUND AND PURPOSE

In 2012 Bellevue City Council accepted the report of the Eastgate/I-90 Land Use and Transportation Project Citizen Advisory Committee (CAC). It includes a vision for the Eastgate area and recommends a series of land use changes and transportation projects to implement the vision. Council initiated the implementation phase for the Eastgate project in the fall of 2013.

Currently the Eastgate study area consists of linear development along I-90, primarily characterized by auto-oriented, low-density general commercial, office and industrial uses, with some retail. Eastgate is significant in part because it is the first gateway into Bellevue for westbound travelers on I-90, and the neighborhood currently provides about 17% of Bellevue's employment. Bellevue College, the Eastgate Park and Ride, and a portion of the Factoria commercial area are also located along this corridor. Residential areas surround the study area and these neighborhoods rely on Eastgate for access to local goods and services.

According to the 2012 CAC Report the vision for Eastgate is to focus, connect, and enhance the area to create a walkable, bikable, transit-oriented, multi-use center near the Eastgate Park and Ride. Other office and commercial centers in Eastgate will benefit from integrated land use and transportation planning, creating better connections within and between uses, as well as allowing a greater mix of uses to better serve office workers and nearby residents. The corridor will include sustainable design solutions, environmental restoration, and landscaping consistent with the Mountains to Sound greenway.

Implementation of the Eastgate vision is now underway through a series of transportation improvements, Comprehensive Plan amendments, and land use code amendments. Comprehensive Plan amendments will be completed in mid-2015, with code amendments to follow. New zoning will be created to increase development potential in the corridor, using height and FAR increases to shift Eastgate toward a more urban development pattern. To encourage private parties to contribute to needed infrastructure and amenities, an incentive system will also be created to help channel some of the increased development potential into public benefit amenities that help realize the Eastgate vision. The City of Bellevue therefore requires an economic analysis to better understand how proposed land use changes affect the economics of redevelopment and the development of a public amenity incentive system for the Eastgate/ I-90 corridor.

METHODS

The following methods underpin this study:

- **Compile Market Inputs** – Residential and commercial lease and vacancy rates, capitalization rates, construction costs and more, are inputs to the pro forma models that determine a developer's willingness to pay in an incentive zoning program. The data used in this study were compiled from myriad industry sources, including CBRE, Dupree and Scott Apartment Advisors, Co-Star, Rider-Levitt-Bucknall and others.
- **Complete Pro Forma Analysis** – CAI developed a detailed pro forma model that helps to identify challenges and opportunities related to development feasibility. The model is used to test several product types across various development sites in the Eastgate study area. For each of these development scenarios, the model generates an output called *economic surplus*, which represents the value created after all development costs are accounted for, including land acquisition and the developer's profit
- **Tabulate Economic Surplus** – For the purposes of this study, the net increase in economic surplus between lower and higher density development is the amount a developer would be willing to pay to

achieve that higher density (e.g. through additional height). For this reason, model outputs are tabulated to determine which scenarios have the greatest potential to support incentive zoning.

- **Calculate Exchange Rates/Payment-in-Lieu** – A payment-in-lieu is an amount that a developer could pay, out-of-pocket, instead of providing the optional public amenity. The payment-in-lieu per bonus square foot is calculated by dividing the willingness to pay by the bonus square footage. To generate an exchange rate, the payment-in-lieu per square foot is divided by the estimated cost per square foot to provide the incentive zoning provision.
- **Interpret Exchange Rates** – Exchange rates specify how much of a bonus (e.g. height, square footage) a developer earns by participating in the public amenity systems. This additional increment of development is intended to provide fair compensation for the developer's willingness to provide additional amenities that are desired by the city and are in the public interest.

STUDY LIMITATIONS

This analysis is not an appraisal and the authors are not licensed appraisers. Formal appraisals of real estate assets, conducted by certified appraisers, may be used to determine the value associated with any given development project.

This study is an analysis of the economics underlying a potential incentive zoning program for the City of Bellevue. The study applies evaluation methodologies, data and key policy metrics to present a qualitative and quantitative analysis of incentive zoning feasibility and to inform constructive discussions about incentive program design. The outcomes of the analysis are meant to identify program opportunities and barriers and to illustrate market-based expectations for development under an incentive zoning program.

Furthermore, there are a large number of sensitive inputs that affect the results of this study. Inherent uncertainty regarding market conditions (e.g. assumed capitalization rates, lease rates, vacancy rates, and development costs), personal behavior (e.g. risk tolerance, expected returns on investment) and policy choices (e.g. development regulations related to height and density) could have significant impacts on the results of an incentive zoning program, both in the theoretical model that underpins this report and in practice. This study is therefore best conceived as a tool for understanding the economics behind incentive zoning and may best be used to facilitate constructive discussion.

ORGANIZATION OF THE REPORT

This report is organized according to the following structure:

- **Existing Conditions** – this section of the report introduces the Eastgate area, along with the relevant planning context
- **Incentive Zoning Background** – this section provides an overview of incentive zoning programs, drawing both on planning theory and on empirical examples from Bellevue and other communities in the central Puget Sound region
- **Real Estate Market Analysis** – the market analysis component of this report presents data relevant to calculations and modeling contained in the feasibility assessment that follows
- **Development Framework and Feasibility Assessment** – this section of the report identifies the theoretical development scenarios used to test development feasibility and presents an initial feasibility assessment for each development product based on pro forma analytics
- **Incentive Scenarios** – this section contains a tabulation of economic outputs from each development scenario; these outputs are analyzed to identify opportunities and challenges for a public amenity incentive zoning program
- **Implementation Considerations** – this section details recommendations for effective implementation of an incentive zoning program in Eastgate
- **Appendix** – provides a more detailed review of the pro forma analysis conducted to evaluate development feasibility

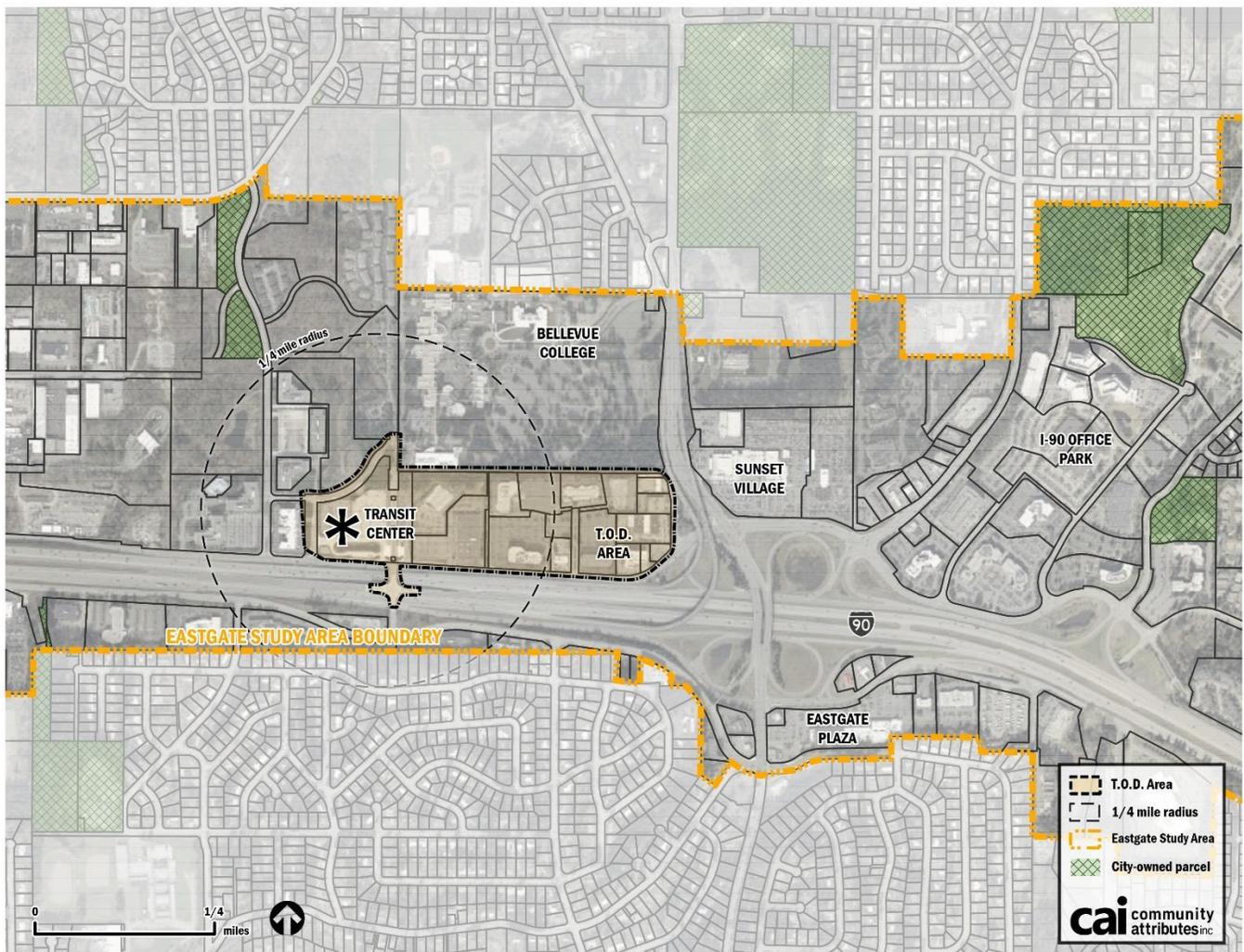
EASTGATE EXISTING CONDITIONS

LOCATION AND PHYSICAL ASSESSMENT

The Eastgate study area is located in south Bellevue, along the Interstate 90 corridor. The study area stretches from Factoria in the west to Issaquah in the east, but is centered on the Eastgate Transit Center (142nd Pl. SE and SE Eastgate Way). The Transit Center also anchors the proposed transit-oriented development (TOD) area, which encompasses several parcels from 140th Ave. SE to 148th Ave. SE between Bellevue College to the north and I-90 to the south.

The study area is geographically diverse, with topographical variety, recreational corridors, open woods, wetlands and small lakes and large commercial areas. The aforementioned natural and recreational amenities, exemplified by the Mountains to Sound Greenway, which traverses the study area, combine with overall accessibility and existing infrastructure to make Eastgate a desirable place to accommodate future growth. The map in **Exhibit 1** identifies the central portion of the study area and some of its characteristics.

Exhibit 1. Eastgate Study Area and Transit-Oriented Development Core



Source: Community Attributes Inc., 2014

LAND USE

The area is currently built out at a low density with primarily commercial uses. Most of the buildings are currently used as offices, but the study area includes some retail, including auto dealerships and a grocery-anchored strip shopping center in Eastgate Plaza. Industrial uses are also present in the study area, and Bellevue College has a significant presence immediately north.

There are limited opportunities for the development of vacant land within the study area, so most future development activity is likely to be characterized by infill projects in existing commercial centers. Most of these commercial centers currently rely on large surface lots to accommodate parking needs, but the opportunity to build at higher densities through an incentive program may lead to some surface lot conversion and the intensification of commercial and residential land uses.

ZONING

Existing land use and development regulations in Eastgate vary widely by zoning designation. Generally, maximum building height is between 20 and 45 feet. Limitations on lot coverage further control the achievable densities in the study area by placing restrictions on the allowable building footprint. Notably, the maximum allowable lot coverage by structures is much lower than the maximum allowable impervious surface throughout the study area; this creates an incentive for developers to provide the required parking through impervious surface lots, since that lot area could not otherwise be dedicated to a built structure. The table below (**Exhibit 2**) provides a snapshot of current zoning requirements for each of the zoning designations present in the study area.

Exhibit 2. Selected Existing Zoning Regulations for Eastgate Zoning Designations

Zone	Max. Height	Max. Lot	Max.	Setback - Front (ft)	Setback - Rear (ft)	Setback - Side (ft)	Req'd Parking
		Coverage by Structures	Impervious Surface				
Community Business (CB)	45	N/A	85%	10	8	8	4 per 1,000 NSF
General Commercial (GC)	30	N/A	85%	15	8	8	4 per 1,000 NSF
Light Industry (LI)	45	50%	85%	15	8	8	4 per 1,000 NSF
Neighborhood Business (NB)	20	35%	80%	10	10	10	4 per 1,000 NSF
Office (O)	30	35%	80%	30	25	20	4 per 1,000 NSF
Office and Limited Businesses (OLB)	45	35%	80%	50	50	30	4 per 1,000 NSF
Residential, single family (R-5)	30	40%	55%	20	20	5	2 per unit
Residential, multifamily (R-15)	30	35%	80%	20	25	5	1.6 per unit
Residential, multifamily (R-20)	30	35%	80%	20	25	5	1.6 per unit

Note: The existing regulations in Exhibit 2 are representative values from the Land Use Code based on expected development patterns within each zone. Some regulations vary within zones by land use, so the information in Exhibit 2 is subject to change on a parcel by parcel basis, depending on precise development characteristics.

Source: City of Bellevue Land Use Code, 2014

It is important to understand that, because rezoning for increased development intensity creates additional value for property owners, there is an opportunity to add public amenities to an incentive system. The “bonus floor area” allowed by the incentive program generates the additional revenues that allow a developer to pay for public amenities. Given the development regulations that exist in the Eastgate study area currently, the City could allow bonus floor area through an increase in maximum height, lot coverage, or through a move to FAR-based limitations if allowable FAR would be sufficiently higher than the existing development pattern.

INCENTIVE PROGRAM BACKGROUND

THE CAC VISION

The CAC report returned policy recommendations for the Eastgate area. **Exhibit 3** summarizes these recommendations as they relate to land use and development regulations. Where the report offered a range of policies, CAI selected a value within that range to guide the pro forma modeling.

Exhibit 3. Eastgate Citizens’ Advisory Committee Recommendations by Sub-District

Sub-District	Base FAR	Bonus FAR	Max. Height	PERMITTED USES						
				OFFICE	RETAIL	RESIDENTIAL	GEN. COMM.	AUTO DLR.	LODGING	INDUSTRIAL
Richard's Valley	N/A	N/A	N/A							
King County Site	0.5	1.5	125							
TOD Center	0.5	2.0	145							
Sunset Village	0.5	1.0	65							
I-90 Office Park	0.5	1.0	65							
Eastgate Plaza	0.5	0.75	45							
Factoria and Vicinity	0.5	1.0	65							

Note: No information is given in the CAC report on development regulations not listed in the table above; in these cases and for modeling purposes, existing Eastgate regulations, except when clearly incompatible with the Eastgate vision, are used to generate development prototypes

Source: Eastgate Citizens’ Advisory Committee, 2013

This analysis defers to current development regulations when the CAC guidelines do not provide revised policy parameters. Certain existing regulations may need to be changed to accommodate the increased densities envisioned in Eastgate; these regulations may include (but are not limited to):

- **Maximum Lot Coverage by Structures.** In some zoning designations in Eastgate, current regulations stipulate that structures may account for no more than 35% of lot area, though up to 80% of lot area may be covered by impermeable surfaces; to build at higher densities, structures will need to cover larger portions of the lot
- **Parking Ratios.** In a transit-oriented development lower parking ratios are sometimes feasible due to increased transit ridership; the City may allow developers to build fewer parking spaces to reduce the cost of providing parking and to achieve the walkable neighborhood vision

INCENTIVE ZONING IN THE REGION

As part of this analysis, CAI conducted several case studies on incentive zoning programs in the region, which informed the exchange rate analysis. These case studies also provide context for policy options as the City of Bellevue pursues an incentive zoning program for Eastgate. In addition to presenting brief summaries of the City’s existing Downtown Bellevue and Bel-Red Corridor programs, the case studies highlight key aspects of the incentive zoning programs established by Seattle, Mercer Island, and Redmond.

City of Bellevue – Downtown

Before developers in Downtown Bellevue can attain any additional FAR, they must first provide enough amenities to satisfy the Basic FAR requirement, which is 20 percent of allowable building square footage (based on the

project’s nonresidential Basic FAR for the land use district). Developers may select from the “short list,” a subset of 12 of the 23 total amenities that generally emphasize the construction of smaller scale design features that improve the pedestrian experience.

Exhibit 4 presents the short list of amenities from which developers can choose along with the bonus building area range potentially achievable, dependent on the project’s land use district. Once a developer has provided enough of these amenities, based upon their bonus allocation, to meet the 20 percent Basic FAR threshold, the other amenities that are available for the project’s land use district may be provided to gain additional floor area until the project reaches its maximum FAR.

Exhibit 4. Shortlist of FAR Incentive Amenities, Downtown Bellevue City Center District

Amenity	Description	Bonus Building Area (per Unit Provided)
Pedestrian-oriented Frontage	Ground floor retail	50 to 100 SF/LF
Landscape Feature	Continuous open space with aesthetic value	8 SF/SF
Arcade	Continuously covered area for weather protection	4 to 8 SF/LF
Marquee	Permanent overhead canopy for weather protection adjacent to building	2 to 4 SF/LF
Awning	Fabric structure that provides weather protection adjacent to building	0.5 to 1 SF/LF
Sculpture	Artwork outside of the building	5 SF/\$100 value
Water Feature	Feature designed as a focal point for pedestrians	8 SF/\$100 value
Active Recreation Area	Recreation facilities for development tenants	1 to 3 SF/SF
Retail Food	Self-service retail enterprise	5 SF/SF
Child Care Services	Facilities that provide regular care and training for children	8 SF/SF
Plaza	Continuous public open space, accessible at all times	4 to 6 SF/SF
Residential Entry Courtyard	Continuous open space enclosed on at least two sides for building residents	4 SF/SF

Source: City of Bellevue Municipal Code

City of Bellevue – Bel-Red Corridor



Bel-Red's incentive zoning program recognizes the need to reshape the area in response to the decline in light industrial. Along with light rail expansion plans, these changes offered an opportunity to create a more vibrant community and catalyze development through a new zoning incentive program. The program is designed to direct higher intensity development to nodes that are pedestrian-oriented with a mix of uses and transit.

