



May 18, 2015

To: Ketil Freeman

From: Nora Lake-Brown

Subject: Seattle Affordable Housing Nexus Study  
Economic Impact Analysis for Low- and Mid-Rise Residential, Mixed-Use and Non-Residential Prototypes

This memorandum presents an analysis of the potential economic impact of alternative affordable housing nexus fees on the feasibility of ten low- and mid-rise residential, mixed-use and non-residential prototypes. It is based on the economic impact analysis of twelve other market rate residential and office prototypes contained in DRA’s “Affordable Housing Incentive Program Economic Analysis” for the City of Seattle, 2014. This memo applies the same economic impact analysis methodology and basic assumptions, with selected updates, to the analysis to the ten additional low- and mid-rise residential, mixed-use and non-residential prototypes analyzed in DRA’s nexus study for the City of Seattle. The analysis looks at the impact of the following fees per net square foot for low, middle and high cost areas, applied consistently across all land uses, at “low” and “high” fee levels.

<i>Nexus Fee Level:</i>	<b>Low Fee Per NSF</b>	<b>High Fee Per NSF</b>
<i>Land/Price Areas:</i>		
Low Priced Areas	\$5	\$7
Middle Priced Areas	\$10	\$12
High Priced Areas	\$16	\$22

**Summary of Findings from the Economic Impact Analysis**

DRA evaluated the financial feasibility of the development prototypes at alternative levels of an affordable housing nexus fees using two methods of assessment: return on equity analysis and land residual analysis (see Methodology section below). **Table 1** summarizes the results of both analyses for the ten prototypes. **Table 2**



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details the return on equity analysis for each of the prototypes. **Table 3** details the land residual analysis calculations.

For the ROE analysis, feasibility threshold returns are estimated at 6% to 8% for the apartment prototypes and 10% to 12% for the non-residential prototypes. For the land residual analysis, feasibility is measured by residual land values that approach or exceed current market land sales prices.

Most of the prototypes are determined to be economically feasible under one or more of the three land cost/price scenarios. Exceptions include the rental flats, mixed-use grocery store and stand-alone retail prototypes. In most cases where the prototype is feasible without the fee, the addition of the fee does not make the prototype infeasible. This is less likely to be the case for the high cost scenario and fee level.

### **Development Prototypes**

The economic impact analysis contained in this memo uses ten development prototypes that, in addition to the twelve original prototypes analyzed in the 2014 study, were analyzed in DRA's affordable housing nexus study for the City. These ten additional prototypes, detailed in **Table 4**, were developed by City staff based on a review of actual projects and other available data. They include the following:

- Single-Family Infill
- Owner Townhomes
- Owner Flats
- Renter Flats
- Mixed Use Residential with Grocery Store
- Mixed-Use Residential with Restaurant
- Mixed-Use Residential with Entertainment
- Single-Story Stand Alone Retail
- Research and Development
- Medical Office



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These prototypes were used to assess the potential economic impact of affordable housing nexus fees on the economic feasibility of new development.

### **Methodology**

DRA evaluated the financial feasibility of the development prototypes at alternative nexus fee levels using two methods of assessment: return on equity analysis and land residual analysis. The return on equity approach calculates the value of a development based on its stabilized income potential and subtracts the costs of development to yield the net value of the investment, representing developer/investor profit. The financial feasibility of the prototypes, under a certain set of economic assumptions, is measured by the rate of the return on equity the resulting net investment value (or profit) produces. Under this approach, land costs are held fixed at an estimated market sales price and the economic impact of the program is shown as a change in the dollar amount of the net value of investment in the prototype and as a change in the ROE.

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

Both the ROE and RLV analyses calculate the value of rental prototypes (residential and commercial) at a point in time based on the estimated stabilized net operating income of the prototype. For the condominium housing prototypes, DRA estimated gross sales revenues and subtracted sales commissions/costs to yield net sales revenues.

The low- and mid-rise residential prototypes are analyzed under low, middle and high land cost and price assumptions, reflecting the range of market conditions in different locations within the City. The mixed-use and non-residential prototypes



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are analyzed under middle and high cost/price scenarios, representing areas where they are likely to be developed.

### **Assumptions and Analysis**

DRA used the same assumptions as in its 2014 Economic Analysis, Version B, Lower Cap Rates, with the following updates and additions:

- Hard construction costs for the prototypes were escalated by 5% over the 2104 costs based on the increase in the Turner Building Cost Index of 4.75% for urban areas from 1<sup>st</sup> Quarter 2014 to 1<sup>st</sup> Quarter 2015. Hard construction costs for the medical office building are increased 30% over comparable office construction for higher floor heights, greater HVAC requirements and higher tenant improvement costs.
- Apartment rents for the additional low- and mid-rise residential and mixed-use prototypes are based on the 2014 study escalated by 5% to 2015. According to Apartment Insights Washington, average rents in King and Snohomish counties increased by 8% from 4<sup>th</sup> Quarter 2013 to 4<sup>th</sup> Quarter 2014. However, vacancy rates also increased and the influx of new apartments is expected to temper future rent increases.
- Apartment operating costs were escalated by 4% over 2014 assumptions for low, middle and high rent scenarios, based on the average annual increase in operating costs reported by Dupre + Scott from 2000 to 2013.
- Estimated rental income for the non-residential prototypes is based on a review of market data and interviews with local developers. Medical office lease rates are estimated to be 30% higher than comparable office lease rates, based on developer interviews.
- For the owner housing, the townhome sales price was based on the median sales price per square foot for new homes sold in Seattle during the 1<sup>st</sup> Quarter 2015 of \$340 for an average-sized new unit of 1,300 square feet, according to Redfin. The estimated per square foot sales prices for single-



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family infill homes and owner flats are estimated at \$325 and \$350, respectively.

- Land costs for the single-story retail prototype are based on data provided by City staff on sales for comparable sites in lower cost areas. Single-story retail development will only be feasible in such areas.

The development cost assumptions used in this analysis are detailed in **Table 5**.

**Table 6** presents the estimated prototype development cost budgets and total development cost, with and without land costs, for the ten prototypes, respectively.

The income and operating cost assumptions and projected net operating income for the prototypes with rental residential units are summarized in **Table 7**.

Assumptions on condominium sales prices and projected net sales income are shown in **Table 8**. Assumptions on lease rates, operating costs, and projected net operating income from the non-residential prototypes are shown in **Table 9**.

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**Table 1**  
**Summary of Return on Equity and Land Residual Analysis Results**  
**Nexus Prototypes**  
**Lower Cap Rates Version B**  
**Seattle Nexus and Economic Impact Analysis**  
**2015**

Resid. Cap Rate: 4.25%  
 Non-Resid. Cap Rate: 5.00%

	Single-Family Infill	Owner Townhomes	Owner Flats	Rental Flats	MU Grocery	MU Restaurant	MU Entertainment	Stand Alone Retail	R&D Laboratory	Medical Office
Site Area (SF)	5,000	9,600	9,600	9,600	50,000	20,000	20,000	50,000	20,000	20,000
Net SF R&D Laboratory	-	-	-	-	-	0	0	0	80,000	0
Net SF General Office	-	-	-	-	-	0	0	0	8,000	0
Net SF Medical Office	-	-	-	-	-	0	0	0	0	69,600
Net SF Retail	-	-	-	-	-	0	0	20,000	1,600	2,400
Net SF Grocery Store	-	-	-	-	37,500	0	0	0	0	0
Net SF Restaurant	-	-	-	-	-	2,250	0	0	0	0
Net SF Entertainment	-	-	-	-	-	0	11,250	0	0	0
Net SF Community Space	-	-	-	-	7,500	-	-	-	-	-
Total Net SF Non-Residential	-	-	-	-	45,000	2,250	11,250	20,000	89,600	72,000
Residential Net SF	2,200	8,400	9,300	9,500	112,500	46,800	57,200	-	-	-
Total Net SF	2,200	8,400	9,300	9,500	157,500	49,050	68,450	20,000	89,600	72,000
Residential Units	1	6	9	12	173	72	88	-	-	-
Approximate Building Stories	2	3	3	3	6	4	6	1	7	6
<b>Assumed Land Purchase Price</b>										
Low Scenario	\$20	\$31	\$31	\$31	-	-	-	-	-	-
Middle Scenario	\$25	\$50	\$50	\$50	\$176	\$176	\$176	\$106	\$400	\$176
High Scenario	\$30	\$75	\$75	\$75	\$264	\$264	\$264	\$106	\$425	\$264
<b>BEFORE PAYMENT OF NEXUS FEE</b>										
<b>Return on Equity (ROE) (1)</b>										
Low Scenario	11%	21%	-13%	89%	-	-	-	-	-	-
Middle Scenario	13%	14%	-20%	93%	1%	28%	22%	-79%	20%	23%
High Scenario	13%	4%	-28%	79%	-1%	21%	18%	-36%	33%	31%
<b>Residual Land Value (RLV) (2)</b>										
Low Scenario	\$19	\$70	(\$3)	\$216	-	-	-	-	-	-
Middle Scenario	\$26	\$79	(\$13)	\$275	\$206	\$553	\$628	\$53	\$900	\$737
High Scenario	\$31	\$84	(\$27)	\$301	\$230	\$601	\$690	\$82	\$1,316	\$1,129
<b>AFTER PMT. OF NEXUS FEE: LOW (3)</b>										
<b>Return on Equity (ROE) (1)</b>										
Low Scenario	9%	21%	-13%	89%	-	-	-	-	-	-
Middle Scenario	8%	10%	-24%	88%	0%	26%	20%	-85%	18%	21%
High Scenario	6%	-2%	-33%	73%	-3%	18%	15%	-45%	31%	29%
<b>Residual Land Value (RLV) (2)</b>										
Low Scenario	\$17	\$65	(\$8)	\$211	-	-	-	-	-	-
Middle Scenario	\$21	\$70	(\$22)	\$265	\$175	\$528	\$593	\$49	\$855	\$701
High Scenario	\$24	\$70	(\$42)	\$285	\$180	\$562	\$636	\$76	\$1,244	\$1,071
<b>AFTER PMT. OF NEXUS FEE: HIGH</b>										
<b>Return on Equity (ROE) (1)</b>										
Low Scenario	8%	18%	-15%	85%	-	-	-	-	-	-
Middle Scenario	7%	9%	-24%	88%	0%	26%	20%	-86%	18%	21%
High Scenario	4%	-4%	-34%	71%	-4%	18%	15%	-49%	30%	28%
<b>Residual Land Value (RLV) (2)</b>										
Low Scenario	\$16	\$64	(\$10)	\$209	-	-	-	-	-	-
Middle Scenario	\$20	\$68	(\$24)	\$263	\$169	\$523	\$586	\$48	\$846	\$694
High Scenario	\$21	\$65	(\$48)	\$279	\$161	\$547	\$615	\$73	\$1,217	\$1,050

(1) Return on equity measured as net project value divided by the number of years equity investment divided by total equity investment.  
 (2) Land residual value per square foot site area.  
 (3) Low and High nexus fee scenarios for low, middle and high economic areas are as follows. Nexus fees are assumed to be applied per net square foot building area.

	Low Cost Area	Middle Cost	High Cost Area
Low Nexus Fee	\$5	\$10	\$16
High Nexus Fee	\$7	\$12	\$22

Source: DRA.

