



## CITY OF BELLEVUE

In Partnership with the  
University of Washington

### ENVISIONING TRANSIT-ORIENTED DEVELOPMENT IN THE BELRED NEIGHBORHOOD THROUGH PUBLIC PRIVATE PARTNERSHIPS

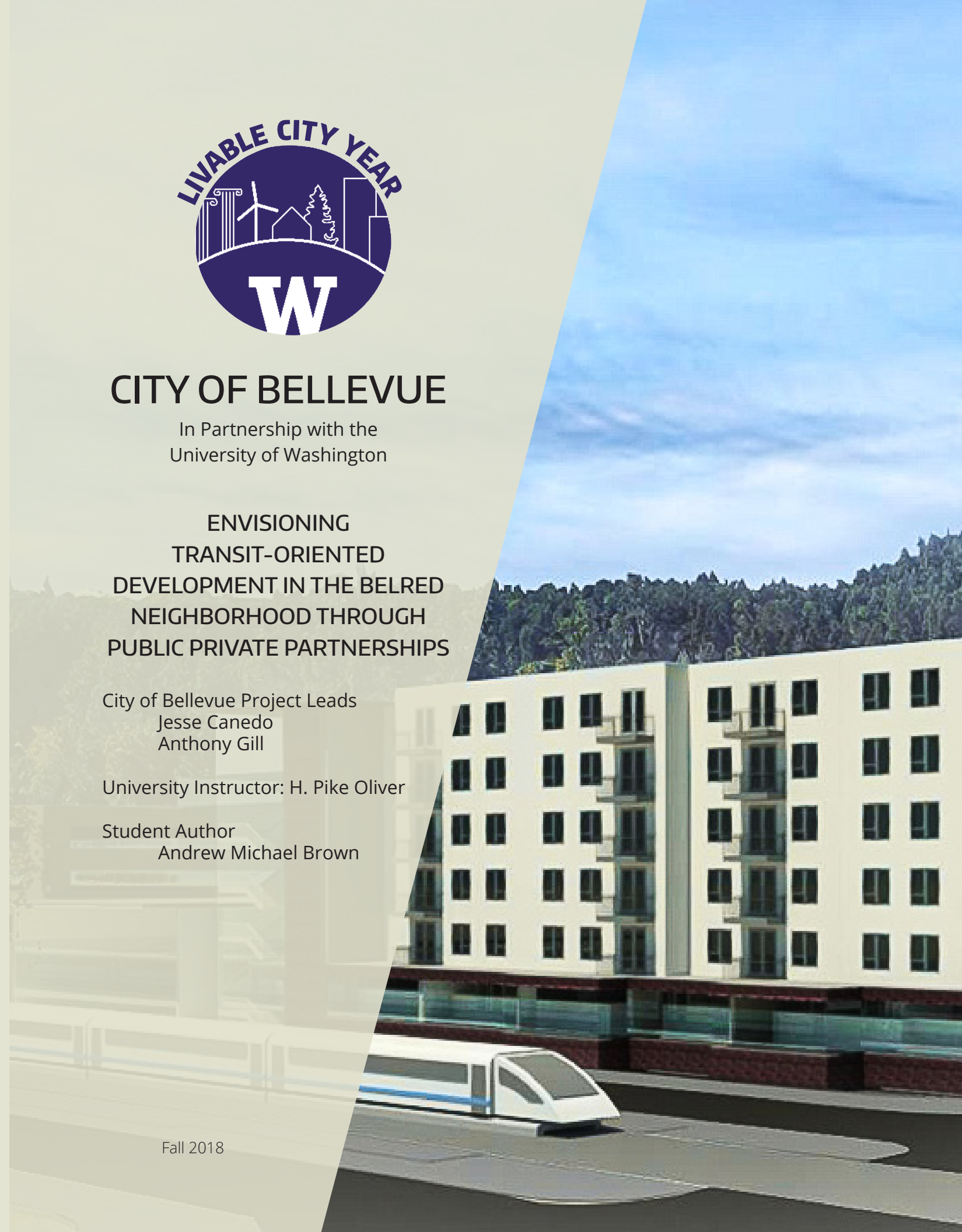
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Livable City Year 2018–2019  
in partnership with  
City of Bellevue

Fall 2018





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in partnership with  
City of Bellevue  
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ACKNOWLEDGMENTS

This project would not have been possible without help from City of Bellevue Project Leads Anthony Gill and Jesse Canedo, who worked with us to define our scope of work and who addressed our questions in a timely manner. Anthony and Jesse, together with the City's Strategic Planning Manager Emil King, also spent a Saturday giving us a tour of the proposed BelRed station site, which helped us to realize the project's size and scale.

We also sincerely thank the following guest lecturers: Project Developer Obi Amobi from Mercy Housing, founding Principal Gregory Easton from Property Counselors, and Lead Partner and President John Finke from Public Facilities Group. These individuals shared their knowledge about development projects and private public partnerships, and they revealed what could be possible for the BelRed neighborhood. Our discussions with these professionals deepened our appreciation for the complex nature of mixed-use development.

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**Recommended citation:** Brown, Andrew Michael. *Envisioning Transit-Oriented Development in the BelRed Neighborhood through Public Private Partnerships*. Seattle: University of Washington, Livable City Year. 2018–2019.



## ABOUT LIVABLE CITY YEAR

The University of Washington's Livable City Year (LCY) initiative is a partnership between the university and one local government for one academic year. The program engages UW faculty and students across a broad range of disciplines to work on city-defined projects that promote local sustainability and livability goals. Each year hundreds of students work on high-priority projects, creating momentum on real-world challenges while serving and learning from communities. Partner cities benefit directly from bold and applied ideas that propel fresh thinking, improve livability for residents, and invigorate city staff. Focus areas include environmental sustainability; economic viability; population health; and social equity, inclusion and access. The program's 2018–2019 partner is the City of Bellevue; this follows partnerships with the City of Tacoma (2017–2018) and the City of Auburn (2016–2017).