The program has a base floor area ratio (FAR) of 1.0, with the option of gaining additional FAR and height through either performance or fees-in-lieu, depending on the incentive

provision. Incentives are tiered such that developers must first completely fulfill the Tier 1 provisions before they can use any of the Tier 2 provisions to increase their FAR to the maximum permitted. **Exhibit 5** summarizes the incentive program provisions available to developments within nodes. Depending on the individual project's zoning designation, the amount of bonus FAR varies for the Tier 1 amenities and outside of nodes, Tier 2 is not available.

Exhibit 5. Bel-Red Corridor Incentive Zoning Structure for Developments within Nodes

Amenity	Description	Incentive Provisions / Payment-in-Lieu Fees
Tier 1a[^]		
1. Affordable Housing	Rental: ≤ 80% AMI; Owner: ≤ 100%	Rental: 4.6 SF bonus bldg area/SF affordable housing; Owner: 7.2 SF bonus bldg area/SF affordable housing* Tier 1 residential: \$18/SF Nonresidential and Tier 2: \$15/SF
Tier 1b		
2. Park Dedication	Dedication of land consistent with Bel-Red Parks & Open Space Plan	3.0 SF bonus bldg area/SF of park dedication Pay-in-Lieu: \$15/SF
3. Park Improvements	Improvements on private property to serve as park area or City-owned parks	2.7 SF bonus bldg area/SF new park Pay-in-Lieu: \$15/SF
4. Trail Dedications & Easements	Dedication and easements of land for public access trails consistent with Parks & Open Space Plan	3.0 SF bonus bldg area/SF of trail dedication; 1.5 SF bonus bldg area/SF of trail easement Pay-in-Lieu: \$15/SF
5. Stream Restoration	Must be in Bel-Red Subarea Plan and be above and beyond Critical Area's provisions	66.7 SF bonus bldg area/\$1k stream restoration (excl land value); min. 10,000 SF Pay-in-Lieu: \$15/SF
6. Regional TDRs	Transfer to designated Bel-Red receiving sites	1,333 SF bonus bldg area/credit, or per Bellevue-KC ILA; limited to 75 credits for entire Bel-Red Subarea
Tier 2		
7. Child Care/Nonprofit Space	Floor area dedicated to child care or nonprofits that provide social/community services or arts/cultural uses	13.7 SF bonus bldg area/SF NP or community service space* Pay-in-Lieu: \$15/SF
8. Public Restrooms	At least one restroom with few access restrictions	16.7 SF bonus bldg area/SF public restroom space*
9. Public Art	Artwork located outside of or on a building fully accessible to the public	66.7 SF bonus bldg area/\$1k artwork
10. Public Access to Outdoor Plaza	Continuous open space designed for public use	2.3 SF bonus bldg area/SF outdoor plaza
11. LEED Gold/Platinum Certification		0.13 FAR bonus for Gold; 0.33 for Platinum
12. Active Recreation Area	Area that provides active rec facilities for tenants and public (excluding health clubs)	9.7 SF bonus bldg area/SF active rec area; 66.7 SF bonus building area/\$1k active rec improvement*
13. Natural Drainage Practices	LID techniques	0.7 SF bonus bldg area/SF effective natural drainage practice

[^]Residential development or the residential portion of a development must first use Tier 1a, then Tier 1b

* Doesn't count towards FAR

Source: City of Bellevue Land Use Code

City of Seattle – South Lake Union



Source: Studio 216 & NBBJ

Seattle's City Council designated South Lake Union (SLU) as an Urban Center in 2004, recognizing the neighborhood's growth in jobs and housing in recent years. This designation reflected the City's intent to further channel growth into the 340-acre area and resulted in the passage of an incentive zoning program in 2013 that greatly increased SLU's development potential. The incentive program allows developers to gain extra floor area or height by including affordable housing and child care as well as participating in a regional transfer of development rights (TDR) program.

SLU falls within Seattle's Local Infrastructure Project Area (LIPA), a boundary required by Washington's Landscape Conservation and Local Infrastructure Program (LCLIP) in order for the City to participate in the regional TDR program. By electing to accept all or a portion of its allocated TDR credits (as determined by the Puget Sound Regional Council), the City is able to capture a portion of King County's marginal property tax revenue for a specified period of time and use it for infrastructure improvements within the LIPA boundary. Planned infrastructure projects for the first 10 years of the program include Green Streets and bike, pedestrian and transit improvements in SLU as well as improvements to 3rd Avenue in Downtown.

SMC 23.58A contains specifications for incentive provisions related to various types of development in Seattle; **SMC 23.48.011.C** contains the calculations by which developers may attain bonus floor area in Downtown and South Lake Union. To achieve the bonus floor area or height up to 85 feet, developers must either provide affordable housing (and child care, for nonresidential projects) as specified by code or they can opt to pay a fee instead. Additionally, developers are required to participate in the regional TDR program for buildings 85 feet or higher. **Exhibit 6** is a selection of incentive program requirements and payment-in-lieu fees, where applicable, for

buildings over 85 feet tall. Payment-in-lieu fees are adjusted annually for inflation.

Exhibit 6. Incentive Zoning Structure for Buildings Over 85 Feet, South Lake Union, Seattle

Development Type	Incentive Provisions and Payment-in-Lieu Fees (where applicable)	
	Affordable Housing/Child Care	TDR
Residential	60% of bonus floor area	40% of bonus floor area
	Affordable housing: \$21.68/GSF Child care: N/A	Open space, Landmark or regional TDR credits
Nonresidential	75% of bonus floor area	25% of bonus floor area
	Affordable housing: \$24.95/GSF Child care: \$4.32/GSF	Open space, Landmark or regional TDR credits

Source: City of Seattle Municipal Code

Recent transactions in King County reveal that one King County agricultural TDR credit costs around \$23,670 for an additional 1,640 SF of residential bonus area or 1,120 SF for nonresidential projects, as per the exchange ratio in **SMC 23.58A.044.C**.

SLU’s recent rezone has generated developer interest and is likely to achieve many of the City’s goals if current trends continue. The City is planning for SLU to accommodate a maximum of 12,000 households and 22,000 additional jobs over the next 20 years. The incentive fees are anticipated to produce around \$45 million for affordable housing and \$27 million for new infrastructure (e.g. street improvements, sewer system upgrades) per the City of Seattle’s Capital Facilities Plan and LCLIP regulations. Additionally, the associated TDR program will protect about 25,000 acres of farm and forest land over the next 25 years.

City of Mercer Island – Town Center

With the passage of Washington’s Growth Management Act in 1990, Mercer Island sought to direct future growth into its downtown, an approximately 70 acre area which had historically been underdeveloped. The City repealed its Central Business District plan in 1995 and replaced it with the Town Center District development and design requirements to increase building heights. Mercer Island also created incentives that entail providing public amenities or affordable housing to further increase building heights in designated focus areas. The base height in Town Center areas outside of these focus areas is two stories, not to exceed 26 feet.

MICC 19.11.040 and **19.11.050** describes the parameters by which developers may build higher than base height in specified Town Center focus areas. **Exhibit 7** below provides the maximum building heights in each focus area.

Exhibit 7. Mercer Island Town Center Incentive Zoning Height Regulations

Focus Area	Base Height	Max Height w/Major Site Feature	Max Height w/Significant Public Amenity
Gateway	2 stories (max 26 ft)	4 stories (max 52 ft)	5 stories (max 65 ft)
Mixed Use	2 stories (max 26 ft)	4 stories (max 52 ft)	5 stories (max 65 ft)
Mid-Rise Office	2 stories (max 26 ft)	4 stories (max 52 ft)	5 stories (max 65 ft)
Residential-NW	2 stories (max 26 ft)	4 stories (max 52 ft)	5 stories (max 65 ft)
Residential-Central	2 stories (max 26 ft)	3 stories (max 39 ft)	4 stories (max 52 ft)
Residential-South	2 stories (max 26 ft)	3 stories (max 39 ft)	3 stories (max 39 ft)
Auto-Oriented	2 stories (max 26 ft)	—	3 stories (max 39 ft)

Source: City of Mercer Island Municipal Code



Any lot that falls within these focus areas is eligible to build to the maximum building height, contingent upon satisfying requirements to provide “significant” public amenities, defined as public plazas, mid-block pedestrian connections within large city blocks and affordable housing. By offering this bonus option, the City hopes to create three large public plazas, increase its affordable housing supply and provide one mid-block pedestrian connection across large city blocks, all of which will support a more livable, walkable downtown in Mercer Island.

- **Public Plazas and Pedestrian Connections** – The City has identified certain lots where the provision of a pedestrian connection or public plaza (as specified by code and pending approval by the design commission) will allow a developer to build to the maximum height. The intent of these incentives is to create gathering spaces and connections that are permanently open to the public and will enhance Mercer Island’s Town Center and attract businesses.
- **Affordable Housing** – Depending on either the market square footage or number of market rate units on the top (bonus) floor of the building, developers may build up to the maximum height if they include a number of affordable housing units calculated using the following ratios, with a required minimum of two units:
 - One square foot of affordable housing area in the development for every three additional square feet of market building area provided on the highest story; or

- One affordable housing unit in the development for every three additional market residential units provided on the highest story, whichever is greater of the two.

Mercer Island’s rezone of its downtown core has thus far been considered a success and the Town Center has seen the construction/approval of several projects, some of which have taken advantage of the bonus option. Of the bonus incentives, most developers appear to have opted for the public plaza or pedestrian connection options rather than provide affordable housing, citing the additional cost as a barrier. Examples of new development projects that are participating in the program include the Avira, which will host 166 residential units and 12,000 SF for retail, dining and/or office; The Mercer Phase II that will feature 85 apartments, underground parking and space for office and professional services; and Legacy Mercer Island, a proposed mixed-use project with 209 rental units, underground parking and 11,000 SF of retail space.

City of Redmond – Overlake Village

The City of Redmond adopted its Overlake Village Incentive Zoning Program in 2011. Zoning regulations for Overlake Village reward urban density, innovation, and sustainability. The zoning code provides for multi-story vertical mixed-use developments with an incentive program that allows applicants to reach up to 12 stories. Exhibit 8 provides a summary of the program.

Exhibit 8. Height and Density Incentives, City of Redmond Overlake Village Incentive Zoning Program

	Development Type	
	Commercial	Residential
Base Height	4 stories	5 stories
Maximum Height	8-10 stories (site dependent)	8-12 stories (site dependent)
Base FAR*	0.36	2.5
Maximum FAR*	0.55	4

* Residential and commercial FAR are calculated separately but may be added together

Source: City of Redmond Municipal Code

There are two tiers of public amenities included in the Overlake Village incentive program. The first tier includes prioritized amenities related to public spaces and infrastructure. Some incentives are site-specific, but in all cases a developer will earn a larger bonus for providing one of the prioritized amenities.

- Dedication of 2.5 acres for public park (available for the Group Health site only)
- Dedication of two to four (2 – 4) acres for regional stormwater facility (available only to a few specific properties)
- Plaza space equal to minimum of 5% of gross site area or equivalent fee-in-lieu (available to all other properties)

Tier two amenities include:

- LEED Silver (minimum) or Built Green 3 Star Certification
- Including 75% of a project’s floor area as residential use (or including 50% of a project’s floor area as a residential use in certain retail-oriented areas)

- 60% of parking below grade (or in a combination of below-grade and an above-grade retail-wrapped parking structure)
- Provision of affordable housing units equivalent to 20% of all residential dwelling units in a project
- Full-service hotel and conference center (Group Health site only)
- Develop Transit Oriented Development with minimum 1,000 residential units (Group Health site only)

Incentive Program Implications

A number of conclusions can be drawn from the incentive programs and their overall structure, implementation and impact.

- Successful incentive zoning programs should be structured in a way that responds to the area's unique market conditions;
- Complex programs (programs with more variables, options and exceptions for example) can work well in high-demand locations, such as South Lake Union and Downtown Bellevue, but would act as a significant barrier in other places that have less development interest;
- Conversely, an overly simple program may boost development, but not achieve policy objectives, as demonstrated by Mercer Island's difficulty in attaining its affordable housing goals;
- Creating some flexibility within incentive programs may serve a City's interest in the long-run by increasing an area's desirability for development. For instance, Bel-Red's catalyst project provisions offer developers with large projects additional incentives, resulting in the 36 acre Spring District development currently under construction.

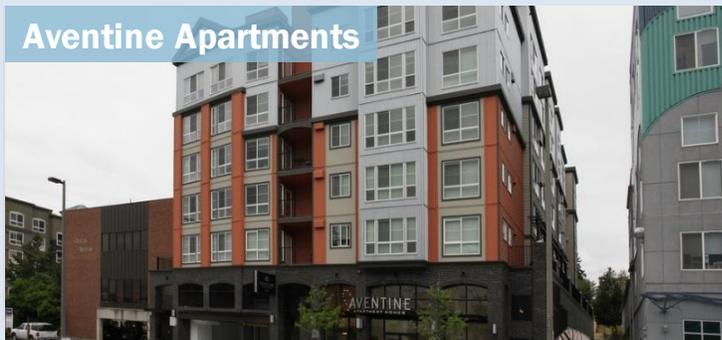
REAL ESTATE MARKET ANALYSIS AND ASSUMPTIONS

The economics of incentive zoning programs are highly sensitive to various market-based inputs. Effective market analysis can ensure that adopted exchange rates are justified by the cost of building to a higher density, including any costs associated with public amenity performance or payment-in-lieu. Product types and locations that are characterized by more difficult market conditions (e.g. lower lease rates, higher vacancy rates, slower absorption, higher construction costs, and higher capitalization rates) will require higher exchange rates to justify the public amenity expenditure.

This section of the report analyzes market data for retail, office and multifamily properties. The analysis draws on several sources of industry data, including CBRE, Dupree and Scott Apartment Advisors, Co-Star, Rider-Levitt-Bucknall and others. This data is essential to building a pro forma model that is capable of illustrating the economics of incentive zoning programs.

In some cases, the sources above are insufficient to paint a clear picture of the market conditions for a certain property type in a certain location. In these cases, detailed property comparables (“comps”) are used as case studies that shed light on market conditions and help to refine pro forma modeling assumptions and inputs.

Though these assumptions are based on industry knowledge and reputable publications, as well as interviews with developers, brokers and other real estate professionals, market conditions are ever-changing. As a result, exchange rates need to be periodically revised to better reflect realistic development economics.



USING “COMPS”

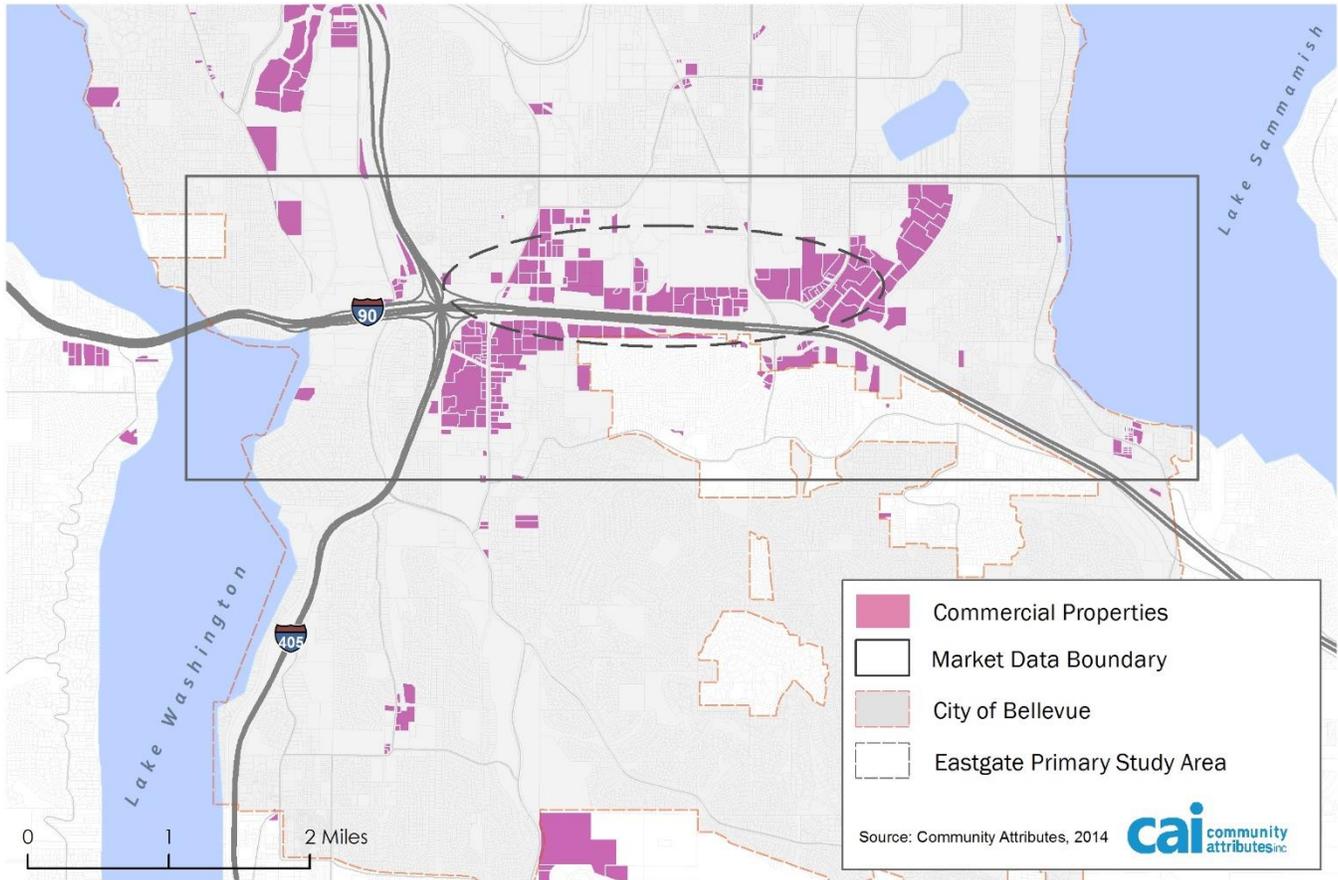
Property comps are often used to understand the value of an asset. For a comparables-based approach to work well, however, selected properties must be similar to the asset in many respects, including location, amenities and age. The property snapshot at left illustrates a multifamily building that could be an appropriate comparison for other multifamily developments in the region.

