Cost and Feasibility Study

Lakepointe Site – Commercial Subdivision
Approx. 6525 NE 175th St
Kenmore, WA 98028

Prepared By:

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Prepared For:

Bryan Hampson, Development Svcs. Director
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City of Kenmore, Washington
18120 68th Ave NE
Kenmore, WA 98028

Date of Report:
March 19th, 2020

OCG Ref #: 19-257

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Commercial Real Estate Appraisers and Consultants
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RE: Lakepointe Site – Commercial Subdivision
Approx. 6525 NE 175th St
Kenmore, WA 98028

In accordance with your request, we have completed a conceptual design and analysis report relating to the above-mentioned subject site. In our assignment, we were tasked with creating various building development scenarios for the Lakepointe site, as well as analyzing each development scenario for financial feasibility. We consider our designs to be purely conceptual in nature, compiled without the inputs of a professional design team. The main objective of this assignment was to assess financial feasibility of the subject site using a number of hypothetical development scenarios. We did not estimate future trending of market rents, costs, or expenses in this assignment; all analysis done was completed using today's project costs, land values, market rents, and market expenses.

The design phase of the assignment began with some initial schemes utilizing various land uses that were presented to staff members of the City of Kenmore. After receiving preliminary feedback concerning design goals – such as limiting surface parking, achieving population and employment targets, and accomplishing a certain overall neighborhood character – we developed six development scenarios for consideration. After receiving conceptual approval from the City of Kenmore, the O'Connor Consulting Group began financial analysis of each scenario presented.

The Modawell Group evaluated the subject site for various development requirements, such as environmental, sitework, stormwater, and other factors that would be expected to affect site costs and design. The Modawell Group also consulted with developers, engineers, cost estimators, and other contractors concerning project costs and unique engineering considerations. These considerations led to various recommendations, including: limiting subterranean development, increasing porous surfaces for stormwater flow, and retaining a 200-foot shoreline buffer containing a large functional aesthetic bio-swale for stormwater holding and filtration while also allowing for additional natural habitats, all of which were implemented into the final set of development scenarios.

In order to determine the financial feasibility of each scenario, O'Connor Consulting Group analyzed the site designs from the perspective of a commercial subdivision developer. Because the site is so large, a likely outcome of the subject development would be for a commercial subdivision developer to purchase the site and improve it into buildable commercial "pads", or fully entitled building-ready parcels. The subdivision developer then would hypothetically make a profit selling these pads to building developers at market prices.

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By viewing the subject as a commercial subdivision, O'Connor Consulting Group was able to analyze the site using both "Bottom-Up Analysis" (analyzing raw land, sitework, and entitlement costs in comparison to pad value) and "Top-Down Analysis" (analyzing what a builder can pay for each individual finished pad in comparison to individual building feasibility). Reconciling these two analyses (as confirmed with comparable commercial land sales) indicates an approximate retail price for each completed commercial pad.

These pad sales were input into a commercial subdivision sell-off model, which considers holding costs (such as property taxes on unsold lots), sales costs (such as excise taxes and broker commissions), and sales price appreciation over the sell-off period. This model determined the net proceeds of selling these pads at market prices. The scenarios are to have a selloff period of approximately 1.5 – 2 years after construction completion.

Gross profits were calculated by subtracting raw land (the site as improved currently) and conceptual subdivision development costs (as estimated by The Modawell Group for each scenario) from the net proceeds calculated in our subdivision sales model. Net profits were calculated by subtracting the costs associated with obtaining and paying for equity (money required for development outside of a subdivision construction loan). Dividing these profits by the completed subdivision value, project development costs, and required equity, establishes a set of metrics that are typically employed by property developers to analyze financial feasibility.

Overall, Scenario 5 was our highest-performing development scenario. A brief scenario summary can be found to the right. The site FAR (Floor-Area Ratio) for this scenario was the second highest of our tested scenarios, calculated at 0.815 square feet of building space per square foot of available land.

Rental Residential Units:	708
For Sale Residential Units:	0
Total Residential Units:	708
Office Gross SF:	539,015
Light Manufacturing SF:	29,539
Building SF (without parking):	1,313,977
Site FAR (without parking):	0.815

Scenario 5 appears to work well for many reasons. First, and most obviously, it delivers an abundance of rentable floor area, which in turn, increases the overall value of the commercial pads. The site orientation of Scenario 5 also allows for minimal utility and roadway extensions, as much of the west end of this development scenario would be reserved for city parkland. Second, an expanding office market would appear to favor feasible new office developments, which are optimized in this scenario.

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For the purposes of this report, the land basis was chosen as an acquisition cost for the subdivision developer. According to our analysis, the chosen land basis would yield a profit to a developer and could potentially be sufficiently high to entice an acquisition from the current landowner. The land basis however is *not* intended to be a representation of current land value but is rather used as a fixed cost to analyze the comparative feasibility metrics across various development scenarios. The analyses contained in this report are intended to evaluate the financial feasibility of each development scenario, in which the raw (or unimproved) land "basis" of $40 million would be held constant.

Thank you for the opportunity to work with you on this assignment.

Sincerely,

O'CONNOR CONSULTING GROUP, LLC

Brian R. O'Connor, MAI, CRE

Reilly Peavey, Associate

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Overview

In conjunction with The Modawell Group, O'Connor Consulting Group designed six conceptual land-use orientation scenarios for the subject site. Particular emphasis was placed on scenarios that provided ample housing, office space, and other attractive land uses to create an urban neighborhood at the Lakepointe site. The primary goal of this assignment was to analyze the feasibility of several basic, satellite-level concepts; more nuance would obviously be required to for the creation of conceptual architectural sketches.

In designing these scenarios, The Modawell Group consulted with developers, engineers, cost estimators, and earthwork utility contractors to determine the conceptual range order of magnitude project costs of developing each scenario into commercial subdivisions from the subject's present condition. O'Connor Consulting Group used these conceptual cost estimates to determine the financial feasibility of each building proposed in the site plans. O'Connor Consulting Group determined the approximate retail price of each finished commercial pad as if fully entitled by concluding what a building developer could feasibly pay for each pad using market rents, expenses, and construction costs. Using a subdivision selloff model, the financial feasibility of each commercial subdivision scenario was then determined from a subdivision developer's perspective. O'Connor Consulting Group concluded the raw land basis as currently improved can be feasibly obtained for $40 million while still maintaining attractive profit metrics for developers (using Scenario 5, summarized below).

The following table details the feasibility of each of the design scenarios using a land basis of $40 million, each considering the variable development costs required of each design:

Feasibility Summary (with $40 million Land Basis)

	Scenarios						
	1	2	3	4A	4B	5	6
Total Residential Units	441	836	929	978	1279	708	777
Office Space	120,104 SF	207,703 SF	219,638 SF	175,122 SF	174,992 SF	539,015 SF	278,310 SF
Light Manufacturing	44,309 SF	44,309 SF	44,309 SF	59,078 SF	59,078 SF	29,539 SF	29,539 SF
Site FAR	0.536	0.704	0.766	0.759	0.928	0.815	0.775
Total Direct (Hard) Costs	$43,180,300	$42,572,300	$36,767,600	$41,119,500	$42,099,800	$37,973,200	$38,586,100
Total Indirect (Soft) Costs	$14,392,000	$14,462,000	$12,944,000	$13,879,000	$13,736,000	$12,617,000	$13,276,000
Land Basis	$40,000,000	$40,000,000	$40,000,000	$40,000,000	$40,000,000	$40,000,000	$40,000,000
Development Costs (no land)	$57,572,300	$57,034,300	$49,711,600	$54,998,500	$55,835,800	$50,590,200	$51,862,100
Total Development Costs (with land)	$97,572,300	$97,034,300	$89,711,600	$94,998,500	$95,835,800	$90,590,200	$91,862,100
Gross Aggregate Retail Lot Value	$91,757,300	$96,898,790	$105,738,200	$99,820,820	$100,693,940	$124,111,265	$106,745,880
Net Proceeds	$83,863,021	$88,451,963	$96,475,987	$91,101,339	$92,032,494	$113,369,375	$97,378,709
Gross Profit (Proceeds - Costs)	-$13,709,279	-$8,582,337	$6,764,387	-$3,897,161	-$3,803,306	$22,779,175	$5,516,609
Gross Profit to Cost	-14.1%	-8.8%	7.5%	-4.1%	-4.0%	25.1%	6.0%
Gross Profit to Retail Value	-14.9%	-8.9%	6.4%	-3.9%	-3.8%	18.4%	5.2%
Gross Profit to Equity	-40.2%	-25.3%	21.6%	-11.7%	-11.3%	71.9%	17.2%
Required Equity	$34,122,300	$33,934,300	$31,361,600	$33,248,500	$33,535,800	$31,690,200	$32,112,100
Net Profit (Gross Profit - Equity Cost)	-$23,263,523	-$18,536,399	-$1,598,707	-$12,763,428	-$13,640,474	$16,441,135	-$2,618,456
Net Profit to Cost	-23.8%	-19.1%	-1.8%	-13.4%	-14.2%	18.1%	-2.9%
Net Profit to Retail Value	-25.4%	-19.1%	-1.5%	-12.8%	-13.5%	13.2%	-2.5%
Net Profit to Equity	-68.2%	-54.6%	-5.1%	-38.4%	-40.7%	51.9%	-8.2%

While preferences may vary, developers tend to use a variety of metrics to determine project feasibility. In this instance, considering how much stronger Scenario 5 performs in comparison to the other scenarios in every metric (highest gross/net profit, highest in every profit ratio metric), we can confidently say that Scenario 5 is the most financially feasible development among those considered in this analysis.

The following pages detail the feasibility snapshot of each scenario.

Feasibility Analysis - Scenario 1

Analysis as if Hypothetically Completed and Stabilized as of February 2020

Lot	Lot Area (Acres)	Lot Area (SF)	Units	Building FAR	Value /	Value Metric	Prelim. Indicated Value	*Less: Piling Costs*	*Plus: Entitlement Value*	Pad Value w/ Entitlements	Value / Site SF
Apartment 1	1.02	44,400	118	106,722	$50,000	/Unit	$5,900,000	$613,000	$590,000	$5,877,002	$132
Apartment 2	0.762	33,200	73	65,558	$50,000	/Unit	$3,650,000	$275,300	$365,000	$3,739,675	$113
Townhomes 1	1.01	44,000	28	49,000	$145,000	/Door	$4,060,000	$103,400	$280,000	$4,236,568	$96
Townhomes 2	3.915	170,500	110	192,500	$150,000	/Door	$16,500,000	$406,300	$1,100,000	$17,193,660	$101
Rowhouses 1	1.10	47,900	28	44,800	$140,000	/Door	$3,920,000	$103,400	$280,000	$4,096,568	$86
Rowhouses 2	1.11	48,400	28	44,800	$140,000	/Door	$3,920,000	$103,400	$280,000	$4,096,568	$85
Rowhouses 3	1.07	46,600	28	44,800	$140,000	/Door	$3,920,000	$103,400	$280,000	$4,096,568	$88
Rowhouses 4	1.07	46,600	28	44,800	$140,000	/Door	$3,920,000	$103,400	$280,000	$4,096,568	$88
Office 1	1.12	48,800	-	33,193	$100	/FAR	$3,319,300	$213,600	$183,900	$3,289,594	$67
Office 2	1.01	44,000	-	42,602	$100	/FAR	$4,260,200	$274,100	$236,000	$4,222,074	$96
Flex 1	0.79	34,400	-	29,539	$75	/Site SF	$2,580,000	$76,700	$122,700	$2,626,004	$76
Flex 2	0.79	34,400	-	29,539	$75	/Site SF	$2,580,000	$76,700	$122,700	$2,626,004	$76
Flex 3	0.87	37,700	0	29,539	$80	/Site SF	$3,016,000	$76,700	$122,700	$3,062,004	$81
Hotel	0.942	41,000	150	106,398	$60,000	/Key	$9,000,000	$428,800	$750,000	$9,321,185	$227
Park	3.724	162,200	-	-	$95	/Site SF	$15,409,000	-	-	$15,409,000	$95
Future Trail Interchange	1.082	47,100	-	-	$80	/Site SF	$3,768,000	-	-	$3,768,000	$80
Shoreline Buffer	11.30	492,200	-	-	-	-	-			-	
Roads	4.27	186,000	-	-	-	-	-			-	
						Subtotals:	$89,722,500	($2,958,200)	$4,993,000	**$91,757,300**	***$57.01 /Site SF***

Scenario Summary:

Rental Residential Units:	191
For Sale Residential Units:	250
Total Residential Units:	441
Office Gross SF:	120,104
Light Manufacturing SF:	44,309
Building SF (without parking):	863,790
Site FAR (without parking):	0.536

Holding Costs	
Taxes (unsold lots)	$532,196
Homeowner's Dues (unsold lots)	N/A
	($532,196)
Costs of Sales	
Marketing & Commissions	$3,694,401
Administrative Costs	$923,600
Real Estate Excise Tax (REET)	$2,744,082
Total Costs of Sales:	($7,362,083)
Net Proceeds as if completed February 2020:	**$83,863,021**
Less: Total Cost to Build:	($97,572,300)
Gross Profit:	($13,709,279)

Metrics of Feasibility (Subdivision) - Scenario 1

Gross Profit to Cost (%)	-14.1%	**Gross Profit ($)**	**-$13,709,279**
Gross Profit to Value (%)	-16.3%	Gross Profit ($) / Acre	-$370,525.66
Gross Profit to Equity (%)	-40.2%	Gross Profit ($) / Lot	-$856,830

Equity Cost Calculation

Total Equity @	$34,122,300
Interest Rate (%)	8.00%
Duration (mo.)	42 months
Equity Cost ($)	($9,554,244)

Margin (%)			
		Gross Profit	*-$13,709,279*
		Less: Equity Cost	*($9,554,244)*
Net Profit to Cost (%)	-23.84%	**Net Profit**	**-$23,263,523**
Net Profit to Value (%)	-27.74%	*Net Profit / Acre*	*-$628,751.67*
Net Profit to Equity (%)	-68.18%	*Net Profit / Lot*	*-$1,453,970*


Burke-Gilman Trail
NE 175th St
NE Bothell Way
68th Ave NE
NE 175th St
Burke-Gilm
Kenmore Air
Flex
Rowhouse 1
RH3
Flex
lot 2
Rowhouse 2
RH4
Townhouse 1
O1
Office 2
lot 1
Apartment 1
Townhouse 2
Apt2
Hotel
Sammamish River
Samm

Feasibility Analysis - Scenario 2

Analysis as if Hypothetically Completed and Stabilized as of February 2020

Lot	Lot Area (Acres)	Lot Area (SF)	Units	Building FAR	Value /	Value Metric	Prelim. Indicated Value	*Less: Piling Costs*	*Plus: Entitlement Value*	Value w/ Piling Discount	Value/Site SF
Apartment 1	2.37	103,200	298	268,765	$50,000	/Unit	$14,900,000	$1,375,900	$1,490,000	$15,014,053	$145
Apartment 2	1.08	47,000	149	134,600	$47,500	/Unit	$7,077,500	$607,900	$745,000	$7,214,598	$154
Apartment 3	2.36	102,800	196	135,907	$47,500	/Unit	$9,310,000	$332,800	$980,000	$9,957,163	$97
Apartment 4	0.955	41,600	118	106,504	$50,000	/Unit	$5,900,000	$417,600	$590,000	$6,072,411	$146
Townhomes 1	2.67	116,300	75	131,250	$150,000	/Door	$11,250,000	$246,500	$750,000	$11,753,550	$101
Office 1	0.61	26,600	-	45,869	$100	/FAR	$4,586,900	$264,400	$254,100	$4,576,658	$172
Office 2	1.2	52,300	-	25,788	$100	/FAR	$2,578,800	$83,000	$142,900	$2,638,695	$50
Office 3	1.35	58,800	-	30,579	$105	/FAR	$3,210,795	$98,400	$169,400	$3,281,815	$56
Office 4	1.20	52,300	-	30,579	$105	/FAR	$3,210,795	$98,400	$169,400	$3,281,815	$63
Office 5	1.21	52,700	-	30,579	$100	/FAR	$3,057,900	$98,400	$169,400	$3,128,920	$59
Flex 1	0.898	39,100	-	29,539	$75	/Site SF	$2,932,500	$76,700	$122,700	$2,978,504	$76
Flex 2	0.86	37,500	-	29,539	$75	/Site SF	$2,812,500	$76,700	$122,700	$2,858,504	$76
Flex 3	0.82	35,800	-	29,539	$75	/Site SF	$2,685,000	$76,700	$122,700	$2,731,004	$76
Hotel	0.931	40,600	150	106,398	$60,000	/Key	$9,000,000	$428,800	$750,000	$9,321,185	$230
Park	2.01	87,600	-	-	$95	/Site SF	$8,322,000	-	-	$8,322,000	$95
Future Trail Interchange	1.082	47,100	-	-	$80	/Site SF	$3,768,000	-	-	$3,768,000	$80
Shoreline Buffer	11.30	492,200	-	-	-	-	-			-	
Roads	3.802	165,600	-	-	-	-	-			-	
						Subtotals:	$94,602,690	($4,282,200)	$6,578,300	**$96,898,790**	***$60.60 /Site SF***

Scenario Summary:

Rental Residential Units:	761
For Sale Residential Units:	75
Total Residential Units:	836
Office Gross SF:	207,703
Light Manufacturing SF:	44,309
Building SF (without parking):	1,135,435
Site FAR (without parking):	0.704

Holding Costs	
Taxes (unsold lots)	$637,845
Homeowner's Dues (unsold lots)	N/A
	($637,845)
Costs of Sales	
Marketing & Commissions	$3,904,855
Administrative Costs	$976,214
Real Estate Excise Tax (REET)	$2,927,914
Total Costs of Sales:	($7,808,982)
Net Proceeds as if completed February 2020:	**$88,451,963**
Less: Total Cost to Build:	($97,034,300)
Gross Profit:	($8,582,337)

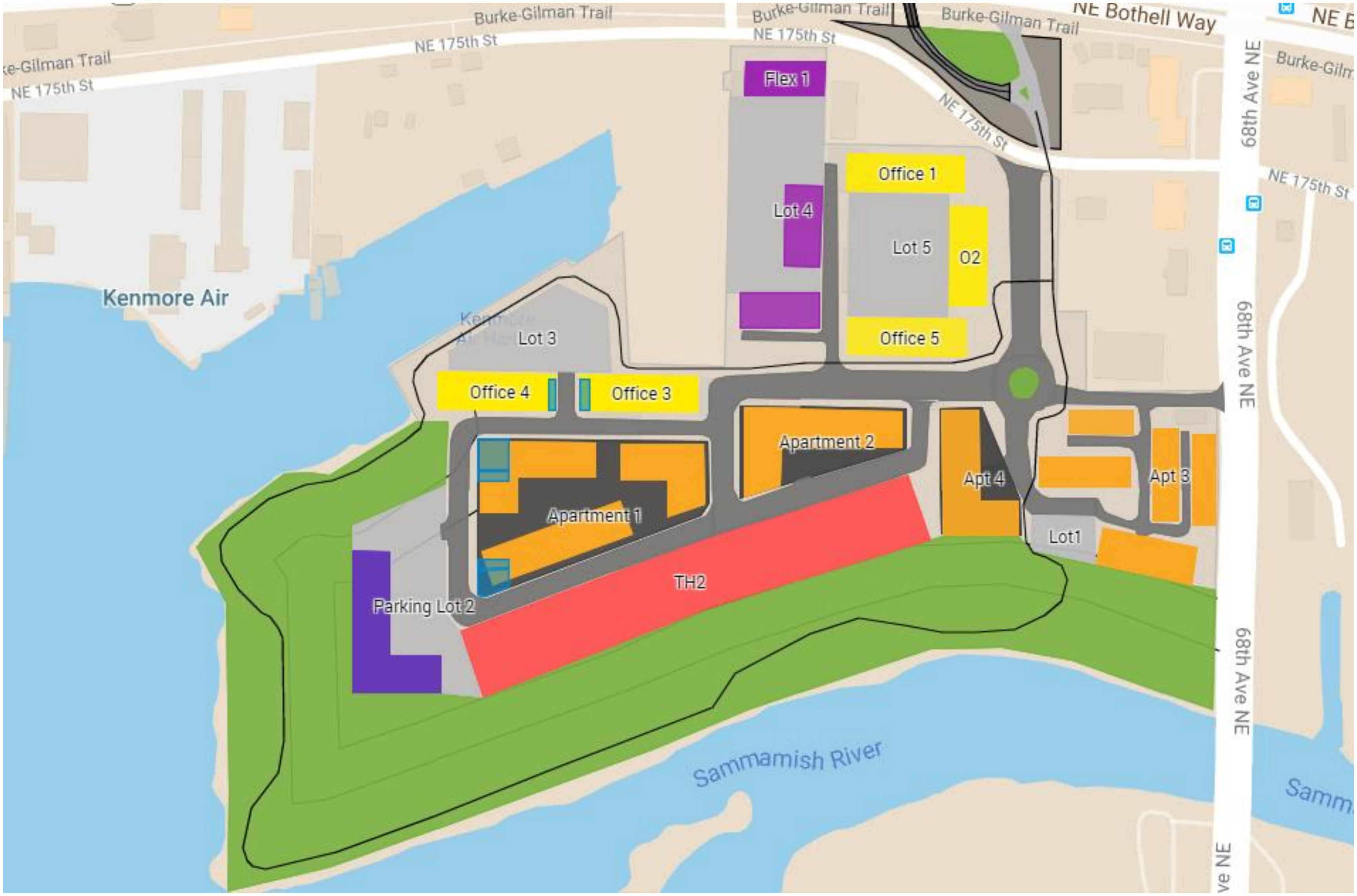
Metrics of Feasibility (Subdivision) - Scenario 2

Gross Profit to Cost (%)	-8.8%	**Gross Profit ($)**	**-$8,582,337**
Gross Profit to Value (%)	-9.7%	Gross Profit ($) / Acre	-$231,957.94
Gross Profit to Equity (%)	-25.3%	Gross Profit ($) / Lot	-$536,396

Equity Cost Calculation

Total Equity @	$33,934,300
Interest Rate (%)	8.00%
Duration (mo.)	44 months
Equity Cost ($)	($9,954,061)

		Gross Profit	-$8,582,337
Margin (%)		*Less: Equity Cost*	($9,954,061)
Net Profit to Cost (%)	-19.10%	**Net Profit**	**-$18,536,399**
Net Profit to Value (%)	-20.96%	*Net Profit / Acre*	-$500,989.96
Net Profit to Equity (%)	-54.62%	*Net Profit / Lot*	-$1,158,525


Burke-Gilman Trail
NE 175th St
NE Bothell Way
68th Ave NE
Kenmore Air
Flex 1
Office 1
Lot 4
Lot 5
O2
Lot 3
Office 5
Office 4
Office 3
Apartment 2
Apartment 1
Apt 4
Apt 3
Lot1
TH2
Parking Lot 2
Sammamish River