**Table 2**  
**Return on Equity Analysis**  
**Nexus Prototypes**  
**Lower Cap Rates Version B**  
**Seattle Nexus and Economic Impact Analysis**  
**2015**

Resid. Cap Rate: 4.25%  
Non-Resid. Cap Rate: 5.00%

	Single-Family Infill	Owner Townhomes	Owner Flats	Rental Flats	MU Grocery
Site Area (SF)	5,000	9,600	9,600	9,600	50,000
Net SF R&D Laboratory	-	-	-	-	-
Net SF General Office	-	-	-	-	-
Net SF Medical Office	-	-	-	-	-
Net SF Retail	-	-	-	-	-
Net SF Grocery Store	-	-	-	-	37,500
Net SF Restaurant	-	-	-	-	-
Net SF Entertainment	-	-	-	-	-
Net SF Community Space	-	-	-	-	7,500
Total Net SF Non-Residential	-	-	-	-	45,000
Residential Net SF	2,200	8,400	9,300	9,500	112,500
Total Net SF	2,200	8,400	9,300	9,500	157,500
Residential Units	1	6	9	12	173
Approximate Building Stories	2	3	3	3	6
<b>Total Annual Net Operating Income, Apartments</b>					
Low Scenario				\$181,865	
NOI Per NSF				\$19.14	
Middle Scenario				\$215,979	\$3,027,505
NOI Per NSF				\$22.73	\$19.22
High Scenario				\$238,168	\$3,274,201
NOI Per NSF				\$25.07	\$20.79
Cap Rate, Residential				4.25%	4.25%
<b>Capitalized Value, Apartments</b>					
Low Scenario				\$4,279,165	
Middle Scenario				\$5,081,859	\$71,235,412
High Scenario				\$5,603,947	\$77,040,029
<b>Net Home Sales Proceeds</b>					
Low Scenario	\$627,000	\$2,553,600	\$2,871,375		
Middle Scenario	\$679,250	\$2,713,200	\$3,092,250		
High Scenario	\$731,500	\$2,872,800	\$3,313,125		
<b>Total Annual NOI, Non-Residential Uses</b>					
Middle Scenario					\$450,000
NOI Per NSF					\$2.86
High Scenario					\$562,500
NOI Per NSF					\$3.57
Cap Rate, Commercial					5.00%
<b>Capitalized Value, Non-Resid Uses</b>					
Middle Scenario					\$9,000,000
High Scenario					\$11,250,000
<b>Total Market Value (Capitalized NOI for Rental; Net Sales Proceeds for Ownership)</b>					
Low Scenario	\$627,000	\$2,553,600	\$2,871,375	\$4,279,165	
Per NSF	\$285	\$304	\$309	\$450	
Middle Scenario	\$679,250	\$2,713,200	\$3,092,250	\$5,081,859	\$80,235,412
Per NSF	\$309	\$323	\$333	\$535	\$509
High Scenario	\$731,500	\$2,872,800	\$3,313,125	\$5,603,947	\$88,290,029
Per NSF	\$333	\$342	\$356	\$590	\$561
<b>Less: Total Development Cost, Include. Land</b>					
Low Scenario	\$574,967	\$2,183,205	\$3,202,093	\$2,504,657	
Per NSF	\$261	\$260	\$344	\$264	
Middle Scenario	\$617,466	\$2,435,892	\$3,694,201	\$2,920,404	\$78,711,495
Per NSF	\$281	\$290	\$397	\$307	\$500
High Scenario	\$664,465	\$2,784,716	\$4,288,717	\$3,433,468	\$89,968,535
Per NSF	\$302	\$332	\$461	\$361	\$571
<b>Net Value of Investment Before Nexus Fees</b>					
Low Scenario	\$52,033	\$370,395	(\$330,718)	\$1,774,508	
Per SF Site Area	\$10.41	\$38.58	(\$34.45)	\$184.84	
Per Dwelling Unit	\$52,033	\$61,733	(\$36,746)	\$147,876	
Return on Equity (1)	11%	21%	-13%	89%	
Middle Scenario	\$61,784	\$277,308	(\$601,951)	\$2,161,455	\$1,523,917
Per SF Site Area	\$12.36	\$28.89	(\$62.70)	\$225.15	\$30.48
Per Dwelling Unit	\$61,784	\$46,218	(\$66,883)	\$180,121	\$8,809
Return on Equity (1)	13%	14%	-20%	93%	1%
High Scenario	\$67,035	\$88,084	(\$975,592)	\$2,170,479	(\$1,678,506)
Per SF Site Area	\$13.41	\$9.18	(\$101.62)	\$226.09	(\$33.57)
Per Dwelling Unit	\$67,035	\$14,681	(\$108,399)	\$180,873	(\$9,702)
Return on Equity (1)	13%	4%	-28%	79%	-1%
<b>Equity Investment @ 40%</b>					
Low Scenario	\$229,986.93	\$873,282	\$1,280,837	\$1,001,863	
Middle Scenario	\$246,986	\$974,357	\$1,477,681	\$1,168,162	\$31,484,598
High Scenario	\$265,786	\$1,113,886	\$1,715,487	\$1,373,387	\$35,987,414
Assumed Investment Period (Years)	2	2	2	2	4

**Table 2**  
**Return on Equity Analysis**  
**Nexus Prototypes**  
**Lower Cap Rates Version B**  
**Seattle Nexus and Economic Impact Analysis**  
**2015**

**Resid. Cap Rate: 4.25%**  
**Non-Resid. Cap Rate: 5.00%**

			Single-Family Infill	Owner Townhomes	Owner Flats	Rental Flats	MU Grocery
<b>Less: Affordable Housing Nexus Fee</b>							
1. Residential and Non-Residential Fee: Low							
Low Scenario	\$5	Per NSF	\$11,000	\$42,000	\$46,500	\$47,500	
Middle Scenario	\$10	Per NSF	\$22,000	\$84,000	\$93,000	\$95,000	\$1,575,000
High Scenario	\$16	Per NSF	\$35,200	\$134,400	\$148,800	\$152,000	\$2,520,000
2. Residential and Non-Residential Fee: High							
Low Scenario	\$7	Per NSF	\$15,400	\$58,800	\$65,100	\$66,500	
Middle Scenario	\$12	Per NSF	\$26,400	\$100,800	\$111,600	\$114,000	\$1,890,000
High Scenario	\$22	Per NSF	\$48,400	\$184,800	\$204,600	\$209,000	\$3,465,000
<b>Net Value of Investment After Nexus Fees</b>							
1. Residential and Non-Residential Fee: Low							
Low Scenario			\$41,033	\$370,395	(\$330,718)	\$1,774,508	
Return on Equity (1)			9%	21%	-13%	89%	
Middle Scenario			\$39,784	\$193,308	(\$694,951)	\$2,066,455	(\$51,083)
Return on Equity (1)			8%	10%	-24%	88%	0%
High Scenario			\$31,835	(\$46,316)	(\$1,124,392)	\$2,018,479	(\$4,198,506)
Return on Equity (1)			6%	-2%	-33%	73%	-3%
2. Residential and Non-Residential Fee: High							
Low Scenario			\$36,633	\$311,595	(\$395,818)	\$1,708,008	
Return on Equity (1)			8%	18%	-15%	85%	
Middle Scenario			\$35,384	\$176,508	(\$713,551)	\$2,047,455	(\$366,083)
Return on Equity (1)			7%	9%	-24%	88%	0%
High Scenario			\$18,635	(\$96,716)	(\$1,180,192)	\$1,961,479	(\$5,143,506)
Return on Equity (1)			4%	-4%	-34%	71%	-4%
<b>Cash Flow Summary</b>							
Low Scenario							
Debt	60%		\$344,980	\$1,309,923	\$1,921,256	\$1,502,794	
Equity	40%		\$229,987	\$873,282	\$1,280,837	\$1,001,863	
Middle Scenario							
Debt	60%		\$370,480	\$1,461,535	\$2,216,521	\$1,752,243	\$47,226,897
Equity	40%		\$246,986	\$974,357	\$1,477,681	\$1,168,162	\$31,484,598
High Scenario							
Debt	60%		\$398,679	\$1,670,829	\$2,573,230	\$2,060,081	\$53,981,121
Equity	40%		\$265,786	\$1,113,886	\$1,715,487	\$1,373,387	\$35,987,414
Annual Debt Service 5% 20 Yrs							
Low Scenario			\$27,321	\$103,739	\$152,153	\$119,013	
Middle Scenario			\$29,340	\$115,746	\$175,537	\$138,768	\$3,740,119
High Scenario			\$52,622	\$220,535	\$339,644	\$271,912	\$7,125,030
<b>Net Cash Flow</b>							
Low Scenario			(\$27,321)	(\$103,739)	(\$152,153)	\$62,851	
Annual Return on Equity (2)			-11.9%	-11.9%	-11.9%	6.3%	
Middle Scenario			(\$29,340)	(\$115,746)	(\$175,537)	\$77,211	(\$712,614)
Annual Return on Equity (2)			-11.9%	-11.9%	-11.9%	6.6%	-2.3%
High Scenario			(\$52,622)	(\$220,535)	(\$339,644)	(\$33,745)	(\$3,850,829)
Annual Return on Equity (2)			-13.2%	-13.2%	-13.2%	-1.6%	-7.1%

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

Source: DRA.

**Table 2**  
**Return on Equity Analysis**  
**Nexus Prototypes**  
**Lower Cap Rates Version B**  
**Seattle Nexus and Economic Impact Analysis**  
**2015**

	MU Restaurant	MU Entertainment	Stand Alone Retail	R&D Laboratory	Medical Office
Site Area (SF)	20,000	20,000	50,000	20,000	20,000
Net SF R&D Laboratory	0	0	0	80,000	0
Net SF General Office	0	0	0	8,000	0
Net SF Medical Office	0	0	0	0	69,600
Net SF Retail	0	0	20,000	1,600	2,400
Net SF Grocery Store	0	0	0	0	0
Net SF Restaurant	2,250	0	0	0	0
Net SF Entertainment	0	11,250	0	0	0
Net SF Community Space	-	-	-	-	-
Total Net SF Non-Residential	2,250	11,250	20,000	89,600	72,000
Residential Net SF	46,800	57,200	-	-	-
Total Net SF	49,050	68,450	20,000	89,600	72,000
Residential Units	72	88	-	-	-
Approximate Building Stories	4	6	1	7	6
<b>Total Annual Net Operating Income, Apartments</b>					
Low Scenario					
NOI Per NSF					
Middle Scenario	\$1,018,930	\$1,398,358			
NOI Per NSF	\$20.77	\$20.43			
High Scenario	\$1,121,539	\$1,523,769			
NOI Per NSF	\$22.87	\$22.26			
Cap Rate, Residential	4.25%	4.25%			
<b>Capitalized Value, Apartments</b>					
Low Scenario					
Middle Scenario	\$23,974,814	\$32,902,551			
High Scenario	\$26,389,144	\$35,853,398			
<b>Net Home Sales Proceeds</b>					
Low Scenario					
Middle Scenario					
High Scenario					
<b>Total Annual NOI, Non-Residential Uses</b>					
Middle Scenario	\$21,600	\$108,000	\$288,000	\$2,047,880	\$2,102,064
NOI Per NSF	\$0.44	\$1.58	\$14.40	\$22.86	\$29.20
High Scenario	\$27,000	\$135,000	\$360,000	\$2,559,850	\$2,627,580
NOI Per NSF	\$0.55	\$1.97	\$18.00	\$28.57	\$36.49
Cap Rate, Commercial	5.00%	5.00%	5.00%	5.00%	5.00%
<b>Capitalized Value, Non-Resid Uses</b>					
Middle Scenario	\$432,000	\$2,160,000	\$5,760,000	\$40,957,600	\$42,041,280
High Scenario	\$540,000	\$2,700,000	\$7,200,000	\$51,197,000	\$52,551,600
<b>Total Market Value (Capitalized NOI for Rental; Net Sales Proceeds for Ownership)</b>					
Low Scenario					
Per NSF					
Middle Scenario	\$24,406,814	\$35,062,551	\$5,760,000	\$40,957,600	\$42,041,280
Per NSF	\$498	\$512	\$288	\$457	\$584
High Scenario	\$26,929,144	\$38,553,398	\$7,200,000	\$51,197,000	\$52,551,600
Per NSF	\$549	\$563	\$360	\$571	\$730
<b>Less: Total Development Cost, Include. Land</b>					
Low Scenario					
Per NSF					
Middle Scenario	\$16,870,474	\$26,032,393	\$8,400,781	\$30,966,655	\$30,816,898
Per NSF	\$344	\$380	\$420	\$346	\$428
High Scenario	\$20,188,766	\$30,028,101	\$8,400,781	\$33,379,989	\$35,255,104
Per NSF	\$412	\$439	\$420	\$373	\$490
<b>Net Value of Investment Before Nexus Fees</b>					
Low Scenario					
Per SF Site Area					
Per Dwelling Unit					
Return on Equity (1)					
Middle Scenario	\$7,536,340	\$9,030,158	(\$2,640,781)	\$9,990,945	\$11,224,382
Per SF Site Area	\$376.82	\$451.51	(\$52.82)	\$499.55	\$561.22
Per Dwelling Unit	\$104,671	\$102,615	N/A	N/A	N/A
Return on Equity (1)	28%	22%	-79%	20%	23%
High Scenario	\$6,740,378	\$8,525,297	(\$1,200,781)	\$17,817,011	\$17,296,496
Per SF Site Area	\$337.02	\$426.26	(\$24.02)	\$890.85	\$864.82
Per Dwelling Unit	\$93,616	\$96,878	N/A	N/A	N/A
Return on Equity (1)	21%	18%	-36%	33%	31%
<b>Equity Investment @ 40%</b>					
Low Scenario					
Middle Scenario	\$6,748,190	\$10,412,957	\$3,360,313	\$12,386,662	\$12,326,759
High Scenario	\$8,075,506	\$12,011,240	\$3,360,313	\$13,351,996	\$14,102,041
Assumed Investment Period (Years)	4	4	1	4	4