Property Type	Multi-Family	Zoning	DNTMU
City	Downtown Bellevue	DU Per Acre	234
Land Area (AC)	0.29	FAR	3.4
Land Area (Sq Ft)	12,632	Stories	6
Year Built	2010	Parking	68 Structured
Building Sq Ft	43,350	Avg Rent/Sq Ft	\$2.48
Number Of Units	68	Vacancy Rate	1.50%

MARKET DATA

The market data in this report are based on primary data collection through comparable properties and secondary data collection from proprietary data services like CoStar and CBRE. The map in **Exhibit 9** illustrates the approximate geography of the I-90 Corridor Market Area from CoStar, which was used to gather a significant portion of the market data.

Exhibit 9. Map of I-90 Corridor Market Area

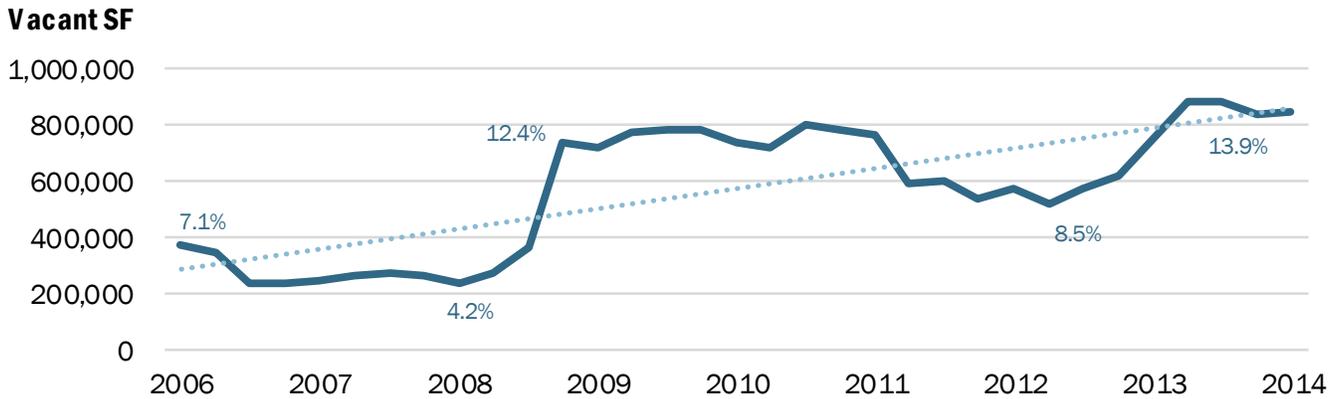


Source: CoStar, 2015; Community Attributes Inc., 2015

Office

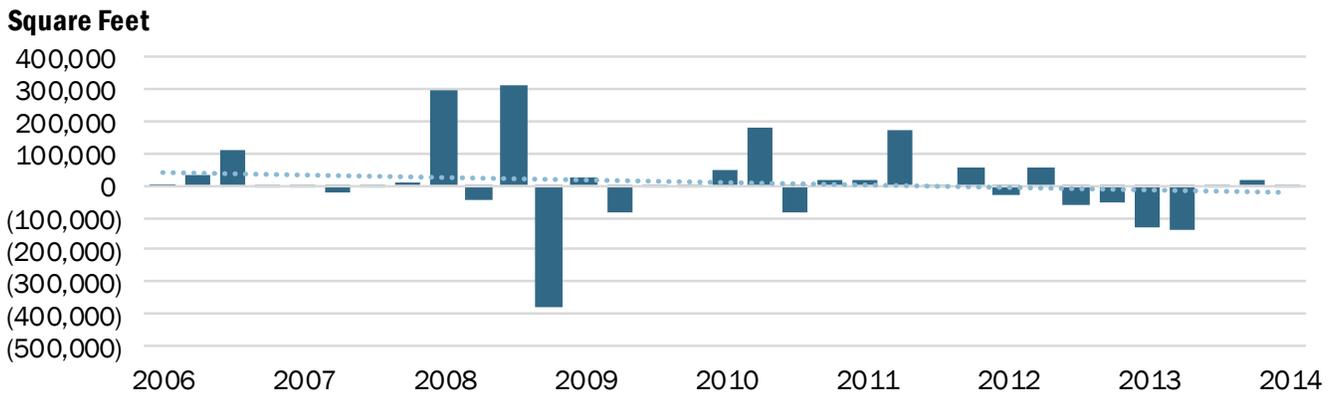
Offices currently represent one of the predominant uses in Eastgate. Based on this prominence, Eastgate may be an appealing location for further office development. However, market data suggest that the area's recent performance in terms of occupancy and absorption has trailed that of other office submarkets such as Downtown Bellevue. Negative net absorption since the middle of 2012 has contributed to rising vacancy rates, which are up to 14% from their pre-recession low of about 4% (**Exhibits 10 and 11**).

Exhibit 10. Office Vacancy, Eastgate/I-90 Corridor Market Area, 2006-2014



Source: CoStar, 2014; Community Attributes Inc., 2014

Exhibit 11. Office Net Absorption, Eastgate/I-90 Corridor Market Area, 2006-2014

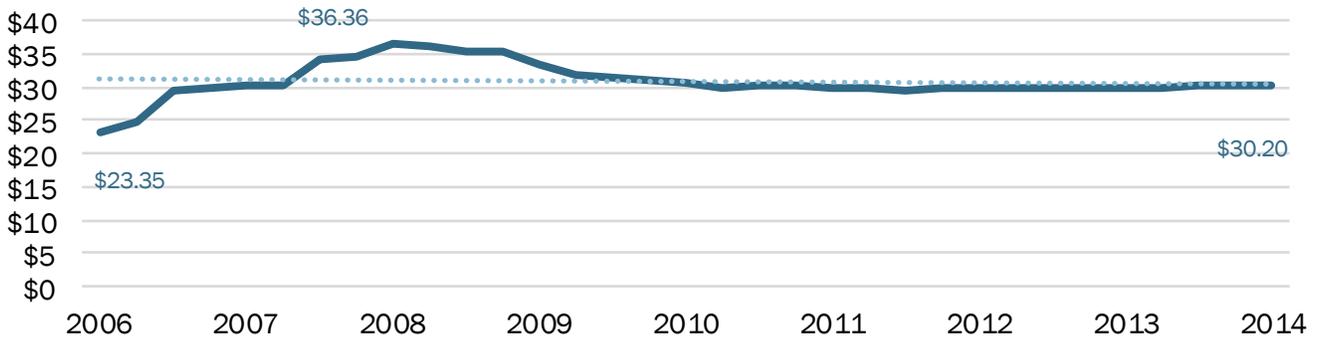


Source: CoStar, 2014; Community Attributes Inc., 2014

Office lease rates climbed rapidly in the run-up to the Recession, but have since fallen and plateaued at about \$30 NNN (**Exhibit 12**). Lease rates in this range are somewhat low compared to Class A rates in regional urban cores, but are high in relation to offices in other suburban King County markets. Strong lease rates drive strong revenues and improve development feasibility.

Exhibit 12. Direct Average Office Lease Rate, Eastgate/I-90 Corridor Market Area, 2006-2014

Average Lease Rate



Source: CoStar, 2014; Community Attributes Inc., 2014

Despite relatively strong lease rates, the increasing vacancy and negative net absorption may indicate that some office space in Eastgate is becoming less competitive. Many of the offices in the area were built in the 1980s or early 1990s and are nearly thirty years old. Since the location remains strategic for many office tenants, new office development may be able to reinvigorate the Eastgate area office market.

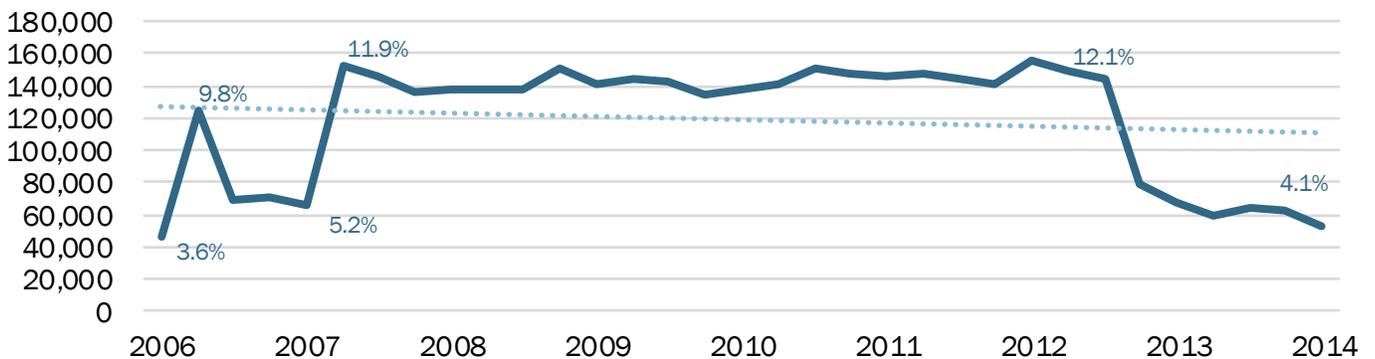
Retail

While there is a significant retail presence in Eastgate, particularly in Eastgate Plaza, anecdotal evidence suggests that there is demand for additional neighborhood-serving retail uses. Furthermore, a 2010 report by Spinnaker Strategies identified the immediate potential for 10,000-15,000 square feet of retail near Bellevue College, with long-term potential for additional development. This area is a good fit for additional retail, especially given the physical divide that I-90 creates between residents living north of the highway and the retail inventory on the south side.

Newer market data continue to indicate that the feasibility of retail development is strong. Since 2012, retail vacancy in the Eastgate market area has fallen from over 12% to about 4%, with positive absorption in seven of the last eight quarters (**Exhibits 13 and 14**).

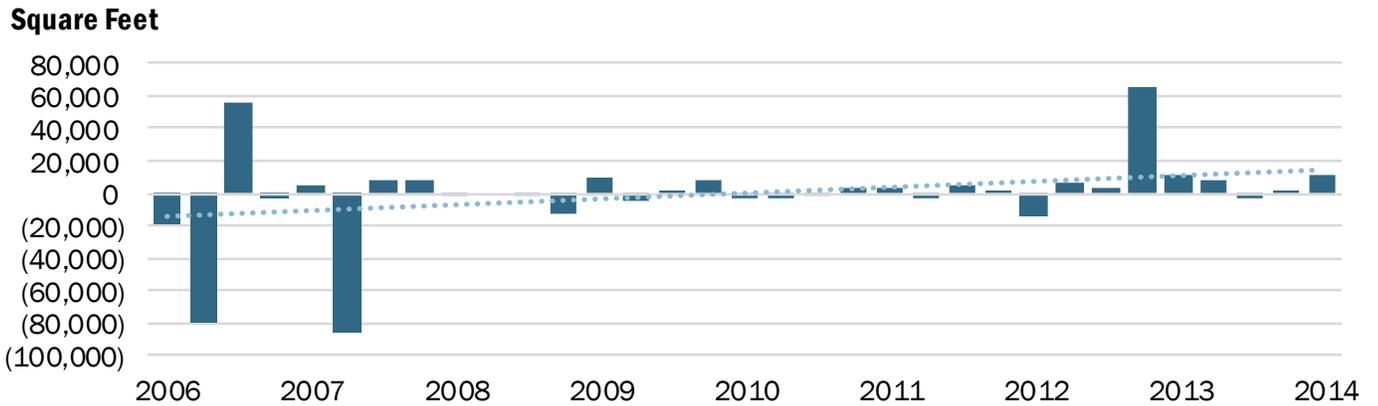
Exhibit 13. Retail Vacancy, Eastgate/I-90 Corridor Market Area, 2006-2014

Vacant SF



Source: CoStar, 2014; Community Attributes Inc., 2014

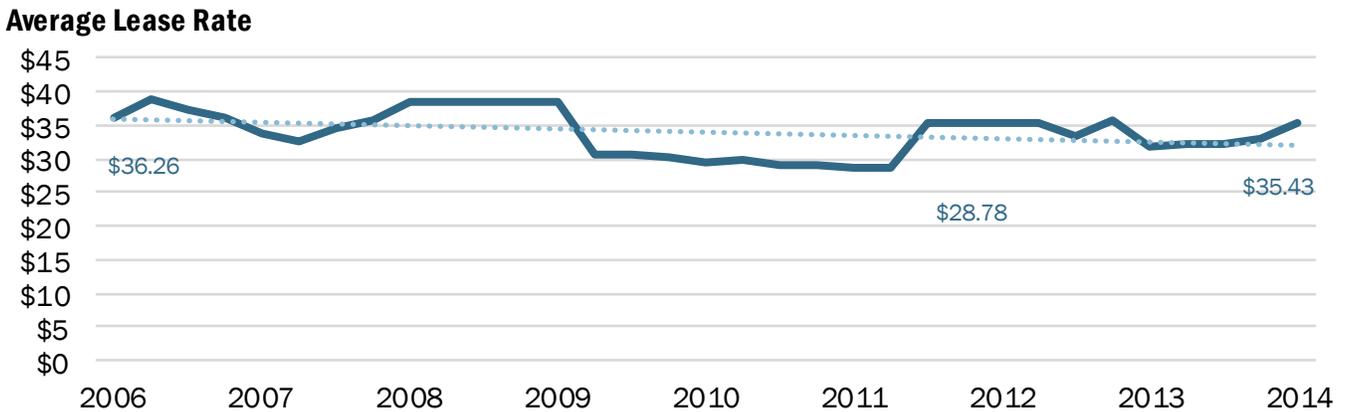
Exhibit 14. Retail Net Absorption, Eastgate/I-90 Corridor Market Area, 2006-2014



Source: CoStar, 2014; Community Attributes Inc., 2014

During the same time period lease rates have remained steady, with a brief decline during the Great Recession. At over \$35 per square foot “triple-net” (NNN), these retail lease rates are high compared to many competing shopping centers (Exhibit 15).

Exhibit 15. Direct Average Retail Lease Rate, Eastgate/I-90 Corridor Market Area, 2006-2014



Source: CoStar, 2014; Community Attributes Inc., 2014

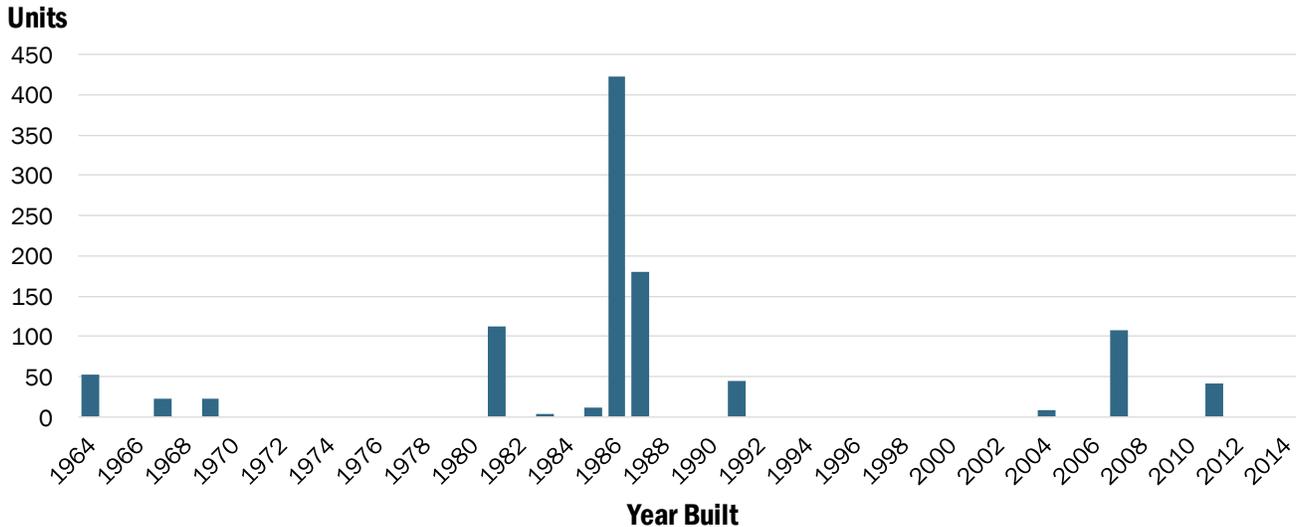
There are limits to the applicability of these data, however. Most of the existing retail space in Eastgate is characterized as auto-oriented single-story and single-use. New retail, especially in the transit-oriented development area, may be located in multistory mixed-use structures. These spaces are sometimes less accessible to vehicular traffic and therefore depend more on nearby amenities to drive foot traffic. While existing amenities like Bellevue College and the Eastgate Park and Ride will generate some traffic, this style of retail would represent an innovative product offering for the Eastgate area and may initially face feasibility challenges.

Standalone retail, while further removed from the character envisioned by the Eastgate CAC, may be both appropriate and market-supported.

Multifamily

New multifamily developments are few and far between in the Eastgate/I-90 corridor. According to Co-Star, 85% of multifamily units in the market area were built before 1992 (**Exhibit 16**). There are no multifamily structures in the proposed TOD area.

Exhibit 16. Multifamily Deliveries (Units) by Year, 1964-2014



Source: CoStar, 2014; Community Attributes Inc., 2014

Due in part to the age of these properties, lease rates are low for multifamily properties in Eastgate (**Exhibit 16**). When mixed-use residential buildings require structured parking, comparatively higher lease rates are usually required; generally speaking, given certain salient market factors in the central Puget Sound region, lease rates of at least \$2 per square foot may be required to justify this investment in above-ground or underground structured parking. Although this is an approximate figure, and while current lease rates may justify new multifamily development in some forms, the data in **Exhibit 17** suggest that the mixed-use development type that the CAC report envisions may require significantly higher lease rates.