Feasibility Analysis - Scenario 3

Analysis as if Hypothetically Completed and Stabilized as of February 2020

Lot	Lot Area (Acres)	Lot Area (SF)	Units	Building FAR	Value /	Value Metric	Prelim. Indicated Value	*Less: Piling Costs*	*Plus: Entitlement Value*	Value w/ Piling Discount	Value/Site SF
Apartment 1	2.04	88,900	250	226,076	$50,000	/Unit	$12,500,000	$1,080,700	$1,250,000	$12,669,340	$143
Apartment 2	1.24	54,000	171	154,202	$50,000	/Unit	$8,550,000	$47,100	$855,000	$9,357,894	$173
Apartment 3	2.04	88,900	285	257,004	$47,500	/Unit	$13,537,500	$84,000	$1,425,000	$14,878,482	$167
Apartment 4	2.1	91,500	193	174,022	$47,500	/Unit	$9,167,500	$54,200	$965,000	$10,078,253	$110
Townhomes 1	1.08	47,000	30	52,500	$150,000	/Door	$4,500,000	$98,600	$300,000	$4,701,420	$100
Office 1	2.54	110,600	-	76,143	$100	/FAR	$7,614,300	$245,000	$421,800	$7,791,142	$70
Office 2	1.16	50,500	-	61,942	$100	/FAR	$6,194,200	$257,700	$343,200	$6,279,679	$124
Office 3	1.34	58,400	-	37,244	$100	/FAR	$3,724,400	$154,900	$206,300	$3,775,798	$65
Flex 1	0.79	34,400	-	29,539	$75	/Site SF	$2,580,000	$76,700	$122,700	$2,626,004	$76
Flex 2	0.79	34,400	-	29,539	$75	/Site SF	$2,580,000	$76,700	$122,700	$2,626,004	$76
Flex 3	0.79	34,400	-	29,539	$80	/Site SF	$2,752,000	$76,700	$122,700	$2,798,004	$81
Hotel	0.933	40,600	150	106,398	$60,000	/Key	$9,000,000	$428,800	$750,000	$9,321,185	$230
Park	3.64	158,600	-	-	$95	/Site SF	$15,067,000	-	-	$15,067,000	$95
Future Trail Interchange	1.082	47,100	-	-	$80	/Site SF	$3,768,000	-	-	$3,768,000	$80
Shoreline Buffer	11.3	492,200	-	-	-	-	-			-	
Roads	4.1	178,600	-	-	-	-	-			-	
						Subtotals:	$101,534,900	($2,681,100)	$6,884,400	**$105,738,200**	***$65.67 /Site SF***

Scenario Summary:

Rental Residential Units:	899
For Sale Residential Units:	30
Total Residential Units:	929
Office Gross SF:	219,638
Light Manufacturing SF:	44,309
Building SF (without parking):	1,234,148
Site FAR (without parking):	0.766

Holding Costs	
Taxes (unsold lots)	$639,709
Homeowner's Dues (unsold lots)	N/A
	($639,709)
Costs of Sales	
Marketing & Commissions	$4,258,510
Administrative Costs	$1,064,628
Real Estate Excise Tax (REET)	$3,299,367
Total Costs of Sales:	($8,622,504)
Net Proceeds as if completed February 2020:	**$96,475,987**
Less: Total Cost to Build:	($89,711,600)
Gross Profit:	$6,764,387

Metrics of Feasibility (Subdivision) - Scenario 3

Gross Profit to Cost (%)	7.5%	**Gross Profit ($)**	**$6,764,387**
Gross Profit to Value (%)	7.0%	Gross Profit ($) / Acre	$182,823.53
Gross Profit to Equity (%)	21.6%	Gross Profit ($) / Lot	$483,170

Equity Cost Calculation

Total Equity @	$31,361,600
Interest Rate (%)	8.00%
Duration (mo.)	40 months
Equity Cost ($)	($8,363,093)

		Gross Profit	*$6,764,387*
Margin (%)		*Less: Equity Cost*	*($8,363,093)*
Net Profit to Cost (%)	-1.78%	**Net Profit**	**-$1,598,707**
Net Profit to Value (%)	-1.66%	*Net Profit / Acre*	*-$43,208.82*
Net Profit to Equity (%)	-5.10%	*Net Profit / Lot*	*-$114,193*


Burke-Gilman Trail
NE 175th St
NE Bothell Way
68th Ave NE
Kenmore Air
Flex
Lot 5
Office 2
Lot 2
Office 3
Apartment 4
Lot 1
Office 1
TH
Hotel
Apartment 1
Apartment 2
Apartment 3
Sammamish River

Feasibility Analysis - Scenario 4A

Analysis as if Hypothetically Completed and Stabilized as of February 2020

Lot	Lot Area (Acres)	Lot Area (SF)	Units	Building FAR	Value /	Value Metric	Prelim. Indicated Value	*Less: Piling Costs*	*Plus: Entitlement Value*	Value w/ Piling Discount	Value/Site SF
Apartment 1	0.81	35,300	64	57,499	$47,500	/Unit	$3,040,000	$256,800	$320,000	$3,103,242	$88
Apartment 2	1.95	84,900	227	204,950	$50,000	/Unit	$11,350,000	$1,075,100	$1,135,000	$11,409,946	$134
Apartment 3	1.51	65,800	131	118,483	$50,000	/Unit	$6,550,000	$597,900	$655,000	$6,607,136	$100
Apartment 4	2.51	109,300	274	247,421	$50,000	/Unit	$13,700,000	$1,144,100	$1,370,000	$13,925,860	$127
Apartment 5	2.64	115,000	282	254,926	$47,500	/Unit	$13,395,000	$1,091,900	$1,410,000	$13,713,071	$119
Office 1	1.768	77,000	-	81,544	$105	/FAR	$8,562,120	$608,200	$451,800	$8,405,644	$109
Office 2	0.561	24,400	-	34,500	$100	/FAR	$3,450,000	$214,900	$191,100	$3,426,231	$140
Flex 1	0.79	34,400	-	29,539	$75	/Site SF	$2,580,000	$76,700	$122,700	$2,626,004	$76
Flex 2	0.79	34,400	-	29,539	$75	/Site SF	$2,580,000	$76,700	$122,700	$2,626,004	$76
Flex 3	0.905	39,400	-	29,539	$75	/Site SF	$2,955,000	$76,700	$122,700	$3,001,004	$76
Flex 4	0.905	39,400	-	29,539	$75	/Site SF	$2,955,000	$76,700	$122,700	$3,001,004	$76
Hotel	0.934	40,700	150	106,398	$60,000	/Key	$9,000,000	$428,800	$750,000	$9,321,185	$229
Park	3.60	156,700	-	-	$95	/Site SF	$14,886,500	-	-	$14,886,500	$95
Future Trail Interchange	1.082	47,100	-	-	$80	/Site SF	$3,768,000	-	-	$3,768,000	$80
Shoreline Buffer	11.3	492,200	-	-	-	-	-			-	
Roads	4.642	202,200	-	-	-	-	-			-	
						Subtotals:	$98,771,620	($5,724,500)	$6,773,700	**$99,820,820**	***$62.46 /Site SF***

Scenario Summary:

Rental Residential Units:	978
For Sale Residential Units:	0
Total Residential Units:	978
Office Gross SF:	175,122
Light Manufacturing SF:	59,078
Building SF (without parking):	1,223,877
Site FAR (without parking):	0.759

Holding Costs	
Taxes (unsold lots)	$603,909
Homeowner's Dues (unsold lots)	N/A
	($603,909)
Costs of Sales	
Marketing & Commissions	$4,020,193
Administrative Costs	$1,005,048
Real Estate Excise Tax (REET)	$3,090,331
Total Costs of Sales:	($8,115,572)
Net Proceeds as if completed February 2020:	**$91,101,339**
Less: Total Cost to Build:	($94,998,500)
Gross Profit:	($3,897,161)

Metrics of Feasibility (Subdivision) - Scenario 4A

Gross Profit to Cost (%)	-4.1%	**Gross Profit ($)**	**-$3,897,161**
Gross Profit to Value (%)	-4.3%	Gross Profit ($) / Acre	-$105,329.99
Gross Profit to Equity (%)	-11.7%	Gross Profit ($) / Lot	-$278,369

Equity Cost Calculation

Total Equity @	$33,248,500
Interest Rate (%)	8.00%
Duration (mo.)	40 months
Equity Cost ($)	($8,866,267)

Margin (%)

		Gross Profit	*-$3,897,161*
		Less: Equity Cost	*($8,866,267)*
Net Profit to Cost (%)	-13.44%	**Net Profit**	**-$12,763,428**
Net Profit to Value (%)	-14.01%	*Net Profit / Acre*	*-$344,961.79*
Net Profit to Equity (%)	-38.39%	*Net Profit / Lot*	*-$911,673*


Burke-Gilman Trail
NE 175th St
NE Bothell Way
68th Ave NE
Kenmore Air
flex
Lot 1
Flex
Lot 2
O2
Apt 5
Apt 1
Office 1
Apartment 3
Apartment 4
Apt 2
Hotel
Sammamish River

Feasibility Analysis - Scenario 4B

Analysis as if Hypothetically Completed and Stabilized as of February 2020

Lot	Lot Area (Acres)	Lot Area (SF)	Units	Building FAR	Value /	Value Metric	Prelim. Indicated Value	*Less: Piling Costs*	*Plus: Entitlement Value*	Value w/ Piling Discount	Value/Site SF
Apartment 1	0.81	35,300	64	57,499	$47,500	/Unit	$3,040,000	$256,800	$320,000	$3,103,242	$88
Apartment 2	1.95	84,900	227	204,950	$50,000	/Unit	$11,350,000	$1,075,100	$1,135,000	$11,409,946	$134
Apartment 3	1.51	65,800	131	118,483	$50,000	/Unit	$6,550,000	$597,900	$655,000	$6,607,136	$100
Apartment 4	2.51	109,300	274	247,421	$50,000	/Unit	$13,700,000	$1,222,100	$1,370,000	$13,847,855	$127
Apartment 5	2.64	115,000	282	254,826	$47,500	/Unit	$13,395,000	$1,087,800	$1,410,000	$13,717,176	$119
Apartment 6	0.618	26,900	74	66,865	$47,500	/Unit	$3,515,000	$351,600	$370,000	$3,533,397	$131
Apartment 7	1.67	72,700	227	204,732	$52,500	/Unit	$11,917,500	$996,700	$1,135,000	$12,055,847	$166
Office 1	1.15	50,100	-	41,426	$100	/FAR	$4,142,600	$305,300	$229,500	$4,066,796	$81
Office 2	0.56	24,400	-	34,500	$100	/FAR	$3,450,000	$214,900	$191,100	$3,426,231	$140
Office 3	0.947	41,300	-	19,689	$105	/FAR	$2,067,345	$115,000	$109,100	$2,061,388	$50
Office 4	0.98	42,700	-	20,299	$105	/FAR	$2,131,395	$116,100	$112,500	$2,127,707	$50
Flex 1	0.79	34,400	-	29,539	$75	/Site SF	$2,580,000	$76,700	$122,700	$2,626,004	$76
Flex 2	0.79	34,400	-	29,539	$75	/Site SF	$2,580,000	$76,700	$122,700	$2,626,004	$76
Flex 3	0.905	39,400	-	29,539	$80	/Site SF	$3,152,000	$76,700	$122,700	$3,198,004	$81
Flex 4	0.905	39,400	-	29,539	$80	/Site SF	$3,152,000	$76,700	$122,700	$3,198,004	$81
Hotel	0.934	40,700	150	106,398	$60,000	/Key	$9,000,000	$428,800	$750,000	$9,321,185	$229
Park	0.00	0	-	-	$95	/Site SF	$0	-	-	$0	
Future Trail Interchange	1.082	47,100	-	-	$80	/Site SF	$3,768,000	-	-	$3,768,000	$80
Shoreline Buffer	11.3	492,200	-	-	-	-	-			-	
Roads	4.897	213,300	-	-	-	-	-			-	
						Subtotals:	$99,490,840	($7,074,900)	$8,278,000	**$100,693,940**	***$62.57 /Site SF***

Scenario Summary:

Rental Residential Units:	1279
For Sale Residential Units:	0
Total Residential Units:	1279
Office Gross SF:	174,992
Light Manufacturing SF:	59,078
Building SF (without parking):	1,495,244
Site FAR (without parking):	0.928

Holding Costs	
Taxes (unsold lots)	$562,762
Homeowner's Dues (unsold lots)	N/A
	($562,762)
Costs of Sales	
Marketing & Commissions	$4,053,258
Administrative Costs	$1,013,315
Real Estate Excise Tax (REET)	$3,032,111
Total Costs of Sales:	($8,098,684)
Net Proceeds as if completed February 2020:	**$92,032,494**
Less: Total Cost to Build:	($95,835,800)
Gross Profit:	($3,803,306)

Metrics of Feasibility (Subdivision) - Scenario 4B

Gross Profit to Cost (%)	-4.0%	**Gross Profit ($)**	**-$3,803,306**
Gross Profit to Value (%)	-4.1%	Gross Profit ($) / Acre	-$102,793.33
Gross Profit to Equity (%)	-11.3%	Gross Profit ($) / Lot	-$223,724

Equity Cost Calculation

Total Equity @	$33,535,800
Interest Rate (%)	8.00%
Duration (mo.)	44 months
Equity Cost ($)	($9,837,168)

		Gross Profit	*-$3,803,306*
Margin (%)		*Less: Equity Cost*	*($9,837,168)*
Net Profit to Cost (%)	-14.23%	**Net Profit**	**-$13,640,474**
Net Profit to Value (%)	-14.82%	*Net Profit / Acre*	*-$368,666.04*
Net Profit to Equity (%)	-40.67%	*Net Profit / Lot*	*-$802,381*


Burke-Gilman Trail
NE 175th St
NE Bothell Way
68th Ave NE
NE 175th St
Kenmore Air
flex
Lot 1
Flex
Flex
Lot 2
O2
Apt 5
Apt 1
Office 1
Apt 6
O3
O4
Apartment 3
Apartment 4
Apt 2
Apt 7
Hotel
Sammamish River

Feasibility Analysis - Scenario 5

Analysis as if Hypothetically Completed and Stabilized as of February 2020

Lot	Lot Area (Acres)	Lot Area (SF)	Units	Building FAR	Value /	Value Metric	Prelim. Indicated Value	*Less: Piling Costs*	*Plus: Entitlement Value*	Value w/ Piling Discount	Value/Site SF
Apartment 1	2.24	97,600	243	219,107	$50,000	/Unit	$12,150,000	$1,084,400	$1,215,000	$12,280,602	$126
Apartment 2	4.7	204,700	465	419,918	$50,000	/Unit	$23,250,000	$2,283,300	$2,325,000	$23,291,702	$114
Office 1	4.5	196,000	-	309,405	$100	/FAR	$30,940,500	$1,562,700	$1,714,100	$31,091,954	$159
Office 2	1.41	61,400	-	84,027	$95	/FAR	$7,982,565	$644,500	$465,500	$7,803,535	$127
Office 3	1.30	56,600	-	116,044	$100	/FAR	$11,604,400	$671,000	$642,900	$11,576,265	$205
Flex 1	1.81	78,800	-	59,078	$80	/Site SF	$6,304,000	$153,500	$245,500	$6,396,007	$81
Hotel	0.95	41,400	150	106,398	$60,000	/Key	$9,000,000	$428,800	$750,000	$9,321,185	$225
Park	4.49	195,600	-	-	$95	/Site SF	$18,582,000	-	-	$18,582,000	$95
Future Trail Interchange	1.08	47,100	-	-	$80	/Site SF	$3,768,000	-	-	$3,768,000	$80
Shoreline Buffer	11.3	492,200	-	-	-	-	-			-	
Roads	3.35	145,900	-	-	-	-	-			-	
Subtotals:							$123,581,465	($6,828,200)	$7,358,000	**$124,111,265**	***$76.74 /Site SF***

Scenario Summary:

Rental Residential Units:	708
For Sale Residential Units:	0
Total Residential Units:	708
Office Gross SF:	539,015
Light Manufacturing SF:	29,539
Building SF (without parking):	1,313,977
Site FAR (without parking):	0.815

Holding Costs	
Taxes (unsold lots)	$426,578
Homeowner's Dues (unsold lots)	N/A
	($426,578)
Costs of Sales	
Marketing & Commissions	$4,983,730
Administrative Costs	$1,245,933
Real Estate Excise Tax (REET)	$4,085,650
Total Costs of Sales:	($10,315,312)
Net Proceeds as if completed February 2020:	**$113,369,375**
Less: Total Cost to Build:	($90,590,200)
Gross Profit:	$22,779,175

Metrics of Feasibility (Subdivision) - Scenario 5

Gross Profit to Cost (%)	25.1%	**Gross Profit ($)**	**$22,779,175**
Gross Profit to Value (%)	20.1%	Gross Profit ($) / Acre	$615,661.01
Gross Profit to Equity (%)	71.9%	Gross Profit ($) / Lot	$2,531,019

Equity Cost Calculation

Total Equity @	$31,690,200
Interest Rate (%)	8.00%
Duration (mo.)	30 months
Equity Cost ($)	($6,338,040)

Margin (%)

Net Profit to Cost (%)	18.15%
Net Profit to Value (%)	14.50%
Net Profit to Equity (%)	51.88%

Gross Profit	*$22,779,175*
Less: Equity Cost	*($6,338,040)*
Net Profit	**$16,441,135**
Net Profit / Acre	*$444,360.51*
Net Profit / Lot	*$1,826,793*


(522)
Burke-Gilman Trail
NE 175th St
Burke-Gilman Trail
NE 175th St
Burke-Gilman Trail
Burke-Gilman Trail
NE Bothell Way
NE B
68th Ave NE
Burke-Gilm
NE 175th St
NE 175th St
Office 1
Office 2
Kenmore Air
Flex
Office 3
Apartment 2
Apartment 1
Hotel
68th Ave NE
68th Ave NE
Sammamish River
Samm
ve NE

This page details a development cost proforma for Scenario 5, our concluded most feasible scenario:

Scenario 5 - Subdivision Feasibility							
Cost Proforma - As of February 2020							
	Zoning	Site Acres	Site SF	FAR	Lots	$/Land SF	Total
Land Basis	CB	37.0	1,611,700	0.82	9	$24.82	**$40,000,000**
Direct Costs					$/Land Acre	$/Land SF	Total
Sitework Setup Requirements					$31,784	$0.73	$1,176,000
Demolition					$25,203	$0.58	$932,500
Grading					$65,152	$1.50	$2,410,600
Roadways					$107,261	$2.46	$3,968,600
Utilities/Trenching					$299,252	$6.87	$11,072,200
New Signals/Improvements at 65th Ave NE, 68th Ave NE					$110,020	$2.53	$4,070,700
Landscaping, Swales, Methane Gas Pumping & Miscellaneous					$163,137	$3.75	$6,036,000
Subtotal:					**$801,810**	**$18.41**	**$29,666,600**
Sales Tax @		*10.00%*			$80,181	$1.84	$2,966,660
Contractor's Fee @		*8.00%*			$64,145	$1.47	$2,373,328
Construction Contingency @		*10%*			$80,181	$1.84	$2,966,660
Total Direct Costs					**$1,026,315**	**$23.56**	**$37,973,200**
			% of Hard Costs		$/Land Acre	$/Land SF	Total
Indirect Costs							
Architectural			0.59%		$6,081	$0.14	$225,000
Engineering			1.75%		$18,000	$0.41	$666,000
Onsite Testing (soils, piling, etc.)			0.57%		$5,811	$0.13	$215,000
Legal & Survey			0.87%		$8,919	$0.20	$330,000
Environmental/SEPA Permits			1.64%		$16,811	$0.39	$622,000
Traffic Study			0.59%		$6,081	$0.14	$225,000
Other Permitting/Inspection Fees			3.33%		$34,190	$0.78	$1,265,000
Other Predevelopment & Misc. Fees			0.32%		$3,243	$0.07	$120,000
Property Taxes During Development			2.33%		$23,946	$0.55	$886,000
Insurance (Contractor & All-Risk)			1.73%		$17,757	$0.41	$657,000
Interim Loan Fees			1.00%		$15,919	$0.37	$589,000
Interest Reserve (Construction and Absorption)			7.84%		$80,487	$1.85	$2,978,000
Development Coordination, Management, & Admin			5.03%		$51,595	$1.18	$1,909,000
Contingency			6.50%		$52,163	$1.20	$1,930,000
Total Indirect Costs			**33.23%**		**$341,004**	**$7.83**	**$12,617,000**
Total Costs					**$2,448,414**	**$56.21**	**$90,590,200**
Less: Loan Amount					$1,591,912	$36.55	$58,900,000
Total Required Equity					**$856,503**	**$19.66**	**$31,690,200**

Feasibility Analysis - Scenario 6

Analysis as if Hypothetically Completed and Stabilized as of February 2020

Lot	Lot Area (Acres)	Lot Area (SF)	Units	Building FAR	Value /	Value Metric	Prelim. Indicated Value	*Less: Piling Costs*	*Plus: Entitlement Value*	Value w/ Piling Discount	Value/Site SF
Apartment 1	2.14	93,200	255	230,868	$50,000	/Unit	$12,750,000	$1,068,900	$1,275,000	$12,956,147	$139
Apartment 2	1.53	66,600	200	180,774	$47,500	/Unit	$9,500,000	$780,600	$1,000,000	$9,719,383	$146
Apartment 3	1.22	53,100	165	148,975	$50,000	/Unit	$8,250,000	$664,900	$825,000	$8,410,145	$158
Townhomes 1	2.75	119,800	67	117,250	$150,000	/Door	$10,050,000	$76,900	$670,000	$10,643,138	$89
Townhomes 2	2.71	118,000	90	157,500	$150,000	/Door	$13,500,000	$103,200	$900,000	$14,296,753	$121
Office 1	2.32	101,100	-	148,975	$100	/FAR	$14,897,500	$739,200	$825,300	$14,983,657	$148
Office 2	1.91	83,200	-	74,618	$105	/FAR	$7,834,890	$370,200	$413,400	$7,878,043	$95
Office 3	0.498	21,700	-	25,178	$105	/FAR	$2,643,690	$134,200	$139,500	$2,648,979	$122
Flex 1	0.79	34,400	-	29,539	$75	/Site SF	$2,580,000	$76,700	$122,700	$2,626,004	$76
Flex 2	0.79	34,400	-	29,539	$75	/Site SF	$2,580,000	$76,700	$122,700	$2,626,004	$76
Hotel	0.935	40,700	150	106,398	$60,000	/Key	$9,000,000	$428,800	$750,000	$9,321,185	$229
Park	1.66	72,300	-	-	$95	/Site SF	$6,868,500	-	-	$6,868,500	$95
Future Trail Interchange	1.08	47,100	-	-	$80	/Site SF	$3,768,000	-	-	$3,768,000	$80
Shoreline Buffer	11.3	492,200	-	-	-	-	-			-	
Roads	5.28	230,000	-	-	-	-	-			-	
						Subtotals:	$104,222,580	($4,520,300)	$7,043,600	**$106,745,880**	***$66.39 /Site SF***

Scenario Summary:

Rental Residential Units:	620
For Sale Residential Units:	157
Total Residential Units:	777
Office Gross SF:	278,310
Light Manufacturing SF:	29,539
Building SF (without parking):	1,249,614
Site FAR (without parking):	0.775

Holding Costs	
Taxes (unsold lots)	$628,958
Homeowner's Dues (unsold lots)	N/A
	($628,958)
Costs of Sales	
Marketing & Commissions	$4,298,324
Administrative Costs	$1,074,581
Real Estate Excise Tax (REET)	$3,365,308
Total Costs of Sales:	($8,738,213)
Net Proceeds as if completed February 2020:	**$97,378,709**
Less: Total Cost to Build:	($91,862,100)
Gross Profit:	$5,516,609

Metrics of Feasibility (Subdivision) - Scenario 6

Gross Profit to Cost (%)	6.0%	**Gross Profit ($)**	**$5,516,609**
Gross Profit to Value (%)	5.7%	Gross Profit ($) / Acre	$149,099.40
Gross Profit to Equity (%)	17.2%	Gross Profit ($) / Lot	$424,355

Equity Cost Calculation

Total Equity @	$32,112,100
Interest Rate (%)	8.00%
Duration (mo.)	38 months
Equity Cost ($)	($8,135,065)

Margin (%)			
		Gross Profit	*$5,516,609*
		Less: Equity Cost	*($8,135,065)*
Net Profit to Cost (%)	-2.85%	**Net Profit**	**-$2,618,456**
Net Profit to Value (%)	-2.69%	*Net Profit / Acre*	*-$70,769.96*
Net Profit to Equity (%)	-8.15%	*Net Profit / Lot*	*-$201,420*

Burke-Gilman Trail
NE 175th St
Burke-Gilman Trail
NE 175th St
Burke-Gilman Trail
NE 175th St
Burke-Gilman Trail
NE Bothell Way
Burke-Gilm
68th Ave NE
NE 175th St
NE 175th St
Kenmore Air
Flex
Lot 6
Flex
Office 1
Apartments 2
Office 2
Townhouses
O3
Lot 3
Lot 2
Apts 3
Apartments 1
7-pack
Townhouses
Hotel
68th Ave NE
68th Ave NE
Sammamish River
Samm

Property Identification: Lakepointe Site
6525 NE 175th St
Kenmore, WA 98028

Client: Bryan Hampson, Development Services Director – City of Kenmore
Rob Karlinsey, City Manager – City of Kenmore

Owner: Pioneer Towing

Introduction

The Lakepointe Site is a series of two parcels located along the Northeastern edge of Lake Washington in Kenmore. Historically, the site has been the location of a variety of uses, including a waste disposal site (primarily for homes demolished during the construction of Interstate 5), industrial yard, construction staging, various industrial uses, and a towing lot. Continued industrial use, coupled with the site's historical use as a waste disposal site, has initiated concerns for soil and stormwater contamination.