**Table 2**  
**Return on Equity Analysis**  
**Nexus Prototypes**  
**Lower Cap Rates Version B**  
**Seattle Nexus and Economic Impact Analysis**  
**2015**

	MU Restaurant	MU Entertainment	Stand Alone Retail	R&D Laboratory	Medical Office		
<b>Less: Affordable Housing Nexus Fee</b>							
1. Residential and Non-Residential Fee: Low							
Low Scenario	\$5	Per NSF					
Middle Scenario	\$10	Per NSF	\$490,500	\$684,500	\$200,000	\$896,000	\$720,000
High Scenario	\$16	Per NSF	\$784,800	\$1,095,200	\$320,000	\$1,433,600	\$1,152,000
2. Residential and Non-Residential Fee: High							
Low Scenario	\$7	Per NSF					
Middle Scenario	\$12	Per NSF	\$588,600	\$821,400	\$240,000	\$1,075,200	\$864,000
High Scenario	\$22	Per NSF	\$1,079,100	\$1,505,900	\$440,000	\$1,971,200	\$1,584,000
<b>Net Value of Investment After Nexus Fees</b>							
1. Residential and Non-Residential Fee: Low							
Low Scenario							
Return on Equity (1)							
Middle Scenario	\$7,045,840	\$8,345,658	(\$2,840,781)	\$9,094,945	\$10,504,382		
Return on Equity (1)	26%	20%	-85%	18%	21%		
High Scenario	\$5,955,578	\$7,430,097	(\$1,520,781)	\$16,383,411	\$16,144,496		
Return on Equity (1)	18%	15%	-45%	31%	29%		
2. Residential and Non-Residential Fee: High							
Low Scenario							
Return on Equity (1)							
Middle Scenario	\$6,947,740	\$8,208,758	(\$2,880,781)	\$8,915,745	\$10,360,382		
Return on Equity (1)	26%	20%	-86%	18%	21%		
High Scenario	\$5,661,278	\$7,019,397	(\$1,640,781)	\$15,845,811	\$15,712,496		
Return on Equity (1)	18%	15%	-49%	30%	28%		
<b>Cash Flow Summary</b>							
Low Scenario							
Debt	60%						
Equity	40%						
Middle Scenario							
Debt	60%	\$10,122,284	\$15,619,436	\$5,040,469	\$18,579,993	\$18,490,139	
Equity	40%	\$6,748,190	\$10,412,957	\$3,360,313	\$12,386,662	\$12,326,759	
High Scenario							
Debt	60%	\$12,113,260	\$18,016,860	\$5,040,469	\$20,027,993	\$21,153,062	
Equity	40%	\$8,075,506	\$12,011,240	\$3,360,313	\$13,351,996	\$14,102,041	
Annual Debt Service 5% 20 Yrs							
Low Scenario							
Middle Scenario		\$801,631	\$1,236,976	\$399,178	\$1,471,437	\$1,464,321	
High Scenario		\$1,598,843	\$2,378,066	\$665,297	\$2,643,518	\$2,792,017	
<b>Net Cash Flow</b>							
Low Scenario							
Annual Return on Equity (2)		\$217,298	\$161,382	(\$399,178)	(\$1,471,437)	(\$1,464,321)	
Middle Scenario		3.2%	1.5%	-11.9%	-11.9%	-11.9%	
High Scenario		(\$477,304)	(\$854,297)	(\$665,297)	(\$2,643,518)	(\$2,792,017)	
Annual Return on Equity (2)		-3.9%	-4.7%	-13.2%	-13.2%	-13.2%	

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

Source: DRA.

**Table 3**  
**Land Residual Analysis**  
**Nexus Prototypes**  
**Lower Cap Rates Version B**  
**Seattle Nexus and Economic Impact Analysis**  
**2015**

Resid. Cap Rate: 4.25%  
 Non-Resid. Cap Rate: 5.00%

	Single-Family Infill	Owner Townhomes	Owner Flats	Rental Flats	MU Grocery
Site Area (SF)	5,000	9,600	9,600	9,600	50,000
Net SF R&D Laboratory	-	-	-	-	-
Net SF General Office	-	-	-	-	-
Net SF Medical Office	-	-	-	-	-
Net SF Retail	-	-	-	-	-
Net SF Grocery Store	-	-	-	-	37,500
Net SF Restaurant	-	-	-	-	-
Net SF Entertainment	-	-	-	-	-
Net SF Community Space	-	-	-	-	7,500
Total Net SF Non-Residential	-	-	-	-	45,000
Residential Net SF	2,200	8,400	9,300	9,500	112,500
Total Net SF	2,200	8,400	9,300	9,500	157,500
Residential Units	1	6	9	12	173
Approximate Building Stories	2	3	3	3	6
<b>Total Annual Net Operating Income, Apartments</b>					
Low Scenario				\$181,865	N/A
NOI Per NSF				\$19.14	N/A
Middle Scenario				\$215,979	\$3,027,505
NOI Per NSF				\$22.73	\$19.22
High Scenario				\$238,168	\$3,274,201
NOI Per NSF				\$25.07	\$20.79
Cap Rate				4.25%	4.25%
<b>Capitalized Value, Apartments</b>					
Low Scenario				\$4,279,165	N/A
Middle Scenario				\$5,081,859	\$71,235,412
High Scenario				\$5,603,947	\$77,040,029
<b>Net Home Sales Proceeds</b>					
Low Scenario	\$627,000	\$2,553,600	\$2,871,375		
Middle Scenario	\$679,250	\$2,713,200	\$3,092,250		
High Scenario	\$731,500	\$2,872,800	\$3,313,125		
<b>Total Annual NOI, Non-Residential Uses</b>					
Middle Scenario					\$450,000
NOI Per NSF					\$2.86
High Scenario					\$562,500
NOI Per NSF					\$3.57
Cap Rate, Commercial					5.00%
<b>Capitalized Value, Non-Resid Uses</b>					
Middle Scenario					\$9,000,000
High Scenario					\$11,250,000
<b>Total Market Value (Capitalized NOI for Rental; Net Sales Proceeds for Ownership)</b>					
Low Scenario	\$627,000	\$2,553,600	\$2,871,375	\$4,279,165	N/A
Per NSF	\$285	\$304	\$309	\$450	N/A
Middle Scenario	\$679,250	\$2,713,200	\$3,092,250	\$5,081,859	\$80,235,412
Per NSF	\$309	\$323	\$333	\$535	\$509
High Scenario	\$731,500	\$2,872,800	\$3,313,125	\$5,603,947	\$88,290,029
Per NSF	\$333	\$342	\$356	\$590	\$561
<b>Less: Total Development Cost, Excluding Land</b>					
Low Scenario	\$474,967	\$1,883,205	\$2,902,093	\$2,204,657	N/A
Per NSF	\$216	\$224	\$312	\$232	N/A
Middle Scenario	\$492,466	\$1,955,892	\$3,214,201	\$2,440,404	\$69,911,495
Per NSF	\$224	\$233	\$346	\$257	\$444
High Scenario	\$514,465	\$2,064,716	\$3,568,717	\$2,713,468	\$76,768,535
Per NSF	\$234	\$246	\$384	\$286	\$487
<b>Less: Assumed Return on Equity (See Below)</b>					
Low Scenario	\$55,197	\$209,588	\$307,401	\$240,447	N/A
Middle Scenario	\$59,277	\$233,846	\$354,643	\$280,359	\$7,556,304
High Scenario	\$63,789	\$267,333	\$411,717	\$329,613	\$8,636,979

**Table 3**  
**Land Residual Analysis**  
**Nexus Prototypes**  
**Lower Cap Rates Version B**  
**Seattle Nexus and Economic Impact Analysis**  
**2015**

Resid. Cap Rate: 4.25%  
 Non-Resid. Cap Rate: 5.00%

	Single-Family Infill	Owner Townhomes	Owner Flats	Rental Flats	MU Grocery		
<b>Residual Land Value Before Nexus Fees</b>							
Low Scenario	\$96,836	\$670,395	(\$30,718)	\$2,074,508	N/A		
Per SF Site Area	\$19	\$70	(\$3)	\$216	N/A		
Per Dwelling Unit	\$96,836	\$111,733	(\$3,413)	\$172,876	N/A		
Middle Scenario	\$127,507	\$757,308	(\$121,951)	\$2,641,455	\$10,323,917		
Per SF Site Area	\$26	\$79	(\$13)	\$275	\$206		
Per Dwelling Unit	\$127,507	\$126,218	(\$13,550)	\$220,121	\$59,676		
High Scenario	\$153,247	\$808,084	(\$255,592)	\$2,890,479	\$11,521,494		
Per SF Site Area	\$31	\$84	(\$27)	\$301	\$230		
Per Dwelling Unit	\$153,247	\$134,681	(\$28,399)	\$240,873	\$66,598		
<b>Equity Investment @ 40%</b>							
Low Scenario	\$189,987	\$753,282	\$1,160,837	\$881,863	N/A		
Middle Scenario	\$196,986	\$782,357	\$1,285,681	\$976,162	\$27,964,598		
High Scenario	\$205,786	\$825,886	\$1,427,487	\$1,085,387	\$30,707,414		
Assumed Investment Period (Months)	4	4	4	4	4		
<b>Less: Total Nexus Fees</b>							
1. Residential and Non-Residential Fee: Low							
Low Scenario	\$5	Per NSF	\$11,000	\$42,000	\$46,500	\$47,500	N/A
Middle Scenario	\$10	Per NSF	\$22,000	\$84,000	\$93,000	\$95,000	\$1,575,000
High Scenario	\$16	Per NSF	\$35,200	\$134,400	\$148,800	\$152,000	\$2,520,000
2. Residential and Non-Residential Fee: High							
Low Scenario	\$7	Per NSF	\$15,400	\$58,800	\$65,100	\$66,500	N/A
Middle Scenario	\$12	Per NSF	\$26,400	\$100,800	\$111,600	\$114,000	\$1,890,000
High Scenario	\$22	Per NSF	\$48,400	\$184,800	\$204,600	\$209,000	\$3,465,000
<b>Residual Land Value After Nexus Fees</b>							
1. Residential and Non-Residential Fee: Low							
Low Scenario	\$85,836	\$628,395	(\$77,218)	\$2,027,008	N/A		
Per SF Site Area	\$17	\$65	(\$8)	\$211	N/A		
Middle Scenario	\$105,507	\$673,308	(\$214,951)	\$2,546,455	\$8,748,917		
Per SF Site Area	\$21	\$70	(\$22)	\$265	\$175		
High Scenario	\$118,047	\$673,684	(\$404,392)	\$2,738,479	\$9,001,494		
Per SF Site Area	\$24	\$70	(\$42)	\$285	\$180		
2. Residential and Non-Residential Fee: High							
Low Scenario	\$81,436	\$611,595	(\$95,818)	\$2,008,008	N/A		
Per SF Site Area	\$16	\$64	(\$10)	\$209	N/A		
Middle Scenario	\$101,107	\$656,508	(\$233,551)	\$2,527,455	\$8,433,917		
Per SF Site Area	\$20	\$68	(\$24)	\$263	\$169		
High Scenario	\$104,847	\$623,284	(\$460,192)	\$2,681,479	\$8,056,494		
Per SF Site Area	\$21	\$65	(\$48)	\$279	\$161		
<b>Equity Investment @ 40% of TDC</b>							
Assumed Investment Period (Years)	4	4	4	4	4		
Assumed Return on Equity (1)	6%	6%	6%	6%	6%		
Low Scenario	\$229,987	\$873,282	\$1,280,837	\$1,001,863	N/A		
Middle Scenario	\$246,986	\$974,357	\$1,477,681	\$1,168,162	\$31,484,598		
High Scenario	\$265,786	\$1,113,886	\$1,715,487	\$1,373,387	\$35,987,414		

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

Source: DRA.