Exhibit 17. Multifamily Lease Rates, Eastgate Market Area, 2014

Market Area	All Years		2008 and Newer	
	Vacancy Rate	Rent per Square Foot	Vacancy Rate	Rent per Square Foot
King - Eastside	3.7%	\$1.61	5.9%	\$1.95
Bellevue - East	2.4%	\$1.58	2.5%	\$1.76
Bellevue - West	4.1%	\$1.99	5.0%	\$2.16
Factoria	5.1%	\$1.50	19.4%	\$1.55

Note: The Eastgate study area is split between the Bellevue - East and Factoria market areas along Interstate 90; the proposed TOD Center is located within the Bellevue - East market area

Source: Dupree and Scott Apartment Advisors, 2014; Community Attributes Inc., 2014

Despite lower lease rates, low vacancy in the area suggests that the multifamily market is undersupplied. Furthermore, according to the City of Bellevue, the majority of new housing in the city in the coming years will be developed in multifamily structures. This type of development is occurring rapidly across the region as demographic and economic trends continue to lead many would-be homeowners to rent, and these trends, along with the potential for additional for-rent housing to serve the student population at Bellevue College, point to the potential for multifamily housing demand and investment.

PRO FORMA INPUTS

The following inputs are used to inform development scenarios modeled as part of the analysis of potential investives in the Eastgate neighborhood. Inputs are organized into three categories: building program and space inputs, development costs as well as revenue and financial inputs. The inputs are based on market data collected specifically for the analysis and are meant to represent realistic values found in Bellevue and the surrounding area.

Building Program and Space Inputs

Building programs for each development scenario are detailed in **Exhibit 22** in the following section. In addition to site constraints, zoning and other location based attributes, building programs are influenced by inputs related to floor heights, unit sizes and building inefficiencies/circulation. The inputs are primarily derived from CAI’s experience with multifamily and office development projects and development comps compiled through market research. Parking ratios are in part based on the city’s requirements as well as development comps, stakeholder interviews and the King County Right-Sized Parking study.

Hard Costs

Construction costs (**Exhibit 18**) were obtained from RS Means; these figures represent average per-square-foot costs for each building type, including contractor fees. Some costs, like tenant improvement costs, apply only for certain product types (i.e. commercial/office uses). The inputs are based on construction cost database developed by RS Means. Hard costs vary greatly between development types (commercial versus residential), materials (wood frame versus steel/concrete) with building height often being a determining factor.

Exhibit 18. Construction Cost per Square Foot by Construction Type, Eastgate Pro Forma Analytics

Construction Type	Cost*
Residential - Low-Rise (1-3) Wood Frame	\$116 per gross square foot
Residential - Mid-Rise (4-7) Wood Frame over Concrete	\$160 per gross square foot
Residential - High-Rise (8+) Steel/Concrete	\$216 per gross square foot
Commercial - Low-Rise (2-4) Concrete Block	\$124 per gross square foot
Commercial Class A - Mid-Rise (5-10) Steel/Concrete	\$159 per gross square foot
Commercial Class A - High-Rise (11+) Steel/Concrete	\$157 per gross square foot

*Basic site prep is included in the building hard cost, but hard cost excludes a 25% contractor fee
 Source: RS Means, 2014; Community Attributes, Inc. 2014

Parking costs are often a driver of development costs and decisions related to building density and layout. **Exhibit 19** illustrates the three parking types and associated costs used in the analysis. Parking is an important variable in the pro forma scenarios modeled in the analysis. The variance in development costs for surface versus structured and underground parking can often determine the level of density and construction type selected for a

site. The costs in **Exhibit 19** are based on RS Means construction cost data and represent prototypical parking costs in the Puget Sound region. *It is important to note that the cost of parking can vary significantly based on unique development and site features.*

**Exhibit 19. Construction Cost per Square Foot for Parking Facilities,
Eastgate Pro Forma Analytics**

Parking Type	Cost
Surface	\$1,800 per stall
Structured, Above Ground	\$21,000 per stall
Structured, Underground	\$35,000 per stall

Source: RS Means, 2014; Community Attributes, Inc. 2014

Soft Costs

For the purposes of analyzing multiple development scenarios in the Eastgate neighborhood, soft costs were organized as follows under **Exhibit 20**. Such inputs are often variable between projects and location. The values below are meant to represent a realistic proportion of development costs that must be committed to design, permitting, marketing, etc. It is important to note that soft costs for each scenario tested amount to 25% of the development’s total hard costs.

**Exhibit 20. Itemized Development Costs as a Percentage of Hard (Construction) Costs, Eastgate
Pro Forma Analytics**

Cost Item	Cost
Architecture and Engineering	6% of all hard costs
Permitting (including Impact Fees)	1% of all hard costs
Sales and Marketing (including Brokerage)	5% of all hard costs
Furniture, Fixtures & Equipment	1% of all hard costs
Developer Fee	5% of all hard costs
Insurance	2% of all hard costs
Contingency	5% of all hard costs
Total Soft Costs	25% of all hard costs
Interest Reserve	5% of hard costs, design and contingency

Source: RS Means, 2014; Community Attributes, Inc. 2014

Revenue and Financial Inputs

Market and revenue inputs (**Exhibit 21**) are based on market research and represent market rates achievable in certain Bellevue submarkets. *Inputs used in the analysis are set to represent the rates required to justify development, not those currently achieved in the Eastgate neighborhood.* The inputs are similar to rates found (or anticipated) in the Bel Red corridor as well as downtown Bellevue (see market analysis exhibits discussed earlier in the report).

Exhibit 21. Market and Revenue Inputs for Pro Forma Modeling

Unit Type	Unit Size (Square Feet)	Residential Lease Rates			
		Within TOD		Outside TOD	
		Per Square Foot	Total (Monthly)	Per Square Foot	Total (Monthly)
Studio	500	\$2.29	\$1,147	\$2.05	\$1,023
One Bedroom	700	\$2.23	\$1,562	\$1.98	\$1,389
Two Bedroom	900	\$2.11	\$1,897	\$1.86	\$1,674
Three Bedroom	1200	\$1.98	\$2,381	\$1.74	\$2,083
Student Housing*	1500	\$2.65	\$3,968	\$2.15	\$3,224

Commercial Lease Rates					
		Per SF/Month	Annual (NNN)	Per SF/Month	Annual (NNN)
Office	N/A	\$3.27	\$39	\$3.03	\$36
Retail	N/A	\$2.92	\$35	\$2.57	\$31

*Student Housing is assumed to be new four bedroom multifamily units, with each bedroom rented separately for a “per bed” price; this arrangement allows for higher per square foot lease rates and is common for private student housing across the country

Source: CoStar, 2014; Dupree and Scott Apartment Advisors, 2014; King County Assessor Area Report, 2014

Exhibit 22 summarizes capitalization rates assumed for multifamily and office development scenarios. Capitalization rates are a measure of expected income from a property, calculated as the net operating income divided by the total value or sales price of the property. These rates are highly sensitive inputs to pro forma modeling, and a range of values were therefore tested for each scenario. Values are based on recent survey data compiled by CBRE.

Exhibit 22. Capitalization Rates by Development Type, Eastgate Pro Forma Analytics

Development Type	Capitalization Rate		
	High	Medium	Low
Residential (Multifamily)	5.50%	5.25%	5.00%
Commercial (Office)	6.25%	6.00%	5.75%

Source: CBRE, 2014; Dupree and Scott Apartment Advisors, 2014

REAL ESTATE DEVELOPMENT IN EASTGATE: PERSPECTIVES AND TRENDS

As part of our research, CAI interviewed two active real estate development companies and two Seattle and Bellevue-area commercial real estate brokers, each with intimate knowledge of the Eastgate area. The purpose of the interviews was to validate particularly sensitive development assumptions as well as discuss existing zoning policy and development patterns in Bellevue and the greater eastside market. *The following provides a summary of key takeaways from the interviews and represents their opinions on development feasibility in the Eastgate Neighborhood.*

Multifamily Feasibility

Multifamily development throughout the Puget Sound region has accelerated over the last three years. As such, interviewees were asked several questions about the feasibility of multifamily projects in Eastgate. Their responses indicate the following:

- Eastgate is a challenging neighborhood for multifamily development now; a large, high-end office project may be able to anchor the redevelopment of the TOD and provide the activity and amenities that will allow multifamily projects to succeed
- Given the challenges in developing multifamily in Eastgate, the City could create an incentive for developing residential space by exempting residential uses in a mixed-use building from FAR calculations
- Specific challenges for development in Eastgate will be escalating construction costs and the cost of underground parking

Commercial Feasibility

Office and retail are currently prevalent uses in the Eastgate neighborhood, and a number of office developments have been built over the last few decades (an example of which is the Microsoft Advanta complex). More recently, car dealerships have invested in new facilities in the core of the neighborhood.

- Stakeholders opined that urban office is the product type currently commanding the highest rents in the region and Eastgate is a suburban location, making it a challenging market to develop in the near term
- Multiple interviewees indicated that retail is challenging in Eastgate and suggested that the new code provisions should provide incentives for retail development, possibly making retail square footage in mixed-use buildings exempt from FAR calculations

Comparison to Bel-Red

As part of the analysis CAI reviewed the incentive structure of the Bel-Red neighborhood. In addition to discussing current zoning regulations, CAI asked interviewees about current market indicators and projected lease rates for comparison to potential future development in the Eastgate neighborhood. Discussion also centered on existing catalyst provisions in place, the 5 million square foot master planned Spring District as well as the standalone multifamily project under development. The interviewees' opinions are as follows:

- The incentive exchange rates adopted in the Bel-Red corridor can be challenging for development and the current incentive rates may not realistically help to induce development
- Top-end lease rates for office in the Bel-Red corridor are projected to be similar to be those found in downtown Bellevue (\$38 NNN for example)
- Multifamily currently under construction in the Spring District will likely try to achieve approximately \$3.00/sf for some residential units setting the market high for apartments in the Bellevue area

- Bel-Red has the advantage, from an implementation standpoint, of better assemblage and a strong planning foundation

Prospects for the Future

The following takeaways provide perspective on the future of Eastgate and its development potential. Stakeholder perspectives on zoning policy, market trends and development incentives are included.

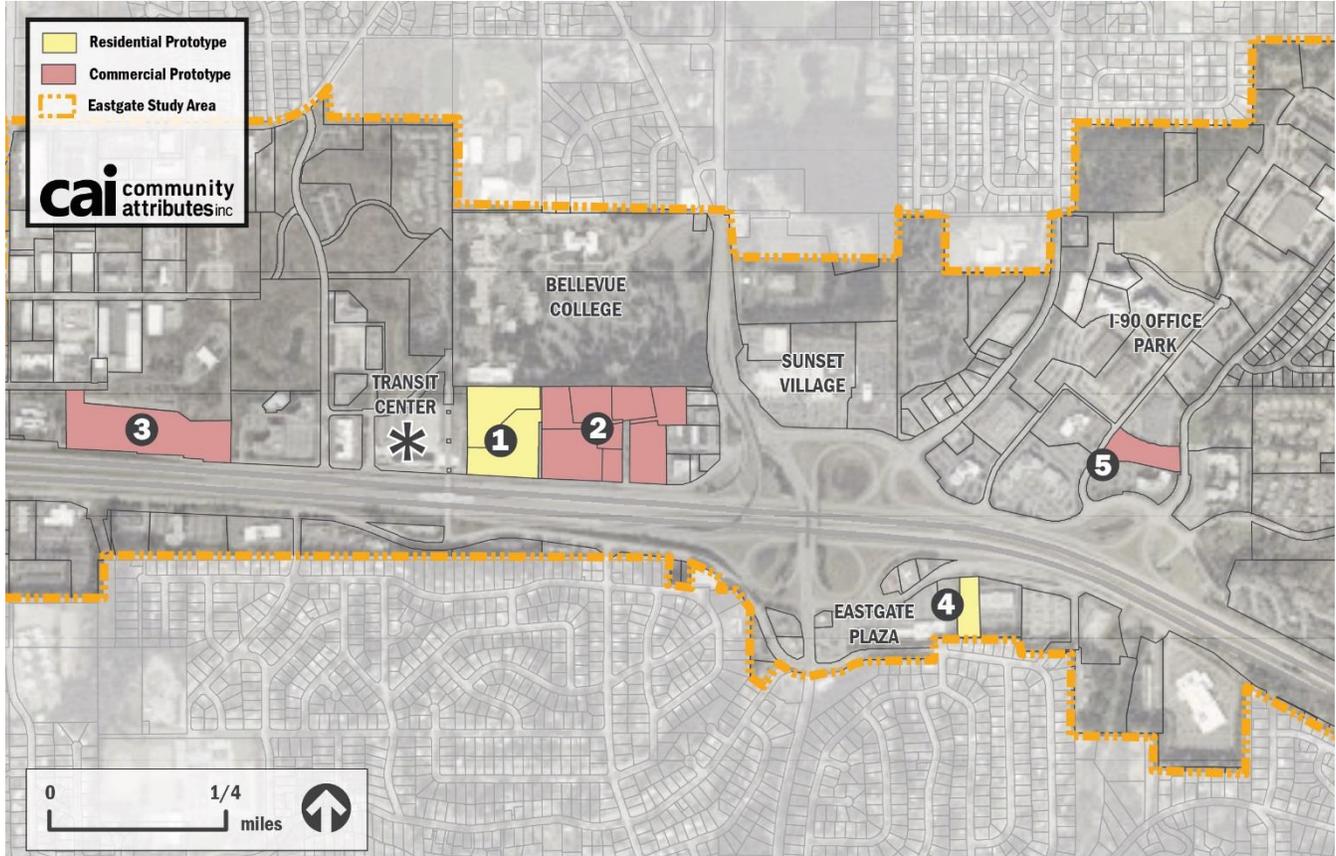
- Maximum FAR of 2.0 limits project feasibility on smaller lots; feasibility on these lots would be improved with densities around 2.5 or 3.0 FAR.
- Developers generally have a preference not to perform on certain incentives and instead prefer in-lieu payment options
- Allowing for “catalyst” development provisions will be important in Eastgate to provide flexibility for larger developments (catalyst provisions in Bel-Red were not only designed to encourage utilization of the incentive program but also to encourage earlier use of it)
- Higher density allowances will allow an incentive program to succeed; maximizing the amount that developers can build under an incentive zoning program will be critical to entice developers to use the program in Eastgate
- Development will not likely accelerate in Eastgate until the next real estate cycle
- Prospective investors in Eastgate will look at other tenants (e.g. Boeing, T-Mobile) for indications of stability before investing

DEVELOPMENT FRAMEWORK AND FEASIBILITY ASSESSMENT

DEVELOPMENT SITES AND PRODUCT TYPES

Prototypical developments on five sites in the Eastgate neighborhood are modeled (Exhibit 23). Each prototype is meant to represent a unique building type and development scenario, thus illustrating a range of potential outcomes affecting development feasibility and development incentives. Attributes of each development include height and density, parking ratio and type, construction type and mixed-use versus single use.

Exhibit 23. Pro Forma Scenario Map and Scenario Description

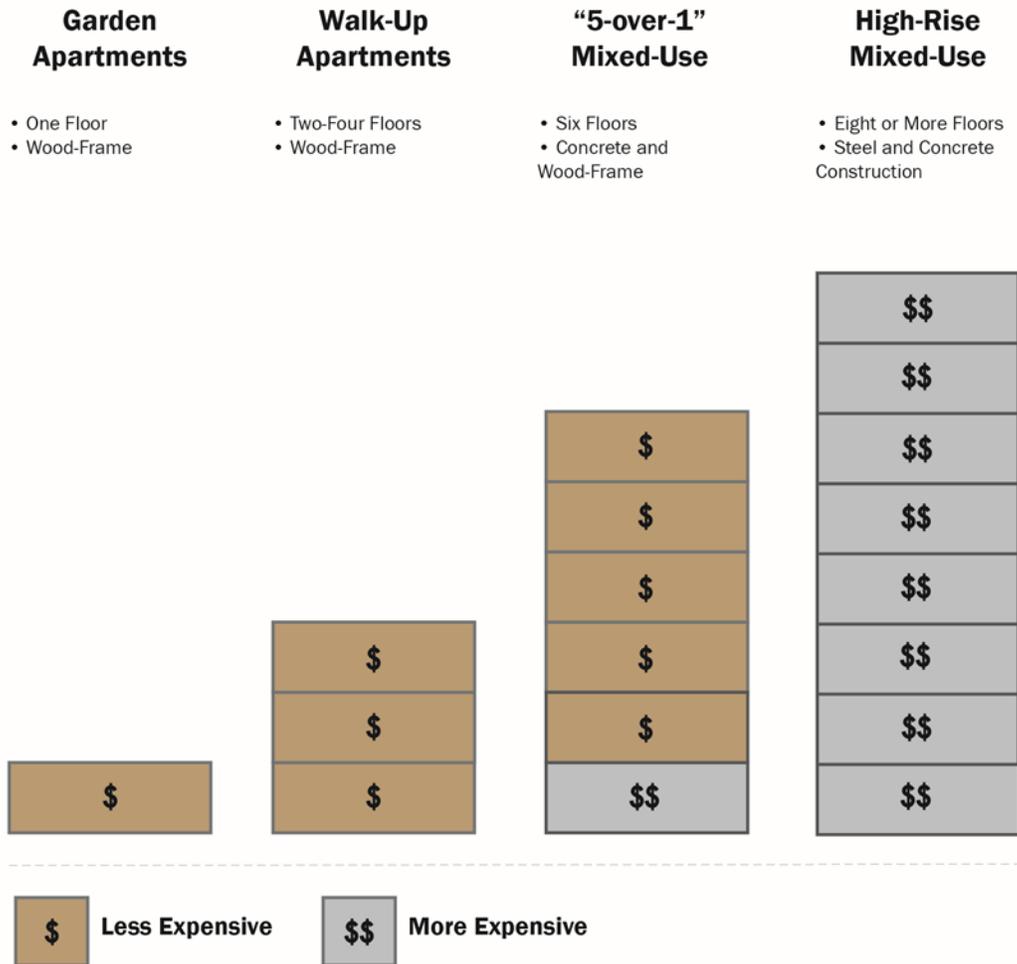


	WITHIN TOD				OUTSIDE TOD					
	1 5-Over-1 Mixed-Use		2 Commercial Towers		3 King County Site		4 Eastgate Emissions Site		5 I-90 Office Park	
	Base	Bonus	Base	Bonus	Base	Bonus	Base	Bonus	Base	Bonus
Predominant Use	Residential	Residential	Commercial	Commercial	Commercial	Commercial	Residential	Residential	Commercial	Commercial
Parking Type	Surface	Structured	Surface	Structured	Surface	Structured	Surface	Surface	Surface	Structured
Site Size	78,408	78,408	692,274	692,274	427,142	427,142	74,343	74,343	113,903	113,903
Base FAR	0.5	n/a	0.5	n/a	0.5	n/a	0.5	n/a	0.5	n/a
Max. FAR w/ Bonus	n/a	2.0	n/a	2	n/a	1.5	n/a	0.75	n/a	1.0
Base Square Feet	39,204	n/a	346,137	n/a	213,571	n/a	37,172	n/a	56,952	n/a
Maximum Square Feet	n/a	156,816	n/a	1,384,548	n/a	640,713	n/a	55,757	n/a	113,903
Base Height	45	n/a	45	n/a	45	n/a	45	n/a	25	n/a
Bonus Height	n/a	75	n/a	125	n/a	125	n/a	45	n/a	45

Source: Community Attributes Inc., 2014

It is important to test a range of building typologies and sites, since different typologies will perform differently on sites with different characteristics. Even without evaluating site-specific criteria, different typologies cost more or less to construct per square foot based on the quality of the materials and the intensity of labor required. The diagram in **Exhibit 24** is a conceptual illustration of how building typologies differ significantly in cost, which is a key reason for running pro forma analyses on multiple development prototypes.