Site Feasibility History

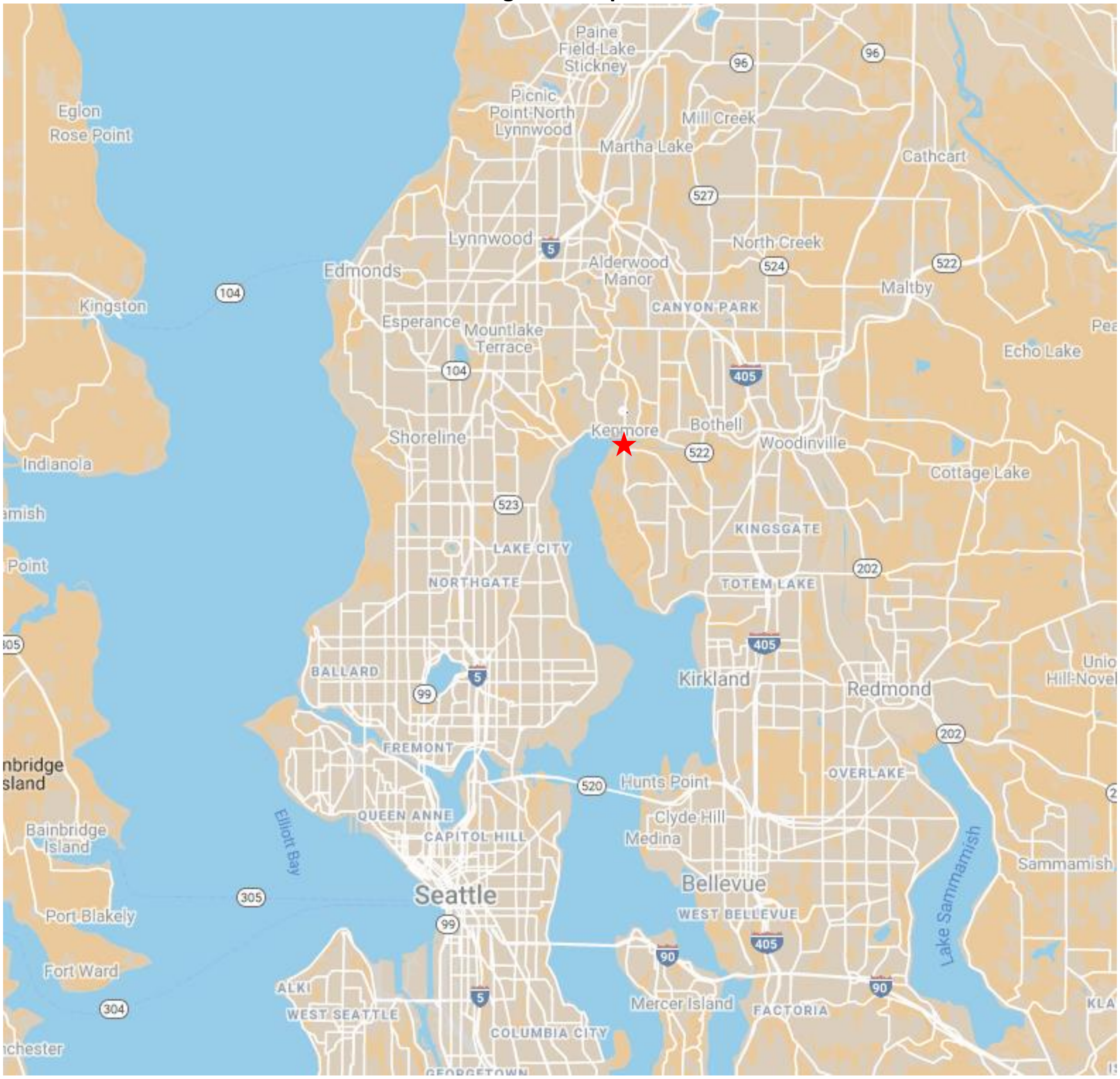
Over the last 25 years, the Lakepointe site has been analyzed for redevelopment many times. Often, O'Connor Consulting Group was involved in some aspect of predevelopment, including several feasibility studies. However, this report represents the first time a site development plan appears feasible.

Other site plans have called for the construction of buildings spanning almost all of the developable land at Lakepointe. We believe that by preserving the shoreline buffer as natural areas with stormwater filtration, much less environmental site abatement will be necessary, and the site will be more attractive overall. While as of the writing of this report represents an unprecedented market expansion in the Seattle Metropolitan area, the effect of the spread of COVID-19 on the real estate market remains to be seen.

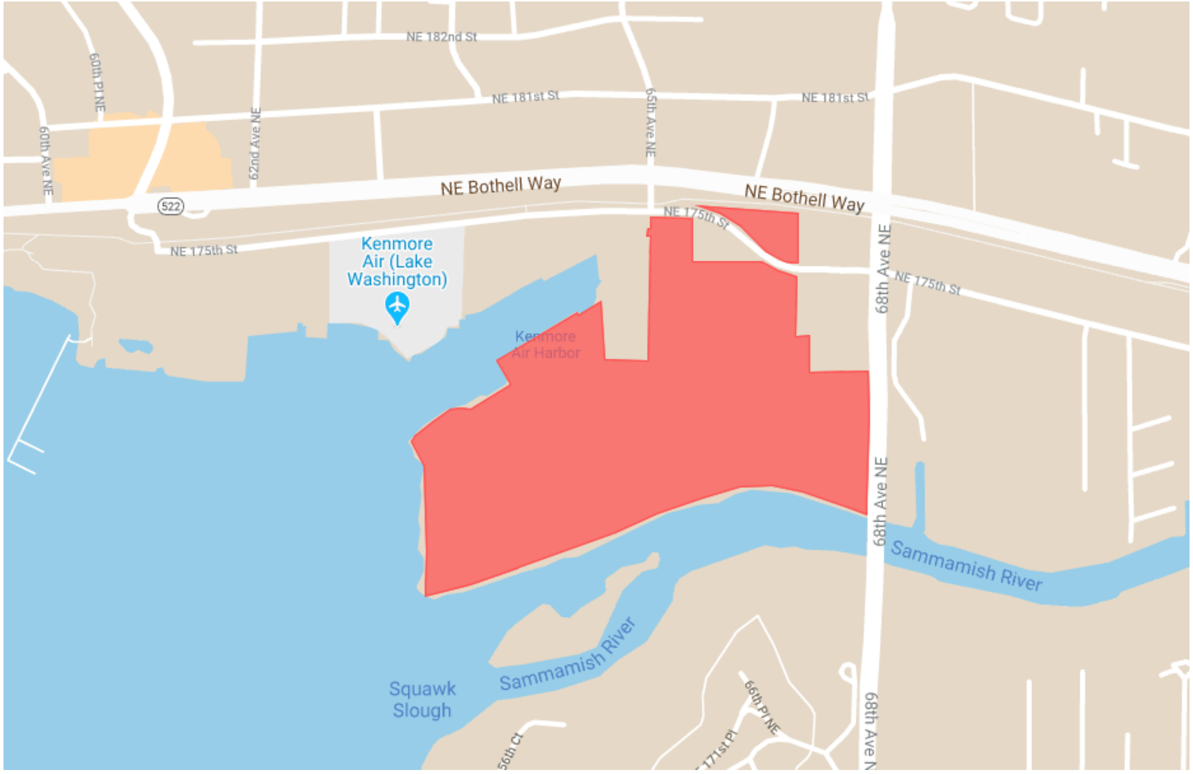
Environmental Factors/Consent Decree

In 2001, a consent decree was issued on the Lakepointe site, stating the potential for soil and stormwater contamination. This decree required that regular monitoring of groundwater and soil contaminants occur at the expense of the landowner. For the past decade or so, however, contaminant levels have generally been measured below the threshold of significance. The impacts of the Consent Decree and other environmental factors are summarized in greater detail in Section III: Site Analysis and are implemented into the proposed site designs.

Regional Map:



Neighborhood Map:



Site Aerial:

Site Description

Shape and Area:	The site consists of two parcels, one recorded at 1.08 acres ("small parcel" between Burke Gilman Trail and NE 175th St, identified as King County Tax ID #112604-9137) and the other at 43.98 acres ("large parcel", south of 175th St identified as King County Tax ID #112604-9001), though some of this area extends into Lake Washington and the Sammamish River. In total, we estimate the actual subject land area to be 37.0 acres. The large parcel is irregular in shape, while the small parcel is somewhat triangular in shape.
Access:	Access is direct from NE 175th St. Proposed improvements would add direct access from 68th Avenue NE (Juanita Drive) and improved access from 65th Avenue NE.
Topography:	The site has a mostly level topography. The small parcel abuts a slightly elevated Burke Gilman Trail to the north. The large parcel features berms separating the majority of the parcel from the southern and western shoreline, as well as berms that separate the CalPortland, Evergreen Topsoil, and gravel yard sites. Vegetation is varied throughout the site, mostly occurring on berms and shorelines.
Utilities:	There appear to be utilities available to the site through public roadways. While some utilities are presently serving existing industrial buildings, new utility lines and hookups will need to be established throughout the site, varying in overall scope depending on scenario orientations.
Zoning:	Zoned RB, Regional Business (West Subarea), City of Kenmore. Subject also lies in West Subarea of the RB zone, restricting land uses. A full list of permitted uses can be found in Kenmore Municipal Code 18.26.050.
Flood Zone:	Map 53033C0044F, dated 5/16/1995. Located in Zone X, or outside the 500-year floodplain.

Earthquake:	Earthquakes are a potential hazard for properties located throughout the Puget Sound region. Since 1870, seven earthquakes with estimated magnitudes of 6.0 or higher have occurred. The most recent incidents of high magnitude quakes were in 1965 with a magnitude 6.5, and a 6.8 magnitude quake in 2001. The subject is located in Seismic Design Category (SDC) D2. Buildings in this category “could experience very strong shaking”. The potential effects of the shaking on the subject site are liquefication of soils, “very strong shaking – damage slight in specially designed structures; considerable damage in ordinary substantial buildings with partial collapse; damage great in poorly built structures” (Federal Emergency Management Agency).
Long Lat.:	47°45'22.7" N, 122°15'11.7'' W
Parcel Number:	112604-9137, 112604-9001; King County
Sales History:	We are not aware of any recent sales of the subject property.
LID/Easement:	We are not aware of any easements encumbering or benefiting the property. We are aware of a Consent Decree which dictates various environmental considerations of future site developments. The Consent Decree also details periodic water testing that must be done on the subject in order to measure soil and stormwater contaminants. It appears the subject is relatively uncontaminated at the surface level. We also use restrictions in the Consent Decree to inform various sitework, building, and design costs and decisions throughout our analysis.

Real Estate Assessment and Taxes

Below is a summary of the subject’s 2020 assessed value and taxes. The levy rate for 2020 was $11.047 per $1,000 of assessed value. The levy rate over the last three years averaged $11.048 per $1,000 of assessed value.

Subject Taxes - Both Subject Parcels							
Tax Year	Assessed Land	Assessed Improvements	Total Assessed Values	Tax Rate	Tax	Fees	Total Billed
2018	$6,586,800	$500,000	$7,086,800	0.01170767	$82,970	$94,645	$177,614
2019	$5,633,700	$1,010,000	$6,643,700	0.01077718	$71,600	$122,504	$194,104
2020	$6,611,100	$1,044,300	$7,655,400	0.01104770	$84,575	$157,861	$242,436

Purpose of the Study

The purpose of this consulting report is to analyze the subject site for development into a fully entitled commercial subdivision. Various groups have proposed several site plans for the Lakepointe site, all of which were determined to be financially infeasible. Therefore, the purpose of this study is to analyze different uses, densities, and site orientations that could be feasible utilizing current land values and construction costs, while also yielding a sufficiently high land basis in order to facilitate a market transaction.

Initially, because of the many physical and environmental limitations of the site, we believed that a "less is more" approach could be the answer to Lakepointe's development. However, the site is sufficiently large enough to require a minimum density to offset the costs typically associated with large sites such as utility infrastructure expansion, construction of roadways, and large entitlement costs.

Intended Use and Users of Consulting Study

The intended users of the consulting study are Bryan Hampson and Rob Karlinsey of the City of Kenmore. The intended use is to assist the intended users in analyzing the feasibility of a commercial subdivision at the subject site. We fully expect the contents of this report to be distributed beyond the intended users of this report.

Effective Date of Report

The effective date of this report correlates to the effective dates at which we collected cost, rental, and land sale data, and the date to which we trended such data. This date is set to February 1st, 2020. The conclusions derived in this report represent conclusions valid only at this effective date.

USPAP Compliance

This report is not an appraisal, restricted appraisal, or intended to comply with USPAP. The contents of this report represent a consulting assignment, specifically a feasibility study for the subject site.

Scope of the Assignment

The scope of our assignment was somewhat broad in nature. O'Connor Consulting Group was tasked with conceiving of several high-level site layouts that would accommodate a commercial subdivision, utilizing a variety of densities, land uses, and site orientations. Six scenarios were initially designed with varying densities, land uses, and orientations. Upon receiving initial feedback from various members of the City of Kenmore staff and contractors, O'Connor Consulting Group refined these designs and implemented new site layouts for analysis. Particular attention was paid to the City of Kenmore's population and jobs targets, buffer zones around southern and western shorelines, and land use considerations around Kenmore Asphalt Materials, shorelines, and park/natural areas.

In modeling a commercial subdivision, O'Connor Consulting Group used two subdivision approaches, "Bottom-Up" and "Top-Down", in order to determine market prices for the various commercial pads. These analyses are briefly described below.

In the "Top-Down" approach, individual building feasibility scenarios were modeled, using appropriate market rents, expenses, and construction costs. By approximating an appropriate profit margin for each building type, we estimated the price that a developer could pay for each parcel. We compared these preliminary price estimates with comparable commercial sales in the market. Because the subject site will require buildings to be designed with extensive piling (described in greater detail in Section III: Site Analysis), an equivalent deduction was made from market prices. Also, since the pads would be sold fully entitled (the entitlement process would be performed by the subdivision developer), we added a modest bonus to each pad's retail price.

In the "Bottom-Up" approach, we estimated the direct and indirect costs of developing each scenario into fully entitled, ready-to-build commercial sites. In order to estimate these costs, The Modawell Group consulted with developers, engineers, and cost estimators to determine the overall project costs of developing each scenario from the subject's present condition to fully entitled commercial subdivisions. O'Connor Consulting Group used these direct cost estimates to determine the financial feasibility of each building proposed in the site plans.

For the purpose of determining feasibility, O'Connor Consulting Group estimated the approximate retail price of the finished, fully entitled commercial pads. Using a subdivision sell-off model, the financial feasibility of each commercial subdivision scenario was evaluated from the perspective of a subdivision developer. These analyses are intended to evaluate the financial feasibility of each development scenario, in which the raw (or unimproved) land "basis" of $40 million would be held constant.

For the purposes of this report, the land basis was chosen as an acquisition cost for the subdivision developer. According to our analysis, the chosen land basis would yield a profit to a developer and could potentially be sufficiently high to entice an acquisition from the current landowner. The land basis however is *not* intended to be a representation of current land value but is rather used as a fixed cost to analyze the comparative feasibility metrics across various development scenarios.

Throughout the assignment, O'Connor Consulting Group issued the services of The Modawell Group in order to better understand the engineering, sitework, utility, and infrastructure costs such a large development might encounter. The Modawell Group also assisted in overall building and site orientation design, paying particular attention to the geological and environmental constraints the site imposed, as well as suggesting design elements with an emphasis on reduced development costs.

Brian R. O'Connor, MAI, CRE a state certified appraiser and the principal of O'Connor Consulting Group, oversaw and supervised all data collection and analysis. Reilly Peavey, a state certified appraiser trainee and an associate at O'Connor Consulting Group collected and organized the market data, performed the preliminary design work, analysis of market prices, and rent analysis. Brian R. O'Connor, MAI, CRE reviewed and critiqued the analysis and concluded to the market conclusions of market conditions, land prices, and rental rates. Reilly Peavey, Associate, wrote the draft of the report and Brian O'Connor reviewed, critiqued and edited the final document before publication. Mark Modawell of the Modawell Group also contributed to writing portions of this report.

Kenmore Population

Historical population		
Census	Pop.	%±
1980	7,281	—
1990	8,917	22.5%
2000	18,678	109.5%
2010	20,460	9.5%

Kenmore residents tend to work outside of Kenmore city limits. A map displayed below (using data provided by the US Census Bureau, ACS 2017) shows where Kenmore residents work. While a substantial portion of Kenmore's residents work in Downtown Seattle, many residents also work in the Eastside jobs market in places such as Kirkland, Bellevue, and Redmond.

Downtown Kenmore

Over the last several decades, the City of Kenmore has been working to revitalize its downtown neighborhoods. Several new retail, multifamily, and public amenity have been constructed. The City of Kenmore aims to bring more jobs to Kenmore, as to provide commuters more local options in the job market. The development of Lakepointe should therefore aim to attract businesses, residents, and local amenities with a variety of mixed-use developments. O'Connor Consulting Group and The Modawell Group believes that a mixture of office buildings, mixed - use urban - style residential/retail buildings, flex space (light manufacturing and office), and a well-situated hotel would accomplish this vision, and expand on the thriving Downtown Kenmore neighborhood already in place.