**Table 3**  
**Land Residual Analysis**  
**Nexus Prototypes**  
**Lower Cap Rates Version B**  
**Seattle Nexus and Economic Impact Analysis**  
**2015**

	MU Restaurant	MU Entertainment	Stand Alone Retail	R&D Laboratory	Medical Office
Site Area (SF)	20,000	20,000	50,000	20,000	20,000
Net SF R&D Laboratory	-	-	-	80,000	-
Net SF General Office	-	-	-	8,000	-
Net SF Medical Office	-	-	-	-	69,600
Net SF Retail	-	-	20,000	1,600	2,400
Net SF Grocery Store	-	-	-	-	-
Net SF Restaurant	2,250	-	-	-	-
Net SF Entertainment	-	11,250	-	-	-
Net SF Community Space	-	-	-	-	-
Total Net SF Non-Residential	2,250	11,250	20,000	89,600	72,000
Residential Net SF	46,800	57,200	-	-	-
Total Net SF	49,050	68,450	20,000	89,600	72,000
Residential Units	72	88	-	-	-
Approximate Building Stories	4	6	1	7	6
<b>Total Annual Net Operating Income, Apartments</b>					
Low Scenario	N/A	N/A			
NOI Per NSF	N/A	N/A			
Middle Scenario	\$1,018,930	\$1,398,358			
NOI Per NSF	\$20.77	\$20.43			
High Scenario	\$1,121,539	\$1,523,769			
NOI Per NSF	\$22.87	\$22.26			
Cap Rate	4.25%	4.25%			
<b>Capitalized Value, Apartments</b>					
Low Scenario	N/A	N/A			
Middle Scenario	\$23,974,814	\$32,902,551			
High Scenario	\$26,389,144	\$35,853,398			
<b>Net Home Sales Proceeds</b>					
Low Scenario					
Middle Scenario					
High Scenario					
<b>Total Annual NOI, Non-Residential Uses</b>					
Middle Scenario	\$21,600	\$108,000	\$288,000	\$2,047,880	\$2,102,064
NOI Per NSF	\$0.44	\$1.58	\$14.40	\$22.86	\$29.20
High Scenario	\$27,000	\$135,000	\$360,000	\$2,559,850	\$2,627,580
NOI Per NSF	\$0.55	\$1.97	\$18.00	\$28.57	\$36.49
Cap Rate, Commercial	5.00%	5.00%	5.00%	5.00%	5.00%
<b>Capitalized Value, Non-Resid Uses</b>					
Middle Scenario	\$432,000	\$2,160,000	\$5,760,000	\$40,957,600	\$42,041,280
High Scenario	\$540,000	\$2,700,000	\$7,200,000	\$51,197,000	\$52,551,600
<b>Total Market Value (Capitalized NOI for Rental; Net Sales Proceeds for Ownership)</b>					
Low Scenario	N/A	N/A	N/A	N/A	N/A
Per NSF	N/A	N/A	N/A	N/A	N/A
Middle Scenario	\$24,406,814	\$35,062,551	\$5,760,000	\$40,957,600	\$42,041,280
Per NSF	\$498	\$512	\$288	\$457	\$584
High Scenario	\$26,929,144	\$38,553,398	\$7,200,000	\$51,197,000	\$52,551,600
Per NSF	\$549	\$563	\$360	\$571	\$730
<b>Less: Total Development Cost, Excluding Land</b>					
Low Scenario	N/A	N/A	N/A	N/A	N/A
Per NSF	N/A	N/A	N/A	N/A	N/A
Middle Scenario	\$13,350,474	\$22,512,393	\$3,100,781	\$22,966,655	\$27,296,898
Per NSF	\$272	\$329	\$155	\$256	\$379
High Scenario	\$14,908,766	\$24,748,101	\$3,100,781	\$24,879,989	\$29,975,104
Per NSF	\$304	\$362	\$155	\$278	\$416
<b>Less: Assumed Return on Equity (See Below)</b>					
Low Scenario	N/A	N/A	N/A	N/A	N/A
Middle Scenario	\$1,619,566	\$2,499,110	\$806,475	\$2,972,799	\$2,958,422
High Scenario	\$1,938,122	\$2,882,698	\$806,475	\$3,204,479	\$3,384,490

**Table 3**  
**Land Residual Analysis**  
**Nexus Prototypes**  
**Lower Cap Rates Version B**  
**Seattle Nexus and Economic Impact Analysis**  
**2015**

	MU Restaurant	MU Entertainment	Stand Alone Retail	R&D Laboratory	Medical Office
<b>Residual Land Value Before Nexus Fees</b>					
Low Scenario	N/A	N/A	N/A	N/A	N/A
Per SF Site Area	N/A	N/A	N/A	N/A	N/A
Per Dwelling Unit	N/A	N/A	N/A	N/A	N/A
Middle Scenario	\$11,056,340	\$12,550,158	\$2,659,219	\$17,990,945	\$14,744,382
Per SF Site Area	\$553	\$628	\$53	\$900	\$737
Per Dwelling Unit	\$153,560	\$142,615	N/A	N/A	N/A
High Scenario	\$12,020,378	\$13,805,297	\$4,099,219	\$26,317,011	\$22,576,496
Per SF Site Area	\$601	\$690	\$82	\$1,316	\$1,129
Per Dwelling Unit	\$166,950	\$156,878	N/A	N/A	N/A
<b>Equity Investment @ 40%</b>					
Low Scenario	N/A	N/A	N/A	N/A	N/A
Middle Scenario	\$5,340,190	\$9,004,957	\$1,240,313	\$9,186,662	\$10,918,759
High Scenario	\$5,963,506	\$9,899,240	\$1,240,313	\$9,951,996	\$11,990,041
Assumed Investment Period (Months)	4	4	4	4	4
<b>Less: Total Nexus Fees</b>					
1. Residential and Non-Residential Fee: Low					
Low Scenario	\$5	Per NSF	N/A	N/A	N/A
Middle Scenario	\$10	Per NSF	\$490,500	\$896,000	\$720,000
High Scenario	\$16	Per NSF	\$784,800	\$1,433,600	\$1,152,000
2. Residential and Non-Residential Fee: High					
Low Scenario	\$7	Per NSF	N/A	N/A	N/A
Middle Scenario	\$12	Per NSF	\$588,600	\$1,075,200	\$864,000
High Scenario	\$22	Per NSF	\$1,079,100	\$1,971,200	\$1,584,000
<b>Residual Land Value After Nexus Fees</b>					
1. Residential and Non-Residential Fee: Low					
Low Scenario	N/A	N/A	N/A	N/A	N/A
Per SF Site Area	N/A	N/A	N/A	N/A	N/A
Middle Scenario	\$10,565,840	\$11,865,658	\$2,459,219	\$17,094,945	\$14,024,382
Per SF Site Area	\$528	\$593	\$49	\$855	\$701
High Scenario	\$11,235,578	\$12,710,097	\$3,779,219	\$24,883,411	\$21,424,496
Per SF Site Area	\$562	\$636	\$76	\$1,244	\$1,071
2. Residential and Non-Residential Fee: High					
Low Scenario	N/A	N/A	N/A	N/A	N/A
Per SF Site Area	N/A	N/A	N/A	N/A	N/A
Middle Scenario	\$10,467,740	\$11,728,758	\$2,419,219	\$16,915,745	\$13,880,382
Per SF Site Area	\$523	\$586	\$48	\$846	\$694
High Scenario	\$10,941,278	\$12,299,397	\$3,659,219	\$24,345,811	\$20,992,496
Per SF Site Area	\$547	\$615	\$73	\$1,217	\$1,050
<b>Equity Investment @ 40% of TDC</b>					
Assumed Investment Period (Years)	4	4	4	4	4
Assumed Return on Equity (1)	6%	6%	6%	6%	6%
Low Scenario	N/A	N/A	N/A	N/A	N/A
Middle Scenario	\$6,748,190	\$10,412,957	\$3,360,313	\$12,386,662	\$12,326,759
High Scenario	\$8,075,506	\$12,011,240	\$3,360,313	\$13,351,996	\$14,102,041

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

Source: DRA.