Exhibit 24. Relative Costs of Construction by Building Typology



Source: Community Attributes Inc., 2014

Prototype One – Transit-Oriented 5-over-1 Mixed Use

Prototype One is located within the TOD core and is used to test a vertical mixed-use residential product at urban densities, consistent with transit-oriented and town center developments throughout King County. This prototype, modeled on nearly two acres, produces about 39,000 square feet in the base scenario and 157,000 square feet in the bonus scenario. This scenario is important to test the economics of residential projects within the TOD and is the only scenario to test the “5-over-1” typology.

Prototype Two – Transit-Oriented Commercial Towers

Prototype Two is also located within the TOD core and represents an infill development scenario where new commercial towers are added to an assemblage of existing parcels. Infill development in Eastgate presents a unique set of pro forma assumptions, thereby justifying a separate prototype. Prototype two is one of two pro forma scenarios that evaluate high-rise commercial structures, and the only prototype that tests the feasibility of office development within the TOD. The bonus scenario envisions an addition of almost 1.4 million square feet of office space and is based in-part on existing plans for an assemblage of parcels in Eastgate.

Prototype Three – King County Site

With about 214,000 square feet in the base scenario and 641,000 square feet in the bonus scenario, Prototype Three also tests a high-rise commercial structure, but is differentiated from Prototype Two by its location outside the TOD and a lower allowable density. Evaluating Prototype Three provides another perspective on office developments in Eastgate, helping to understand rent and density sensitivities for this established product type.

Prototype Four – Eastgate Emissions Site

Prototype Four uniquely tests the economics of moderately dense single-use multifamily structures. This prototype also relies exclusively on surface parking, which at the densities envisioned for this site, is important to controlling costs and preserving development feasibility. This prototype has the lowest development intensity of all five prototypes tested; the bonus scenario includes only about 56,000 square feet on nearly two acres of land.

Prototype Five – I-90 Office Park

Prototype Five is a mid-rise office building that adds about 114,000 square feet to the I-90 Office Park under the bonus scenario. This prototype is differentiated from Prototypes Two and Three by virtue of its limited height and density. Prototype Five is the only prototype to evaluate office development at this lower intensity and is important to evaluate infill commercial development outside the TOD.

PRO FORMA TEMPLATE

In real estate development, a pro forma is a set of calculations and financial projections that various real estate professionals and prospective investors use to estimate the financial return that a proposed development project is likely to create. The pro forma used for this study measures the revenue potential and total development costs and uses a capitalization rate to determine how the value of a project relates to the assumed land cost. In the pro forma, the amount the developer has left after total development cost (excluding land cost) is subtracted from the estimated project value is called *residual land value*.

Residual land value models are especially useful in evaluating initial project feasibility and are appropriate for this study. However, a developer is likely to evaluate a project using a more detailed cash flow projection before making a final decision about participating in an incentive zoning program. A portion of the pro forma template used in this study is pictured in **Exhibit 25**, below. A more detailed review of the pro formas used for the analysis are provided in the appendix.

Exhibit 25. Eastgate Pro Forma Template

REVENUES

Annual Revenues

Market Rate Residential Rental Revenues	\$770,079
Affordable Housing Rental Revenues	\$0
Retail/Office Revenues	\$88,200.00
Parking Revenues	\$22,701
Other Rental Revenues	\$15,402
Gross Annual Revenues	\$896,382
Less Vacancy and Credit Loss	(\$44,819)
Effective Gross Income	\$851,563
Less Annual Operating Expenses	(\$246,548)
Net Operating Income	\$605,015

DEVELOPMENT COSTS

Development Costs

	Total	Per Unit	Per GSF
Development Hard Cost	\$5,695,851	\$137,311	\$145
Tenant Improvement (If Applicable)	\$78,750	\$1,898	\$2
Parking Cost	\$113,507	\$2,736	\$8
Landscaping Cost	\$54,419	\$1,312	\$1.39
Soft Costs	\$1,452,340	\$35,012	\$27
Interest Reserve	\$284,508	\$6,859	\$5
Total Development Cost (Exclu. Land)	\$7,679,374	\$185,128	\$195.88

Capitalization @ Rate:

	5.50%	5.25%	5.00%
Capitalized Value	\$11,000,268	\$11,524,090	\$12,100,294

Residual Land Value \$3,844,716

Residual Land Value per Square Foot \$49.03

Land Price \$3,920,400

Economic Surplus (\$75,684)

Source: Community Attributes Inc., 2014

ECONOMIC OUTPUTS

Exhibits 26 and 27 offer simplified pro formas for each of the five development prototypes. Each is distilled from the full pro forma model, as depicted in the template in Exhibit 26. These results are the determining factor in identifying a developer's "willingness to pay" for public amenities through an incentive zoning program.

Exhibit 26. Economic Outputs from Pro Forma Modeling, Selected Eastgate Sites within the TOD Core

	WITHIN TOD			
	5-Over-1 Mixed-Use		Commercial Towers	
	Base	Bonus	Base	Bonus
Site Size	78,408	78,408	692,274	692,274
Base FAR	0.5	n/a	0.5	n/a
Bonus FAR	n/a	2.0	n/a	2
Built Square Feet*	39,204	156,816	59,785	820,800
Effective Gross Income	\$838,633	\$3,197,746	\$1,950,646	\$27,259,966
Net Operating Income	\$595,828	\$2,271,920	\$1,385,886	\$19,367,536
Capitalized Value	\$11,349,101	\$43,274,661	\$23,098,096	\$322,792,267
Total Development Cost	\$7,655,968	\$38,036,903	\$18,355,738	\$296,788,837
Residual Land Value	\$3,693,134	\$5,237,758	\$4,742,358	\$26,003,430
Economic Surplus	(\$227,266)	\$1,317,358	\$3,241,358	\$24,502,430

Note: This scenario uniquely tests an infill development program. The square footage is lower here because buildings have been retained on-site; 59,785sf is the new square footage added to obtain 0.5 FAR.

Built square footage does not include parking.

Source: Community Attributes Inc., 2014

Exhibit 27. Economic Outputs from Pro Forma Modeling, Selected Eastgate Sites outside the TOD Core

OUTSIDE TOD					
King County Site		Eastgate Emissions Testing Site		I-90 Office Park	
Base	Bonus	Base	Bonus	Base	Bonus
427,142	427,142	74,343	74,343	113,903	113,903
0.5	n/a	0.5	n/a	0.5	n/a
n/a	1.5	n/a	0.75	n/a	1.0
213,571	640,713	37,172	55,757	56,952	113,903
\$6,968,325	\$21,279,014	\$685,454	\$974,066	\$1,729,029	\$3,524,553
\$4,950,824	\$15,118,216	\$486,998	\$692,050	\$1,228,433	\$2,504,108
\$82,513,732	\$251,970,275	\$9,276,159	\$13,181,910	\$20,473,878	\$41,735,137
\$63,580,035	\$231,633,181	\$7,177,261	\$8,622,585	\$13,910,130	\$35,138,528
\$18,933,697	\$20,337,094	\$2,098,897	\$4,559,324	\$6,563,748	\$6,596,609
\$5,865,697	\$7,269,094	(\$1,618,253)	\$842,174	\$868,598	\$901,459

Note: Built square footage does not include parking.
 Source: Community Attributes Inc., 2014

Exhibit 28 summarizes the residual land value (RLV) outputs for each development site under a base and bonus scenario. RLV represents the theoretical amount a developer would be willing to pay for land after the cost of development is accounted for. The change in RLV represents the value generated by the increase in density recommended by the Eastgate Citizens' Advisory Committee.

The table in **Exhibit 28** also gives the economic surplus outputs for each development site. Economic surplus represents the theoretical amount of value remaining after the land is purchased, or residual land value minus the threshold land value. The net change in economic surplus per square foot represents the change in value from base to bonus density. The change in economic surplus from base to bonus represents the theoretical amount a developer is willing to pay to for the bonus density and is used to estimate exchange rates for each development type and incentive.

Exhibit 28. Residual Land Value and Economic Surplus per Land Square Foot by Development Prototype and Bonus Scenario

	WITHIN TOD		OUTSIDE TOD		
	5-Over-1 Mixed	Commercial	King County	Eastgate	I-90 Office
	Use	Towers*	Site	Emissions	Park
Residual Land Value @ Base Density	\$47	\$7	\$44	\$28	\$58
Residual Land Value @ Bonus Density	\$67	\$38	\$48	\$61	\$58
Net Change in Residual Land Value (per SF)	\$20	\$31	\$3	\$33	\$0
Economic Surplus @ Base Density	(\$3)	\$5	\$14	(\$22)	\$8
Economic Surplus @ Bonus Density	\$17	\$35	\$17	\$11	\$8
Net Change in Economic Surplus (per SF)	\$20	\$31	\$3	\$33	\$0

Source: Community Attributes Inc., 2014

RANKING THE DEVELOPMENT PROTOTYPES

Some of the development prototypes in this study appear to be more feasible than others when measured by their ability to generate economic surplus.

Prototype One – Transit-Oriented 5-over-1 Mixed Use

This scenario ranks third among the five prototypes for feasibility. At the bonus density, structured parking challenges feasibility, but escalating rents could make this project feasible.

Prototype Two – Transit-Oriented Commercial Towers

This scenario ranks second among the five prototypes for feasibility. The primary factor in this prototype's strong performance is the inexpensive nature of land acquisition, since this scenario assumes that the land is already assembled by the owner and that the development is focused on infill. This is an important factor in determining exchange rates, since a high degree of land assembly may produce exchange rates that are too low to justify participation in the incentive program for developers that must purchase land at the market-clearing price.

Prototype Three – King County Site

This scenario ranks fifth among the five prototypes for feasibility. Densities envisioned for this site by the CAC report are too low to support structured parking, assuming that the achievable rents outside the TOD will be lower than inside the TOD.

Prototype Four – Eastgate Emissions Site

This scenario ranks first among the five prototypes for feasibility. Though the project appears to be infeasible at base density, the bonus density is low enough that the project would not likely require structured parking. As such, the bonus scenario appears to be very feasible. However, should the density envisioned require structured parking, the project's feasibility would be challenged.

Prototype Five – I-90 Office Park

This scenario ranks fourth among the five prototypes for feasibility. Densities here are just high enough to justify structured parking, but are too low to pay the costs associated with this infrastructure.

KEY FEASIBILITY FINDINGS

- Infill development appears to be feasible based on this study and its underlying assumptions. Where land assembly has already occurred in the TOD, and the cost of land acquisition is therefore low or non-existent, commercial development shows strong potential for feasibility. However, these projects are logistically complex, and they sometimes require an owner to the impacts of compromising revenue-generating space in order to build a higher density project on the same parcel.
- Certain development types are challenged outside the proposed TOD area. For example, the CAC report allows for comparatively dense development at the King County site, but given the additional expense of building to this density, a commercial tower would need to generate rents on par with commercial developments inside the TOD, where there is a greater concentration of amenities, to approach feasibility. Such rents may be achievable for certain properties outside the TOD, but the pro forma model assumes that competition with similar offerings inside the TOD would relegate outside projects to lower lease rates.
- The amount of bonus FAR and overall density is limited and may challenge structured and underground parking projects, where parking costs can be an impediment to development feasibility. In the output table (**Exhibit 27**), where development prototypes generate a relatively low amount of (or negative) economic surplus, this reflects the cost of moving from surface parking at base density to structured or underground parking at bonus densities. Assuming that lease rates are high enough to justify structured parking for residential units, higher allowable densities would improve development feasibility for these projects by allowing developers to recoup fixed costs like land acquisition.
- Base FARs encourage a continuation of current, auto-oriented development patterns. Such densities rarely create enough revenue-generating space to pay for the construction of urban typologies or structured parking.
- Rent levels (lease rates) will need to rise significantly for an incentive zoning program to be effective. Current market rates are too low to justify building at the maximum densities envisioned in the CAC report, especially given that those densities may require structured or underground parking.

INCENTIVE SCENARIOS

BACKGROUND AND PUBLIC AMENITY ALLOCATION

The City has identified several public amenities that are desirable in Eastgate, and the intent of the incentive zoning program is to make additional density contingent on the provision of these amenities by private developers. Those public amenities, which are foundational to this analysis, are described in the table in **Exhibit 29**.

Exhibit 29. Potential Public Amenities for an Eastgate Incentive Zoning Program

Public Amenity	Examples or Criteria	Exchange Metric
Affordable Housing	"...design shall be generally consistent with associated market rate housing, provided that unit size, amenities, and interior finishes may vary... and... that the bedroom mix and exterior finishes shall be comparable to the market rate units.	Bonus Square Feet per Amenity Square Foot; Payment-in-Lieu
Green Design and Public Art	Examples include: "landscaping that exceeds the requirements of code, green walls, green roof, or public art"; art must be accepted by the Bellevue Arts Commission	Bonus Square Feet per Dollar
Community Gathering Space	The gathering space must be 1,500 SF to 15,000 SF, with a minimum dimension of 20 ft and must provide "Public Access" signage and be open from 7 a.m. to 9 p.m. daily or during business hours, whichever is longer; other requirements govern landscaping, daylighting, access from the sidewalk, seating, etc.	Bonus Square Feet per Amenity Square Foot
Trails and Connections	Trails "should function to link the proposed development with the Mountains to Sound Greenway trail, transit stops or stations, community parks and amenities, or adjacent uses/developments"	Bonus Square Feet per Amenity Square Foot
Parks and Open Space	These spaces must be "open to the public, include signage, and effectively function as part of the City of Bellevue parks system, including the ability to be programmed by the city."	Bonus Square Feet per Amenity Square Foot
On-Site Transportation Improvements	Examples include benches, bus shelters, way finding signage, bicycle storage, lighting, and weather protection	Bonus Square Feet per Dollar
Environmental Enhancements	Examples include stream restoration, wetland restoration, retention of forested areas/native vegetation, and provision of additional stormwater detention	Bonus Square Feet per Dollar
Transfer of Development Rights	TBD	TBD

Source: City of Bellevue

While the City’s goal is that new development projects will contribute significantly to all of the aforementioned amenities, the City must prioritize the amenities in Eastgate (or within the various sub-districts) so that a developer’s participation in the incentive program results in desirable contributions to the neighborhood’s infrastructure and built environment. For example, if a developer elects to participate in the incentive program and his or her project generates a significant amount of economic surplus at the bonus density, that developer will spend the economic surplus on the public amenities required to achieve the higher density; absent guidelines that prioritize the public amenities, the result may not be in line with the needs and goals of the City and neighborhood. The City, instead, may allocate portions of the net increase in allowable FAR between base and bonus densities, to each amenity, so that developers are required to produce amenities that match those goals and policies set forth for the neighborhood. The hypothetical scenario in **Exhibit 29**, below, illustrates this concept.

Exhibit 30. Example of Incentive Zoning Allocation Process

Public Amenity	Net Gain in FAR	Net Gain in Econ. Surplus	Allocation of FAR to Amenity	Cost to Provide Amenity (per SF)	Amenity Provided
Community Gathering Space	1.5	\$3,000,000	100%	\$15	200,000
Community Gathering Space	1.5	\$3,000,000	10%	\$15	20,000

Source: Community Attributes Inc., 2014

Neither exchange rates nor payment-in-lieu rates change when the allocation of FAR changes, so long as economic surplus is attributed to bonus square footage at a constant rate (i.e. each bonus square foot is assumed to generate the same amount of economic surplus).

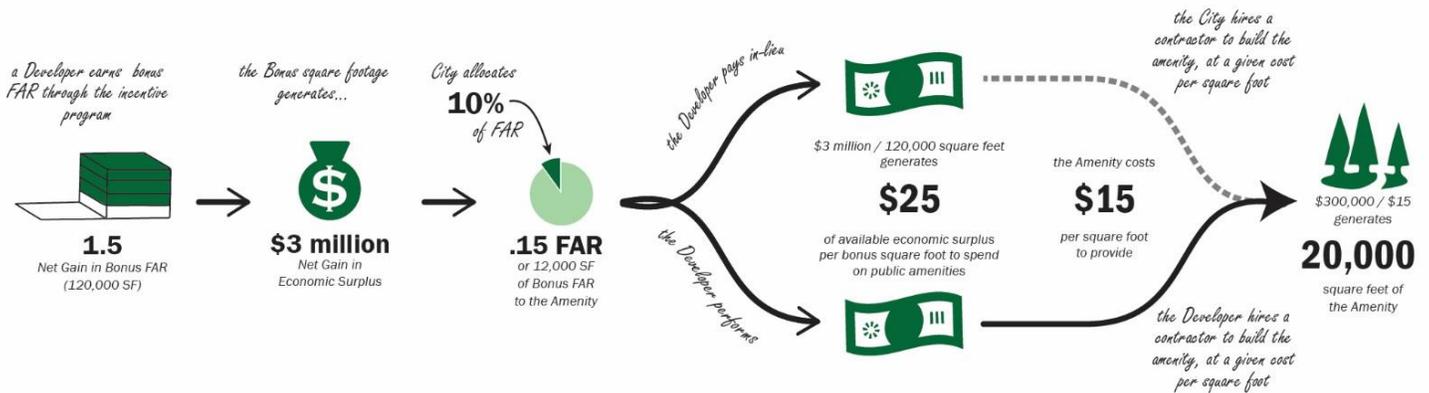
This allocation concept is particularly important for large capital projects in the Eastgate area. Bonus floor area can be allocated to certain amenities to achieve progress toward these specific projects, which may include connections to Bellevue College, completion of the Mountains to Sound Greenway, or improvements to Snoqualmie River Road or Eastgate Way. Identification and prioritization of such infrastructure projects is also a key component of an incentive program.