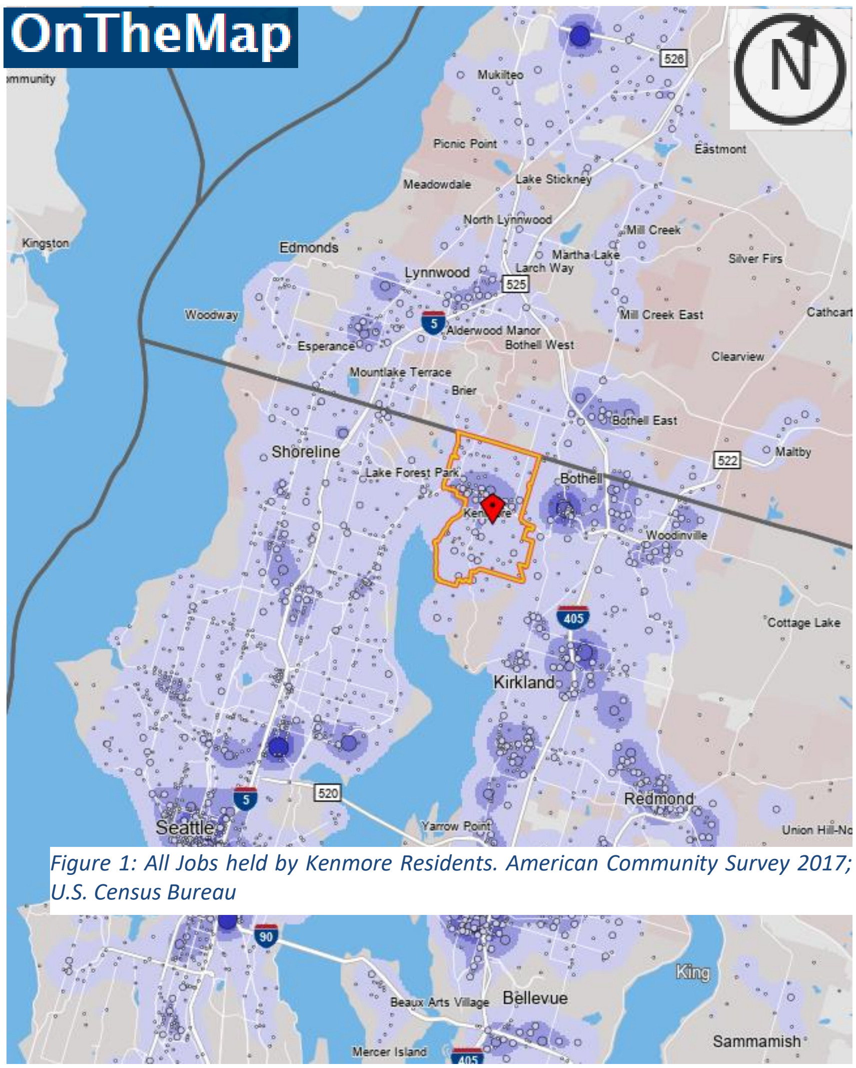


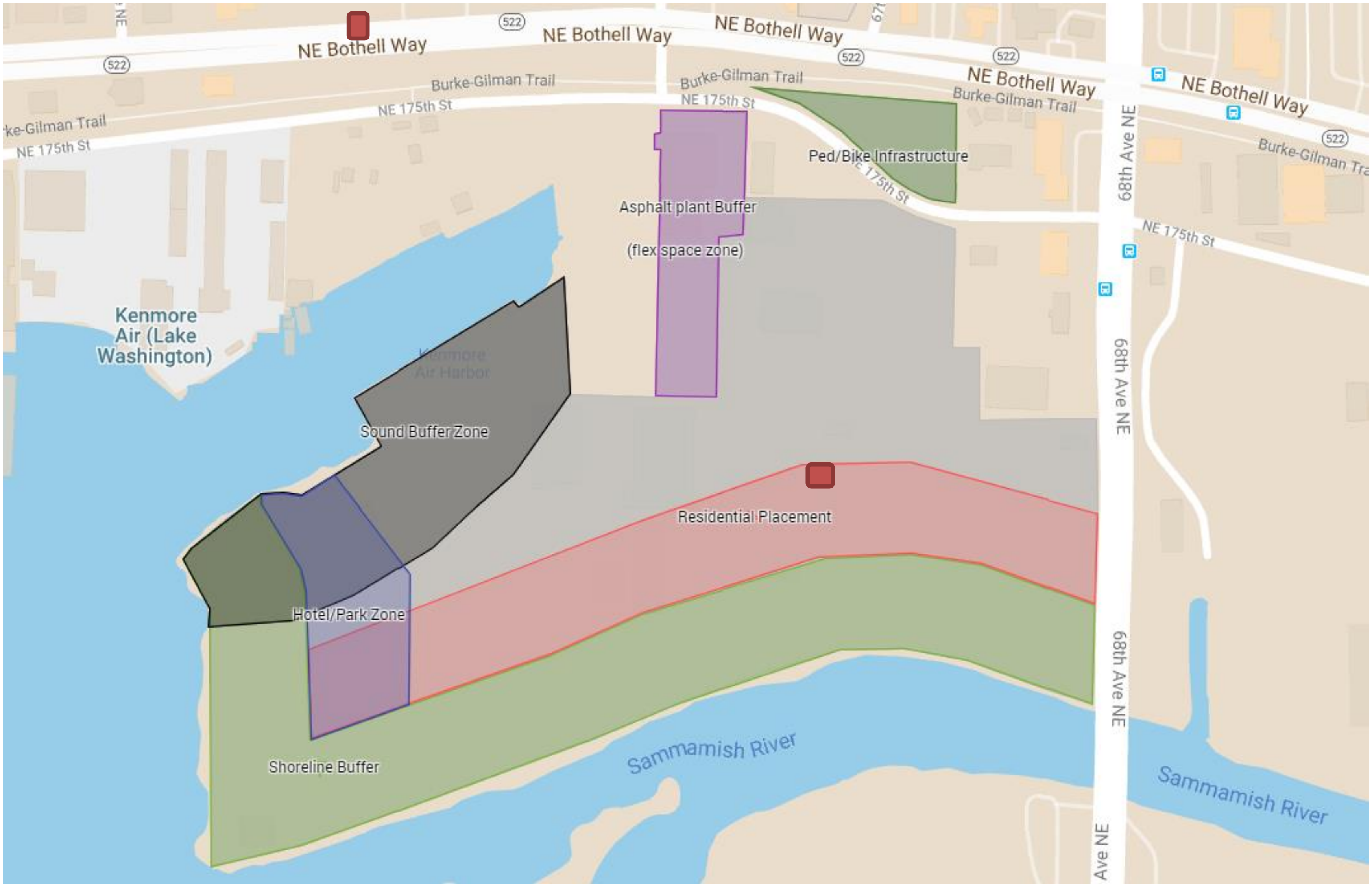
Figure 1: All Jobs held by Kenmore Residents. American Community Survey 2017; U.S. Census Bureau

Initial Design Criteria

The Lakepointe site has a history of fully developed site plans, all with extremely high densities and using almost all of the buildable space for income-producing commercial pads. Unlike many of these site plans we have analyzed in the past, this assignment approached the Lakepointe site from a “less is more” perspective, while also letting the physical attributes of the site and surrounding land uses guide our design. Some of these considerations include:

- Limiting impervious surfaces to allow for minimal stormwater engineering
- Maintaining the 200-foot land buffer along the southern and western shoreline instead of paying for additional remediation costs, supporting a large natural habitat and public green space and allotting room for an attractive green belt
- Limiting building types near the materials processing plant to the west to industrial flexible-use buildings
- Providing a variety of building types and uses for optimizing absorption time
- Creating a “sound buffer” restricting buildings near Kenmore Air Harbor to non-residential use only
- Designating land use near southern land buffer to residential use (attractive amenity)
- Placing hotel on west end of site, providing for attractive views for event spaces, high-end suites, and generally higher room rental rates to improve feasibility
- Placing office buildings near the hotel to improve conference hospitality financials
- Providing public brick walkways near “hard shoreline” for potential future passenger ferry expansion (cost not part of study) and shoreline/park access
- Usage of “small parcel” (north of NE 175th Street) for Burke Gilman/pedestrian overpass infrastructure improvements (infrastructure cost not part of study)
- Installation of new traffic intersections at 68th Avenue NE south of NE 175th Street and 65th Ave NE and NE Bothell Way

Below, a site map is displayed with some of the above considerations labeled:


NE Bothell Way
NE Bothell Way
NE Bothell Way
NE Bothell Way
NE Bothell Way
Burke-Gilman Trail
Burke-Gilman Trail
Burke-Gilman Trail
NE 175th St
NE 175th St
NE 175th St
68th Ave NE
Ped/Bike Infrastructure
Asphalt plant Buffer
(flex space zone)
Kenmore Air (Lake Washington)
Sound Buffer Zone
Residential Placement
Hotel/Park Zone
Shoreline Buffer
Sammamish River
Sammamish River

Overview

This section details some of the assumptions made in compiling conceptual range order magnitude costs at the subject site.

Overview Site Development Plan

The estimated concept cost to prepare the sitework were based from the AGRA 1995 Preliminary Geotechnical Engineering Evaluation. The initial geotechnical report notes a future proposed project is feasible from a geotechnical standpoint relating to subsurface conditions encountered at the site.

The geotechnical report notes in the central and south portions of the site, there are significant thicknesses of wood waste, fill soils and compressible native peat with organic silt soils. Structures in this area will require special foundation systems and subgrade preparation to provide adequate support for building, utilities and pavement sections.

In the north portions of the site, subsurface conditions are more favorable than central and south site. Soil conditions show presence of loose sands and gravels. However, improvements constructed in this area will require foundation systems and subgrade preparation.

General Conceptual Site Preparation Assumptions:

The August 13, 2001 Washington State Department of Ecology Kenmore Industrial Park Final Cleanup Action Plan, Alternative option # 3 – "Containment by Engineered Low Permeability Cap across a Portion of the Site" was modeled as the assumed option for site preparation as noted below:

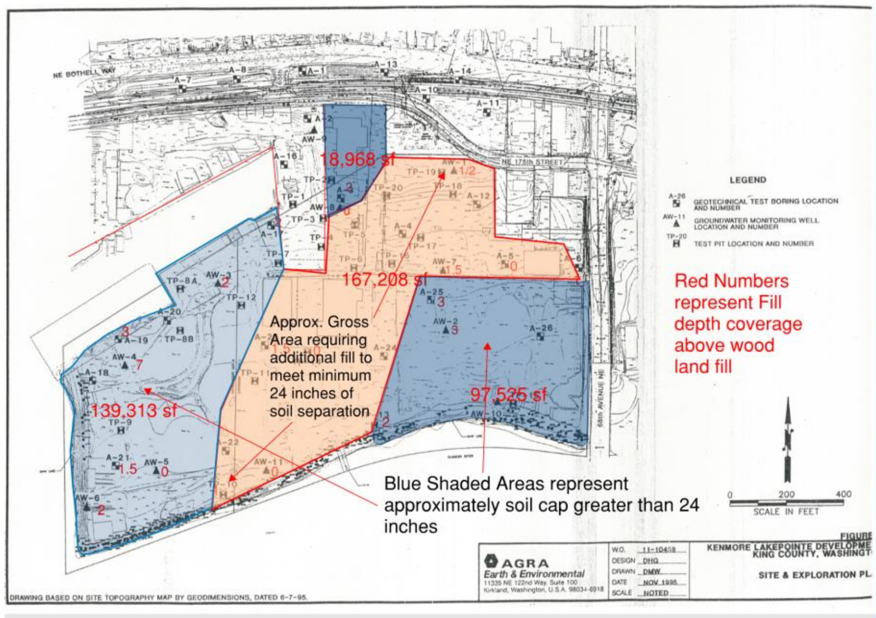
The majority of the engineered cap will consist of new, concrete or asphalt structures supported upon structural piling. The landfilled area outside of the building footprints that is not covered with concrete or asphalt paving (the "soil cover area") will have a soil cover overlain with landscaping. For purposes of this alternative "soil cover" will have at least 2 feet of soil or equivalent media. Although not required, up to one additional foot of soil or equivalent media will be added on top of the existing cover in the soil cover area where needed to bring the total cover to at least 2 feet in thickness. Soil for the cover may come from areas on-site where the existing cover currently exceeds 2 feet.

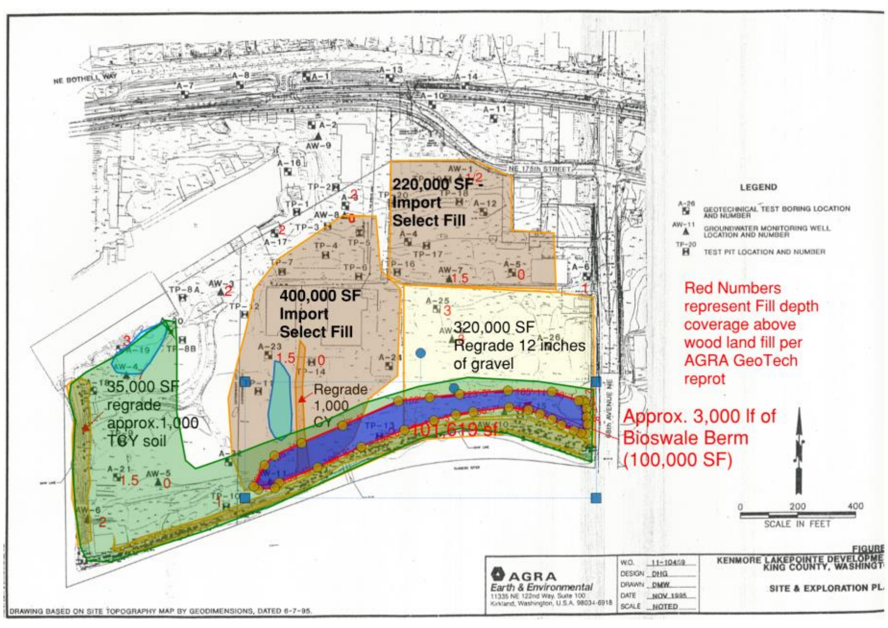
This alternate option #3 achieves containment above the requirement engineered by low permeability cap across a portion of the subject site. This assumed option used for site preparation is met using design guidelines outlined below:

- A perimeter filtration fence system will be required
- The site will be cleared of all existing buildings and facilities, asphalt, and concrete paving
- The Central portion of the site will receive approximately 12 to 14 inches of select import fill
- The Northeast portion of the site will receive approximately 18 inches of select import fill
- The West portion of the site will receive 12 to 14 inches of topsoil for future greenscape
- All major utilities (storm, sanitary sewer, water) will be supported by pressure grouted piles

- Electrical, gas, and communications infrastructure will be installed underground without support by piling system
- All roadwork will have geogrid reinforcement beneath paving and sidewalks
- Installation of a 100,000 square-foot bioswale retaining pond will be installed in southern portion

Below, some general sketches display some of the site preparation items listed above.





Utilities

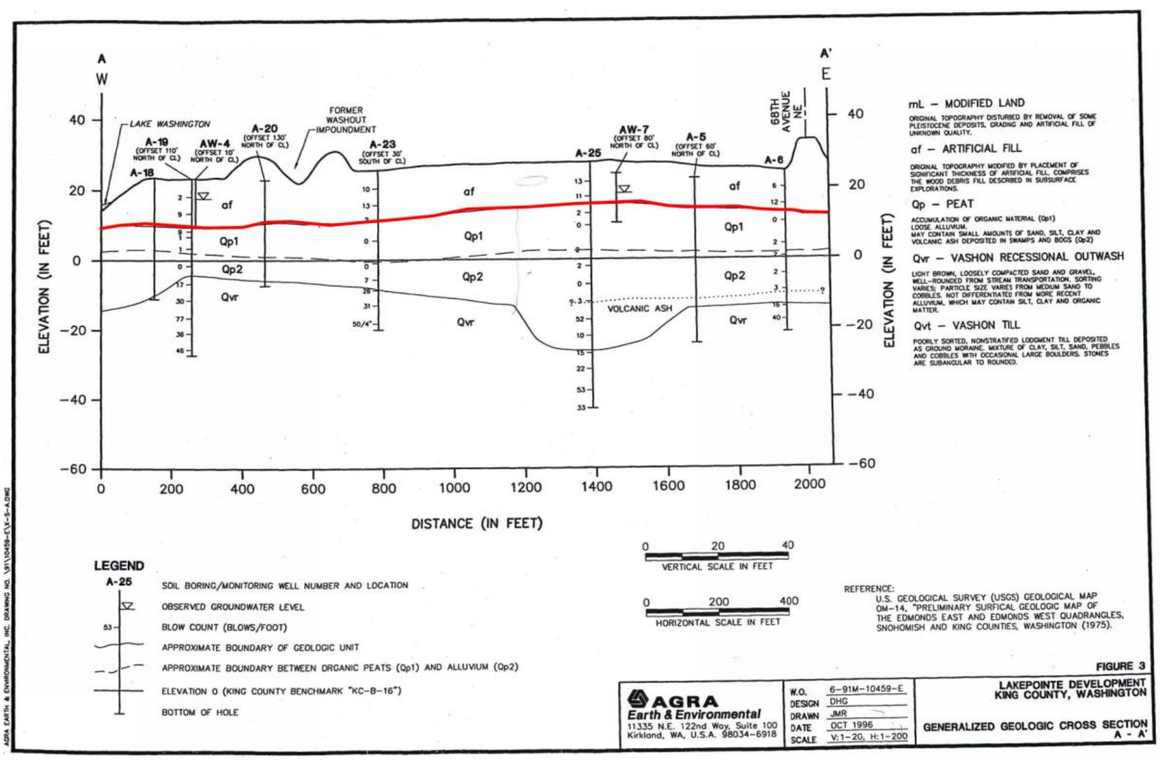
Primary utility service for sanitary sewer, storm water, and water supply average installation below existing grade is 6 feet. Pressure grout piling will need to be utilized at 20-foot centers to support these utility lines, as well as control density fill bedding and select grade backfill. All excavated material will be transported to an approved waste site.

Pilings

Because of the site's unique geology, buildings constructed would need extensive piling for support. Some of the piling assumptions we made are summarized below:

- All pressure-grout piles
- Conceptual bearing length is 60 LF, representing depth of wood waste and peat soils

Below, a site cross section from the recorded Geotechnical Soils Report (completed by AGRA Earth & Environmental) is displayed:



Other infrastructure design considerations include the following:

- New street light intersection system will be installed at intersection of NE Bothell Highway and 65th Ave NE
- New Street light intersection system will be installed at 68th Avenue, south of NE 175th Street
- Raise grade of NE 175th Street along frontage of subject property, effectively reducing grade access from 68th Ave to Bothell Highway

- Bike / Pedestrian tunnel similar to current tunnel northeast of the site will be installed under newly-raised 65th Avenue NE north of NE 175th Street
- Usage of "small parcel" (parcel north of NE 175th Street) for Burke Gilman/pedestrian overpass infrastructure improvements (infrastructure cost not part of study)

The above considerations are assumed to be sufficient for the mitigation of

Overview

This section details the various scenarios on which we performed commercial subdivision analysis. Each scenario was designed using the input of O'Connor Consulting Group, the City of Kenmore, and The Modawell Group.

The financial metrics of feasibility for each scenario are summarized in the following table:

Feasibility Summary (with $40 million Land Basis)							
	Scenarios						
	1	2	3	4A	4B	5	6
Total Residential Units	441	836	929	978	1279	708	777
Office Space	120,104 SF	207,703 SF	219,638 SF	175,122 SF	174,992 SF	539,015 SF	278,310 SF
Light Manufacturing	44,309 SF	44,309 SF	44,309 SF	59,078 SF	59,078 SF	29,539 SF	29,539 SF
Site FAR	0.536	0.704	0.766	0.759	0.928	0.815	0.775
Total Direct (Hard) Costs	$43,180,300	$42,572,300	$36,767,600	$41,119,500	$42,099,800	$37,973,200	$38,586,100
Total Indirect (Soft) Costs	$14,392,000	$14,462,000	$12,944,000	$13,879,000	$13,736,000	$12,617,000	$13,276,000
Land Basis	$40,000,000	$40,000,000	$40,000,000	$40,000,000	$40,000,000	$40,000,000	$40,000,000
Development Costs (no land)	$57,572,300	$57,034,300	$49,711,600	$54,998,500	$55,835,800	$50,590,200	$51,862,100
Total Development Costs (with land)	$97,572,300	$97,034,300	$89,711,600	$94,998,500	$95,835,800	$90,590,200	$91,862,100
Gross Aggregate Retail Lot Value	$91,757,300	$96,898,790	$105,738,200	$99,820,820	$100,693,940	$124,111,265	$106,745,880
Net Proceeds	$83,863,021	$88,451,963	$96,475,987	$91,101,339	$92,032,494	$113,369,375	$97,378,709
Gross Profit (Proceeds - Costs)	-$13,709,279	-$8,582,337	$6,764,387	-$3,897,161	-$3,803,306	$22,779,175	$5,516,609
Gross Profit to Cost	-14.1%	-8.8%	7.5%	-4.1%	-4.0%	25.1%	6.0%
Gross Profit to Retail Value	-14.9%	-8.9%	6.4%	-3.9%	-3.8%	18.4%	5.2%
Gross Profit to Equity	-40.2%	-25.3%	21.6%	-11.7%	-11.3%	71.9%	17.2%
Required Equity	$34,122,300	$33,934,300	$31,361,600	$33,248,500	$33,535,800	$31,690,200	$32,112,100
Net Profit (Gross Profit - Equity Cost)	-$23,263,523	-$18,536,399	-$1,598,707	-$12,763,428	-$13,640,474	$16,441,135	-$2,618,456
Net Profit to Cost	-23.8%	-19.1%	-1.8%	-13.4%	-14.2%	18.1%	-2.9%
Net Profit to Retail Value	-25.4%	-19.1%	-1.5%	-12.8%	-13.5%	13.2%	-2.5%
Net Profit to Equity	-68.2%	-54.6%	-5.1%	-38.4%	-40.7%	51.9%	-8.2%

When analyzing the various scenarios for financial feasibility, we utilized the "Top-Down" approach and market sales to determine individual commercial pad values at market prices. However, because the subject site is unique both environmentally and geologically, we implemented a variety of adjustments in order to determine approximate sales prices realistic to the subject subdivision.

The Lakepointe site is encumbered with a very high water table, soft fills, and landfill waste. Because of this, any building constructed would need to have piling supports installed in order to account for soil conditions. We calculated the approximate weights of all of the proposed buildings and estimated the approximate number of piles and piling depths needed to construct all proposed buildings. We subtracted this piling cost from the commercial pad values, as this would be an extra cost a building developer would need to incur during construction.

Once the commercial subdivision is completed, the entire Lakepointe site will have completed a variety of entitlement phases, including but not limited to SEPA permits, shoreline studies, traffic studies, legal work, and various engineering designs and reviews. All of these costs are incurred by the subdivision developer. Therefore, a fully entitled commercial site would sell for more than its market counterpart without entitlements. We have added value to account for the fully entitled nature of the subject commercial pads.

Scenario 1

Scenario 1 was designed as the least dense scenario analyzed. Much of the available land was designated for townhouse and rowhouse development. This scenario also features apartment development, as well as a small hotel, wood-frame office buildings, a boutique hotel, and flexible-use (flex) space. Small surface parking lots provide additional parking for industrial flex space, offices, townhouses, and the park. Road infrastructure is minimized, with narrower roads being used to accommodate fewer daily trips compared to other scenarios. This scenario allocates 3.01 acres (not including shoreline buffers) for a city park. Scenario 1 provides the following quantities of commercial and residential space:

This scenario does not generate enough land sale value to justify redevelopment. This scenario performed the weakest in comparison with other scenarios presented.

Details of financial feasibility for this scenario can be found on the following pages.