**Table 4**  
**Development Prototypes**  
**Nexus Analysis**  
**2015**

	Single-Family Infill	Owner Townhomes	Owner Flats	Rental Flats	MU Grocery
Zoning	SF-5000	LR2	LR2	LR2	SM / C / NC - 65
Zip Code(s)	Many including: 98107, 98103, 98122, 98144, 98106	Multiple			
Neighborhood/Geographic Subarea	Ballard, Fremont, Capitol Hill / Central Area, North Beacon Hill, Delridge	Ballard, Fremont, Capitol Hill / Central Area, North Beacon Hill, Delridge	Ballard, Fremont, Capitol Hill / Central Area, North Beacon Hill, Delridge	Ballard, Fremont, Capitol Hill / Central Area, North Beacon Hill, Delridge	Multiple
Primary Land Use(s)	Residential	Residential	Residential	Res over Retail	Rental Apts. Grocery Store
Residential Tenure (Renter/Owner)	Owner	Owner	Owner	Renter	Renter
Total Site Area (Acre)	0.11 Acres	0.22 Acres	0.22 Acres	0.22 Acres	1.15 Acres
Total Site Area (SF)	5,000	9,600	9,600	9,600	50,000
Construction Type	Type VB	Type VB	Type VB	Type VB	Type V over Type I
Parking Type	Above Grade Garage	Above Grade Garage	Subterranean	Subterranean	Subterranean
Approximate Building Stories	2 Stories	3 Stories	3 Stories	3 Stories	6 Stories
Total Gross Building SF (Incl. Pkg) (1)	2,600	10,800	15,225	11,500	300,000
Floor Area Ratio (Gross Bldg SF, Incl. Pkg.) (1)	0.5	1.1	1.6	1.2	6.00
Total Gross Building SF (Excluding All Parking) (2)	N/A	N/A	N/A	N/A	200,000 SF
Floor Area Ratio (Gross Bldg SF, Excl. Pkg.)	N/A	N/A	N/A	N/A	4.00
Total Gross Building SF Above Ground	N/A	N/A	11,625	11,875	300,000
Total Gross Parking SF Above Ground	N/A	N/A	0	0	0
Total Gross SF Above Ground Excluding Parking	N/A	N/A	11,625	11,875	300,000
Total Net Building SF Excluding Parking	N/A	N/A	9,300	9,300	225,000
Building Efficiency Ratio (%)	100%	100%	80%	80%	75%
Site Coverage (Bldg. Footprint) (%)	N/A	N/A	N/A	N/A	19%
Levels Underground Parking	0.0	3.0	1.0	1.0	2.0
Levels Structured Parking Above Grade	0.0	0.3	0.0	0.0	0.0
Stories of Ground Floor Retail/Lobby/Service Space	0.0	1.0	0.0	0.0	0.0
Stories of Non-Residential Space (2nd Story and Above)	0.0	0.0	0.0	0.0	0.0
Stories of Residential Space	2.0	1.8	3.0	3.0	31.4
Total Stories Above Ground	2.0	3.0	3.0	3.0	31.4
Net Rentable SF R&D	0 SF	0 SF	0 SF	0 SF	0 SF
Net Rentable SF General Office	0 SF	0 SF	0 SF	0 SF	0 SF
Net Rentable SF Medical Office	0 SF	0 SF	0 SF	0 SF	0 SF
Net Rentable SF Retail	0 SF	0 SF	0 SF	0 SF	0 SF
Net Rentable SF Grocery Store	0 SF	0 SF	0 SF	0 SF	37,500 SF
Net Rentable SF Restaurant	0 SF	0 SF	0 SF	0 SF	0 SF
Net Rentable SF Entertainment	0 SF	0 SF	0 SF	0 SF	0 SF
Net Rentable SF Residential	2,200 SF	8,400 SF	9,300 SF	9,500 SF	112,500 SF
Net Rentable SF Total	2,200 SF	8,400 SF	9,300 SF	9,500 SF	150,000 SF
Net SF Community Space	0 SF	0 SF	0 SF	0 SF	7,500 SF
Total Net Bldg. SF	2,200 SF	8,400 SF	9,300 SF	9,500 SF	157,500 SF
Gross SF R&D	0 SF	0 SF	0 SF	0 SF	0 SF
Gross SF Office	0 SF	0 SF	0 SF	0 SF	0 SF
Gross SF Medical Office	0 SF	0 SF	0 SF	0 SF	0 SF
Gross SF Retail	0 SF	0 SF	0 SF	0 SF	0 SF
Gross SF Grocery Store	0 SF	0 SF	0 SF	0 SF	50,000 SF
Gross SF Restaurant	0 SF	0 SF	0 SF	0 SF	0 SF
Gross SF Entertainment	0 SF	0 SF	0 SF	0 SF	0 SF
Gross SF Residential	2,200 SF	8,400 SF	11,625 SF	11,875 SF	150,000 SF
Gross SF Community Space	0 SF	0 SF	0 SF	0 SF	10,000 SF
Total Gross Bldg. SF	2,200 SF	8,400 SF	11,625 SF	11,875 SF	210,000 SF
Unit Bedroom Count Distribution					
Studio	0%	0%	0%	50%	25%
One Bedroom	0%	0%	67%	33%	50%
Two Bedroom	0%	0%	0%	17%	25%
Three Bedroom	100%	100%	33%	0%	0%
Total	100%	100%	100%	100%	100%
<b>Units by BR Count</b>					
Studio	0	0	0	6	43
One Bedroom	0	0	6	4	87
Two Bedroom	0	6	3	2	43
Three Bedroom	1	0	0	0	0
<b>Total Residential Units</b>	<b>1</b>	<b>6</b>	<b>9</b>	<b>12</b>	<b>173</b>
<b>Residential Density (Units per Acre)</b>	<b>9 du/a</b>	<b>27 du/a</b>	<b>41 du/a</b>	<b>54 du/a</b>	<b>151 du/a</b>
Unit Size (Net SF)					
Studio	0 SF	0 SF	0 SF	650 SF	450 SF
One Bedroom	0 SF	0 SF	800 SF	800 SF	650 SF
Two Bedroom	0 SF	1,400 SF	1,500 SF	1,200 SF	850 SF
Three Bedroom	2,200 SF	0 SF	0 SF	0 SF	0 SF
<i>Average Unit Size</i>	<i>2,200 SF</i>	<i>1,400 SF</i>	<i>1,033 SF</i>	<i>793 SF</i>	<i>650 SF</i>
Parking Spaces Per Floor	N/A	48 Spaces/Floor	N/A	N/A	125 Spaces/Floor
No. of Underground Parking Spaces	0 Spaces	0 Spaces	9 Spaces	6 Spaces	250 Spaces
No. of Above-Ground Parking Spaces	2 Spaces	12 Spaces	0 Spaces	0 Spaces	0 Spaces
<b>Total Parking Spaces Provided</b>	<b>2 Spaces</b>	<b>12 Spaces</b>	<b>9 Spaces</b>	<b>6 Spaces</b>	<b>250 Spaces</b>
Gross SF/Parking Space (Incl. Circulation)	200 SF	200 SF	400 SF	400 SF	400 SF
Total Parking SF	400 SF	2,400 SF	3,600 SF	2,000 SF	100,000 SF
Total Underground Parking SF	0 SF	0 SF	3,600 SF	2,000 SF	100,000 SF
Total Parking SF Above Grade	400 SF	2,400 SF	0 SF	0 SF	0 SF

(1) Includes below-grade and above-grade parking.

(2) Excludes above-grade and below-grade parking.

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

**Table 4**  
**Development Prototypes**  
**Nexus Analysis**  
**2015**

	<b>MU Restaurant</b>	<b>MU Entertainment</b>	<b>Stand Alone Retail</b>	<b>R&amp;D Laboratory</b>	<b>Medical Office</b>
Zoning	SM / C / NC - 65	SM / C / NC - 65	IG / IC / C	SM 85	SM/NC/C-85
Zip Code(s)	Multiple	Multiple	Multiple	98104, 98109, 98105, 98122	98104, 98109, 98105, 98122
Neighborhood/Geographic Subarea	Multiple	Multiple	Multiple	First Hill, South Lake Union, University District, Capitol Hill	First Hill, South Lake Union, University District, Capitol Hill
Primary Land Use(s)	Rental Apts. Restaurant	Rental Apts. Entertainment	Retail	R&D Laboratory	Medical Office Grnd. Floor Retail
Residential Tenure (Renter/Owner)	Renter	Renter	N/A	0	0
Total Site Area (Acre)	0.46 Acres	0.46 Acres	1.15 Acres	0.46 Acres	0.46 Acres
Total Site Area (SF)	20,000	20,000	50,000	20,000	20,000
Construction Type	Type V	Type V over Type I	Type V over Type I	Type I	Type I
Parking Type	Surface	Subterranean	Subterranean	Subterranean	Subterranean
Approximate Building Stories	4 Stories	6 Stories	1 Stories	7 Stories	6 Stories
Total Gross Building SF (Incl. Pkg) (1)	65,000	95,000	25,000	112,000	90,000
Floor Area Ratio (Gross Bldg SF, Incl. Pkg.) (1)	3.25	4.75	0.50	5.60	4.50
Total Gross Building SF (Excluding All Parking) (2)	49,000 SF	61,800 SF	25,000 SF	112,000 SF	90,000 SF
Floor Area Ratio (Gross Bldg SF, Excl. Pkg.)	2.45	3.09	0.50	14.00	14.00
Total Gross Building SF Above Ground	65,000	95,000	25,000	112,000	90,000
Total Gross Parking SF Above Ground	0	0	0	0	0
Total Gross SF Above Ground Excluding Parking	65,000	95,000	25,000	112,000	90,000
Total Net Building SF Excluding Parking	49,000	71,000	20,000	90,000	72,000
Building Efficiency Ratio (%)	75%	75%	80%	80%	80%
Site Coverage (Bldg. Footprint) (%)	100%	36%	19%	100%	100%
Levels Underground Parking	0.8	1.7	0.0	4.0	4.0
Levels Structured Parking Above Grade	0.0	0.0	0.0	0.0	0.0
Stories of Ground Floor Retail/Lobby/Service Space	0.0	0.0	0.0	1.0	1.0
Stories of Non-Residential Space (2nd Story and Above)	0.0	0.0	0.0	6.0	5.0
Stories of Residential Space	3.3	13.2	0.0	0.0	0.0
Total Stories Above Ground	3.3	13.2	1.0	7.0	6.0
Net Rentable SF R&D	0 SF	0 SF	0 SF	80,000 SF	0 SF
Net Rentable SF General Office	0 SF	0 SF	0 SF	8,000 SF	0 SF
Net Rentable SF Medical Office	0 SF	0 SF	0 SF	0 SF	69,600 SF
Net Rentable SF Retail	0 SF	0 SF	20,000 SF	1,600 SF	2,400 SF
Net Rentable SF Grocery Store	0 SF	0 SF	0 SF	0 SF	0 SF
Net Rentable SF Restaurant	2,250 SF	0 SF	0 SF	0 SF	0 SF
Net Rentable SF Entertainment	0 SF	11,250 SF	0 SF	0 SF	0 SF
Net Rentable SF Residential	46,800 SF	57,200 SF	0 SF	0 SF	0 SF
Net Rentable SF Total	49,050 SF	68,450 SF	20,000 SF	89,600 SF	72,000 SF
Net SF Community Space	0 SF	0 SF	0 SF	0 SF	0 SF
Total Net Bldg. SF	49,050 SF	68,450 SF	20,000 SF	89,600 SF	72,000 SF
Gross SF R&D	0 SF	0 SF	0 SF	100,000 SF	0 SF
Gross SF Office	0 SF	0 SF	0 SF	10,000 SF	0 SF
Gross SF Medical Office	0 SF	0 SF	0 SF	0 SF	87,000 SF
Gross SF Retail	0 SF	0 SF	25,000 SF	2,000 SF	3,000 SF
Gross SF Grocery Store	0 SF	0 SF	0 SF	0 SF	0 SF
Gross SF Restaurant	3,000 SF	0 SF	0 SF	0 SF	0 SF
Gross SF Entertainment	0 SF	15,000 SF	0 SF	0 SF	0 SF
Gross SF Residential	62,400 SF	76,267 SF	0 SF	0 SF	0 SF
Gross SF Community Space	0 SF	0 SF	0 SF	0 SF	0 SF
Total Gross Bldg. SF	65,400 SF	91,267 SF	25,000 SF	112,000 SF	90,000 SF
Unit Bedroom Count Distribution					
Studio	25%	25%	0%	0	0
One Bedroom	50%	50%	50%	0	0
Two Bedroom	25%	25%	40%	0	0
Three Bedroom	0%	0%	10%	0	0
Total	100%	100%	100%	0	0
<b>Units by BR Count</b>					
Studio	18	22	0	0	0
One Bedroom	36	44	0	0	0
Two Bedroom	18	22	0	0	0
Three Bedroom	0	0	0	0	0
<b>Total Residential Units</b>	<b>72</b>	<b>88</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Residential Density (Units per Acre)</b>	<b>157 du/a</b>	<b>192 du/a</b>	<b>0 du/a</b>	<b>0 du/a</b>	<b>0 du/a</b>
Unit Size (Net SF)					
Studio	450 SF	450 SF	0 SF	0 SF	0 SF
One Bedroom	650 SF	650 SF	700 SF	0 SF	0 SF
Two Bedroom	850 SF	850 SF	900 SF	0 SF	0 SF
Three Bedroom	0 SF	0 SF	1,100 SF	0 SF	0 SF
<i>Average Unit Size</i>	<i>650 SF</i>	<i>650 SF</i>	<i>820 SF</i>	<i>0 SF</i>	<i>0 SF</i>
Parking Spaces Per Floor	53 Spaces/Floor	50 Spaces/Floor	N/A	52 Spaces/Floor	50 Spaces/Floor
No. of Underground Parking Spaces	43 Spaces	83 Spaces	0 Spaces	147 Spaces	180 Spaces
No. of Above-Ground Parking Spaces	0 Spaces	0 Spaces	105 Spaces	0 Spaces	0 Spaces
<b>Total Parking Spaces Provided</b>	<b>43 Spaces</b>	<b>83 Spaces</b>	<b>105 Spaces</b>	<b>147 Spaces</b>	<b>180 Spaces</b>
Gross SF/Parking Space (Incl. Circulation)	380 SF	400 SF	0 SF	388 SF	400 SF
Total Parking SF	16,000 SF	33,200 SF	0 SF	57,000 SF	72,000 SF
Total Underground Parking SF	16,000 SF	33,200 SF	0 SF	57,000 SF	72,000 SF
Total Parking SF Above Grade	0 SF	0 SF	0 SF	0 SF	0 SF

(1) Includes below-grade and above-grade parking.