EXCHANGE RATES VERSUS PAYMENT-IN-LIEU

Theoretically, there is little difference between incentive zoning performance, where a developer provides the public amenity directly, and payment-in-lieu, where a developer pays a predetermined fee for each square foot of bonus floor area earned through the program. Functionally, however, if the in-lieu fee is lower than the cost of performance, then payment-in-lieu will be unable to generate the same public amenities that performance could. Nevertheless, including the option to pay-in-lieu of performance may increase participation in the incentive zoning program and therefore promotes development patterns that are consistent with the City’s vision for Eastgate.

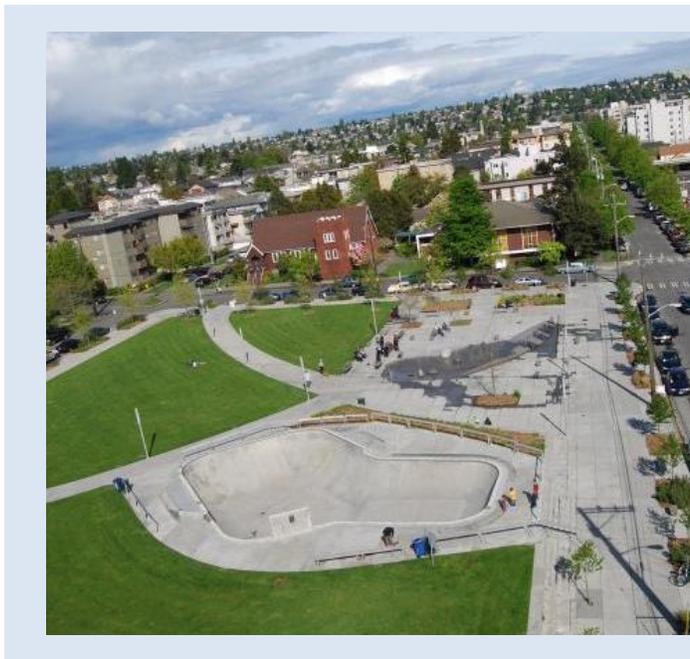
Exhibit 31, below, highlights the conceptual similarity between exchange rate and payment-in-lieu calculations. Both methods attribute the same amount of economic surplus to the amenity program and, all things equal, could provide the same amenity square footage. This is important to understand since some of the amenities detailed in **Exhibit 29** measure performance on a per-dollar basis, which is functionally no different than allowing a developer to pay-in-lieu.

Exhibit 31. Calculation Methods for Performance vs. Payment-in-Lieu



Source: Community Attributes Inc., 2014

The payment-in-lieu rate is, in other words, the amount of economic surplus generated by a development project per bonus square foot acquired through the incentive zoning program. In carrying the payment-in-lieu calculation further to create an exchange rate, the economic surplus per square foot is divided by the cost per square foot to perform (or to build the public amenity), which yields the amount of the amenity the developer could provide (usually measured in square feet). The ratio of bonus floor area to provided amenity area is the exchange rate. In the example from the diagram above, the \$300,000 of economic surplus can create 20,000 square feet of the amenity, and the developer earns 12,000 square feet of bonus floor area for participating in the program; this would represent an exchange rate of 0.6, meaning the developer earns 0.6 square feet of bonus floor area for every square foot of amenity area provided.



INCENTIVE COSTS

Estimating the cost associated with providing public amenities is difficult since those costs vary widely on a project-by-project basis. Our approach begins by using industry sources to estimate the design and construction costs of these projects; where possible, we refine these initial cost estimates by identifying the costs associated with a sample of actual amenities, such as Ballard Commons Park in Seattle (left), that were built as a part of larger development projects.

Because the amount of the amenity provided is central to this exchange rate calculation, it is important to determine realistic cost estimates for providing each amenity. This report uses industry sources of construction

cost data and case studies to estimate these costs, but the costs will likely vary from project to project. This is a sensitive input that may justify further research or a revision of exchange rates and payment-in-lieu fees to account for case-by-case cost variance.

Payment-in-lieu also raises new policy questions for the City, including the degree to which public amenities should be distributed throughout the study area and the City’s ability to leverage payment-in-lieu funds to maximize the amenities created.

EXCHANGE RATE SUMMARY

Exhibits 32 through 36 represent the exchange rates calculations for the five development prototypes identified earlier in this report. In each case, the exchange rate is described as an in-lieu-fee or bonus floor area ratio, according to whether or not the bonus is awarded on a per-dollar or per-square-foot basis. *The exchange rates in these tables represent model outputs, not policy recommendations.* Various policy considerations may offer reasons to optimize the rates given here.

Exhibit 32. DRAFT Exchange Rate Calculations, Prototype One TOD “5-over-1” Mixed-Use

Bonus	Bonus Floor		Exchange		Description
	Area	Bonus FAR	Rate		
TARGETED HOUSING BONUS	31,363	0.40	\$11		In Lieu Fee Per Bonus Square Foot
GREEN DESIGN AND PUBLIC ART BONUS	7,841	0.10	\$11		In Lieu Fee Per Bonus Square Foot
COMMUNITY GATHERING SPACE	7,841	0.10	2.2		Bonus Floor Area/Square Foot of Community Space
TRAILS AND CONNECTIONS	7,841	0.10	1.3		Bonus Floor Area/Square Foot Trails and Connections
PARKS AND OPEN SPACE	15,682	0.20	3.6		Bonus Floor Area/Square Foot Parks and Open Space
ON-SITE TRANSPORTATION IMPROVEMENTS	15,682	0.20	\$11		In Lieu Fee Per Bonus Square Foot
ENVIRONMENTAL ENHANCEMENTS	7,841	0.10	\$11		In Lieu Fee Per Bonus Square Foot
TRANSFER OF DEVELOPMENT RIGHTS	23,522	0.30	2,352		Bonus Square Feet per TDR Credit
Total	117,612	1.50			

Source: Community Attributes Inc., 2014

Exhibit 33. DRAFT Exchange Rate Calculations, Prototype Two TOD Commercial Towers

Bonus	Bonus Floor		Exchange		Description
	Area	Bonus FAR	Rate		
TARGETED HOUSING BONUS	0	0.00	N/A		In Lieu Fee Per Bonus Square Foot
GREEN DESIGN AND PUBLIC ART BONUS	253,672	0.50	\$28		In Lieu Fee Per Bonus Square Foot
COMMUNITY GATHERING SPACE	50,734	0.10	0.9		Bonus Floor Area/Square Foot of Community Space
TRAILS AND CONNECTIONS	101,469	0.20	0.5		Bonus Floor Area/Square Foot Trails and Connections
PARKS AND OPEN SPACE	101,469	0.20	1.4		Bonus Floor Area/Square Foot Parks and Open Space
ON-SITE TRANSPORTATION IMPROVEMENTS	101,469	0.20	\$28		In Lieu Fee Per Bonus Square Foot
ENVIRONMENTAL ENHANCEMENTS	101,469	0.20	\$28		In Lieu Fee Per Bonus Square Foot
TRANSFER OF DEVELOPMENT RIGHTS	50,734	0.10	906		Bonus Square Feet per TDR Credit
Total	761,015	1.50			

Source: Community Attributes Inc., 2014

Exhibit 34. DRAFT Exchange Rate Calculations, Prototype Three King County Site

Bonus	Bonus Floor		Exchange		Description
	Area	Bonus FAR	Rate		
TARGETED HOUSING BONUS	0	0.00	N/A		In Lieu Fee Per Bonus Square Foot
GREEN DESIGN AND PUBLIC ART BONUS	128,143	0.30	\$3		In Lieu Fee Per Bonus Square Foot
COMMUNITY GATHERING SPACE	42,714	0.10	7.6		Bonus Floor Area/Square Foot of Community Space
TRAILS AND CONNECTIONS	42,714	0.10	4.6		Bonus Floor Area/Square Foot Trails and Connections
PARKS AND OPEN SPACE	42,714	0.10	12.2		Bonus Floor Area/Square Foot Parks and Open Space
ON-SITE TRANSPORTATION IMPROVEMENTS	42,714	0.10	\$3		In Lieu Fee Per Bonus Square Foot
ENVIRONMENTAL ENHANCEMENTS	128,143	0.30	\$3		In Lieu Fee Per Bonus Square Foot
TRANSFER OF DEVELOPMENT RIGHTS	0	0.00	N/A		Bonus Square Feet per TDR Credit
Total	427,142	1.00			

Source: Community Attributes Inc., 2014

Exhibit 35. DRAFT Exchange Rate Calculations, Prototype Four Eastgate Emissions Site

Bonus	Bonus Floor		Exchange		Description
	Area	Bonus FAR	Rate		
TARGETED HOUSING BONUS	0	0.00	N/A		In Lieu Fee Per Bonus Square Foot
GREEN DESIGN AND PUBLIC ART BONUS	3,717	0.05	\$45		In Lieu Fee Per Bonus Square Foot
COMMUNITY GATHERING SPACE	3,717	0.05	0.6		Bonus Floor Area/Square Foot of Community Space
TRAILS AND CONNECTIONS	0	0.00	N/A		Bonus Floor Area/Square Foot Trails and Connections
PARKS AND OPEN SPACE	3,717	0.05	0.9		Bonus Floor Area/Square Foot Parks and Open Space
ON-SITE TRANSPORTATION IMPROVEMENTS	3,717	0.05	\$45		In Lieu Fee Per Bonus Square Foot
ENVIRONMENTAL ENHANCEMENTS	3,717	0.05	\$45		In Lieu Fee Per Bonus Square Foot
TRANSFER OF DEVELOPMENT RIGHTS	0	0.00	N/A		Bonus Square Feet per TDR Credit
Total	18,586	0.25			

Source: Community Attributes Inc., 2014

Exhibit 36. DRAFT Exchange Rate Calculations, Prototype Five I-90 Office Park

Bonus	Bonus Floor		Exchange		Description
	Area	Bonus FAR	Rate		
TARGETED HOUSING BONUS	0	0.00	N/A		In Lieu Fee Per Bonus Square Foot
GREEN DESIGN AND PUBLIC ART BONUS	22,781	0.20	\$0		In Lieu Fee Per Bonus Square Foot
COMMUNITY GATHERING SPACE	11,390	0.10	130.0		Bonus Floor Area/Square Foot of Community Space
TRAILS AND CONNECTIONS	11,390	0.10	78.0		Bonus Floor Area/Square Foot Trails and Connections
PARKS AND OPEN SPACE	0	0.00	N/A		Bonus Floor Area/Square Foot Parks and Open Space
ON-SITE TRANSPORTATION IMPROVEMENTS	0	0.00	N/A		In Lieu Fee Per Bonus Square Foot
ENVIRONMENTAL ENHANCEMENTS	11,390	0.10	\$0		In Lieu Fee Per Bonus Square Foot
TRANSFER OF DEVELOPMENT RIGHTS	0	0.00	N/A		Bonus Square Feet per TDR Credit
Total	56,952	0.50			

Source: Community Attributes Inc., 2014

CHOOSING EXCHANGE RATES

The exchange rates presented in the previous exhibits represent model outputs from a wide range of development scenarios. Choosing exchange rates for an incentive zoning program in Eastgate will require the City to make decisions about what type of development it envisions and what parts of Eastgate are most ready to

execute that vision. For example, if the TOD is primed for development, adopted exchange rates may be tailored to fit the site-specific economics of likely building types. By the same token, the City may choose to adopt multiple sets of exchange rates so that each sub-district benefits from rates that reflect the likely development pattern and the market conditions.

Based on criteria that include 1) incentivizing developer participation in the public amenity program; 2) targeting common or expected project types for the study area; and 3) ensuring participation in portions of the study area that are likely to see the highest development intensity, CAI has developed the following draft neighborhood exchange rates (**Exhibit 37**). The exchange rate values are based on results from each site specific analysis, with values being chosen based on the aforementioned criteria.

Exhibit 37. DRAFT Neighborhood Exchange Rates, Eastgate Study Area

Amenity	Incentive Provisions/Payment-In-Lieu Fees
Affordable Housing	5.0 SF bonus building area per amenity SF Residential In-Lieu: \$11 per bonus SF Non-residential In-Lieu: \$22 per bonus SF
Green Design and Public Art	91 SF bonus building area per \$1k amenity expense In-Lieu: \$11 per bonus SF
Community Gathering Space	3.0 SF bonus building area per amenity SF In-Lieu: \$11 per bonus SF
Trails and Connections	2.0 SF bonus building area per amenity SF 50 SF bonus building area per \$1k amenity expense (M2S) In-Lieu: \$11 per bonus SF
Parks and Open Space	4.5 bonus building area per amenity SF In-Lieu: \$11 per bonus SF
On-Site Transportation	91 SF bonus building area per \$1k amenity expense In-Lieu: \$11 per bonus SF
Environmental Enhancements	91 SF bonus building area per \$1k amenity expense In-Lieu: \$11 per bonus SF
Transfer of Development Rights	2,450 bonus building area per regional TDR credit

Source: Community Attributes Inc., 2015

IMPLEMENTATION CONSIDERATIONS

DESIGNING AN EFFECTIVE INCENTIVE ZONING PROGRAM

- **Design the program in the context of nearby zones.** Where other incentive programs exist nearby (e.g. Bel-Red, downtown), adopted exchange rates should not be too dissimilar unless market conditions are markedly different. Given similar market conditions, radically different exchange rates may stack the odds in favor of one program or the other, potentially leading to a scenario where one neighborhood detracts from developer interest in the other.
- **Consider “catalyst provisions” to create a first-mover’s advantage and minimize impediments to early redevelopment.** Interviews with real estate professionals active in Bellevue indicated that these provisions would be vital to the redevelopment of Eastgate; although, as market conditions change, the City may see increased developer interest in Eastgate absent such provisions, including a system similar to the one adopted in Bel-Red would likely lead to earlier activity in Eastgate. Required public amenities for catalyst projects may focus disproportionately on infrastructure and public realm improvements that pave the way for residential uses, which appear to be more challenged, at least perceptually, in Eastgate in the current development climate.
- **Periodically review exchange rate calculations.** Exchange rates are calculated at a point in time and markets are dynamic, with constantly changing lease rates, construction costs, capitalization rates, etc. As these market indicators change, the economic context for an incentive program changes as well: if the market is more development-friendly, lower exchange rates may be prudent, and if the market becomes more challenging, higher exchange rates may be necessary to induce participation in the program. As such, the City should regularly update the adopted exchange rates to reflect market dynamics.
- **Consider opportunities to provide infrastructure that entices new development.** As it exists now, Eastgate lacks the type of infrastructure that new development projects will require. Undoubtedly, some of this infrastructure will come from impact fees and developer contributions, but the City should lead, to the extent possible, in creating a place that makes development desirable. An intuitive network of streets with appropriate “hard” and “soft” infrastructure (e.g. sewer system, rain gardens) will lower the threshold for the feasibility of residential and, to a lesser extent, commercial projects. The City may choose to orchestrate a value capture financing program for infrastructure costs, such as the Landscape Conservation and Local Infrastructure Program or a Local Improvement District.
- **Focus the Incentive Program on the denser parts of Eastgate.** Denser development projects are more likely to be able to pay for public amenities, and the program will be most successful if tailored to dense projects in the TOD. In sub-districts where the density bonus is more narrowly tailored, project feasibility may already be challenged and may be unlikely to bear the costs of additional public amenities.

EVALUATING TDR

While the feasibility of most of the public amenities identified for evaluation in this study are driven purely by market constraints, the application of a transfer of development rights program in Eastgate deserves additional discussion as a policy choice for the city. The analysis indicates that, from a market standpoint, TDR is feasible, the city also needs to consider whether or not TDR is a good fit for Eastgate. Key questions may include:

- Is TDR a good fit insofar as it is consistent with the vision for Eastgate?
- Will TDR implementation in Eastgate tradeoff with TDR in Bel-Red?

- Are there programs that offer a “reward” for using TDR credits (for example, LCLIP) and are they appropriate for Eastgate?
- Are there sufficient TDR credits available for purchase to ensure the success of a TDR program in Eastgate?
- Would the implementation of TDR in Eastgate deter developers from providing alternative public amenities?

This analysis provides the market data and exchange rates necessary to implement a TDR program in Eastgate, but answers to the preceding questions are important considerations as the city moves toward draft policy.

APPENDIX – PRO FORMA DETAILS

The following is a more detailed view of the pro forma analytics utilized to test development feasibility on the representative Eastgate sites. Base and bonus scenarios are provided for each site to illustrate the use of various market inputs and estimated development costs utilized in each scenario. Each development prototype modeled includes a value for the net change in residual land value between base and bonus scenarios. The pro formas are modeled based on the inputs described previously in the report (see Pro Forma Inputs on page 21).