Rental Residential Units:	191
For Sale Residential Units:	250
Total Residential Units:	441
Office Gross SF:	120,104
Light Manufacturing SF:	44,309
Building SF (without parking):	863,790
Site FAR (without parking):	0.536

Scenario 1 - Subdivision Feasibility							
Cost Proforma - As of February 2020							
	Zoning	Site Acres	Site SF	FAR	Lots	$/Land SF	Total
Land Basis	CB	37.0	1,611,700	0.54	16	$24.82	**$40,000,000**
Direct Costs					$/Land Acre	$/Land SF	Total
Sitework Setup Requirements					$31,784	$0.73	$1,176,000
Demolition					$25,203	$0.58	$932,500
Grading					$65,152	$1.50	$2,410,600
Roadways					$124,112	$2.85	$4,592,100
Utilities/Trenching					$392,348	$9.01	$14,516,700
New Signals/Improvements at 65th Ave NE, 68th Ave NE					$110,020	$2.53	$4,070,700
Landscaping, Swales, Methane Gas Pumping & Miscellaneous					$163,137	$3.75	$6,036,000
Subtotal:					**$911,757**	**$20.93**	**$33,734,600**
Sales Tax @			*10.00%*		$91,176	$2.09	$3,373,460
Contractor's Fee @			*8.00%*		$72,941	$1.67	$2,698,768
Construction Contingency @			*10%*		$91,176	$2.09	$3,373,460
Total Direct Costs					**$1,167,050**	**$26.79**	**$43,180,300**
			% of Hard Costs		$/Land Acre	$/Land SF	Total
Indirect Costs							
Architectural			0.52%		$6,081	$0.14	$225,000
Engineering			1.54%		$18,000	$0.41	$666,000
Onsite Testing (soils, piling, etc.)			0.50%		$5,811	$0.13	$215,000
Legal & Survey			0.76%		$8,919	$0.20	$330,000
Environmental/SEPA Permits			1.44%		$16,811	$0.39	$622,000
Traffic Study			0.52%		$6,081	$0.14	$225,000
Other Permitting/Inspection Fees			2.93%		$34,190	$0.78	$1,265,000
Other Predevelopment & Misc. Fees			0.28%		$3,243	$0.07	$120,000
Property Taxes During Development			1.56%		$18,162	$0.42	$672,000
Insurance (Contractor & All-Risk)			1.73%		$20,216	$0.46	$748,000
Interim Loan Fees			1.00%		$17,162	$0.39	$635,000
Interest Reserve (Construction and Absorption)			10.10%		$117,893	$2.71	$4,362,000
Development Coordination, Management, & Admin			4.90%		$57,217	$1.31	$2,117,000
Contingency			6.50%		$59,190	$1.36	$2,190,000
Total Indirect Costs			**33.33%**		**$388,978**	**$8.93**	**$14,392,000**
Total Costs					**$2,637,122**	**$60.54**	**$97,572,300**
Less: Loan Amount					$1,714,886	$39.37	$63,450,000
Total Required Equity					**$922,236**	**$21.17**	**$34,122,300**

Feasibility Analysis - Scenario 1

Analysis as if Hypothetically Completed and Stabilized as of February 2020

Lot	Lot Area (Acres)	Lot Area (SF)	Units	Building FAR	Value /	Value Metric	Prelim. Indicated Value	*Less: Piling Costs*	*Plus: Entitlement Value*	Pad Value w/ Entitlements	Value / Site SF
Apartment 1	1.02	44,400	118	106,722	$50,000	/Unit	$5,900,000	$613,000	$590,000	$5,877,002	$132
Apartment 2	0.762	33,200	73	65,558	$50,000	/Unit	$3,650,000	$275,300	$365,000	$3,739,675	$113
Townhomes 1	1.01	44,000	28	49,000	$145,000	/Door	$4,060,000	$103,400	$280,000	$4,236,568	$96
Townhomes 2	3.915	170,500	110	192,500	$150,000	/Door	$16,500,000	$406,300	$1,100,000	$17,193,660	$101
Rowhouses 1	1.10	47,900	28	44,800	$140,000	/Door	$3,920,000	$103,400	$280,000	$4,096,568	$86
Rowhouses 2	1.11	48,400	28	44,800	$140,000	/Door	$3,920,000	$103,400	$280,000	$4,096,568	$85
Rowhouses 3	1.07	46,600	28	44,800	$140,000	/Door	$3,920,000	$103,400	$280,000	$4,096,568	$88
Rowhouses 4	1.07	46,600	28	44,800	$140,000	/Door	$3,920,000	$103,400	$280,000	$4,096,568	$88
Office 1	1.12	48,800	-	33,193	$100	/FAR	$3,319,300	$213,600	$183,900	$3,289,594	$67
Office 2	1.01	44,000	-	42,602	$100	/FAR	$4,260,200	$274,100	$236,000	$4,222,074	$96
Flex 1	0.79	34,400	-	29,539	$75	/Site SF	$2,580,000	$76,700	$122,700	$2,626,004	$76
Flex 2	0.79	34,400	-	29,539	$75	/Site SF	$2,580,000	$76,700	$122,700	$2,626,004	$76
Flex 3	0.87	37,700	0	29,539	$80	/Site SF	$3,016,000	$76,700	$122,700	$3,062,004	$81
Hotel	0.942	41,000	150	106,398	$60,000	/Key	$9,000,000	$428,800	$750,000	$9,321,185	$227
Park	3.724	162,200	-	-	$95	/Site SF	$15,409,000	-	-	$15,409,000	$95
Future Trail Interchange	1.082	47,100	-	-	$80	/Site SF	$3,768,000	-	-	$3,768,000	$80
Shoreline Buffer	11.30	492,200	-	-	-	-	-			-	
Roads	4.27	186,000	-	-	-	-	-			-	
						Subtotals:	$89,722,500	($2,958,200)	$4,993,000	**$91,757,300**	***$57.01 /Site SF***

Scenario Summary:

Rental Residential Units:	191
For Sale Residential Units:	250
Total Residential Units:	441
Office Gross SF:	120,104
Light Manufacturing SF:	44,309
Building SF (without parking):	863,790
Site FAR (without parking):	0.536

Holding Costs	
Taxes (unsold lots)	$532,196
Homeowner's Dues (unsold lots)	N/A
	($532,196)
Costs of Sales	
Marketing & Commissions	$3,694,401
Administrative Costs	$923,600
Real Estate Excise Tax (REET)	$2,744,082
Total Costs of Sales:	($7,362,083)
Net Proceeds as if completed February 2020:	**$83,863,021**
Less: Total Cost to Build:	($97,572,300)
Gross Profit:	($13,709,279)

Metrics of Feasibility (Subdivision) - Scenario 1

Gross Profit to Cost (%)	-14.1%	**Gross Profit ($)**	**-$13,709,279**
Gross Profit to Value (%)	-16.3%	Gross Profit ($) / Acre	-$370,525.66
Gross Profit to Equity (%)	-40.2%	Gross Profit ($) / Lot	-$856,830

Equity Cost Calculation

Total Equity @	$34,122,300
Interest Rate (%)	8.00%
Duration (mo.)	42 months
Equity Cost ($)	($9,554,244)

Margin (%)

Net Profit to Cost (%)	-23.84%
Net Profit to Value (%)	-27.74%
Net Profit to Equity (%)	-68.18%

Gross Profit	*-$13,709,279*
Less: Equity Cost	*($9,554,244)*
Net Profit	**-$23,263,523**
Net Profit / Acre	*-$628,751.67*
Net Profit / Lot	*-$1,453,970*

Scenario 1 - Subdivision Feasibility		
Interest Reserve Calculation		
Loan Amount Calculation		
Net Operating Income - Market Rents		N/A
Debt Coverage Ratio		N/A
Debt Service Limit via DCR		N/A
Cost of Funds (Underwriting Rate)		6.50%
Loan Amount		$63,450,000
Loan/Cost Ratio		65%
Loan/Value Ratio		79%
Debt Service Payment	30 Amort.	($4,812,566)
Cash Flow		N/A
Debt Yield (NOI/Loan)		N/A
Developer's Yield (NOI/Cost)		N/A
Construction Interest Calculation		
Loan Amount		$63,450,000
Average Balance		50.00%
Average Loan Amount		$31,725,000
Monthly Interest Rate	5.50% (annual)	0.46%
Monthly Interest Expense		$145,406
Construction Period (mo.)		18
Total Interest		$2,617,313
Absorption Interest Calculation		
Average Loan Post Construction		$23,786,093
Absorption Period (months)	6 /year	24.0
Months until Loan Payoff		16.0
Interest Rate		5.50%
Absorption Interest		$1,744,313
NOI Available During Construction/Absorption		
Annual NOI		N/A
Monthly NOI		N/A
Avg. Percent of NOI Capture		N/A
Avg. Monthly NOI Capture		N/A
Total Months NOI		N/A
NOI During Absorption		N/A
Recap		
Construction Interest		$2,617,313
Absorption Interest		$1,744,313
NOI During Absorption		N/A
Interest Reserve		**$4,361,626**

Scenario 2

Scenario 2 aims to increase residential and office density over Scenario 1. This is accomplished by replacing all of the rowhouse development and much of the townhouse development with apartments, designed as both urban-style (Apartments 1, 2, and 4, with 5 stories of wood-framed units over 2 stories of parking and retail) and garden style (Apartment 3, with 3 stories of exterior-entrance units with surface parking and some ground-level parking). A boutique hotel is placed at the west end of the site, with extensive unobstructed views of Lake Washington. Additional office buildings are added with a mix of covered surface and in-building parking. A city park of 2.01 acres is designated near the site's west end. Scenario 2 provides the following quantities of commercial and residential space:

Rental Residential Units:	761
For Sale Residential Units:	75
Total Residential Units:	836
Office Gross SF:	207,703
Light Manufacturing SF:	44,309
Building SF (without parking):	1,135,435
Site FAR (without parking):	0.704

Scenario 2 - Subdivision Feasibility							
Cost Proforma - As of February 2020							
	Zoning	Site Acres	Site SF	FAR	Lots	$/Land SF	Total
Land Basis	CB	37.0	1,611,700	0.70	16	$24.82	**$40,000,000**
Direct Costs					$/Land Acre	$/Land SF	Total
Sitework Setup Requirements					$31,784	$0.73	$1,176,000
Demolition					$25,203	$0.58	$932,500
Grading					$65,152	$1.50	$2,410,600
Roadways					$135,067	$3.10	$4,997,400
Utilities/Trenching					$368,556	$8.46	$13,636,400
New Signals/Improvements at 65th Ave NE, 68th Ave NE					$110,020	$2.53	$4,070,700
Landscaping, Swales, Methane Gas Pumping & Miscellaneous					$163,137	$3.75	$6,036,000
Subtotal:					**$898,919**	**$20.64**	**$33,259,600**
Sales Tax @			*10.00%*		$89,892	$2.06	$3,325,960
Contractor's Fee @			*8.00%*		$71,914	$1.65	$2,660,768
Construction Contingency @			*10%*		$89,892	$2.06	$3,325,960
Total Direct Costs					**$1,150,617**	**$26.41**	**$42,572,300**
			% of Hard Costs		$/Land Acre	$/Land SF	Total
Indirect Costs							
Architectural			0.53%		$6,081	$0.14	$225,000
Engineering			1.56%		$18,000	$0.41	$666,000
Onsite Testing (soils, piling, etc.)			0.51%		$5,811	$0.13	$215,000
Legal & Survey			0.78%		$8,919	$0.20	$330,000
Environmental/SEPA Permits			1.46%		$16,811	$0.39	$622,000
Traffic Study			0.53%		$6,081	$0.14	$225,000
Other Permitting/Inspection Fees			2.97%		$34,190	$0.78	$1,265,000
Other Predevelopment & Misc. Fees			0.28%		$3,243	$0.07	$120,000
Property Taxes During Development			1.66%		$19,081	$0.44	$706,000
Insurance (Contractor & All-Risk)			1.73%		$19,919	$0.46	$737,000
Interim Loan Fees			1.00%		$17,054	$0.39	$631,000
Interest Reserve (Construction and Absorption)			10.49%		$120,731	$2.77	$4,467,000
Development Coordination, Management, & Admin			4.92%		$56,568	$1.30	$2,093,000
Contingency			6.50%		$58,379	$1.34	$2,160,000
Total Indirect Costs			**33.97%**		**$390,870**	**$8.97**	**$14,462,000**
Total Costs					**$2,622,581**	**$60.21**	**$97,034,300**
Less: Loan Amount					$1,705,427	$39.15	$63,100,000
Total Required Equity					**$917,155**	**$21.05**	**$33,934,300**

Feasibility Analysis - Scenario 2

Analysis as if Hypothetically Completed and Stabilized as of February 2020

Lot	Lot Area (Acres)	Lot Area (SF)	Units	Building FAR	Value /	Value Metric	Prelim. Indicated Value	*Less: Piling Costs*	*Plus: Entitlement Value*	Value w/ Piling Discount	Value/Site SF
Apartment 1	2.37	103,200	298	268,765	$50,000	/Unit	$14,900,000	$1,375,900	$1,490,000	$15,014,053	$145
Apartment 2	1.08	47,000	149	134,600	$47,500	/Unit	$7,077,500	$607,900	$745,000	$7,214,598	$154
Apartment 3	2.36	102,800	196	135,907	$47,500	/Unit	$9,310,000	$332,800	$980,000	$9,957,163	$97
Apartment 4	0.955	41,600	118	106,504	$50,000	/Unit	$5,900,000	$417,600	$590,000	$6,072,411	$146
Townhomes 1	2.67	116,300	75	131,250	$150,000	/Door	$11,250,000	$246,500	$750,000	$11,753,550	$101
Office 1	0.61	26,600	-	45,869	$100	/FAR	$4,586,900	$264,400	$254,100	$4,576,658	$172
Office 2	1.2	52,300	-	25,788	$100	/FAR	$2,578,800	$83,000	$142,900	$2,638,695	$50
Office 3	1.35	58,800	-	30,579	$105	/FAR	$3,210,795	$98,400	$169,400	$3,281,815	$56
Office 4	1.20	52,300	-	30,579	$105	/FAR	$3,210,795	$98,400	$169,400	$3,281,815	$63
Office 5	1.21	52,700	-	30,579	$100	/FAR	$3,057,900	$98,400	$169,400	$3,128,920	$59
Flex 1	0.898	39,100	-	29,539	$75	/Site SF	$2,932,500	$76,700	$122,700	$2,978,504	$76
Flex 2	0.86	37,500	-	29,539	$75	/Site SF	$2,812,500	$76,700	$122,700	$2,858,504	$76
Flex 3	0.82	35,800	-	29,539	$75	/Site SF	$2,685,000	$76,700	$122,700	$2,731,004	$76
Hotel	0.931	40,600	150	106,398	$60,000	/Key	$9,000,000	$428,800	$750,000	$9,321,185	$230
Park	2.01	87,600	-	-	$95	/Site SF	$8,322,000	-	-	$8,322,000	$95
Future Trail Interchange	1.082	47,100	-	-	$80	/Site SF	$3,768,000	-	-	$3,768,000	$80
Shoreline Buffer	11.30	492,200	-	-	-	-	-			-	
Roads	3.802	165,600	-	-	-	-	-			-	
						Subtotals:	$94,602,690	($4,282,200)	$6,578,300	**$96,898,790**	***$60.60 /Site SF***

Scenario Summary:

Rental Residential Units:	761
For Sale Residential Units:	75
Total Residential Units:	836
Office Gross SF:	207,703
Light Manufacturing SF:	44,309
Building SF (without parking):	1,135,435
Site FAR (without parking):	0.704

Holding Costs	
Taxes (unsold lots)	$637,845
Homeowner's Dues (unsold lots)	N/A
	($637,845)
Costs of Sales	
Marketing & Commissions	$3,904,855
Administrative Costs	$976,214
Real Estate Excise Tax (REET)	$2,927,914
Total Costs of Sales:	($7,808,982)
Net Proceeds as if completed February 2020:	**$88,451,963**
Less: Total Cost to Build:	($97,034,300)
Gross Profit:	($8,582,337)

Metrics of Feasibility (Subdivision) - Scenario 2

Gross Profit to Cost (%)	-8.8%	**Gross Profit ($)**	**-$8,582,337**
Gross Profit to Value (%)	-9.7%	Gross Profit ($) / Acre	-$231,957.94
Gross Profit to Equity (%)	-25.3%	Gross Profit ($) / Lot	-$536,396

Equity Cost Calculation

Total Equity @	$33,934,300
Interest Rate (%)	8.00%
Duration (mo.)	44 months
Equity Cost ($)	($9,954,061)

Margin (%)

Net Profit to Cost (%)	-19.10%
Net Profit to Value (%)	-20.96%
Net Profit to Equity (%)	-54.62%

Gross Profit	*-$8,582,337*
Less: Equity Cost	*($9,954,061)*
Net Profit	**-$18,536,399**
Net Profit / Acre	*-$500,989.96*
Net Profit / Lot	*-$1,158,525*

Scenario 2 - Subdivision Feasibility			
Interest Reserve Calculation			
Loan Amount Calculation			
Net Operating Income - Market Rents			N/A
Debt Coverage Ratio			N/A
Debt Service Limit via DCR			N/A
Cost of Funds (Underwriting Rate)			6.50%
Loan Amount			$63,100,000
Loan/Cost Ratio			65%
Loan/Value Ratio			75%
Debt Service Payment		30 Amort.	($4,786,019)
Cash Flow			N/A
Debt Yield	(NOI/Loan)		N/A
Developer's Yield	(NOI/Cost)		N/A
Construction Interest Calculation			
Loan Amount			$63,100,000
Average Balance			50.00%
Average Loan Amount			$31,550,000
Monthly Interest Rate		5.50% (annual)	0.46%
Monthly Interest Expense			$144,604
Construction Period (mo.)			18
Total Interest			$2,602,875
Absorption Interest Calculation			
Average Loan Post Construction			$23,930,686
Absorption Period (months)		6 /year	26.0
Months until Loan Payoff			17.0
Interest Rate			5.50%
Absorption Interest			$1,864,599
NOI Available During Construction/Absorption			
Annual NOI			N/A
Monthly NOI			N/A
Avg. Percent of NOI Capture			N/A
Avg. Monthly NOI Capture			N/A
Total Months NOI			N/A
NOI During Absorption			N/A
Recap			
Construction Interest			$2,602,875
Absorption Interest			$1,864,599
NOI During Absorption			N/A
Interest Reserve			**$4,467,474**

Scenario 3

Scenario 3 aims to somewhat minimize the footprint made by street infrastructure. This is accomplished by providing only one primary east-west street spanning most of the site, with two entrance roads extending north to 175th street. This plan has increased overall density over Scenario 2, delivering 929 residential units and 219,638 square feet of office space. Additional flex space has been added near the site of the future passenger ferry. This plan delivers a 3.64-acre city park. Scenario 3 provides the following quantities of commercial and residential space:

Rental Residential Units:	899
For Sale Residential Units:	30
Total Residential Units:	929
Office Gross SF:	219,638
Light Manufacturing SF:	44,309
Building SF (without parking):	1,234,148
Site FAR (without parking):	0.766

Scenario 3 - Subdivision Feasibility

Cost Proforma - As of February 2020

	Zoning	Site Acres	Site SF	FAR	Lots	$/Land SF	Total
Land Basis	CB	37.0	1,611,700	0.77	14	$24.82	**$40,000,000**

		$/Land Acre	$/Land SF	Total
Direct Costs				
Sitework Setup Requirements		$31,784	$0.73	$1,176,000
Demolition		$25,203	$0.58	$932,500
Grading		$65,152	$1.50	$2,410,600
Roadways		$121,418	$2.79	$4,492,400
Utilities/Trenching		$259,638	$5.96	$9,606,500
New Signals/Improvements at 65th Ave NE, 68th Ave NE		$110,020	$2.53	$4,070,700
Landscaping, Swales, Methane Gas Pumping & Miscellaneous		$163,137	$3.75	$6,036,000
Subtotal:		**$776,353**	**$17.82**	**$28,724,700**
Sales Tax @	*10.00%*	$77,635	$1.78	$2,872,470
Contractor's Fee @	*8.00%*	$62,108	$1.43	$2,297,976
Construction Contingency @	*10%*	$77,635	$1.78	$2,872,470
Total Direct Costs		**$993,731**	**$22.81**	**$36,767,600**

	% of Hard Costs	$/Land Acre	$/Land SF	Total
Indirect Costs				
Architectural	0.61%	$6,081	$0.14	$225,000
Engineering	1.81%	$18,000	$0.41	$666,000
Onsite Testing (soils, piling, etc.)	0.58%	$5,811	$0.13	$215,000
Legal & Survey	0.90%	$8,919	$0.20	$330,000
Environmental/SEPA Permits	1.69%	$16,811	$0.39	$622,000
Traffic Study	0.61%	$6,081	$0.14	$225,000
Other Permitting/Inspection Fees	3.44%	$34,190	$0.78	$1,265,000
Other Predevelopment & Misc. Fees	0.33%	$3,243	$0.07	$120,000
Property Taxes During Development	2.08%	$20,649	$0.47	$764,000
Insurance (Contractor & All-Risk)	1.73%	$17,216	$0.40	$637,000
Interim Loan Fees	1.00%	$15,784	$0.36	$584,000
Interest Reserve (Construction and Absorption)	9.68%	$96,217	$2.21	$3,560,000
Development Coordination, Management, & Admin	5.06%	$50,298	$1.15	$1,861,000
Contingency	6.50%	$50,541	$1.16	$1,870,000
Total Indirect Costs	**35.20%**	**$349,842**	**$8.03**	**$12,944,000**
Total Costs		**$2,424,668**	**$55.66**	**$89,711,600**
Less: Loan Amount		$1,577,047	$36.20	$58,350,000
Total Required Equity		**$847,621**	**$19.46**	**$31,361,600**

Feasibility Analysis - Scenario 3

Analysis as if Hypothetically Completed and Stabilized as of February 2020

Lot	Lot Area (Acres)	Lot Area (SF)	Units	Building FAR	Value /	Value Metric	Prelim. Indicated Value	*Less: Piling Costs*	*Plus: Entitlement Value*	Value w/ Piling Discount	Value/Site SF
Apartment 1	2.04	88,900	250	226,076	$50,000	/Unit	$12,500,000	$1,080,700	$1,250,000	$12,669,340	$143
Apartment 2	1.24	54,000	171	154,202	$50,000	/Unit	$8,550,000	$47,100	$855,000	$9,357,894	$173
Apartment 3	2.04	88,900	285	257,004	$47,500	/Unit	$13,537,500	$84,000	$1,425,000	$14,878,482	$167
Apartment 4	2.1	91,500	193	174,022	$47,500	/Unit	$9,167,500	$54,200	$965,000	$10,078,253	$110
Townhomes 1	1.08	47,000	30	52,500	$150,000	/Door	$4,500,000	$98,600	$300,000	$4,701,420	$100
Office 1	2.54	110,600	-	76,143	$100	/FAR	$7,614,300	$245,000	$421,800	$7,791,142	$70
Office 2	1.16	50,500	-	61,942	$100	/FAR	$6,194,200	$257,700	$343,200	$6,279,679	$124
Office 3	1.34	58,400	-	37,244	$100	/FAR	$3,724,400	$154,900	$206,300	$3,775,798	$65
Flex 1	0.79	34,400	-	29,539	$75	/Site SF	$2,580,000	$76,700	$122,700	$2,626,004	$76
Flex 2	0.79	34,400	-	29,539	$75	/Site SF	$2,580,000	$76,700	$122,700	$2,626,004	$76
Flex 3	0.79	34,400	-	29,539	$80	/Site SF	$2,752,000	$76,700	$122,700	$2,798,004	$81
Hotel	0.933	40,600	150	106,398	$60,000	/Key	$9,000,000	$428,800	$750,000	$9,321,185	$230
Park	3.64	158,600	-	-	$95	/Site SF	$15,067,000	-	-	$15,067,000	$95
Future Trail Interchange	1.082	47,100	-	-	$80	/Site SF	$3,768,000	-	-	$3,768,000	$80
Shoreline Buffer	11.3	492,200	-	-	-	-	-			-	
Roads	4.1	178,600	-	-	-	-	-			-	
						Subtotals:	$101,534,900	($2,681,100)	$6,884,400	**$105,738,200**	***$65.67 /Site SF***

Scenario Summary:

Rental Residential Units:	899
For Sale Residential Units:	30
Total Residential Units:	929
Office Gross SF:	219,638
Light Manufacturing SF:	44,309
Building SF (without parking):	1,234,148
Site FAR (without parking):	0.766

Holding Costs	
Taxes (unsold lots)	$639,709
Homeowner's Dues (unsold lots)	N/A
	($639,709)
Costs of Sales	
Marketing & Commissions	$4,258,510
Administrative Costs	$1,064,628
Real Estate Excise Tax (REET)	$3,299,367
Total Costs of Sales:	($8,622,504)
Net Proceeds as if completed February 2020:	**$96,475,987**
Less: Total Cost to Build:	($89,711,600)
Gross Profit:	$6,764,387

Metrics of Feasibility (Subdivision) - Scenario 3

Gross Profit to Cost (%)	7.5%	**Gross Profit ($)**	**$6,764,387**
Gross Profit to Value (%)	7.0%	Gross Profit ($) / Acre	$182,823.53
Gross Profit to Equity (%)	21.6%	Gross Profit ($) / Lot	$483,170

Equity Cost Calculation

Total Equity @	$31,361,600
Interest Rate (%)	8.00%
Duration (mo.)	40 months
Equity Cost ($)	($8,363,093)

		Gross Profit	*$6,764,387*
Margin (%)		*Less: Equity Cost*	*($8,363,093)*
Net Profit to Cost (%)	-1.78%	**Net Profit**	**-$1,598,707**
Net Profit to Value (%)	-1.66%	*Net Profit / Acre*	*-$43,208.82*
Net Profit to Equity (%)	-5.10%	*Net Profit / Lot*	*-$114,193*

Scenario 3 - Subdivision Feasibility		
Interest Reserve Calculation		
Loan Amount Calculation		
Net Operating Income - Market Rents		N/A
Debt Coverage Ratio		N/A
Debt Service Limit via DCR		N/A
Cost of Funds (Underwriting Rate)		6.50%
Loan Amount		$58,350,000
Loan/Cost Ratio		65%
Loan/Value Ratio		63%
Debt Service Payment	30 Amort.	($4,425,740)
Cash Flow		N/A
Debt Yield (NOI/Loan)		N/A
Developer's Yield (NOI/Cost)		N/A
Construction Interest Calculation		
Loan Amount		$58,350,000
Average Balance		50.00%
Average Loan Amount		$29,175,000
Monthly Interest Rate	5.50% (annual)	0.46%
Monthly Interest Expense		$133,719
Construction Period (mo.)		18
Total Interest		$2,406,938
Absorption Interest Calculation		
Average Loan Post Construction		$22,868,511
Absorption Period (months)	6 /year	22.0
Months until Loan Payoff		11.0
Interest Rate		5.50%
Absorption Interest		$1,152,954
NOI Available During Construction/Absorption		
Annual NOI		N/A
Monthly NOI		N/A
Avg. Percent of NOI Capture		N/A
Avg. Monthly NOI Capture		N/A
Total Months NOI		N/A
NOI During Absorption		N/A
Recap		
Construction Interest		$2,406,938
Absorption Interest		$1,152,954
NOI During Absorption		N/A
Interest Reserve		**$3,559,892**

Scenario 4A

Scenario 4 was designed as the densest housing option analyzed. All multifamily housing is delivered in the form of urban style building (5 stories of wood frame apartments over 2 stories of parking/retail), with a secondary emphasis on office space. We also used this scenario to test for how much value should be placed on the parkland near the site's west end. In Scenario 4A, a 3.6-acre city park is reserved, whereas in scenario 4B, this land is instead converted into additional revenue-generating buildings. The only surface parking in these scenarios is to accommodate flex space and the passenger ferry/natural area. The rest of the buildings include structured parking.