(2) Excludes above-grade and below-grade parking.

Source: City of Seattle Department of Planning and Deve

**Table 5**  
**Development and Financing Cost Assumptions**  
**Nexus Prototypes**  
**Version B**  
**Seattle Nexus and Economic Impact Analysis**  
**2015**

		Single-Family Infill	Owner Townhomes	Owner Flats	Rental Flats	MU Grocery
Retail/Restaurant/Grocery Store/Entertainment Net SF		0	0	0	0	37,500
Office/R&D/Medical Office Net SF		0	0	0	0	0
Residential Net SF		2,200	8,400	9,300	9,500	112,500
Total Net SF		2,200	8,400	9,300	9,500	157,500
Total Gross SF Building Area (Including Str. Parking)		2,600	10,800	15,225	11,500	300,000
Total Residential Units		1	6	9	12	173
Site Area (SF)		5,000	9,600	9,600	9,600	50,000
Approximate Building Stories		2	3	3	3	6
Zoning		SF-5000	LR2	LR2	LR2	SM / C / NC - 65
<b>Hard Cost Assumptions</b>						
Land Price						
Low Scenario	Per Hsg. Unit	\$100,000	\$50,000	\$33,333	\$25,000	N/A
	Per Site SF	\$20	\$31	\$31	\$31	N/A
Middle Scenario	Per Hsg. Unit	\$125,000	\$80,000	\$53,333	\$40,000	\$50,867
	Per Site SF	\$25	\$50	\$50	\$50	\$176
High Scenario	Per Hsg. Unit	\$150,000	\$120,000	\$80,000	\$60,000	\$76,301
	Per Site SF	\$30	\$75	\$75	\$75	\$264
Building Demolition Costs		\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Hard Construction Cost (Per Gross SF Incl. Str. Pkg.) (1)						
2014 Assumptions						
Low Scenario		\$115	\$120	\$130	\$130	\$150
Middle Scenario		\$120	\$125	\$145	\$145	\$165
High Scenario		\$125	\$130	\$160	\$160	\$180
2015 Assumpt w/ % incr: 5%						
Low Scenario		\$121	\$126	\$137	\$137	N/A
Middle Scenario		\$126	\$131	\$152	\$152	\$173
High Scenario		\$131	\$137	\$168	\$168	\$189
Hard Cost Contingency (% of Hard Costs)						
		5.0%	5.0%	5.0%	5.0%	5.0%
WA State Sales Tax (% of Hard Costs Plus Conting.)						
		9.5%	9.5%	9.5%	9.5%	9.5%
<b>Soft Cost Assumptions (% of Hard Costs)</b>						
Architecture/Engineering/Consultants		8.0%	8.0%	8.0%	8.0%	8.0%
Financing Costs		5.0%	5.0%	5.0%	5.0%	5.0%
Other Soft Costs (2)		3.0%	3.0%	3.0%	3.0%	3.0%
Residential Condo Addit. Insur./Expenses		0.0%	0.0%	2.0%	2.0%	0.0%
Subtotal--Soft Cost %		16.0%	16.0%	18.0%	18.0%	16.0%
Developer Overhead (% TDC Less Land & Sales Tax)		3.0%	3.0%	3.0%	3.0%	3.0%

(1) Hard costs are escalated 5% over 2014 DRA assumptions for prototypes of comparable construction based on increase in Turner Building Cost Index of 4.75% for  
Hard costs for construction of medical office building are increased 30% over comparable office construction for higher floor heights, greater HVAC requirements  
(2) Includes insurance, legal, accounting, marketing, lease-up, permits and fees.

Source: DRA

**Table 5**  
**Development and Financing Cost Assumptions**  
**Nexus Prototypes**  
**Version B**  
**Seattle Nexus and Economic Impact Analysis**  
**2015**

	MU Restaurant	MU Entertainment	Stand Alone Retail	R&D Laboratory	Medical Office
Retail/Restaurant/Grocery Store/Entertainment Net SF	2,250	11,250	20,000	1,600	2,400
Office/R&D/Medical Office Net SF	0	0	0	88,000	69,600
Residential Net SF	46,800	57,200	0	0	0
Total Net SF	49,050	68,450	20,000	89,600	72,000
Total Gross SF Building Area (Including Str. Parking)	65,000	95,000	25,000	112,000	90,000
Total Residential Units	72	88	0	0	0
Site Area (SF)	20,000	20,000	50,000	20,000	20,000
Approximate Building Stories	4	6	1	7	6
Zoning	SM / C / NC - 65	SM / C / NC - 65	IG / IC / C	SM 85	SM/NC/C-85
<b>Hard Cost Assumptions</b>					
Land Price					
Low Scenario	Per Hsg. Unit	N/A	N/A	N/A	N/A
	Per Site SF	N/A	N/A	N/A	N/A
Middle Scenario	Per Hsg. Unit	\$48,889	\$40,000	N/A	N/A
	Per Site SF	\$176	\$176	\$106	\$176
High Scenario	Per Hsg. Unit	\$73,333	\$60,000	N/A	N/A
	Per Site SF	\$264	\$264	\$106	\$264
Building Demolition Costs		\$50,000	\$50,000	\$0	\$50,000
Hard Construction Cost (Per Gross SF Incl. Str. Pkg.) (1)					
2014 Assumptions					
Low Scenario		\$130	\$150	N/A	\$135
Middle Scenario		\$145	\$165	N/A	\$145
High Scenario		\$160	\$180	N/A	\$155
2015 Assumpt w/ % incr: 5%					
Low Scenario		N/A	N/A	\$105	N/A
Middle Scenario		\$152	\$173	\$105	\$152
High Scenario		\$168	\$189	\$105	\$163
Hard Cost Contingency (% of Hard Costs)					
WA State Sales Tax (% of Hard Costs Plus Conting.)		5.0%	5.0%	5.0%	5.0%
		9.5%	9.5%	9.5%	9.5%
<b>Soft Cost Assumptions (% of Hard Costs)</b>					
Architecture/Engineering/Consultants		8.0%	8.0%	8.0%	8.0%
Financing Costs		5.0%	5.0%	5.0%	5.0%
Other Soft Costs (2)		3.0%	3.0%	3.0%	3.0%
Residential Condo Addit. Insur./Expenses		0.0%	2.0%	2.0%	0.0%
Subtotal--Soft Cost %		16.0%	18.0%	18.0%	16.0%
Developer Overhead (% TDC Less Land & Sales Tax)		3.0%	3.0%	3.0%	3.0%

(1) Hard costs are escalated 5% over 2014 DRA assumptions for urban areas from First Quarter 2014 to First Quarter 2015.

Hard costs for construction of medical office buildings and higher tenant improvement costs.

(2) Includes insurance, legal, accounting, marketing, etc.

Source: DRA

**Table 6**  
**Prototype Development Cost Budgets**  
**Nexus Prototypes**  
**Version B**  
**Seattle Nexus and Economic Impact Analysis**  
**2015**

	Single-Family Infill	Owner Townhomes	Owner Flats	Rental Flats	MU Grocery
Retail/Restaurant/Grocery Store/Entertainment Net SF	0	0	0	0	37,500
Office/R&D/Medical Office Net SF	0	0	0	0	0
Residential Net SF	2,200	8,400	9,300	9,500	112,500
Total Net SF	2,200	8,400	9,300	9,500	157,500
Total Gross SF Building Area (Including Str. Parking)	2,600	10,800	15,225	11,500	300,000
Total Residential Units	1	6	9	12	173
Site Area (SF)	5,000	9,600	9,600	9,600	50,000
Approximate Building Stories	2	3	3	3	6
<b>LOW SCENARIO</b>					
Land Acquisition	\$100,000	\$300,000	\$300,000	\$300,000	
Demolition of Existing Building	\$50,000	\$50,000	\$50,000	\$50,000	
Construction Hard Costs	\$314,600	\$1,360,800	\$2,085,825	\$1,575,500	
Hard Cost Contingency	\$15,730	\$68,040	\$104,291	\$78,775	
Washington State Sales Tax	\$31,381	\$135,740	\$208,061	\$157,156	
Architecture/Engineering/Consultants	\$25,168	\$108,864	\$166,866	\$126,040	
Financing Costs	\$15,730	\$68,040	\$104,291	\$78,775	
Other Soft Costs (2)	\$9,438	\$40,824	\$62,575	\$47,265	
Residential Condo Addit. Insur./Expenses	\$0	\$0	\$41,717	\$31,510	
Developer Overhead & Proj. Manage.	\$12,920	\$50,897	\$78,467	\$59,636	
<b>Total Development Costs, Including Land</b>	<b>\$574,967</b>	<b>\$2,183,205</b>	<b>\$3,202,093</b>	<b>\$2,504,657</b>	
TDC Per Housing Unit	\$574,967	\$363,867	\$355,788	\$208,721	
TDC per Net Rentable/Saleable SF	\$261	\$260	\$344	\$264	
TDC per Gross SF, Including Parking	\$221	\$202	\$210	\$218	
<b>Total Development Costs, Excluding Land</b>	<b>\$474,967</b>	<b>\$1,883,205</b>	<b>\$2,902,093</b>	<b>\$2,204,657</b>	
<b>MIDDLE SCENARIO</b>					
Land Acquisition	\$125,000	\$480,000	\$480,000	\$480,000	\$8,800,000
Demolition of Existing Building	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Off-site Improvements (3)	\$0	\$0	\$0	\$0	\$0
Site Improvements	\$0	\$0	\$0	\$0	\$0
Construction Hard Costs	\$327,600	\$1,414,800	\$2,314,200	\$1,748,000	\$51,900,000
Hard Cost Contingency	\$16,380	\$70,740	\$115,710	\$87,400	\$2,595,000
Washington State Sales Tax	\$32,678	\$141,126	\$230,841	\$174,363	\$5,177,025
Architecture/Engineering/Consultants	\$26,208	\$113,184	\$185,136	\$139,840	\$4,152,000
Financing Costs	\$16,380	\$70,740	\$115,710	\$87,400	\$2,595,000
Other Soft Costs (2)	\$9,828	\$42,444	\$69,426	\$52,440	\$1,557,000
Residential Condo Addit. Insur./Expenses	\$0	\$0	\$46,284	\$34,960	\$0
Developer Overhead & Proj. Manage.	\$13,392	\$52,857	\$86,894	\$66,001	\$1,885,470
<b>Total Development Costs, Including Land</b>	<b>\$617,466</b>	<b>\$2,435,892</b>	<b>\$3,694,201</b>	<b>\$2,920,404</b>	<b>\$78,711,495</b>
TDC Per Housing Unit	\$617,466	\$405,982	\$410,467	\$243,367	\$454,980
TDC per Net Rentable/Saleable SF	\$281	\$290	\$397	\$307	\$500
TDC per Gross SF, Including Parking	\$237	\$226	\$243	\$254	\$262
<b>Total Development Costs, Excluding Land</b>	<b>\$492,466</b>	<b>\$1,955,892</b>	<b>\$3,214,201</b>	<b>\$2,440,404</b>	<b>\$69,911,495</b>
<b>HIGH SCENARIO</b>					
Land Acquisition	\$150,000	\$720,000	\$720,000	\$720,000	\$13,200,000
Demolition of Existing Building	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Construction Hard Costs	\$340,600	\$1,479,600	\$2,557,800	\$1,932,000	\$56,700,000
Hard Cost Contingency	\$17,030	\$73,980	\$127,890	\$96,600	\$2,835,000
Washington State Sales Tax	\$33,975	\$147,590	\$255,141	\$192,717	\$5,655,825
Architecture/Engineering/Consultants	\$27,248	\$118,368	\$204,624	\$154,560	\$4,536,000
Financing Costs	\$17,030	\$73,980	\$127,890	\$96,600	\$2,835,000
Other Soft Costs (2)	\$10,218	\$44,388	\$76,734	\$57,960	\$1,701,000
Residential Condo Addit. Insur./Expenses	\$0	\$0	\$51,156	\$38,640	\$0
Developer Overhead & Proj. Manage.	\$18,364	\$76,809	\$117,483	\$94,391	\$2,455,710
<b>Total Development Costs, Including Land</b>	<b>\$664,465</b>	<b>\$2,784,716</b>	<b>\$4,288,717</b>	<b>\$3,433,468</b>	<b>\$89,968,535</b>
TDC Per Housing Unit	\$664,465	\$464,119	\$476,524	\$286,122	\$520,049
TDC per Net Rentable/Saleable SF	\$302	\$332	\$461	\$361	\$571
TDC per Gross SF, Including Parking	\$256	\$258	\$282	\$299	\$300
<b>Total Development Costs, Excluding Land</b>	<b>\$514,465</b>	<b>\$2,064,716</b>	<b>\$3,568,717</b>	<b>\$2,713,468</b>	<b>\$76,768,535</b>