Exhibit A1. Pro Forma Scenarios Summary

Location	Description	Scenarios
WITHIN TOD	TOD Prototype 1	5-Over-1 Mixed-Use
		Base Bonus
WITHIN TOD	TOD Prototype 2	Corporate Campus Office Towers
		Base Bonus
OUTSIDE TOD	Prototype 3	King County Site (Office)
		Base Bonus
	Prototype 4	Emissions Testing Site (Multifamily)
	Base Bonus	
OUTSIDE TOD	Prototype 5	I-90 Office Park
		Base Bonus

TOD PROTOTYPE 1 BASE - 5 OVER 1 MIXED-USE

Site Size (Square Feet)	78,408
Base FAR	0.5
Bonus FAR	2.0
Maximum Bonus (Square Feet)	117,612
Construction Type	Residential - Low-Rise (1-3) Wood Frame
Project Type	Residential (Mixed-Use)
Maximum Height	45
Floors	4

BASE

SPACE CALCULATIONS

Residential	94%				
Gross	36,704				
Net	29,363				
Units	41				
Commercial	6%				
Gross	2,500				
Net	2,250				
Building Area (Excluding Parking)	100%				
Gross (Toward FAR)	39,204				
Net	31,613				
Total (Including Non-FAR SF)	39,204				
Building Footprint	9,801				
Building Area (Including Parking)	50,792				
Achieved FAR	0.50				
Residential Unit Mix					
Percent Distribution of Res. Building Area	25%	25%	50%	0%	0%
Gross Square Feet per Unit	625	875	1,125	1,500	1,875
Net Square Feet per Unit	500	700	900	1,200	1,500
Market-Rate Units by Unit Type	15	10	16	0	0
Affordable Units by Unit Type	0	0	0	0	0
Net Average Unit Size	708				
Affordable Housing Units					
Bonus Derived from Targeted Housing	0%				
Affordable Square Feet Required	0				
Parking Required					
Residential	45	108%			
Commercial	7				
Total	52				
Square Feet Required	11,588				
Parking Type	Surface				
Parking Floors	N/A				

TOD PROTOTYPE 1 BASE - 5 OVER 1 MIXED-USE

Site Size (Square Feet)	78,408
Base FAR	0.5
Bonus FAR	2.0
Maximum Bonus (Square Feet)	117,612
Construction Type	Residential - Low-Rise (1-3) Wood Frame
Project Type	Residential (Mixed-Use)
Maximum Height	45
Floors	4

REVENUES

Annual Revenues

Market Rate Residential Rental Revenues	\$770,079
Affordable Housing Rental Revenues	\$0
Retail/Office Revenues	\$78,750.00
Parking Revenues	\$18,540
Other Rental Revenues	\$15,402
Gross Annual Revenues	\$882,771
Less Vacancy and Credit Loss	(\$44,139)
Effective Gross Income	\$838,633
Less Annual Operating Expenses	(\$242,805)
Net Operating Income	\$595,828

DEVELOPMENT COSTS

Development Costs	Total	Per Unit	Per GSF
Development Hard Cost	\$5,695,851	\$137,311	\$145
Tenant Improvement (If Applicable)	\$78,750	\$1,898	\$2
Parking Cost	\$92,701	\$2,235	\$8
Landscaping Cost	\$57,019	\$1,375	\$1.45
Soft Costs	\$1,447,138	\$34,886	\$28
Interest Reserve	\$284,508	\$6,859	\$6
Total Development Cost (Exclu. Land)	\$7,655,968	\$184,564	\$195.29
Capitalization @ Rate:	5.50%	5.25%	5.00%
Capitalized Value	\$10,833,233	\$11,349,101	\$11,916,557
Residual Land Value	\$3,693,134		
Residual Land Value per Square Foot	\$47.10		
Land Price	\$3,920,400		
Economic Surplus	(\$227,266)		

INCENTIVE DESIGN

Incentives are not applicable in the Base scenario.

TOD PROTOTYPE 1 BONUS - MIXED-USE PRO FORMA

Site Size (Square Feet)	78,408
Base FAR	0.5
Bonus FAR	2.0
Maximum Bonus (Square Feet)	117,612
Construction Type	Residential - Mid-Rise (4-7) Wood Frame over Concrete
Project Type	Residential (Mixed-Use)
Maximum Height	75
Floors	7

BONUS - NO INCENTIVE COST

SPACE CALCULATIONS

Residential	95%				
Gross	149,316				
Net	119,453				
Units	169				
Commercial	5%				
Gross	7,500				
Net	6,750				
Building Area (Excluding Parking)	100%				
Gross (Toward FAR)	156,816				
Net	126,203				
Total (Including Non-FAR SF)	156,816				
Building Footprint	22,402				
Building Area (Including Parking)	227,619				
Achieved FAR	2.00				
Residential Unit Mix					
Percent Distribution of Res. Building Area	25%	25%	50%	0%	0%
Gross Square Feet per Unit	625	875	1,125	1,500	1,875
Net Square Feet per Unit	500	700	900	1,200	1,500
Market-Rate Units by Unit Type	60	43	66	0	0
Affordable Units by Unit Type	0	0	0	0	0
Net Average Unit Size	708				
Affordable Housing Units					
Bonus Derived from Targeted Housing	0%				
Affordable Square Feet Required	0				
Parking Required					
Residential	182	108%			
Commercial	20				
Total	202				
Square Feet Required	70,803				
Parking Type	Structured				
Parking Floors	2				

TOD PROTOTYPE 1 BONUS - MIXED-USE PRO FORMA

Site Size (Square Feet)	78,408
Base FAR	0.5
Bonus FAR	2.0
Maximum Bonus (Square Feet)	117,612
Construction Type	Residential - Mid-Rise (4-7) Wood Frame over Concrete
Project Type	Residential (Mixed-Use)
Maximum Height	75
Floors	7

REVENUES

Annual Revenues	
Market Rate Residential Rental Revenues	\$3,132,769
Affordable Housing Rental Revenues	\$0
Retail/Office Revenues	\$236,250.00
Parking Revenues	\$121,376
Other Rental Revenues	\$62,655
Gross Annual Revenues	\$3,553,051
Less Vacancy and Credit Loss	(\$355,305)
Effective Gross Income	\$3,197,746
Less Annual Operating Expenses	(\$925,826)
Net Operating Income	\$2,271,920

DEVELOPMENT COSTS

Development Costs	Total	Per Unit	Per GSF
Development Hard Cost	\$25,159,500	\$149,093	\$160.44
Tenant Improvement (If Applicable)	\$0	\$0	\$0
Parking Cost	\$4,248,165	\$25,174	\$60
Landscaping Cost	\$20,604	\$122	\$0.53
Soft Costs	\$7,351,916	\$43,567	\$32.30
Interest Reserve	\$1,256,717	\$7,447	\$5.52
Total Development Cost (Exclu. Land)	\$38,036,903	\$225,403	\$242.56
Capitalization @ Rate:	5.50%	5.25%	5.00%
Capitalized Value	\$41,307,631	\$43,274,661	\$45,438,394
Residual Land Value	\$5,237,758		
Residual Land Value per Square Foot	\$66.80		
Land Price	\$3,920,400		
Economic Surplus	\$1,317,358		

INCENTIVE DESIGN

Net Economic Surplus	\$1,317,358
Bonus Floor Area	117,612
Economic Surplus per Bonus SF	\$11
Net Change in RLV per SF	\$19.70

TOD PROTOTYPE 2 BASE - CORPORATE CAMPUS OFFICE TOWERS

Site Size (Square Feet)	692,274
Base FAR	0.5
Bonus FAR	2.0
Maximum Bonus (Square Feet)	1,038,411
Construction Type	Commercial Class A - High-Rise (11+) Steel/Concrete
Project Type	Commercial (Office or Retail)
Maximum Height	125
Floors	12

BASE

SPACE CALCULATIONS

Residential	0%																																										
Gross	0																																										
Net	0																																										
Units	0																																										
Commercial	100%																																										
Gross	59,785																																										
Net	53,807																																										
Building Area (Excluding Parking)	100%																																										
Gross (Toward FAR)	59,785																																										
Net	53,807																																										
Total (Including Non-FAR SF)	59,785																																										
Building Footprint	19,928																																										
Building Area (Including Parking)	96,141																																										
Achieved FAR	0.09																																										
Residential Unit Mix																																											
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;"></th> <th style="width: 15%;">Studio</th> <th style="width: 15%;">1BR</th> <th style="width: 15%;">2BR</th> <th style="width: 15%;">3BR</th> <th style="width: 15%;">4BR</th> </tr> </thead> <tbody> <tr> <td>Percent Distribution of Res. Building Area</td> <td style="text-align: center;">25%</td> <td style="text-align: center;">25%</td> <td style="text-align: center;">50%</td> <td style="text-align: center;">0%</td> <td style="text-align: center;">0%</td> </tr> <tr> <td>Gross Square Feet per Unit</td> <td style="text-align: center;">625</td> <td style="text-align: center;">875</td> <td style="text-align: center;">1,125</td> <td style="text-align: center;">1,500</td> <td style="text-align: center;">1,875</td> </tr> <tr> <td>Net Square Feet per Unit</td> <td style="text-align: center;">500</td> <td style="text-align: center;">700</td> <td style="text-align: center;">900</td> <td style="text-align: center;">1,200</td> <td style="text-align: center;">1,500</td> </tr> <tr> <td>Market-Rate Units by Unit Type</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Affordable Units by Unit Type</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Net Average Unit Size</td> <td colspan="5" style="text-align: center;">0</td> </tr> </tbody> </table>		Studio	1BR	2BR	3BR	4BR	Percent Distribution of Res. Building Area	25%	25%	50%	0%	0%	Gross Square Feet per Unit	625	875	1,125	1,500	1,875	Net Square Feet per Unit	500	700	900	1,200	1,500	Market-Rate Units by Unit Type	0	0	0	0	0	Affordable Units by Unit Type	0	0	0	0	0	Net Average Unit Size	0				
	Studio	1BR	2BR	3BR	4BR																																						
Percent Distribution of Res. Building Area	25%	25%	50%	0%	0%																																						
Gross Square Feet per Unit	625	875	1,125	1,500	1,875																																						
Net Square Feet per Unit	500	700	900	1,200	1,500																																						
Market-Rate Units by Unit Type	0	0	0	0	0																																						
Affordable Units by Unit Type	0	0	0	0	0																																						
Net Average Unit Size	0																																										
Percent Distribution of Res. Building Area																																											
Gross Square Feet per Unit																																											
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Market-Rate Units by Unit Type																																											
Affordable Units by Unit Type																																											
Net Average Unit Size																																											
Affordable Housing Units																																											
Bonus Derived from Targeted Housing	0%																																										
Affordable Square Feet Required	0																																										
Parking Required																																											
Residential	0																																										
Commercial	162																																										
Total	162																																										
Square Feet Required	36,356																																										
Parking Type	Surface																																										
Parking Floors	N/A																																										

TOD PROTOTYPE 2 BASE - CORPORATE CAMPUS OFFICE TOWERS

Site Size (Square Feet)	692,274
Base FAR	0.5
Bonus FAR	2.0
Maximum Bonus (Square Feet)	1,038,411
Construction Type	Commercial Class A - High-Rise (11+) Steel/Concrete
Project Type	Commercial (Office or Retail)
Maximum Height	125
Floors	12

REVENUES

Annual Revenues

Market Rate Residential Rental Revenues	\$0
Affordable Housing Rental Revenues	\$0
Retail/Office Revenues	\$2,109,214.80
Parking Revenues	\$58,169
Other Rental Revenues	\$0
Gross Annual Revenues	\$2,167,384
Less Vacancy and Credit Loss	(\$216,738)
Effective Gross Income	\$1,950,646
Less Annual Operating Expenses	(\$564,760)
Net Operating Income	\$1,385,886

DEVELOPMENT COSTS

Development Costs	Total	Per Unit	Per GSF
Development Hard Cost	\$11,741,771	N/A	\$196
Tenant Improvement (If Applicable)	\$2,092,475	N/A	\$35
Parking Cost	\$290,846	N/A	\$8
Landscaping Cost	\$635,990	N/A	\$10.64
Soft Costs	\$3,008,154	N/A	\$31
Interest Reserve	\$586,501	N/A	\$6
Total Development Cost (Exclu. Land)	\$18,355,738	N/A	\$307.03
Capitalization @ Rate:	6.25%	6.00%	5.75%
Capitalized Value	\$22,174,172	\$23,098,096	\$24,102,361
Residual Land Value	\$4,742,358		
Residual Land Value per Square Foot	\$6.85		
Land Price	\$1,501,000		
Economic Surplus	\$3,241,358		

INCENTIVE DESIGN

Incentives are not applicable in the Base scenario.

TOD PROTOTYPE 2 BONUS- CORPORATE CAMPUS OFFICE TOWERS

Site Size (Square Feet)	692,274
Base FAR	0.5
Bonus FAR	2.0
Maximum Bonus (Square Feet)	1,038,411
Construction Type	Commercial Class A - High-Rise (11+) Steel/Concrete
Project Type	Commercial (Office or Retail)
Maximum Height	125
Floors	12

BONUS - NO INCENTIVE COST

SPACE CALCULATIONS

Residential	0%					
Gross	0					
Net	0					
Units	0					
Commercial	100%					
Gross	820,800					
Net	738,720					
Building Area (Excluding Parking)	100%					
Gross (Toward FAR)	820,800					
Net	738,720					
Total (Including Non-FAR SF)	820,800					
Building Footprints (2)	34,200					
Building Area (Including Parking)	1,597,232					
Achieved FAR	1.19					
Residential Unit Mix		Studio	1BR	2BR	3BR	4BR
Percent Distribution of Res. Building Area		25%	25%	50%	0%	0%
Gross Square Feet per Unit		625	875	1,125	1,500	1,875
Net Square Feet per Unit		500	700	900	1,200	1,500
Market-Rate Units by Unit Type		0	0	0	0	0
Affordable Units by Unit Type		0	0	0	0	0
Net Average Unit Size	0					
Affordable Housing Units						
Bonus Derived from Targeted Housing	0%					
Affordable Square Feet Required	0					
Parking Required						
Residential	0					
Commercial	2,218					
Total	2,218					
Square Feet Required	776,432					
Parking Type	Structured					
Parking Floors	2					

TOD PROTOTYPE 2 BONUS- CORPORATE CAMPUS OFFICE TOWERS

Site Size (Square Feet)	692,274
Base FAR	0.5
Bonus FAR	2.0
Maximum Bonus (Square Feet)	1,038,411
Construction Type	Commercial Class A - High-Rise (11+) Steel/Concrete
Project Type	Commercial (Office or Retail)
Maximum Height	125
Floors	12

REVENUES

Annual Revenues

Market Rate Residential Rental Revenues	\$0
Affordable Housing Rental Revenues	\$0
Retail/Office Revenues	\$28,957,824
Parking Revenues	\$1,331,027
Other Rental Revenues	\$0
Gross Annual Revenues	\$30,288,851
Less Vacancy and Credit Loss	(\$3,028,885)
Effective Gross Income	\$27,259,966
Less Annual Operating Expenses	(\$7,892,430)
Net Operating Income	\$19,367,536

DEVELOPMENT COSTS

Development Costs	Total	Per Unit	Per GSF
Development Hard Cost	\$161,205,082	N/A	\$196.40
Tenant Improvement (If Applicable)	\$28,728,000	N/A	\$35
Parking Cost	\$46,585,946	N/A	\$60
Landscaping Cost	\$269,858	N/A	\$4.51
Soft Costs	\$51,947,757	N/A	\$32.52
Interest Reserve	\$8,052,194	N/A	\$5.04
Total Development Cost (Exclu. Land)	\$296,788,837	N/A	\$361.58
Capitalization @ Rate:	6.25%	6.00%	5.75%
Capitalized Value	\$309,880,576	\$322,792,267	\$336,826,713
Residual Land Value	\$26,003,430		
Residual Land Value per Square Foot	\$37.56		
Land Price	\$1,501,000		
Economic Surplus	\$24,502,430		

INCENTIVE DESIGN

Net Economic Surplus	\$21,261,072
Bonus Floor Area	761,015
Economic Surplus per Bonus SF	\$28
Net Change in RLV per SF	\$30.71

PROTOTYPE 3 BASE - KING COUNTY SITE (OFFICE)

Site Size (Square Feet)	427,142	<i>261,360 buildable (for purchase price)</i>
Base FAR	0.5	
Bonus FAR	1.5	
Maximum Bonus (Square Feet)	427,142	
Construction Type	Commercial Class A - High-Rise (11+) Steel/Concrete	
Project Type	Commercial (Office or Retail)	
Maximum Height	125	
Floors	12	

BASE

SPACE CALCULATIONS

Residential	0%				
Gross	0				
Net	0				
Units	0				
Commercial	100%				
Gross	213,571				
Net	192,214				
Building Area (Excluding Parking)	100%				
Gross (Toward FAR)	213,571				
Net	192,214				
Total (Including Non-FAR SF)	213,571				
Building Footprint	17,798				
Building Area (Including Parking)	343,445				
Achieved FAR	0.50				
Residential Unit Mix					
Percent Distribution of Res. Building Area	25%	25%	50%	0%	0%
Gross Square Feet per Unit	625	875	1,125	1,500	1,875
Net Square Feet per Unit	500	700	900	1,200	1,500
Market-Rate Units by Unit Type	0	0	0	0	0
Affordable Units by Unit Type	0	0	0	0	0
Net Average Unit Size	0				
Affordable Housing Units					
Bonus Derived from Targeted Housing	0%				
Affordable Square Feet Required	0				
Parking Required					
Residential	0				
Commercial	577				
Total	577				
Square Feet Required	129,874				
Parking Type	Surface				
Parking Floors	N/A				

PROTOTYPE 3 BASE - KING COUNTY SITE (OFFICE)

Site Size (Square Feet)	427,142	261,360 <i>buildable (for purchase price)</i>
Base FAR	0.5	
Bonus FAR	1.5	
Maximum Bonus (Square Feet)	427,142	
Construction Type	Commercial Class A - High-Rise (11+) Steel/Concrete	
Project Type	Commercial (Office or Retail)	
Maximum Height	125	
Floors	12	

REVENUES

Annual Revenues

Market Rate Residential Rental Revenues	\$0
Affordable Housing Rental Revenues	\$0
Retail/Office Revenues	\$7,534,784.88
Parking Revenues	\$207,799
Other Rental Revenues	\$0
Gross Annual Revenues	\$7,742,584
Less Vacancy and Credit Loss	(\$774,258)
Effective Gross Income	\$6,968,325
Less Annual Operating Expenses	(\$2,017,501)
Net Operating Income	\$4,950,824

DEVELOPMENT COSTS

Development Costs	Total	Per Unit	Per GSF
Development Hard Cost	\$41,945,335	N/A	\$196
Tenant Improvement (If Applicable)	\$7,474,985	N/A	\$35
Parking Cost	\$1,038,994	N/A	\$8
Landscaping Cost	\$279,470	N/A	\$1.31
Soft Costs	\$10,746,082	N/A	\$31
Interest Reserve	\$2,095,169	N/A	\$6
Total Development Cost (Exclu. Land)	\$63,580,035	N/A	\$297.70
Capitalization @ Rate:	6.25%	6.00%	5.75%
Capitalized Value	\$79,213,183	\$82,513,732	\$86,101,286
Residual Land Value	\$18,933,697		
Residual Land Value per Square Foot	\$44.33		
Land Price	\$13,068,000		
Economic Surplus	\$5,865,697		

INCENTIVE DESIGN

Incentives are not applicable in the Base scenario.