We initially believed that this housing-dense scenario would perform the best of all of our scenarios. However, the extensive road network required to accommodate so much of a single use ended up becoming cost prohibitive. Creating such a grid also took away opportunities for a denser orientation of building placements.

Rental Residential Units:	978
For Sale Residential Units:	0
Total Residential Units:	978
Office Gross SF:	175,122
Light Manufacturing SF:	59,078
Building SF (without parking):	1,223,877
Site FAR (without parking):	0.759

Scenario 4A - Subdivision Feasibility							
Cost Proforma - As of February 2020							
	Zoning	**Site Acres**	**Site SF**	**FAR**	**Lots**	**$/Land SF**	**Total**
Land Basis	CB	37.0	1,611,700	0.76	14	$24.82	**$40,000,000**
Direct Costs					**$/Land Acre**	**$/Land SF**	**Total**
Sitework Setup Requirements					$31,784	$0.73	$1,176,000
Demolition					$25,203	$0.58	$932,500
Grading					$65,152	$1.50	$2,410,600
Roadways					$129,788	$2.98	$4,802,100
Utilities/Trenching					$343,158	$7.88	$12,696,700
New Signals/Improvements at 65th Ave NE, 68th Ave NE					$110,020	$2.53	$4,070,700
Landscaping, Swales, Methane Gas Pumping & Miscellaneous					$163,137	$3.75	$6,036,000
Subtotal:					**$868,243**	**$19.93**	**$32,124,600**
Sales Tax @		*10.00%*			$86,824	$1.99	$3,212,460
Contractor's Fee @		*8.00%*			$69,459	$1.59	$2,569,968
Construction Contingency @		*10%*			$86,824	$1.99	$3,212,460
Total Direct Costs					**$1,111,352**	**$25.51**	**$41,119,500**
			% of Hard Costs		**$/Land Acre**	**$/Land SF**	**Total**
Indirect Costs							
Architectural			0.55%		$6,081	$0.14	$225,000
Engineering			1.62%		$18,000	$0.41	$666,000
Onsite Testing (soils, piling, etc.)			0.52%		$5,811	$0.13	$215,000
Legal & Survey			0.80%		$8,919	$0.20	$330,000
Environmental/SEPA Permits			1.51%		$16,811	$0.39	$622,000
Traffic Study			0.55%		$6,081	$0.14	$225,000
Other Permitting/Inspection Fees			3.08%		$34,190	$0.78	$1,265,000
Other Predevelopment & Misc. Fees			0.29%		$3,243	$0.07	$120,000
Property Taxes During Development			1.76%		$19,595	$0.45	$725,000
Insurance (Contractor & All-Risk)			1.73%		$19,243	$0.44	$712,000
Interim Loan Fees			1.00%		$16,703	$0.38	$618,000
Interest Reserve (Construction and Absorption)			9.80%		$108,947	$2.50	$4,031,000
Development Coordination, Management, & Admin			4.95%		$55,001	$1.26	$2,035,000
Contingency			6.50%		$56,487	$1.30	$2,090,000
Total Indirect Costs			**33.75%**		**$375,113**	**$8.61**	**$13,879,000**
Total Costs					**$2,567,559**	**$58.94**	**$94,998,500**
Less: Loan Amount					$1,668,940	$38.31	$61,750,000
Total Required Equity					**$898,619**	**$20.63**	**$33,248,500**

Feasibility Analysis - Scenario 4A

Analysis as if Hypothetically Completed and Stabilized as of February 2020

Lot	Lot Area (Acres)	Lot Area (SF)	Units	Building FAR	Value /	Value Metric	Prelim. Indicated Value	*Less: Piling Costs*	*Plus: Entitlement Value*	Value w/ Piling Discount	Value/Site SF
Apartment 1	0.81	35,300	64	57,499	$47,500	/Unit	$3,040,000	$256,800	$320,000	$3,103,242	$88
Apartment 2	1.95	84,900	227	204,950	$50,000	/Unit	$11,350,000	$1,075,100	$1,135,000	$11,409,946	$134
Apartment 3	1.51	65,800	131	118,483	$50,000	/Unit	$6,550,000	$597,900	$655,000	$6,607,136	$100
Apartment 4	2.51	109,300	274	247,421	$50,000	/Unit	$13,700,000	$1,144,100	$1,370,000	$13,925,860	$127
Apartment 5	2.64	115,000	282	254,926	$47,500	/Unit	$13,395,000	$1,091,900	$1,410,000	$13,713,071	$119
Office 1	1.768	77,000	-	81,544	$105	/FAR	$8,562,120	$608,200	$451,800	$8,405,644	$109
Office 2	0.561	24,400	-	34,500	$100	/FAR	$3,450,000	$214,900	$191,100	$3,426,231	$140
Flex 1	0.79	34,400	-	29,539	$75	/Site SF	$2,580,000	$76,700	$122,700	$2,626,004	$76
Flex 2	0.79	34,400	-	29,539	$75	/Site SF	$2,580,000	$76,700	$122,700	$2,626,004	$76
Flex 3	0.905	39,400	-	29,539	$75	/Site SF	$2,955,000	$76,700	$122,700	$3,001,004	$76
Flex 4	0.905	39,400	-	29,539	$75	/Site SF	$2,955,000	$76,700	$122,700	$3,001,004	$76
Hotel	0.934	40,700	150	106,398	$60,000	/Key	$9,000,000	$428,800	$750,000	$9,321,185	$229
Park	3.60	156,700	-	-	$95	/Site SF	$14,886,500	-	-	$14,886,500	$95
Future Trail Interchange	1.082	47,100	-	-	$80	/Site SF	$3,768,000	-	-	$3,768,000	$80
Shoreline Buffer	11.3	492,200	-	-	-	-	-			-	
Roads	4.642	202,200	-	-	-	-	-			-	
						Subtotals:	$98,771,620	($5,724,500)	$6,773,700	**$99,820,820**	***$62.46 /Site SF***

Scenario Summary:

Rental Residential Units:	978
For Sale Residential Units:	0
Total Residential Units:	978
Office Gross SF:	175,122
Light Manufacturing SF:	59,078
Building SF (without parking):	1,223,877
Site FAR (without parking):	0.759

Holding Costs	
Taxes (unsold lots)	$603,909
Homeowner's Dues (unsold lots)	N/A
	($603,909)
Costs of Sales	
Marketing & Commissions	$4,020,193
Administrative Costs	$1,005,048
Real Estate Excise Tax (REET)	$3,090,331
Total Costs of Sales:	($8,115,572)
Net Proceeds as if completed February 2020:	**$91,101,339**
Less: Total Cost to Build:	($94,998,500)
Gross Profit:	($3,897,161)

Metrics of Feasibility (Subdivision) - Scenario 4A

Gross Profit to Cost (%)	-4.1%	**Gross Profit ($)**	**-$3,897,161**
Gross Profit to Value (%)	-4.3%	Gross Profit ($) / Acre	-$105,329.99
Gross Profit to Equity (%)	-11.7%	Gross Profit ($) / Lot	-$278,369

Equity Cost Calculation

Total Equity @	$33,248,500
Interest Rate (%)	8.00%
Duration (mo.)	40 months
Equity Cost ($)	($8,866,267)

Margin (%)			
		Gross Profit	*-$3,897,161*
		Less: Equity Cost	*($8,866,267)*
Net Profit to Cost (%)	-13.44%	**Net Profit**	**-$12,763,428**
Net Profit to Value (%)	-14.01%	*Net Profit / Acre*	*-$344,961.79*
Net Profit to Equity (%)	-38.39%	*Net Profit / Lot*	*-$911,673*

Scenario 4A - Subdivision Feasibility			
Interest Reserve Calculation			
Loan Amount Calculation			
Net Operating Income - Market Rents			N/A
Debt Coverage Ratio			N/A
Debt Service Limit via DCR			N/A
Cost of Funds (Underwriting Rate)			6.50%
Loan Amount			$61,750,000
Loan/Cost Ratio			65%
Loan/Value Ratio			71%
Debt Service Payment		30 Amort.	($4,683,624)
Cash Flow			N/A
Debt Yield	(NOI/Loan)		N/A
Developer's Yield	(NOI/Cost)		N/A
Construction Interest Calculation			
Loan Amount			$61,750,000
Average Balance			50.00%
Average Loan Amount			$30,875,000
Monthly Interest Rate		5.50% (annual)	0.46%
Monthly Interest Expense			$141,510
Construction Period (mo.)			18
Total Interest			$2,547,188
Absorption Interest Calculation			
Average Loan Post Construction			$24,898,601
Absorption Period (months)		6 /year	22.0
Months until Loan Payoff			13.0
Interest Rate			5.50%
Absorption Interest			$1,483,542
NOI Available During Construction/Absorption			
Annual NOI			N/A
Monthly NOI			N/A
Avg. Percent of NOI Capture			N/A
Avg. Monthly NOI Capture			N/A
Total Months NOI			N/A
NOI During Absorption			N/A
Recap			
Construction Interest			$2,547,188
Absorption Interest			$1,483,542
NOI During Absorption			N/A
Interest Reserve			**$4,030,729**

Scenario 4B

Scenario 4B is mostly identical to Scenario 4A, with a few exceptions. As mentioned earlier, we eliminated the city park allocation in this scenario. We replaced this allocation with office and apartment buildings, while also converting half of Office 1 to Apartments to better match the housing-dense character of this scenario.

By using two nearly identical scenarios, we are able to perform an analysis similar to a Highest and Best Use analysis. If unimproved land can be developed into a buildable site and sold at a profit, we believe that any private commercial subdivision would make an effort to do so. By instead utilizing this land as a city park, the subdivision developer would sell this land at its equivalent market price. In comparing Scenarios 4A and 4B, we were able to adjust the value of Scenario 4A's park land until the metrics of feasibility were somewhat close. Using this method, it appears that the unimproved parkland would be sold at approximately $95 per square foot.

Rental Residential Units:	1279
For Sale Residential Units:	0
Total Residential Units:	1279
Office Gross SF:	174,992
Light Manufacturing SF:	59,078
Building SF (without parking):	1,495,244
Site FAR (without parking):	0.928

Scenario 4B - Subdivision Feasibility								
Cost Proforma - As of February 2020								
	Zoning	Site Acres	Site SF	FAR	Lots	$/Land SF	Total
Land Basis	CB	37.0	1,611,700	0.93	17	$24.82	**$40,000,000**
Direct Costs					$/Land Acre	$/Land SF	Total
Sitework Setup Requirements					$31,784	$0.73	$1,176,000
Demolition					$25,203	$0.58	$932,500
Grading					$65,152	$1.50	$2,410,600
Roadways					$135,412	$3.11	$5,010,200
Utilities/Trenching					$358,234	$8.22	$13,254,500
New Signals/Improvements at 65th Ave NE, 68th Ave NE					$110,020	$2.53	$4,070,700
Landscaping, Swales, Methane Gas Pumping & Miscellaneous					$163,137	$3.75	$6,036,000
Subtotal:					**$888,943**	**$20.41**	**$32,890,500**
Sales Tax @		*10.00%*			$88,894	$2.04	$3,289,050
Contractor's Fee @		*8.00%*			$71,115	$1.63	$2,631,240
Construction Contingency @		*10%*			$88,894	$2.04	$3,289,050
Total Direct Costs					**$1,137,847**	**$26.12**	**$42,099,800**
		% of Hard Costs			$/Land Acre	$/Land SF	Total
Indirect Costs							
Architectural		0.53%			$6,081	$0.14	$225,000
Engineering		1.58%			$18,000	$0.41	$666,000
Onsite Testing (soils, piling, etc.)		0.51%			$5,811	$0.13	$215,000
Legal & Survey		0.78%			$8,919	$0.20	$330,000
Environmental/SEPA Permits		1.48%			$16,811	$0.39	$622,000
Traffic Study		0.53%			$6,081	$0.14	$225,000
Other Permitting/Inspection Fees		3.00%			$34,190	$0.78	$1,265,000
Other Predevelopment & Misc. Fees		0.29%			$3,243	$0.07	$120,000
Property Taxes During Development		1.74%			$19,757	$0.45	$731,000
Insurance (Contractor & All-Risk)		1.73%			$19,703	$0.45	$729,000
Interim Loan Fees		1.00%			$16,838	$0.39	$623,000
Interest Reserve (Construction and Absorption)		8.96%			$101,920	$2.34	$3,771,000
Development Coordination, Management, & Admin		4.93%			$56,055	$1.29	$2,074,000
Contingency		6.50%			$57,839	$1.33	$2,140,000
Total Indirect Costs		**32.63%**			**$371,248**	**$8.52**	**$13,736,000**
Total Costs					**$2,590,189**	**$59.46**	**$95,835,800**
Less: Loan Amount					$1,683,805	$38.65	$62,300,000
Total Required Equity					**$906,384**	**$20.81**	**$33,535,800**

Feasibility Analysis - Scenario 4B

Analysis as if Hypothetically Completed and Stabilized as of February 2020

Lot	Lot Area (Acres)	Lot Area (SF)	Units	Building FAR	Value /	Value Metric	Prelim. Indicated Value	*Less: Piling Costs*	*Plus: Entitlement Value*	Value w/ Piling Discount	Value/Site SF
Apartment 1	0.81	35,300	64	57,499	$47,500	/Unit	$3,040,000	$256,800	$320,000	$3,103,242	$88
Apartment 2	1.95	84,900	227	204,950	$50,000	/Unit	$11,350,000	$1,075,100	$1,135,000	$11,409,946	$134
Apartment 3	1.51	65,800	131	118,483	$50,000	/Unit	$6,550,000	$597,900	$655,000	$6,607,136	$100
Apartment 4	2.51	109,300	274	247,421	$50,000	/Unit	$13,700,000	$1,222,100	$1,370,000	$13,847,855	$127
Apartment 5	2.64	115,000	282	254,826	$47,500	/Unit	$13,395,000	$1,087,800	$1,410,000	$13,717,176	$119
Apartment 6	0.618	26,900	74	66,865	$47,500	/Unit	$3,515,000	$351,600	$370,000	$3,533,397	$131
Apartment 7	1.67	72,700	227	204,732	$52,500	/Unit	$11,917,500	$996,700	$1,135,000	$12,055,847	$166
Office 1	1.15	50,100	-	41,426	$100	/FAR	$4,142,600	$305,300	$229,500	$4,066,796	$81
Office 2	0.56	24,400	-	34,500	$100	/FAR	$3,450,000	$214,900	$191,100	$3,426,231	$140
Office 3	0.947	41,300	-	19,689	$105	/FAR	$2,067,345	$115,000	$109,100	$2,061,388	$50
Office 4	0.98	42,700	-	20,299	$105	/FAR	$2,131,395	$116,100	$112,500	$2,127,707	$50
Flex 1	0.79	34,400	-	29,539	$75	/Site SF	$2,580,000	$76,700	$122,700	$2,626,004	$76
Flex 2	0.79	34,400	-	29,539	$75	/Site SF	$2,580,000	$76,700	$122,700	$2,626,004	$76
Flex 3	0.905	39,400	-	29,539	$80	/Site SF	$3,152,000	$76,700	$122,700	$3,198,004	$81
Flex 4	0.905	39,400	-	29,539	$80	/Site SF	$3,152,000	$76,700	$122,700	$3,198,004	$81
Hotel	0.934	40,700	150	106,398	$60,000	/Key	$9,000,000	$428,800	$750,000	$9,321,185	$229
Park	0.00	0	-	-	$95	/Site SF	$0	-	-	$0	
Future Trail Interchange	1.082	47,100	-	-	$80	/Site SF	$3,768,000	-	-	$3,768,000	$80
Shoreline Buffer	11.3	492,200	-	-	- -		-			-	
Roads	4.897	213,300	-	-	- -		-			-	
						Subtotals:	$99,490,840	($7,074,900)	$8,278,000	**$100,693,940**	***$62.57 /Site SF***

Scenario Summary:

Rental Residential Units:	1279
For Sale Residential Units:	0
Total Residential Units:	1279
Office Gross SF:	174,992
Light Manufacturing SF:	59,078
Building SF (without parking):	1,495,244
Site FAR (without parking):	0.928

Holding Costs	
Taxes (unsold lots)	$562,762
Homeowner's Dues (unsold lots)	N/A
	($562,762)
Costs of Sales	
Marketing & Commissions	$4,053,258
Administrative Costs	$1,013,315
Real Estate Excise Tax (REET)	$3,032,111
Total Costs of Sales:	($8,098,684)
Net Proceeds as if completed February 2020:	**$92,032,494**
Less: Total Cost to Build:	($95,835,800)
Gross Profit:	($3,803,306)

Metrics of Feasibility (Subdivision) - Scenario 4B

Gross Profit to Cost (%)	-4.0%	**Gross Profit ($)**	**-$3,803,306**
Gross Profit to Value (%)	-4.1%	Gross Profit ($) / Acre	-$102,793.33
Gross Profit to Equity (%)	-11.3%	Gross Profit ($) / Lot	-$223,724

Equity Cost Calculation

Total Equity @	$33,535,800
Interest Rate (%)	8.00%
Duration (mo.)	44 months
Equity Cost ($)	($9,837,168)

Margin (%)

		Gross Profit	*-$3,803,306*
		Less: Equity Cost	*($9,837,168)*
Net Profit to Cost (%)	-14.23%	**Net Profit**	**-$13,640,474**
Net Profit to Value (%)	-14.82%	*Net Profit / Acre*	*-$368,666.04*
Net Profit to Equity (%)	-40.67%	*Net Profit / Lot*	*-$802,381*

Scenario 4B - Subdivision Feasibility		
Interest Reserve Calculation		
Loan Amount Calculation		
Net Operating Income - Market Rents		N/A
Debt Coverage Ratio		N/A
Debt Service Limit via DCR		N/A
Cost of Funds (Underwriting Rate)		6.50%
Loan Amount		$62,300,000
Loan/Cost Ratio		65%
Loan/Value Ratio		70%
Debt Service Payment	30 Amort.	($4,725,341)
Cash Flow		N/A
Debt Yield (NOI/Loan)		N/A
Developer's Yield (NOI/Cost)		N/A
Construction Interest Calculation		
Loan Amount		$62,300,000
Average Balance		50.00%
Average Loan Amount		$31,150,000
Monthly Interest Rate	5.50% (annual)	0.46%
Monthly Interest Expense		$142,771
Construction Period (mo.)		18
Total Interest		$2,569,875
Absorption Interest Calculation		
Average Loan Post Construction		$23,821,185
Absorption Period (months)	6 /year	26.0
Months until Loan Payoff		11.0
Interest Rate		5.50%
Absorption Interest		$1,200,985
NOI Available During Construction/Absorption		
Annual NOI		N/A
Monthly NOI		N/A
Avg. Percent of NOI Capture		N/A
Avg. Monthly NOI Capture		N/A
Total Months NOI		N/A
NOI During Absorption		N/A
Recap		
Construction Interest		$2,569,875
Absorption Interest		$1,200,985
NOI During Absorption		N/A
Interest Reserve		**$3,770,860**

Scenario 5

Scenario 5 was designed in order to accommodate a Southport-style office building, among other mixed uses. The large Class-A office delivers 309,405 square-feet of office space. Two other office pads deliver approximately 200,000 additional square-feet of Class-B space, with other pads delivering 708 apartment units and almost 60,000 square-feet of flex space. A boutique hotel located at the southeast end of Lakepointe completes the building deliverables. This scenario appears to be the most financially feasible scenario.

The office market appears to be stronger than we initially thought when we first designed these scenarios in the autumn of 2019. Exceptionally high office demand driven by the tech sector is currently pushing market office rates in the Seattle Core and the Eastside, creating upward mobility in office rents in more affordable markets. As a result, larger-scale office development appears to be quite feasible in comparison to other uses. However, it is important to secure such office tenants ahead of construction in order to avoid large swaths of unleased space.