Source: DRA

**Table 6**  
**Prototype Development Cost Budgets**  
**Nexus Prototypes**  
**Version B**  
**Seattle Nexus and Economic Impact Analysis**  
**2015**

	MU Restaurant	MU Entertainment	Stand Alone Retail	R&D Laboratory	Medical Office
Retail/Restaurant/Grocery Store/Entertainment Net SF	2,250	11,250	20,000	1,600	2,400
Office/R&D/Medical Office Net SF	0	0	0	88,000	69,600
Residential Net SF	46,800	57,200	0	0	0
Total Net SF	49,050	68,450	20,000	89,600	72,000
Total Gross SF Building Area (Including Str. Parking)	65,000	95,000	25,000	112,000	90,000
Total Residential Units	72	88	0	0	0
Site Area (SF)	20,000	20,000	50,000	20,000	20,000
Approximate Building Stories	4	6	1	7	6
<b>LOW SCENARIO</b>					
Land Acquisition					
Demolition of Existing Building					
Construction Hard Costs					
Hard Cost Contingency					
Washington State Sales Tax					
Architecture/Engineering/Consultants					
Financing Costs					
Other Soft Costs (2)					
Residential Condo Addit. Insur./Expenses					
Developer Overhead & Proj. Manage.					
<b>Total Development Costs, Including Land</b>					
TDC Per Housing Unit					
TDC per Net Rentable/Saleable SF					
TDC per Gross SF, Including Parking					
<b>Total Development Costs, Excluding Land</b>					
<b>MIDDLE SCENARIO</b>					
Land Acquisition	\$3,520,000	\$3,520,000	\$5,300,000	\$8,000,000	\$3,520,000
Demolition of Existing Building	\$50,000	\$50,000	\$0	\$50,000	\$50,000
Off-site Improvements (3)	\$0	\$0	\$0	\$0	\$0
Site Improvements	\$0	\$0	\$0	\$0	\$0
Construction Hard Costs	\$9,880,000	\$16,435,000	\$2,625,000	\$17,024,000	\$20,241,000
Hard Cost Contingency	\$494,000	\$821,750	\$131,250	\$851,200	\$1,012,050
Washington State Sales Tax	\$985,530	\$1,639,391	\$261,844	\$1,698,144	\$2,019,040
Architecture/Engineering/Consultants	\$790,400	\$1,314,800	\$0	\$1,361,920	\$1,619,280
Financing Costs	\$494,000	\$821,750	\$0	\$851,200	\$1,012,050
Other Soft Costs (2)	\$296,400	\$493,050	\$0	\$510,720	\$607,230
Residential Condo Addit. Insur./Expenses	\$0	\$328,700	\$0	\$0	\$0
Developer Overhead & Proj. Manage.	\$360,144	\$607,952	\$82,687.50	\$619,471	\$736,248
<b>Total Development Costs, Including Land</b>	<b>\$16,870,474</b>	<b>\$26,032,393</b>	<b>\$8,400,781</b>	<b>\$30,966,655</b>	<b>\$30,816,898</b>
TDC Per Housing Unit	\$234,312	\$295,823	N/A	N/A	N/A
TDC per Net Rentable/Saleable SF	\$344	\$380	\$420	\$346	\$428
TDC per Gross SF, Including Parking	\$260	\$274	\$336	\$276	\$342
<b>Total Development Costs, Excluding Land</b>	<b>\$13,350,474</b>	<b>\$22,512,393</b>	<b>\$3,100,781</b>	<b>\$22,966,655</b>	<b>\$27,296,898</b>
<b>HIGH SCENARIO</b>					
Land Acquisition	\$5,280,000	\$5,280,000	\$5,300,000	\$8,500,000	\$5,280,000
Demolition of Existing Building	\$50,000	\$50,000	\$0	\$50,000	\$50,000
Construction Hard Costs	\$10,920,000	\$17,955,000	\$2,625,000	\$18,256,000	\$22,113,000
Hard Cost Contingency	\$546,000	\$897,750	\$131,250	\$912,800	\$1,105,650
Washington State Sales Tax	\$1,089,270	\$1,791,011	\$261,844	\$1,821,036	\$2,205,772
Architecture/Engineering/Consultants	\$873,600	\$1,436,400	\$0	\$1,460,480	\$1,769,040
Financing Costs	\$546,000	\$897,750	\$0	\$912,800	\$1,105,650
Other Soft Costs (2)	\$327,600	\$538,650	\$0	\$547,680	\$663,390
Residential Condo Addit. Insur./Expenses	\$0	\$359,100	\$0	\$0	\$0
Developer Overhead & Proj. Manage.	\$556,296	\$822,440	\$82,688	\$919,193	\$962,602
<b>Total Development Costs, Including Land</b>	<b>\$20,188,766</b>	<b>\$30,028,101</b>	<b>\$8,400,781</b>	<b>\$33,379,989</b>	<b>\$35,255,104</b>
TDC Per Housing Unit	\$280,400	\$341,228	N/A	N/A	N/A
TDC per Net Rentable/Saleable SF	\$412	\$439	\$420	\$373	\$490
TDC per Gross SF, Including Parking	\$311	\$316	\$336	\$298	\$392
<b>Total Development Costs, Excluding Land</b>	<b>\$14,908,766</b>	<b>\$24,748,101</b>	<b>\$3,100,781</b>	<b>\$24,879,989</b>	<b>\$29,975,104</b>

Source: DRA

**Table 7**  
**Estimated Net Operating Income from Apartments**  
**Nexus Rental Housing Prototypes**  
**Version B**  
**Seattle Nexus and Economic Impact Analysis**  
**2015**

	Rental Flats	MU Grocery	MU Restaurant	MU Entertainment
Net Rentable SF of Apartment Space	9,500	112,500	46,800	57,200
Net Rentable SF of Retail Space	0	37,500	2,250	11,250
Approximate Building Stories	3	6	4	6
<b>Number of Apartment Units</b>				
Studio	6	43	18	22
One Bedroom	4	87	36	44
Two Bedroom	2	43	18	22
Three Bedroom	0	0	0	0
<b>Total</b>	<b>12</b>	<b>173</b>	<b>72</b>	<b>88</b>
<b>Unit Size (Square Feet)</b>				
Studio	650	450	450	450
One Bedroom	800	650	650	650
Two Bedroom	1,200	850	850	850
Three Bedroom	-	-	-	-
Average	793	650	650	650
<b>Average Monthly Rent Per Square Foot (1)</b>				
Low Scenario	\$2.42	\$2.42	\$2.42	\$2.42
Middle Scenario	\$2.73	\$2.73	\$2.73	\$2.73
High Scenario	\$2.99	\$2.99	\$2.99	\$2.99
Miscellaneous Income (\$/Unit/Year)	\$120	\$120	\$120	\$120
Rental Vacancy Rate	5.0%	5.0%	5.0%	5.0%
<b>Rental Operating Cost/Unit (2)</b>				
<b>2015 Assumptions</b>				
Low and Middle Scenarios	\$6,500	\$6,500	\$6,500	\$6,500
High Scenario	\$7,000	\$7,000	\$7,000	\$7,000
<b>2015 Assumptions</b> 4%				
Low and Middle Scenarios	\$6,760	\$6,760	\$6,760	\$6,760
High Scenario	\$7,280	\$7,280	\$7,280	\$7,280
Retail Income (\$/NSF/Year)	\$20.00	\$20.00	\$20.00	\$20.00
Retail Vacancy Rate (% Gross Retail Income)	10%	10%	10%	10%
Retail Operating Cost (% of Gross Retail Income)	40%	40%	40%	40%
<b>LOW SCENARIO</b>				
Total Monthly Gross Income	\$22,943	\$271,688	\$113,022	\$138,138
Annual Gross Income	\$275,310	\$3,260,250	\$1,356,264	\$1,657,656
Less: Vacancy	(\$13,766)	(\$163,013)	(\$67,813)	(\$82,883)
Plus: Misc. Income	\$1,440	\$249,120	\$103,680	\$126,720
Plus: Retail Income	\$0	\$750,000	\$45,000	\$225,000
<b>Adjusted Annual Gross Income</b>	<b>\$262,985</b>	<b>\$4,096,358</b>	<b>\$1,437,131</b>	<b>\$1,926,493</b>
<b>Operating Costs</b>				
Apartment Operating Costs	(\$81,120)	(\$1,169,480)	(\$486,720)	(\$594,880)
Retail Operating Costs	\$0	(\$75,000)	(\$4,500)	(\$22,500)
<b>Net Operating Income</b>	<b>\$181,865</b>	<b>\$2,851,878</b>	<b>\$945,911</b>	<b>\$1,309,113</b>
<b>MIDDLE SCENARIO</b>				
Total Monthly Gross Income	\$25,935	\$307,125	\$127,764	\$156,156
Annual Gross Income	\$311,220	\$3,685,500	\$1,533,168	\$1,873,872
Less: Vacancy	(\$15,561)	(\$184,275)	(\$76,658)	(\$93,694)
Plus: Misc. Income	\$1,440	\$20,760	\$8,640	\$10,560
Plus: Retail Income	\$0	\$750,000	\$45,000	\$225,000
<b>Adjusted Annual Gross Income</b>	<b>\$297,099</b>	<b>\$4,271,985</b>	<b>\$1,510,150</b>	<b>\$2,015,738</b>
<b>Operating Costs</b>				
Apartment Operating Costs	(\$81,120)	(\$1,169,480)	(\$486,720)	(\$594,880)
Retail Operating Costs	\$0	(\$75,000)	(\$4,500)	(\$22,500)
<b>Net Operating Income</b>	<b>\$215,979</b>	<b>\$3,027,505</b>	<b>\$1,018,930</b>	<b>\$1,398,358</b>
<b>HIGH SCENARIO</b>				
Total Monthly Gross Income	\$28,429	\$336,656	\$140,049	\$171,171
Annual Gross Income	\$341,145	\$4,039,875	\$1,680,588	\$2,054,052
Less: Vacancy	(\$17,057)	(\$201,994)	(\$84,029)	(\$102,703)
Plus: Misc. Income	\$1,440	\$20,760	\$8,640	\$10,560
Plus: Retail Income	\$0	\$750,000	\$45,000	\$225,000
<b>Adjusted Annual Gross Income</b>	<b>\$325,528</b>	<b>\$4,608,641</b>	<b>\$1,650,199</b>	<b>\$2,186,909</b>
<b>Operating Costs</b>				
Apartment Operating Costs	(\$87,360)	(\$1,259,440)	(\$524,160)	(\$640,640)
Retail Operating Costs	\$0	(\$75,000)	(\$4,500)	(\$22,500)
<b>Net Operating Income</b>	<b>\$238,168</b>	<b>\$3,274,201</b>	<b>\$1,121,539</b>	<b>\$1,523,769</b>

(1) Apartment rents escalated 5% over 2014 DRA assumptions on low, middle and high rent scenarios. According to Apartment Insights Washington, average rents in King and Snohomish counties increased by 8% from 4th Quarter 2013 to 4th Quarter 2014, while in some neighborhoods rents increased more rapidly (for example Ballard saw a 14% increase.) However, vacancy rates also increased and the influx is new apartments is expected to temper future rent increases.