PROTOTYPE 3 BONUS - KING COUNTY SITE (OFFICE)

Site Size (Square Feet)	427,142	<i>261,360 buildable (for purchase price)</i>
Base FAR	0.5	
Bonus FAR	1.5	
Maximum Bonus (Square Feet)	427,142	
Construction Type	Commercial Class A - High-Rise (11+) Steel/Concrete	
Project Type	Commercial (Office or Retail)	
Maximum Height	125	
Floors	12	

BONUS - NO INCENTIVE COST

SPACE CALCULATIONS

Residential	0%				
Gross	0				
Net	0				
Units	0				
Commercial	100%				
Gross	640,713				
Net	576,642				
Building Area (Excluding Parking)	100%				
Gross (Toward FAR)	640,713				
Net	576,642				
Total (Including Non-FAR SF)	640,713				
Building Footprint	53,393				
Building Area (Including Parking)	1,246,793				
Achieved FAR	1.50				
Residential Unit Mix					
Percent Distribution of Res. Building Area	25%	25%	50%	0%	0%
Gross Square Feet per Unit	625	875	1,125	1,500	1,875
Net Square Feet per Unit	500	700	900	1,200	1,500
Market-Rate Units by Unit Type	0	0	0	0	0
Affordable Units by Unit Type	0	0	0	0	0
Net Average Unit Size	0				
Affordable Housing Units					
Bonus Derived from Targeted Housing	0%				
Affordable Square Feet Required	0				
Parking Required					
Residential	0				
Commercial	1,732				
Total	1,732				
Square Feet Required	606,080				
Parking Type	Structured				
Parking Floors	3				

PROTOTYPE 3 BONUS - KING COUNTY SITE (OFFICE)

Site Size (Square Feet)	427,142	261,360 buildable (for purchase price)
Base FAR	0.5	
Bonus FAR	1.5	
Maximum Bonus (Square Feet)	427,142	
Construction Type	Commercial Class A - High-Rise (11+) Steel/Concrete	
Project Type	Commercial (Office or Retail)	
Maximum Height	125	
Floors	12	

REVENUES

Annual Revenues

Market Rate Residential Rental Revenues	\$0
Affordable Housing Rental Revenues	\$0
Retail/Office Revenues	\$22,604,355
Parking Revenues	\$1,038,994
Other Rental Revenues	\$0
Gross Annual Revenues	\$23,643,349
Less Vacancy and Credit Loss	(\$2,364,335)
Effective Gross Income	\$21,279,014
Less Annual Operating Expenses	(\$6,160,797)
Net Operating Income	\$15,118,216

DEVELOPMENT COSTS

Development Costs	Total	Per Unit	Per GSF
Development Hard Cost	\$125,836,004	N/A	\$196
Tenant Improvement (If Applicable)	\$22,424,955	N/A	\$35
Parking Cost	\$36,364,792	N/A	\$60
Landscaping Cost	\$171,723	N/A	\$1
Soft Costs	\$40,550,199	N/A	\$33
Interest Reserve	\$6,285,508	N/A	\$5
Total Development Cost (Exclu. Land)	\$231,633,181	N/A	\$362
Capitalization @ Rate:	6.25%	6.00%	5.75%
Capitalized Value	\$241,891,464	\$251,970,275	\$262,925,504
Residual Land Value	\$20,337,094		
Residual Land Value per Square Foot	\$47.61		
Land Price	\$13,068,000		
Economic Surplus	\$7,269,094		

INCENTIVE DESIGN

Net Economic Surplus	\$1,403,398
Bonus Floor Area	427,142
Economic Surplus per Bonus SF	\$3.29
Net Change in RLV per SF	\$3.29

PROTOTYPE 4 BASE - EMISSIONS TESTING SITE (MULTIFAMILY)

Site Size (Square Feet)	74,343
Base FAR	0.5
Bonus FAR	0.75
Maximum Bonus (Square Feet)	18,586
Construction Type	Residential - Low-Rise (1-3) Wood Frame
Project Type	Residential (Mixed-Use)
Maximum Height	45
Floors	4

BASE

SPACE CALCULATIONS

Residential	100%					
Gross	37,172					
Net	29,737					
Units	42					
Retail	0%					
Gross	0					
Net	0					
Building Area (Excluding Parking)	100%					
Gross (Toward FAR)	37,172					
Net	29,737					
Total (Including Non-FAR SF)	37,172					
Building Footprint	9,293					
Building Area (Including Parking)	47,367					
Achieved FAR	0.50					
Residential Unit Mix						
		Studio	1BR	2BR	3BR	4BR
Percent Distribution of Res. Building Area	25%	25%	50%	0%	0%	
Gross Square Feet per Unit	625	875	1,125	1,500	1,875	
Net Square Feet per Unit	500	700	900	1,200	1,500	
Market-Rate Units by Unit Type	15	11	17	0	0	
Affordable Units by Unit Type	0	0	0	0	0	
Net Average Unit Size	708					
Affordable Housing Units						
Bonus Derived from Targeted Housing	0%					
Affordable Square Feet Required	0					
Parking Required						
Residential	45		108%			
Commercial	0					
Total	45					
Square Feet Required	10,196					
Parking Type	Surface					
Parking Floors	N/A					

PROTOTYPE 4 BASE - EMISSIONS TESTING SITE (MULTIFAMILY)

Site Size (Square Feet)	74,343
Base FAR	0.5
Bonus FAR	0.75
Maximum Bonus (Square Feet)	18,586
Construction Type	Residential - Low-Rise (1-3) Wood Frame
Project Type	Residential (Mixed-Use)
Maximum Height	45
Floors	4

REVENUES

Annual Revenues

Market Rate Residential Rental Revenues	\$691,389.90
Affordable Housing Rental Revenues	\$0
Retail/Office Revenues	\$0.00
Parking Revenues	\$16,313
Other Rental Revenues	\$13,828
Gross Annual Revenues	\$721,531
Less Vacancy and Credit Loss	(\$36,077)
Effective Gross Income	\$685,454
Less Annual Operating Expenses	(\$198,456)
Net Operating Income	\$486,998

DEVELOPMENT COSTS

Development Costs	Total	Per Unit	Per GSF
Development Hard Cost	\$5,400,554	\$128,555	\$145
Tenant Improvement (If Applicable)	\$0	\$0	\$0
Parking Cost	\$81,565	\$1,942	\$8
Landscaping Cost	\$54,855	\$1,306	\$1.48
Soft Costs	\$1,370,530	\$32,624	\$29
Interest Reserve	\$269,758	\$6,421	\$6
Total Development Cost (Exclu. Land)	\$7,177,261	\$170,848	\$193.09
Capitalization @ Rate:	5.50%	5.25%	5.00%
Capitalized Value	\$8,854,515	\$9,276,159	\$9,739,967
Residual Land Value	\$2,098,897		
Residual Land Value per Square Foot	\$28.23		
Land Price	\$3,717,150		
Economic Surplus	(\$1,618,253)		

INCENTIVE DESIGN

Incentives are not applicable in the Base scenario.

PROTOTYPE 4 BONUS - EMISSIONS TESTING SITE (MULTIFAMILY)

Site Size (Square Feet)	74,343
Base FAR	0.5
Bonus FAR	0.75
Maximum Bonus (Square Feet)	18,586
Construction Type	Residential - Low-Rise (1-3) Wood Frame
Project Type	Residential (Mixed-Use)
Maximum Height	45
Floors	4

BONUS - NO INCENTIVE COST

SPACE CALCULATIONS

Residential	100%				
Gross	55,757				
Net	44,606				
Units	63				
Retail	0%				
Gross	0				
Net	0				
Building Area (Excluding Parking)	100%				
Gross (Toward FAR)	55,757				
Net	44,606				
Total (Including Non-FAR SF)	55,757				
Building Footprint	13,939				
Building Area (Including Parking)	71,051				
Achieved FAR	0.75				
Residential Unit Mix					
Percent Distribution of Res. Building Area	25%	25%	50%	0%	0%
Gross Square Feet per Unit	625	875	1,125	1,500	1,875
Net Square Feet per Unit	500	700	900	1,200	1,500
Market-Rate Units by Unit Type	22	16	25	0	0
Affordable Units by Unit Type	0	0	0	0	0
Net Average Unit Size	708				
Affordable Housing Units					
Bonus Derived from Targeted Housing	0%				
Affordable Square Feet Required	0				
Parking Required					
Residential	68	108%			
Commercial	0				
Total	68				
Square Feet Required	15,293				
Parking Type	Surface				
Parking Floors	N/A				

PROTOTYPE 4 BONUS - EMISSIONS TESTING SITE (MULTIFAMILY)

Site Size (Square Feet)	74,343
Base FAR	0.5
Bonus FAR	0.75
Maximum Bonus (Square Feet)	18,586
Construction Type	Residential - Low-Rise (1-3) Wood Frame
Project Type	Residential (Mixed-Use)
Maximum Height	45
Floors	4

REVENUES

Annual Revenues

Market Rate Residential Rental Revenues	\$1,037,084.85
Affordable Housing Rental Revenues	\$0
Retail/Office Revenues	\$0
Parking Revenues	\$24,469
Other Rental Revenues	\$20,742
Gross Annual Revenues	\$1,082,296
Less Vacancy and Credit Loss	(\$108,230)
Effective Gross Income	\$974,066
Less Annual Operating Expenses	(\$282,016)
Net Operating Income	\$692,050

DEVELOPMENT COSTS

Development Costs	Total	Per Unit	Per GSF
Development Hard Cost	\$6,480,665	\$102,844	\$116.23
Tenant Improvement (If Applicable)	\$0	\$0	\$0
Parking Cost	\$122,347	\$1,942	\$8
Landscaping Cost	\$45,110	\$716	\$1.21
Soft Costs	\$1,650,753	\$26,196	\$23.23
Interest Reserve	\$323,709	\$5,137	\$4.56
Total Development Cost (Exclu. Land)	\$8,622,585	\$136,835	\$154.65
Capitalization @ Rate:	5.50%	5.25%	5.00%
Capitalized Value	\$12,582,732	\$13,181,910	\$13,841,005
Residual Land Value	\$4,559,324		
Residual Land Value per Square Foot	\$61.33		
Land Price	\$3,717,150		
Economic Surplus	\$842,174		

INCENTIVE DESIGN

Net Economic Surplus	\$842,174
Bonus Floor Area	18,586
Economic Surplus per Bonus SF	\$45
Net Change in RLV per SF	\$33.10

PROTOTYPE 5 BASE - 1-90 OFFICE PARK

Site Size (Square Feet)	113,903
Base FAR	0.5
Bonus FAR	1.0
Maximum Bonus (Square Feet)	56,952
Construction Type	Commercial - Low-Rise (2-4) Concrete Block
Project Type	Commercial (Office or Retail)
Maximum Height	65
Floors	2

BASE

SPACE CALCULATIONS

Residential	0%				
Gross	0				
Net	0				
Units	0				
Commercial	100%				
Gross	56,952				
Net	51,256				
Building Area (Excluding Parking)	100%				
Gross (Toward FAR)	56,952				
Net	51,256				
Total (Including Non-FAR SF)	56,952				
Building Footprint	28,476				
Building Area (Including Parking)	91,584				
Achieved FAR	0.50				
Residential Unit Mix					
Percent Distribution of Res. Building Area	25%	25%	50%	0%	0%
Gross Square Feet per Unit	625	875	1,125	1,500	1,875
Net Square Feet per Unit	500	700	900	1,200	1,500
Market-Rate Units by Unit Type	0	0	0	0	0
Affordable Units by Unit Type	0	0	0	0	0
Net Average Unit Size	0				
Affordable Housing Units					
Bonus Derived from Targeted Housing	0%				
Affordable Square Feet Required	0				
Parking Required					
Residential	0				
Commercial	154				
Total	154				
Square Feet Required	34,633				
Parking Type	Surface				
Parking Floors	N/A				

PROTOTYPE 5 BASE - 1-90 OFFICE PARK

Site Size (Square Feet)	113,903
Base FAR	0.5
Bonus FAR	1.0
Maximum Bonus (Square Feet)	56,952
Construction Type	Commercial - Low-Rise (2-4) Concrete Block
Project Type	Commercial (Office or Retail)
Maximum Height	65
Floors	2

REVENUES

Annual Revenues

Market Rate Residential Rental Revenues	\$0
Affordable Housing Rental Revenues	\$0
Retail/Office Revenues	\$1,865,731.14
Parking Revenues	\$55,412
Other Rental Revenues	\$0
Gross Annual Revenues	\$1,921,143
Less Vacancy and Credit Loss	(\$192,114)
Effective Gross Income	\$1,729,029
Less Annual Operating Expenses	(\$500,596)
Net Operating Income	\$1,228,433

DEVELOPMENT COSTS

Development Costs	Total	Per Unit	Per GSF
Development Hard Cost	\$8,861,653	N/A	\$156
Tenant Improvement (If Applicable)	\$1,993,303	N/A	\$35
Parking Cost	\$277,061	N/A	\$8
Landscaping Cost	\$50,795	N/A	\$0.89
Soft Costs	\$2,284,679	N/A	\$25
Interest Reserve	\$442,640	N/A	\$5
Total Development Cost (Exclu. Land)	\$13,910,130	N/A	\$244.25
Capitalization @ Rate:	6.25%	6.00%	5.75%
Capitalized Value	\$19,654,923	\$20,473,878	\$21,364,046
Residual Land Value	\$6,563,748		
Residual Land Value per Square Foot	\$57.63		
Land Price	\$5,695,150		
Economic Surplus	\$868,598		

INCENTIVE DESIGN

Incentives are not applicable in the Base scenario.

PROTOTYPE 5 BONUS- 1-90 OFFICE PARK

Site Size (Square Feet)	113,903
Base FAR	0.5
Bonus FAR	1.0
Maximum Bonus (Square Feet)	56,952
Construction Type	Commercial - Low-Rise (2-4) Concrete Block
Project Type	Commercial (Office or Retail)
Maximum Height	65
Floors	4

BONUS - NO INCENTIVE COST

SPACE CALCULATIONS

Residential	0%				
Gross	0				
Net	0				
Units	0				
Commercial	100%				
Gross	113,903				
Net	102,513				
Building Area (Excluding Parking)	100%				
Gross (Toward FAR)	113,903				
Net	102,513				
Total (Including Non-FAR SF)	113,903				
Building Footprint	28,476				
Building Area (Including Parking)	221,649				
Achieved FAR	1.00				
Residential Unit Mix					
	Studio	1BR	2BR	3BR	4BR
Percent Distribution of Res. Building Area	25%	25%	50%	0%	0%
Gross Square Feet per Unit	625	875	1,125	1,500	1,875
Net Square Feet per Unit	500	700	900	1,200	1,500
Market-Rate Units by Unit Type	0	0	0	0	0
Affordable Units by Unit Type	0	0	0	0	0
Net Average Unit Size	0				
Affordable Housing Units					
Bonus Derived from Targeted Housing	0%				
Affordable Square Feet Required	0				
Parking Required					
Residential	0				
Commercial	308				
Total	308				
Square Feet Required	107,746				
Parking Type	Structured				
Parking Floors	2				

PROTOTYPE 5 BONUS- 1-90 OFFICE PARK

Site Size (Square Feet)	113,903
Base FAR	0.5
Bonus FAR	1.0
Maximum Bonus (Square Feet)	56,952
Construction Type	Commercial - Low-Rise (2-4) Concrete Block
Project Type	Commercial (Office or Retail)
Maximum Height	65
Floors	4

REVENUES

Annual Revenues

Market Rate Residential Rental Revenues	\$0
Affordable Housing Rental Revenues	\$0
Retail/Office Revenues	\$3,731,462
Parking Revenues	\$184,708
Other Rental Revenues	\$0
Gross Annual Revenues	\$3,916,170
Less Vacancy and Credit Loss	(\$391,617)
Effective Gross Income	\$3,524,553
Less Annual Operating Expenses	(\$1,020,445)
Net Operating Income	\$2,504,108

DEVELOPMENT COSTS

Development Costs	Total	Per Unit	Per GSF
Development Hard Cost	\$17,723,307	N/A	\$155.60
Tenant Improvement (If Applicable)	\$3,986,605	N/A	\$35
Parking Cost	\$6,464,765	N/A	\$60
Landscaping Cost	\$31,554	N/A	\$0.55
Soft Costs	\$6,047,018	N/A	\$27.28
Interest Reserve	\$885,279	N/A	\$3.99
Total Development Cost (Exclu. Land)	\$35,138,528	N/A	\$308.50
Capitalization @ Rate:	6.25%	6.00%	5.75%
Capitalized Value	\$40,065,731	\$41,735,137	\$43,549,708
Residual Land Value	\$6,596,609		
Residual Land Value per Square Foot	\$57.91		
Land Price	\$5,695,150		
Economic Surplus	\$901,459		

INCENTIVE DESIGN

Net Economic Surplus	\$32,861
Bonus Floor Area	56,952
Economic Surplus per Bonus SF	\$1
Net Change in RLV per SF	\$0.29