Rental Residential Units:	708
For Sale Residential Units:	0
Total Residential Units:	708
Office Gross SF:	539,015
Light Manufacturing SF:	29,539
Building SF (without parking):	1,313,977
Site FAR (without parking):	0.815

Scenario 5 - Subdivision Feasibility							
Cost Proforma - As of February 2020							
	Zoning	Site Acres	Site SF	FAR	Lots	$/Land SF	Total
Land Basis	CB	37.0	1,611,700	0.82	9	$24.82	**$40,000,000**
Direct Costs					$/Land Acre	$/Land SF	Total
Sitework Setup Requirements					$31,784	$0.73	$1,176,000
Demolition					$25,203	$0.58	$932,500
Grading					$65,152	$1.50	$2,410,600
Roadways					$107,261	$2.46	$3,968,600
Utilities/Trenching					$299,252	$6.87	$11,072,200
New Signals/Improvements at 65th Ave NE, 68th Ave NE					$110,020	$2.53	$4,070,700
Landscaping, Swales, Methane Gas Pumping & Miscellaneous					$163,137	$3.75	$6,036,000
Subtotal:					**$801,810**	**$18.41**	**$29,666,600**
Sales Tax @			*10.00%*		$80,181	$1.84	$2,966,660
Contractor's Fee @			*8.00%*		$64,145	$1.47	$2,373,328
Construction Contingency @			*10%*		$80,181	$1.84	$2,966,660
Total Direct Costs					**$1,026,315**	**$23.56**	**$37,973,200**
			% of Hard Costs		$/Land Acre	$/Land SF	Total
Indirect Costs							
Architectural			0.59%		$6,081	$0.14	$225,000
Engineering			1.75%		$18,000	$0.41	$666,000
Onsite Testing (soils, piling, etc.)			0.57%		$5,811	$0.13	$215,000
Legal & Survey			0.87%		$8,919	$0.20	$330,000
Environmental/SEPA Permits			1.64%		$16,811	$0.39	$622,000
Traffic Study			0.59%		$6,081	$0.14	$225,000
Other Permitting/Inspection Fees			3.33%		$34,190	$0.78	$1,265,000
Other Predevelopment & Misc. Fees			0.32%		$3,243	$0.07	$120,000
Property Taxes During Development			2.33%		$23,946	$0.55	$886,000
Insurance (Contractor & All-Risk)			1.73%		$17,757	$0.41	$657,000
Interim Loan Fees			1.00%		$15,919	$0.37	$589,000
Interest Reserve (Construction and Absorption)			7.84%		$80,487	$1.85	$2,978,000
Development Coordination, Management, & Admin			5.03%		$51,595	$1.18	$1,909,000
Contingency			6.50%		$52,163	$1.20	$1,930,000
Total Indirect Costs			**33.23%**		**$341,004**	**$7.83**	**$12,617,000**
Total Costs					**$2,448,414**	**$56.21**	**$90,590,200**
Less: Loan Amount					$1,591,912	$36.55	$58,900,000
Total Required Equity					**$856,503**	**$19.66**	**$31,690,200**

Feasibility Analysis - Scenario 5

Analysis as if Hypothetically Completed and Stabilized as of February 2020

Lot	Lot Area (Acres)	Lot Area (SF)	Units	Building FAR	Value /	Value Metric	Prelim. Indicated Value	*Less: Piling Costs*	*Plus: Entitlement Value*	Value w/ Piling Discount	Value/Site SF
Apartment 1	2.24	97,600	243	219,107	$50,000	/Unit	$12,150,000	$1,084,400	$1,215,000	$12,280,602	$126
Apartment 2	4.7	204,700	465	419,918	$50,000	/Unit	$23,250,000	$2,283,300	$2,325,000	$23,291,702	$114
Office 1	4.5	196,000	-	309,405	$100	/FAR	$30,940,500	$1,562,700	$1,714,100	$31,091,954	$159
Office 2	1.41	61,400	-	84,027	$95	/FAR	$7,982,565	$644,500	$465,500	$7,803,535	$127
Office 3	1.30	56,600	-	116,044	$100	/FAR	$11,604,400	$671,000	$642,900	$11,576,265	$205
Flex 1	1.81	78,800	-	59,078	$80	/Site SF	$6,304,000	$153,500	$245,500	$6,396,007	$81
Hotel	0.95	41,400	150	106,398	$60,000	/Key	$9,000,000	$428,800	$750,000	$9,321,185	$225
Park	4.49	195,600	-	-	$95	/Site SF	$18,582,000	-	-	$18,582,000	$95
Future Trail Interchange	1.08	47,100	-	-	$80	/Site SF	$3,768,000	-	-	$3,768,000	$80
Shoreline Buffer	11.3	492,200	-	-	-	-	-			-	
Roads	3.35	145,900	-	-	-	-	-			-	
						Subtotals:	$123,581,465	($6,828,200)	$7,358,000	**$124,111,265**	***$76.74 /Site SF***

Scenario Summary:

Rental Residential Units:	708
For Sale Residential Units:	0
Total Residential Units:	708
Office Gross SF:	539,015
Light Manufacturing SF:	29,539
Building SF (without parking):	1,313,977
Site FAR (without parking):	0.815

Holding Costs	
Taxes (unsold lots)	$426,578
Homeowner's Dues (unsold lots)	N/A
	($426,578)
Costs of Sales	
Marketing & Commissions	$4,983,730
Administrative Costs	$1,245,933
Real Estate Excise Tax (REET)	$4,085,650
Total Costs of Sales:	($10,315,312)
Net Proceeds as if completed February 2020:	**$113,369,375**
Less: Total Cost to Build:	($90,590,200)
Gross Profit:	$22,779,175

Metrics of Feasibility (Subdivision) - Scenario 5

Gross Profit to Cost (%)	25.1%	**Gross Profit ($)**	**$22,779,175**
Gross Profit to Value (%)	20.1%	Gross Profit ($) / Acre	$615,661.01
Gross Profit to Equity (%)	71.9%	Gross Profit ($) / Lot	$2,531,019

Equity Cost Calculation

Total Equity @	$31,690,200
Interest Rate (%)	8.00%
Duration (mo.)	30 months
Equity Cost ($)	($6,338,040)

Margin (%)

		Gross Profit	*$22,779,175*
		Less: Equity Cost	*($6,338,040)*
Net Profit to Cost (%)	18.15%	**Net Profit**	**$16,441,135**
Net Profit to Value (%)	14.50%	*Net Profit / Acre*	*$444,360.51*
Net Profit to Equity (%)	51.88%	*Net Profit / Lot*	*$1,826,793*

Scenario 5 - Subdivision Feasibility		
Interest Reserve Calculation		
Loan Amount Calculation		
Net Operating Income - Market Rents		N/A
Debt Coverage Ratio		N/A
Debt Service Limit via DCR		N/A
Cost of Funds (Underwriting Rate)		6.50%
Loan Amount		$58,900,000
Loan/Cost Ratio		65%
Loan/Value Ratio		53%
Debt Service Payment	30 Amort.	($4,467,457)
Cash Flow		N/A
Debt Yield (NOI/Loan)		N/A
Developer's Yield (NOI/Cost)		N/A
Construction Interest Calculation		
Loan Amount		$58,900,000
Average Balance		50.00%
Average Loan Amount		$29,450,000
Monthly Interest Rate	5.50% (annual)	0.46%
Monthly Interest Expense		$134,979
Construction Period (mo.)		18
Total Interest		$2,429,625
Absorption Interest Calculation		
Average Loan Post Construction		$23,911,941
Absorption Period (months)	6 /year	12.0
Months until Loan Payoff		5.0
Interest Rate		5.50%
Absorption Interest		$547,982
NOI Available During Construction/Absorption		
Annual NOI		N/A
Monthly NOI		N/A
Avg. Percent of NOI Capture		N/A
Avg. Monthly NOI Capture		N/A
Total Months NOI		N/A
NOI During Absorption		N/A
Recap		
Construction Interest		$2,429,625
Absorption Interest		$547,982
NOI During Absorption		N/A
Interest Reserve		**$2,977,607**

Scenario 6

Scenario 6 is a design inspired by the new development Upton at Crossroads Village in Bellevue. This design features condensed townhouses, three office buildings, and additional apartment-style multifamily product. Similar to Scenario 3, the road footprint has been substantially minimized.

Retail development can be implemented easily into the townhouse-style buildings in this scenario. This creates a "Main Street" feel, with small shops oriented in a logical neighborhood fashion. More dense buildings are also implemented in this scenario. While somewhat feasible at lower land bases, this scenario doesn't quite generate enough density to justify such extensive sitework.

Rental Residential Units:	620
For Sale Residential Units:	157
Total Residential Units:	777
Office Gross SF:	278,310
Light Manufacturing SF:	29,539
Building SF (without parking):	1,249,614
Site FAR (without parking):	0.775

Scenario 6 - Subdivision Feasibility							
Cost Proforma - As of February 2020							
	Zoning	Site Acres	Site SF	FAR	Lots	$/Land SF	Total
Land Basis	CB	37.0	1,611,700	0.78	13	$24.82	**$40,000,000**
Direct Costs					$/Land Acre	$/Land SF	Total
Sitework Setup Requirements					$31,784	$0.73	$1,176,000
Demolition					$25,203	$0.58	$932,500
Grading					$65,152	$1.50	$2,410,600
Roadways					$176,078	$4.04	$6,514,800
Utilities/Trenching					$243,376	$5.59	$9,004,800
New Signals/Improvements at 65th Ave NE, 68th Ave NE					$110,020	$2.53	$4,070,700
Landscaping, Swales, Methane Gas Pumping & Miscellaneous					$163,137	$3.75	$6,036,000
Subtotal:					**$814,751**	**$18.70**	**$30,145,400**
Sales Tax @			*10.00%*		$81,475	$1.87	$3,014,540
Contractor's Fee @			*8.00%*		$65,180	$1.50	$2,411,632
Construction Contingency @			*10%*		$81,475	$1.87	$3,014,540
Total Direct Costs					**$1,042,881**	**$23.94**	**$38,586,100**
			% of Hard Costs		$/Land Acre	$/Land SF	Total
Indirect Costs							
Architectural			0.58%		$6,081	$0.14	$225,000
Engineering			1.73%		$18,000	$0.41	$666,000
Onsite Testing (soils, piling, etc.)			0.56%		$5,811	$0.13	$215,000
Legal & Survey			0.86%		$8,919	$0.20	$330,000
Environmental/SEPA Permits			1.61%		$16,811	$0.39	$622,000
Traffic Study			0.58%		$6,081	$0.14	$225,000
Other Permitting/Inspection Fees			3.28%		$34,190	$0.78	$1,265,000
Other Predevelopment & Misc. Fees			0.31%		$3,243	$0.07	$120,000
Property Taxes During Development			2.00%		$20,838	$0.48	$771,000
Insurance (Contractor & All-Risk)			1.73%		$18,054	$0.41	$668,000
Interim Loan Fees			1.00%		$16,162	$0.37	$598,000
Interest Reserve (Construction and Absorption)			9.53%		$99,407	$2.28	$3,678,000
Development Coordination, Management, & Admin			5.01%		$52,244	$1.20	$1,933,000
Contingency			6.50%		$52,974	$1.22	$1,960,000
Total Indirect Costs			**34.41%**		**$358,815**	**$8.24**	**$13,276,000**
Total Costs					**$2,482,790**	**$57.00**	**$91,862,100**
Less: Loan Amount					$1,614,885	$37.07	$59,750,000
Total Required Equity					**$867,905**	**$19.92**	**$32,112,100**

Feasibility Analysis - Scenario 6

Analysis as if Hypothetically Completed and Stabilized as of February 2020

Lot	Lot Area (Acres)	Lot Area (SF)	Units	Building FAR	Value /	Value Metric	Prelim. Indicated Value	*Less: Piling Costs*	*Plus: Entitlement Value*	Value w/ Piling Discount	Value/Site SF
Apartment 1	2.14	93,200	255	230,868	$50,000	/Unit	$12,750,000	$1,068,900	$1,275,000	$12,956,147	$139
Apartment 2	1.53	66,600	200	180,774	$47,500	/Unit	$9,500,000	$780,600	$1,000,000	$9,719,383	$146
Apartment 3	1.22	53,100	165	148,975	$50,000	/Unit	$8,250,000	$664,900	$825,000	$8,410,145	$158
Townhomes 1	2.75	119,800	67	117,250	$150,000	/Door	$10,050,000	$76,900	$670,000	$10,643,138	$89
Townhomes 2	2.71	118,000	90	157,500	$150,000	/Door	$13,500,000	$103,200	$900,000	$14,296,753	$121
Office 1	2.32	101,100	-	148,975	$100	/FAR	$14,897,500	$739,200	$825,300	$14,983,657	$148
Office 2	1.91	83,200	-	74,618	$105	/FAR	$7,834,890	$370,200	$413,400	$7,878,043	$95
Office 3	0.498	21,700	-	25,178	$105	/FAR	$2,643,690	$134,200	$139,500	$2,648,979	$122
Flex 1	0.79	34,400	-	29,539	$75	/Site SF	$2,580,000	$76,700	$122,700	$2,626,004	$76
Flex 2	0.79	34,400	-	29,539	$75	/Site SF	$2,580,000	$76,700	$122,700	$2,626,004	$76
Hotel	0.935	40,700	150	106,398	$60,000	/Key	$9,000,000	$428,800	$750,000	$9,321,185	$229
Park	1.66	72,300	-	-	$95	/Site SF	$6,868,500	-	-	$6,868,500	$95
Future Trail Interchange	1.08	47,100	-	-	$80	/Site SF	$3,768,000	-	-	$3,768,000	$80
Shoreline Buffer	11.3	492,200	-	-	-	-	-			-	
Roads	5.28	230,000	-	-	-	-	-			-	
						Subtotals:	$104,222,580	($4,520,300)	$7,043,600	**$106,745,880**	***$66.39 /Site SF***

Scenario Summary:

Rental Residential Units:	620
For Sale Residential Units:	157
Total Residential Units:	777
Office Gross SF:	278,310
Light Manufacturing SF:	29,539
Building SF (without parking):	1,249,614
Site FAR (without parking):	0.775

Holding Costs	
Taxes (unsold lots)	$628,958
Homeowner's Dues (unsold lots)	N/A
	($628,958)
Costs of Sales	
Marketing & Commissions	$4,298,324
Administrative Costs	$1,074,581
Real Estate Excise Tax (REET)	$3,365,308
Total Costs of Sales:	($8,738,213)
Net Proceeds as if completed February 2020:	**$97,378,709**
Less: Total Cost to Build:	($91,862,100)
Gross Profit:	$5,516,609

Metrics of Feasibility (Subdivision) - Scenario 6

Gross Profit to Cost (%)	6.0%	**Gross Profit ($)**	**$5,516,609**
Gross Profit to Value (%)	5.7%	Gross Profit ($) / Acre	$149,099.40
Gross Profit to Equity (%)	17.2%	Gross Profit ($) / Lot	$424,355

Equity Cost Calculation

Total Equity @	$32,112,100
Interest Rate (%)	8.00%
Duration (mo.)	38 months
Equity Cost ($)	($8,135,065)

		Gross Profit	*$5,516,609*
Margin (%)		*Less: Equity Cost*	*($8,135,065)*
Net Profit to Cost (%)	-2.85%	**Net Profit**	**-$2,618,456**
Net Profit to Value (%)	-2.69%	*Net Profit / Acre*	*-$70,769.96*
Net Profit to Equity (%)	-8.15%	*Net Profit / Lot*	*-$201,420*

Scenario 6 - Subdivision Feasibility		
Interest Reserve Calculation		
Loan Amount Calculation		
Net Operating Income - Market Rents		N/A
Debt Coverage Ratio		N/A
Debt Service Limit via DCR		N/A
Cost of Funds (Underwriting Rate)		6.50%
Loan Amount		$59,750,000
Loan/Cost Ratio		65%
Loan/Value Ratio		64%
Debt Service Payment	30 Amort.	($4,531,928)
Cash Flow		N/A
Debt Yield (NOI/Loan)		N/A
Developer's Yield (NOI/Cost)		N/A
Construction Interest Calculation		
Loan Amount		$59,750,000
Average Balance		50.00%
Average Loan Amount		$29,875,000
Monthly Interest Rate	5.50% (annual)	0.46%
Monthly Interest Expense		$136,927
Construction Period (mo.)		18
Total Interest		$2,464,688
Absorption Interest Calculation		
Average Loan Post Construction		$22,052,945
Absorption Period (months)	6 /year	20.0
Months until Loan Payoff		12.0
Interest Rate		5.50%
Absorption Interest		$1,212,912
NOI Available During Construction/Absorption		
Annual NOI		N/A
Monthly NOI		N/A
Avg. Percent of NOI Capture		N/A
Avg. Monthly NOI Capture		N/A
Total Months NOI		N/A
NOI During Absorption		N/A
Recap		
Construction Interest		$2,464,688
Absorption Interest		$1,212,912
NOI During Absorption		N/A
Interest Reserve		**$3,677,599**

SECTION V: CONCLUSIONS OF FEASIBILITY STUDY

Overall, Scenario 5, touting the largest degree office development, appears to be the most financially feasible development scenario from a subdivision development perspective. Scenario 5 has relatively low roadway and utility costs, as it features fewer total parcels and a layout that clusters its parcels to the east of the site, requiring less overall road and utility extensions. Furthermore, a strengthening regional office market allows for a greater proportion of development to be dedicated to office space.

According to our "Top-Down" approach, building developers can purchase entitled commercial pads at market rates and still make a return using the direct capitalization of current market rents and expenses. However, our report does not account for the trending of such rents and expenses to a time in the future; only present market rates were observed. In the time it takes to purchase the site, complete the entitlement process, and complete the subdivision sitework, these conclusions of feasibility will likely change.

Using the current probable retail prices of the commercial pads derived in the "Top-Down" approach, we were able to determine a reasonable land basis for the raw land using Scenario 5 as a "Highest and Best Use" case for the land. We determined that a subdivision developer building Development Scenario 5 could pay $40 million for the subject site. This equates to $21.72 per square foot.

We believe that our general approach of leaving the 200-foot southern and western shoreline buffers was warranted. Building on this portion of the subject site would require extensive environmental mitigation, which could be cost-prohibitive relative to the additional buildings occupying this space. Furthermore, this natural buffer gives an attractive amenity to Kenmore residents and new users of the Lakepointe site.

However, due to significant fixed infrastructure costs, the initial approach of "less is more" in this assignment has its limitations. A minimum amount of new income-generating development appears to be necessary for financial feasibility for all market actors. Scenario 5 is best suited to achieve such feasible returns.

CERTIFICATION

I certify that, to the best of our knowledge and belief:

- The statements of facts contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are personal, unbiased professional analyses, opinions, and conclusions.
- The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest or bias with respect to the parties involved.
- Compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the standards and reporting requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute, and also the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Brian R. O’Connor has completed the requirements under the continuing education program for designated members of the Appraisal Institute.
- Brian R. O’Connor, MAI, CRE made a personal inspection of the subject property.
- Reilly Peavey, Associate, provided significant professional assistance to the appraiser.
- We have provided prior professional services concerning this property within the last three years.

Brian R. O’Connor, MAI, CRE

ADDENDA

O'Connor Consulting Group, LLC

Company Profile

The firm O'Connor Consulting Group, LLC was originally established in May 1994 as Pacific Real Estate Advisors. Originally founded as a Partnership, the firm became a Limited Liability Company in July 1997 when Brian O'Connor, MAI, CRE became the sole principal and managing member of the firm.

While O'Connor Consulting Group, LLC is generally considered to be an appraisal firm, much of our business consists of providing market and feasibility studies for our clients. Over the last ten years, the portion of consulting services vis-à-vis appraisal services has become approximately 50% of our work product. Although we believe appraisal services are the foundation of our firm, we are striving to provide our clients with a higher level of market research, analyses and insight.

In order to provide our clients with sophisticated market analyses and valuations, O'Connor Consulting Group, LLC has assembled a team of senior analysts, consisting of eleven appraisers, five of whom have between 10 to 20 years of experience, including Jennifer Forschler, MAI. Their expertise ranges from complex property valuations to complicated economic modeling of investment properties. Our areas of expertise range from urban mixed-use and feasibility modeling to commercial, subdivision, retail, industrial/office, condominium and apartment appraising. We have developed a specialty of appraising or performing feasibility studies on downtown high-rise developments. We have performed major market studies in King, Pierce and Snohomish counties as well as Lewis and Kitsap counties, and the Tri-Cities area. Outside of Washington State we have performed appraisal and consulting work in the states of Oregon, Idaho, Alaska and Arizona.

Services Provided

Appraisals	Valuation estimates provided for various property types including apartments, condominiums, subdivisions, office/retail, industrial, and specialty properties such as independent and assisted living facilities, senior housing, hotels, motels, gas stations and marinas. Services also include appraisal reviews.
HUD/US Department of Housing and Urban Development	O'Connor Consulting Group, LLC has worked on over 75 HUD projects since 2008 throughout Washington, Oregon, Idaho, and Alaska, making them recognized as one of the leading firms performing HUD 221(d)(4) market studies/appraisals and HUD 223(f) appraisals.
Market & Feasibility Studies	Studies concentrate on evaluating the local economic conditions and forecasting future supply/demand equilibrium for multifamily housing and commercial space. Feasibility studies focus on analyzing probable profit margins and various measures of return on investment. We have performed numerous market and feasibility studies on special use properties. These include age-restricted housing, assisted living, in-patient treatment centers, memory care, and private schools.

Insurance Appraisals	O'Connor Consulting Group is the leading firm within the Puget Sound area providing Insurance Appraisals to home owner associations and insurance companies.
Consultation	Consultation services include participation with development teams, individual product evaluations, feasibility reviews, and general discussion of current market conditions as well as possible development opportunities. Our consulting services also include assisting buyers and sellers with due diligence in regards to pricing, risk, and tenant evaluation.
Court Testimonies	Mr. O'Connor is qualified as an expert witness concerning a diversity of property types in King, Pierce, and Thurston Counties. He also provides his expertise for mediation and arbitration cases.