(2) Apartment operating costs escalated 4% over 2014 DRA assumptions on low, middle and high rent scenarios, based on average annual increase in operating costs reported by Dupre-Scott from 2000 to 2013.

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

**Table 8**  
**Estimated Net Sales Income from Owner Housing**  
**Nexus Owner Prototypes**  
**Version B**  
**Seattle Nexus and Economic Impact Analysis**  
**2015**

	Single-Family Infill	Owner Townhomes	Owner Flats
<b>Net Saleable SF of Living Area</b>	2,200	8,400	9,300
<b>Number of Owner Hsg. Units</b>			
Studio	0	0	0
One Bedroom	0	0	6
Two Bedroom	0	6	3
Three Bedroom	1	0	0
<b>Total</b>	<b>1</b>	<b>6</b>	<b>9</b>
<b>Unit Size (Square Feet)</b>			
Studio	-	-	-
One Bedroom	-	-	800
Two Bedroom	-	1,400	1,500
Three Bedroom	2,200	-	-
Average	2,200	1,400	1,033
<b>Average Sales Price Per Square Foot</b>			
Low Scenario	\$300.00	\$320.00	\$325.00
Middle Scenario	\$325.00	\$340.00	\$350.00
High Scenario	\$350.00	\$360.00	\$375.00
<b>Average Sales Price Per Unit</b>			
Low Scenario	\$660,000	\$448,000	\$335,833
Middle Scenario	\$715,000	\$476,000	\$361,667
High Scenario	\$770,000	\$504,000	\$387,500
<b>Sales Costs (% of Gross Sales Income)</b>	5%	5%	5%
<b>LOW SCENARIO</b>			
<b>Total Gross Sales Income</b>	<b>\$660,000</b>	<b>\$2,688,000</b>	<b>\$3,022,500</b>
Less: Sales Costs	(\$33,000)	(\$134,400)	(\$151,125)
<b>Net Sales Income</b>	<b>\$627,000</b>	<b>\$2,553,600</b>	<b>\$2,871,375</b>
Net Sales Income Per Net Saleable SF	<b>\$285</b>	<b>\$304</b>	<b>\$309</b>
<b>MIDDLE SCENARIO</b>			
<b>Total Gross Sales Income</b>	<b>\$715,000</b>	<b>\$2,856,000</b>	<b>\$3,255,000</b>
Less: Sales Costs	(\$35,750)	(\$142,800)	(\$162,750)
<b>Net Sales Income</b>	<b>\$679,250</b>	<b>\$2,713,200</b>	<b>\$3,092,250</b>
Net Sales Income Per Net Saleable SF	<b>\$309</b>	<b>\$323</b>	<b>\$333</b>
<b>HIGH SCENARIO</b>			
<b>Total Gross Sales Income</b>	<b>\$770,000</b>	<b>\$3,024,000</b>	<b>\$3,487,500</b>
Less: Sales Costs	(\$38,500)	(\$151,200)	(\$174,375)
<b>Net Sales Income</b>	<b>\$731,500</b>	<b>\$2,872,800</b>	<b>\$3,313,125</b>
Net Sales Income Per Net Saleable SF	<b>\$333</b>	<b>\$342</b>	<b>\$356</b>

(1) For middle scenario: townhome sales price based on median sales price per square foot for new homes sold in Seattle during the first quarter of 2015 of \$340 for an average-sized new unit of 1,300 SF, according to Redfin; estimated per square foot sales prices for single-family infill homes and owner flats estimated at \$325 and \$350, respectively.

Source: Dataquick Information System; DRA

**Table 9**  
**Estimated Net Operating Income from Non-Residential Uses**  
**Version B, Middle Scenario**  
**Seattle Nexus and Economic Impact Analysis**  
**2015**

	MU Grocery	MU Restaurant	MU Entertainment	Stand Alone Retail	R&D Laboratory	Medical Office
Net SF R&D Laboratory	0	0	0	0	80,000	0
Net SF General Office	0	0	0	0	8,000	0
Net SF Medical Office	0	0	0	0	0	69,600
Net SF Retail	0	0	0	20,000	1,600	2,400
Net SF Grocery Store	37,500	0	0	0	0	0
Net SF Restaurant	0	2,250	0	0	0	0
Net SF Entertainment	0	0	11,250	0	0	0
Total Net SF Non-Residential	37,500	2,250	11,250	20,000	89,600	72,000
Parking Spaces--Office	-	-	-	-	147	180
Approximate Building Stories	6	4	6	1	7	6
<b>R&amp;D Laboratory Operating Assumptions</b>						
Monthly Rent Per NSF (NNN)					\$2.67	
Annual Rent Per NSF (NNN)					\$32.00	
Vacancy Rate					10.0%	
Operating Expenses Per NSF					\$10	
<b>Office Income/Operating Assumptions</b>						
Monthly Rent Per NSF (NNN)					\$2.67	
Annual Rent Per NSF (NNN)					\$32.00	
Vacancy Rate					10.0%	
Operating Expenses Per NSF					\$10	
<b>Medical Office Income/Oper. Assumptions (1)</b>						
Monthly Rent Per NSF (NNN)						\$3.47
Annual Rent Per NSF (NNN)						\$41.60
Vacancy Rate						10.0%
Operating Expenses Per NSF						\$13
<b>Retail Income/Operating Assumptions</b>						
Monthly Rent Per NSF (NNN)				\$2.50	\$2.50	\$1.67
Annual Rent Per NSF (NNN)				\$30.00	\$30.00	\$20.00
Vacancy Rate				10.0%	10.0%	10.0%
Operating Expenses Per NSF				42%	42%	42%
<b>Grocery Store Income/Operating Assumptions</b>						
Monthly Rent Per NSF (NNN)	\$2.08					
Annual Rent Per NSF (NNN)	\$25.00					
Vacancy Rate	10.0%					
Operating Expenses (% of Gross Income)	42%					
<b>Restaurant Income/Operating Assumptions</b>						
Monthly Rent Per NSF (NNN)		\$1.67				
Annual Rent Per NSF (NNN)		\$20.00				
Vacancy Rate		10.0%				
Operating Expenses (% of Gross Income)		42%				
<b>Entertainment Income/Operating Assumptions</b>						
Monthly Rent Per NSF (NNN)			\$1.67			
Annual Rent Per NSF (NNN)			\$20.00			
Vacancy Rate			10.0%			
Operating Expenses (% of Gross Income)			42%			
<b>Parking Income/Operating Assumptions</b>						
Parking Income (\$/Space/Month)					\$350.00	\$350.00
Parking Vacancy Rate					20.0%	30.0%
Parking Operating Expense (% of Gross Income)					20%	20%

**Table 9**  
**Estimated Net Operating Income from Non-Residential Uses**  
**Version B, Middle Scenario**  
**Seattle Nexus and Economic Impact Analysis**  
**2015**

	MU Grocery	MU Restaurant	MU Entertainment	Stand Alone Retail	R&D Laboratory	Medical Office
Net SF R&D Laboratory	0	0	0	0	80,000	0
Net SF General Office	0	0	0	0	8,000	0
Net SF Medical Office	0	0	0	0	0	69,600
Net SF Retail	0	0	0	20,000	1,600	2,400
Net SF Grocery Store	37,500	0	0	0	0	0
Net SF Restaurant	0	2,250	0	0	0	0
Net SF Entertainment	0	0	11,250	0	0	0
Total Net SF Non-Residential	37,500	2,250	11,250	20,000	89,600	72,000
Parking Spaces--Office	-	-	-	-	147	180
Approximate Building Stories	6	4	6	1	7	6
<b>Stabilized Net Operating Income</b>						
Annual Gross R&D Rental Income	\$0	\$0	\$0	\$0	\$2,560,000	\$0
Annual Gross Office Rental Income	\$0	\$0	\$0	\$0	\$256,000	\$0
Annual Gross Medical Office Rental Income	\$0	\$0	\$0	\$0	\$0	\$2,895,360
Annual Gross Retail Rental Income	\$0	\$0	\$0	\$600,000	\$48,000	\$48,000
Annual Gross Grocery Store Rental Income	\$937,500	\$0	\$0	\$0	\$0	\$0
Annual Gross Restaurant Rental Income	\$0	\$45,000	\$0	\$0	\$0	\$0
Annual Gross Entertainment Rental Income	\$0	\$0	\$225,000	\$0	\$0	\$0
Annual Gross Parking Income	\$0	\$0	\$0	\$0	\$617,400	\$756,000
<b>Annual Gross Non-Residential Rental Income</b>	<b>\$937,500</b>	<b>\$45,000</b>	<b>\$225,000</b>	<b>\$600,000</b>	<b>\$3,481,400</b>	<b>\$3,699,360</b>
Less: R&D Vacancy	\$0	\$0	\$0	\$0	(\$256,000)	\$0
Less: Office Vacancy	\$0	\$0	\$0	\$0	(\$25,600)	\$0
Less: Medical Office Vacancy	\$0	\$0	\$0	\$0	\$0	(\$289,536)
Less: Retail Vacancy	\$0	\$0	\$0	(\$60,000)	(\$4,800)	(\$4,800)
Less: Grocery Store Vacancy	(\$93,750)	\$0	\$0	\$0	\$0	\$0
Less: Restaurant Vacancy	\$0	(\$4,500)	\$0	\$0	\$0	\$0
Less: Entertainment Vacancy	\$0	\$0	(\$22,500)	\$0	\$0	\$0
Less: Parking Vacancy	\$0	\$0	\$0	\$0	(\$123,480)	(\$226,800)
Adjusted Annual Gross Income	\$843,750	\$40,500	\$202,500	\$540,000	\$3,071,520	\$3,178,224
Less: R&D Operating Expenses	\$0	\$0	\$0	\$0	(\$800,000)	\$0
Less: Office Operating Expenses	\$0	\$0	\$0	\$0	(\$80,000)	\$0
Less: Medical Operating Expenses	\$0	\$0	\$0	\$0	\$0	(\$904,800)
Less: Retail Operating Expenses	\$0	\$0	\$0	(\$252,000)	(\$20,160)	(\$20,160)
Less: Grocery Store Operating Expenses	(\$393,750)	\$0	\$0	\$0	\$0	\$0
Less: Restaurant Operating Expenses	\$0	(\$18,900)	\$0	\$0	\$0	\$0
Less: Entertainment Operating Expenses	\$0	\$0	(\$94,500)	\$0	\$0	\$0
Less: Parking Operating Expenses	\$0	\$0	\$0	\$0	(\$123,480)	(\$151,200)
<b>Annual Total Net Operating Income</b>	<b>\$450,000</b>	<b>\$21,600</b>	<b>\$108,000</b>	<b>\$288,000</b>	<b>\$2,047,880</b>	<b>\$2,102,064</b>
Net Operating Income Per NSF	\$12.00	\$9.60	\$9.60	\$14.40	\$22.86	\$29.20

(1) Medical office lease rates are estimated to be 30% higher than comparable office lease rates, based on developer interviews.

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