O'Connor Consulting Group, LLC Client List

Lenders

AEA Bank
AmeriSphere
Bank of America
Bank of Everett
Bank One Berkshire Mortgage
Banner Bank
BBCN
Berkadia Commercial Mortgage
California Bank and Trust
Cascade Bank
Cathay Bank
Charter bank
Commerce Bank
Common Ground
Continental Savings Corporation
Eastside Commercial Bank
The Farmers Bank of China
First Boston Bank
First Horizon Construction Lending
First Interstate Bank
First Mutual Bank
First Republic Bank
First Savings Bank of Washington
First Savings Bank Northwest
First Security Bank of Washington
GE Capital Corporation
Home Street Bank
JP Morgan Chase
Key Bank
M & T Bank
National Bank of Canada
National Cooperative Bank
North American Savings
Pacific Bank
Pacific Continental Bank
Pacific Coast Investment
Pyatt Broadmark Management LLC
Company
Plaza Bank
PNC Bank
Seattle Bank
Silvergate Thrift and Loan
St. Paul Federal Bank
Sterling Bank
Taiwan Cooperative Bank
Umpqua Bank
UniBank
US Bancorp
Wachovia
Walker & Dunlop
Washington Trust Bank
Wells Fargo Bank
Washington First International Bank
Weyerhaeuser Realty
Whidbey Island Bank

Investors/Development Companies

Alamo Manhattan
Allegra Properties
Balfour Company
Beckes Homes
Bentall Kennedy
Bosa Properties
Burkheimer Management Company
CBRE Capital Markets
ConAm Development
Citigroup
Create World America
Construction Company
Crossbeam Properties
Continental Properties
ConocoPhillips
Daniels Real Estate
FR McAbee
Genoa Pacific Corporation
Geonerco, Inc
GID Development Group
Goodman Real Estate
Greystar
Grosvenor Associates
Guardian Real Estate
Holland Partner Group
Hydra LLC
Interpac Development Corporation
Intracorp
Investco Properties
JC Mueller
John Stone Development
Kahne Corporation
Kauri Investments
Kemper Freeman
Laconia Development
Lear Capital, LLC
Lennar Homes
Lincoln Investments
Lindstrom Development

Lorax Partners
MacFarlane Partners
Mack Urban
Macquire Real Estate
Martin Selig
Martin Smith
Mitsui Fudosan America
Mosaic Homes
Murray Franklin
Oliver McMillan
Pacific West Hotel
Parkstone Investments
Pinnacle Development
Prometheus

Pryde-Johnson
Robertson Capital Consultants
The Rush Companies
Schnitzer Northwest
Seattle Properties
SECO Development
Security Properties
Shea Homes
Sierra Construction Company
Simpson Housing Corporation
Sound Investments
Starwood Capital
SU Development
The Stratford Company

T. Jones, Inc
Tarragon
Trigny Corporation
Tyee International, LLC
Unico Properties
UDR
Vance Corporation
Vance Properties
Vulcan Real Estate
Wathen and Associates
Westward Real Estate
Wells & Company

Government Agencies

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City of Kirkland
City of Redmond
City of Seattle
King County
King County Library System
Puget Sound Regional Council
Port of Everett

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Keesal, Young & Logan

Property Management Companies

CWD Group, Inc AAMC
CDC Management Services, Inc AAMC
Greystar
Kappes Miller Management
The Copeland Group, LLC
Lorig Management
EMB Management, Inc AAMC
Pacific Rim Investments & Management
Phillips Real Estate Services, LLC
Yates Wood

REITS

Bay Apartment Communities
BRE properties
Equity Residential
Security Capital
United Dominion Realty Trust
MacFarlane Partners
Greystar

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O'Connor Consulting Group LLC
HUD work since Nov. 2008

HUD 221 PROGRAMS:

Seneca Tower, Seattle, WA 2008
Market Study and Pre-Application

2nd and Bell, Seattle, WA 2009
Market Study and Firm Commitment
6th Avenue Apartments, Seattle, WA 2009
Market Study and Firm Commitment
Bally's Apartments, Federal Way, WA 2009
Market Study and Pre-Application
Barrett Park, Seattle, WA 2009
Market Study and Firm Commitment
Point Ruston Apartments, Tacoma, WA 2009
Pre-Application
Stone Way Village Apartments, Seattle, WA 2009, Market Study

Azure Ridge, Renton, WA, 2010
Market Study and Pre-Application
Ballard Apartments, Seattle, WA 2010
Market Study and Pre-Application
Beardslee Apartments, Bothell, WA 2010
Market Study and Pre-Application
Coleman Tower, Seattle, WA 2010
Market Study and Pre-Application
Elks on Broadway, Tacoma, WA 2010
Pre-Application
Good Pasture Island Apartments, Eugene, OR 2010, Market Study
Ivanhoe Apartments, Portland, OR 2010
Market Study
Packard Building, Seattle, WA 2010
Market Study
Pine and Belmont, Seattle, WA 2010
Market Study
Regency Park, Richland, WA 2010
Market Study and Pre-Application
River Club, Richland, WA, 2010,
Market Study and Pre-Application
Seneca Tower, Seattle, WA 2010
Market Study and Pre-Application

Smith Tower, Seattle, WA 2010
Market Study

Salpare Bay, Portland, OR 2011
Market Study
Totem Station, Kirkland, WA 2011
Appraisal

25th & McClellan St Apartments, Seattle, WA 2012, Market Study
The Baylor Apartments, Seattle, WA 2012
Market Study
Carnegie Square Apartments, Spokane, WA 2012, Market Study
Cathedral Apartments, Portland, OR 2012
Market Study
Michael Apartments, Spokane, WA 2012
Market Study
Ridpath Apartments, Spokane, WA 2012
Market Study
Spyglass Hill, Bremerton, WA 2012
Market Study
NW 17th and Front St., Portland, OR 2012
Market Study

Oasis Village Apartments, Caldwell, ID 2013
Market Study
Junction Flats, Seattle, WA 2013
Market Study
Asheville Apartments, Boise, ID 2013
Market Study
Cantabria Apartments, Boise, ID 2013
Market Study
Ridgecrest Commons, Nampa, ID 2013
Market Study
Silver Oakes Apartments, Meridian, ID 2013
Market Study
Cordillera Apartments, Boise, ID 2013
Market Study

725 Broadway, Tacoma, WA 2014
Market Study
Boise MSA Apartment Market, ID 2014
Market Study
Central Park Apartments, Moses Lake, WA 2014,
Market Study
Ridpath Club Apartments, Spokane, WA 2014,
Market Study

Sullivan's Gulch, Portland, OR 2014
Market Study
Old City Hall Apartments, Tacoma, WA 2014
Market Study
Chapel Hill, Pimlico Drive, Pasco, WA 2014
Market Study
Post Falls Apartments, Post Falls, ID 2014
Market Study

725 Broadway, Tacoma, WA 2015
Market Study
219 1st Avenue North, Seattle, WA 2015
Market Study
Sullivan's Gulch, Portland, WA 2015
Market Study
Proposed 2912 Beacon Ave. South Apartments, Seattle, WA 2015
Preliminary Market Study
The Alexis Apartments, Portland, OR 2015
Market Study
Central Park Apartments, Moses Lake, WA 2015
Market Study
402 NW 5th Avenue, Portland, OR 2015
Preliminary Market Study
5th & Idaho Apartments, Boise, ID 2015
Market Study
Ridgecrest Commons, Nampa, ID 2015
Market Study
Chapel Hill, Pimlico Drive, Pasco, WA 2015
Market Study
Post Falls Apartments, Post Falls, ID 2015
Market Study
Sonata East, Seattle, WA 2015
Market Study
Silver Oakes, Phase II, Meridian, ID 2015
Market Study
Proposed 25th & McClellan Apartments, Seattle, WA 2015
Market Study

Avalon Apartments, Seattle, WA 2016
Market Study
Mt. Baker Station Apartments, Seattle, WA 2016
Market Study
Marysville Senior Apartments, Marysville, WA 2016
Brief Market Study
Park Place Apartments, Bellingham, WA 2016
Market Study
Chapel Hill, Pimlico Drive, Pasco, WA 2016
Market Study
Evergreen Pointe Apartments, Bremerton, WA 2016
Market Study
Sonata East, Seattle, WA 2016
Market Study
5th & Idaho Apartments, Boise, ID 2016
Market Study Update

Mt. Baker Station Apartments, Seattle, WA 2017
Market Study
320 Queen Anne Apartments, Seattle, WA 2017
Market Study
Park Place Apartments, Bellingham, WA 2017
Market Study
Beacon Station Apartments, Seattle, WA 2017
Market Study
123 Third Apartments, Seattle, WA 2017
Market Study
Admiral Station Apartments, Seattle, WA 2017
Market Study
Junction Landing Apartments, Seattle, WA 2017
Market Study
Tahoma Vista Village, Tacoma, WA 2017
Appraisal
MLK Apartments, Tacoma, WA 2017
Market Study
Beacon Station Apartments, Seattle, WA 2017
Updated Market Study
Esterra Park Apartments, Redmond, WA 2017
Market Study
Junction Landing Apartments, Seattle, WA 2017
Updated Market Study
Mickelberry Apartments, Silverdale, WA 2017
Market Study

HUD 223 PROGRAMS:

Highlander Apartments, Portland, OR 2009
Shangri La Apartments, Klamath Falls, OR 2009
Tahoma Terrace Apartments, Tacoma, WA 2009

Glenridge Place Apartments, Klamath Falls, OR 2010
Heatherwood/Ladera Apartments, Tukwila, WA 2010
Kently Pointe Apartments, Kent, WA 2010
Packard Building, Seattle, WA 2010
Plaza 44 Apartments, Lynnwood, WA 2010
Pyramid Pointe Apartments, Tukwila, WA 2010
Rainier Pointe Apartments, Fife, WA 2010
Veranda Green, Seattle, WA 2010

Kawabe House, Seattle, WA 2011
Lake City Senior Apartments, Seattle, WA 2011
Mable Swan Manor, Yakima, WA 2011
The Parker Apartments, Portland, OR 2011
Stillaguamish Apartments, Seattle, WA 2011

Brittany Lane Apartments, Lacey, WA 2012
Creekside Apartments, Clackamas, OR 2012
College Glen Apartments, Lacey, WA 2012
Davis Pointe Apartments, Boise, ID 2012
Executive Estates, Fairbanks, AK 2012
Four Freedoms Apartments, Seattle, WA 2012
Greentree Apartments, Seattle, WA 2012
Heritage Woods Apartments, Seattle, WA 2012
Hill Crest Apartments, Seattle, WA 2012
Lake City Senior Apartments, Seattle, WA 2012
Marion Court Apartments, Bremerton, WA 2012
Northwest Pointe Apartments, Boise, ID 2012
Rivergreen Apartments, Gladstone, OR 2012
Swiss Gable Apartments, Kent, WA 2012
Westridge Apartments, Bellevue, WA 2012
Willows Court Apartments, Seattle, WA 2012

Abbey Rowe Apartments, Olympia, WA 2013
Arabella Apartments, Shoreline, WA 2013
Balfour Place, Seattle, WA 2013
Illumina Apartments, Seattle, WA 2013
Loyal Heights Manor, Seattle, WA 2013
Marion Court Apartments, Bremerton, WA 2013
True Vine Senior Center, Tacoma, WA 2013
Ventana Apartments, Seattle, WA 2013
Zachary Park Apartments, Portland, OR 2013
Burke-Gilman Place, Seattle, WA 2013
Rent Comparability Study
Lake City Senior Apartments, Seattle, WA 2013
Pre-Application Section 231
Lowman Building Apartments, Seattle, WA 2013

Kenyon House Apartments, Buckley, WA 2014
Rent Comparability Study
Willina Ranch Apartments, Bothell, WA 2014
Appraisal
English Village, Coeur d'Alene, ID 2014
Rent Comparability Study
Stonebrook Apartments, Renton, WA 2014
Appraisal

Village Green Apartments, Port Orchard, WA 2015
Rent Comparability Study
Mountain View Apartments, Bozeman, ID 2015
Appraisal
Minerva Plaza Apartments, Portland, OR 2015
Rent Comparability Study
McKinley Apartments, Portland, OR 2015
Rent Comparability Study

Hutchison House, Issaquah, WA 2016
Appraisal
Heritage Apartments, Bremerton, WA 2016
Rent Comparability Study
Homestead Apartments, Kent, WA 2016
Rent Comparability Study
Benson East Duplexes, Kent, WA 2016
Rent Comparability Study
Tahoma Vista Village, Tacoma, WA 2016
Appraisal

Provail Burke Gilman, Seattle, WA 2017
Rent Comparability Study
River Terrace Apartments, Auburn, WA 2017
Rent Comparability Study
Loyal Heights Manor, Seattle, WA 2017
Rent Comparability Study
Loyal Heights Manor, Seattle, WA 2017
Appraisal

HUD 231 PROGRAMS:

Lake City Senior Apartments, Seattle, WA 2015
Appraisal
Marysville Senior Apartments, Marysville, WA 2015, Market Study

HUD 241 PROGRAMS:

Westridge Apartments, Bellevue, WA 2015
Market Study
Westridge Apartments, Bellevue, WA 2016
Market Study

Brian R. O'Connor, MAI, CRE

O'Connor Consulting Group, LLC
500 Union St, Suite 650
Seattle, WA 98101
Phone: 206.622.5100

Professional Designation

Brian R. O'Connor received his MAI designation in May 1996 and is certified as a General Real Estate Appraiser for the State of Washington, License No. 270-11 1100 529. He is also a State Certified General Appraiser for the State of Oregon (License No. C001024) and a Certified General Appraiser for the State of Idaho (License No. CGA-3315).

Brian R. O'Connor has been inducted into the membership of The Counselors of Real Estate and has been awarded the CRE designation as of November 2014.

Experience

Thirty-one years experience as Market Analyst and Fee Appraiser. Market study experience is concentrated in evaluating local economic conditions and forecasting future demand for multifamily housing and commercial space. Principal author of the Seattle Metropolitan Area Apartment Market Report. Since 1985, the majority of his appraisal experience has been concerned with commercial mixed use and urban residential buildings in Seattle, Bellevue, and Everett, Washington.

Mr. O'Connor, with support from his associates, has provided a wide variety of development feasibility analysis that was intended to solve for equity requirements, financial returns and land residual values. Mr. O'Connor has also developed an extensive expertise in performing complex feasibility and investment analysis for multiple types of commercial properties.

Examples of the more complex properties analyzed are mixed-use rental housing, high rise condominiums, marinas, retail, and office properties, as well as historical preservation easements.

Mr. O'Connor is the only MAI Appraiser in Washington State that is listed in the National Certificate Registry by the Appraisal Institute for "Appraising Historic Preservation Easements." Since 2008, Mr. O'Connor has appraised four historic preservation properties within the tri-county region.

Mr. O'Connor has been qualified as an expert witness concerning various commercial property developments in King, Pierce, and Thurston counties.

Education

University of Washington, Seattle; Two Years Graduate Studies, Economic Geography, 1984-85.

University of Washington, Seattle; Bachelor of Arts in Economic Geography. Graduated 1983 with distinction, Cum Laude and Phi Beta Kappa.

Continuing Education Courses

Conference, Appraisal Institute, Fall Real Estate Conference, 2017
Conference, Counselors of Real Estate, Midyear Meetings, 2017

Seminar, Appraisal Institute, Critical Thinking in Appraisals, 2016
Seminar, Appraisal Institute, Corridor Valuations, 2016
Conference, Appraisal Institute, Fall Real Estate Conference, 2016
Seminar, Appraisal Institute, Point Ruston, The Asarco Copper Smelter & the Appraiser's Role in Litigation Involving Contaminated Properties, 2016
Seminar, Appraisal Institute, Extreme Appraising, 2016
Course, Appraisal Institute, Supervisory Appraiser/Trainee Appraiser Course, 2016
Course, Appraisal Institute, National USPAP Update Course, 2016

Conference, Counselors of Real Estate, Midyear Meetings, 2015
Seminar, Appraisal Institute, The Emerging Marijuana Industry and its Impact on Real Estate, 2015
Course, Appraisal Institute, Supervisory Appraiser/Trainee Appraiser Course, 2015

Seminar, Appraisal Institute, 'Perspectives on Tax Appeals' with Chapter Receptions, 2014
Conference, Appraisal Institute, Fall Real Estate Conference, 2014
Seminar, Appraisal Institute, Going Concerns and Multidisciplinary Appraisals, 2014
Seminar, Appraisal Institute, Extreme Appraising, 2014
Course, Appraisal Institute, National USPAP Update Course, 2014

Seminar, Appraisal Institute, Hotel Valuation Topics and Real World Analysis Case Studies, 2013
Course, Appraisal Institute, Washington Real Estate Law for Appraisers, 2013
Seminar, Appraisal Institute, Business Practices and Ethics, 2013
Course, Appraisal Institute, National USPAP Update Course, 2013

Fall Real Estate Conference, Appraisal Institute, 2012
Seminar, Appraisal Institute, Appraising for Lenders in the New Economy, 2012
Course, Appraisal Institute, National USPAP Update Course, 2012

Seminar, Appraisal Institute, Fundamentals of Separating Real Property, Personal Property, 2011
Seminar, Appraisal Institute, Business Practices and Ethics, 2011

Seminar, Appraisal Institute, Regulatory Takings: Legislative & Judicial Overview, 2010
Seminar, American Bankers Association, Distressed and Depressed Values, 2010
Seminar, Appraisal Institute, Fall RE Conference 2010
Seminar, Appraisal Institute, Lending World in Crisis-What Clients Need, 2010
Seminar, Appraisal Institute, Multi-Family & Single Family Update, 2010
Seminar, Appraisal Institute, Regulatory Takings: Legislative & Judicial Overview, 2010
Course, Appraisal Institute, National USPAP Update, 2010

Seminar, Appraisal Institute, Appraising Distressed Properties, 2009
Seminar, Am. Bankers Assoc, Appraisals of Real Property in Distressed Markets, 2009
Course, Appraisal Institute, Appraising Historical Preservation Easements, 2009

Seminar, Appraisal Institute, Construction Seminar, 2008

Seminar, Appraisal Institute, USPAP Update Course, 2006

Seminar, Appraisal Institute, Mathematical Modeling, 2005
Seminar, Appraisal Institute, The Role of Technology in Commercial Real Estate, 2005
Seminar, Appraisal Institute, 7-Hour National USPAP Update course, 2005
Seminar, Appraisal Institute, Current and Emerging Trend in the PS Office Market, 2005
Seminar, Appraisal Institute, Mortgage Fraud Case Studies, 2005

Seminar, Appraisal Institute, Current and Emerging Trends in the PS Ind. Market, 2004

Seminar, Appraisal Institute, Security and Confidentiality for Appraisers, 2003
Seminar, Appraisal Institute, USPAP part B, 2003
Seminar, Appraisal Institute, Appraisal Consulting, 2003

Seminar, Appraisal Institute, Appraising the Tough Ones, 2002

Seminar, Appraisal Institute, Attacking & Defending an Appraisal in Litigation, 2001
Seminar, Appraisal Institute, Partial Interest, Divided and Undivided, 2001
SSP-A, Appraisal Institute, Standards of Professional Practice, Part A, 2001

Seminar, Appraisal Institute, Land Use and Planning, 2000

Seminar, Appraisal Institute, Washington Landlord-Tenant Act Overview, 1999
Seminar, Appraisal Institute, Commercial Lease Fundamentals and Applications, 1999
Course 430, Standards of Professional Practice, Part C, 1999
Course 720, Appraisal Institute, (Condemnation Advanced Principles), 1999
Course 710, Appraisal Institute, (Condemnation Basic Principles), 1999

Rockwell Institute, Real Estate Law, 1997

Seminar, Appraisal Institute, (Appraising Retail Properties), 1996
Seminar, Appraisal Institute, (Understanding Limited Appraisals), 1996

Course 11, Appraisal Institute, (Report Writing and Valuation Analysis), 1993
SSP-B, Appraisal Institute (Standards of Professional Practice, Part B), 1993

SSP-A, Appraisal Institute, (Standards of Professional Practice, Part A), 1991

Course 10, Appraisal Institute, (Market Analysis of Real Estate), 1989
Course 2-1, Appraisal Institute, (Case Studies in Real Estate Valuation), 1989

Course IB-B, Appraisal Institute, (Capitalization Theory and Techniques, Part B), 1988
Course IB-A, Appraisal Institute, (Capitalization Theory and Techniques, Part A), 1988

Course IA-2, Appraisal Institute, (Basic Appraisal Principles and Techniques), 1986
Course IA-1, Appraisal Institute, (Real Estate Appraisal Principles), 1986

Volunteer Associations

Second Vice President of the North Seattle Baseball Association
Our Lady of the Lake School Finance Committee Member
Four years as CYO youth soccer coach
Five years as CYO youth basketball coach

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report has been made with the following general assumptions:

1. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.

2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.

3. Responsible ownership and competent property management are assumed.

4. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.

5. All engineering is assumed to be correct. The plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.

6. It is assumed that there are no hidden or unapparent conditions of the property subsoil or structures that render it more or less valuable. No responsibility is assumed for such conditions, or for arranging for engineering studies that may be required to discover them. In this appraisal assignment, the existence of potentially hazardous material used in the construction or maintenance of the building, which may or may not be present on the property, has not been considered except as noted. The appraisers are not qualified to detect such substances. We urge the client to retain an expert in this field if desired.

7. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.

8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in the appraisal report.

9. It is assumed that all required licenses, certificated of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

10. It is assumed that the use of the land and improvements is within the boundaries of the property lines of the property described and that there is not encroachment or trespass unless noted in the report.

11. The distribution, if any, of the total valuation in this report between land and improvements applies only under the state program of use. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

12. Possession of this report, or a copy thereof, does not carry with it the right of publication.

13. The appraisers, by reason of this appraisal, are not required to give further consultation or testimony, or be in attendance in court with reference to the property in question, unless arrangements have been previously made.

14. Neither all nor any part of the contents of this report (especially the conclusions as to value, the identity of the appraisers, or the firm with which the appraisers are connected) shall be disseminated to the public through advertising, public relations, news, sales or other media without the prior written consent and approval of the appraiser.

15. Disclosure of the contents of this report is governed by the By-Laws and Regulations of the Appraisal Institute.

16. All dimensions and legal descriptions are assumed to be correct as found in public records, surveys, or other sources furnished to the appraisers.

17. Except as noted, this appraisal assumes the site to be free of adverse soil conditions which would prohibit development of the property to its Highest and Best Use, using typical construction methods, or result in premature deterioration of the improvements.

18. Except as noted, this appraisal assumes the improvements to be fee of dry rot and insect and/or rodent infestation and mechanical and/or electrical dysfunction.

19. While various approaches to value and various mathematical calculations have been used in estimating value, there are but aids to the formulation of the opinion of value expressed by the appraiser in this report. In these calculations, certain arithmetical figures are rounded to the nearest significant amount.

20. The data inclusions embodied in this appraisal are part of the whole valuation. No part of this appraisal is to be used out of context and by itself alone. No part of this appraisal is necessarily independently correct, being only part of the evidence on which the final judgment regarding the value is based.

21. This appraisal pertains to surface rights only, and no analysis has been made regarding the value of subsurface rights, if any, or whether the property is subject to surface entry for the exploration or removal of such materials.

22. The appraisal is made in accordance with the standards of the Appraisal Institute.

23. This report shall be used only in its entirety, and no part shall be used in conjunction with any other study and is invalid if so used.

24. This report, in whole or in part, may not be used for the sale of shares or similar units or ownership or any form of securities without specific prior approval of Brian R. O'Connor, MAI. No part of this appraisal may be reproduced without permission of Brian R. O'Connor, MAI.

25. This report is prepared based on the assumption that the property is not, nor will it be, in violation of the National Environmental Policy Act, State Environmental Policy Act, Shoreline Management Act, or any and all similar government regulations or laws.

26. The value premises cited above are considered foundational and basic to the values reported herein, and the right is reserved to revise and/or rescind the appraisal opinions in the event that factual information as presented is modified to any extent.

27. These are standard assumptions and limiting conditions. Occasionally, a property has unique attributes which require one or more assumptions unique to that property and/or appraisal. If required, they are found in the "Definitions" section near the front of the report under the heading "Assumptions."

28. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. We have not knowledge of the existence of such material s on or in the property. Further, we are not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.