LCY is modeled after the University of Oregon's Sustainable City Year Program, and is a member of the Educational Partnerships for Innovation in Communities Network (EPIC-N), an international network of institutions that have successfully adopted this new model for community innovation and change. For more information, contact the program at [uwlcyl@uw.edu](mailto:uwlcyl@uw.edu).



## ABOUT CITY OF BELLEVUE

Bellevue is the fifth largest city in Washington, with a population of more than 140,000. It's the high-tech and retail center of King County's Eastside, with more than 150,000 jobs and a skyline of gleaming high-rises. While business booms downtown, much of Bellevue retains a small-town feel, with thriving, woodsy neighborhoods and a vast network of green spaces, miles and miles of nature trails, public parks, and swim beaches. The community is known for its beautiful parks, top schools, and a vibrant economy. Bellevue is routinely ranked among the best mid-sized cities in the country.

The city spans more than 33 square miles between Lake Washington and Lake Sammamish and is a short drive from the Cascade Mountains. Bellevue prides itself on its diversity. Thirty-seven percent of its residents were born outside of the US and more than 50 percent of residents are people of color, making the city one of the most diverse in Washington state.

Bellevue is an emerging global city, home to some of the world's most innovative technology companies. It attracts top talent makers such as the University of Washington-Tsinghua University Global Innovation Exchange. Retail options abound in Bellevue and artists from around the country enter striking new works in the Bellwether arts festival. Bellevue's agrarian traditions are celebrated at popular seasonal fairs at the Kelsey Creek Farm Park.

Bellevue 2035, the City Council's 20-year vision for the city, outlines the city's commitment to its vision: "Bellevue welcomes the world. Our diversity is our strength. We embrace the future while respecting our past." Each project completed under the Livable City Year partnership ties to one of the plan's strategic areas and many directly support the three-year priorities identified by the council in 2018.



## BELLEVUE 2035: THE CITY WHERE YOU WANT TO BE

*Envisioning Transit-Oriented Development in the BelRed Neighborhood through Public Private Partnerships* supports the *High Performance Government* target area of the Bellevue City Council Vision Priorities and was sponsored by the Department of Community Development.



### HIGH PERFORMANCE GOVERNMENT

**Bellevue is characterized by high performance government.** Our residents live in a safe, clean city that promotes healthy living. The perception of safety contributes to the success of businesses and neighborhoods. Police, fire and emergency personnel are seen by citizens every day, and we ensure that these services reflect high standards and pride.

People are attracted to live here because they see that city government is well managed. Our high quality of customer service ensures that residents realize a direct link between their tax dollar investments and the services they receive. We make public investments wisely, assuring taxpayers that we are living within our means, while also ensuring that we have superb infrastructure to support growing businesses and desirable residential opportunities. We have beautiful public buildings that residents point to with pride. Government plays its role in supporting the careful balance of neighborhoods, commercial and retail growth, diverse residential living opportunities, and amenities that characterize Bellevue. City leadership fosters careful, long-term planning, responsible financial policy, and thoughtful partnerships with businesses, the nonprofit sector, and the region.

We seek input from our residents and businesses, and this input informs city decision-making. We make decisions in a transparent manner. We support public engagement and connectivity. Bellevue does its business through cutting-edge technology. City government uses technology to connect with its residents, giving them voice in their community. Our boards, commissions, and other citizen advisory groups assist the City Council in providing superior leadership by representing the diverse interests of the city and providing thoughtful and creative ideas that assure sound policy direction and decisions.

Our residents care for Bellevue. They speak up and collectively work to address our mutual needs. In Bellevue, our commitment to public service is paramount. Our residents know that their local government listens, cares about, and responds to them.

## BELLEVUE 2035: THE CITY WHERE YOU WANT TO BE

*Bellevue welcomes the world. Our diversity is our strength.  
We embrace the future while respecting our past.*

The seven strategic target areas identified in the Bellevue City Council Vision Priorities are:



### ECONOMIC DEVELOPMENT

Bellevue business is global and local.



### TRANSPORTATION AND MOBILITY

Transportation is both reliable and predictable. Mode choices are abundant and safe.



### HIGH QUALITY BUILT AND NATURAL ENVIRONMENT

From a livable high-rise urban environment to large wooded lots in an equestrian setting, people can find exactly where they want to live and work.



### BELLEVUE: GREAT PLACES WHERE YOU WANT TO BE

Bellevue is a place to be inspired by culture, entertainment, and nature.



### REGIONAL LEADERSHIP AND INFLUENCE

Bellevue will lead, catalyze, and partner with our neighbors throughout the region.



### ACHIEVING HUMAN POTENTIAL

Bellevue is a caring community where all residents enjoy a high quality life.



### HIGH PERFORMANCE GOVERNMENT

People are attracted to living here because they see that city government is well managed.

For more information please visit: <https://bellevuewa.gov/city-government/city-council/council-vision>

# EXECUTIVE SUMMARY

The City of Bellevue would like to address the feasibility of transit-oriented development near the BelRed/130th Station (a Sound Transit Link light rail station now in construction that will soon expand light rail services to and through Bellevue). The site surrounding the BelRed Station would consist of mixed-use development, to include a college campus, a park and ride, and ground level retail with housing above. The City of Bellevue is interested in transforming what is now an industrial park into a thriving urban center, one that will derive benefit to the city and region alike.

As part of partnering with the University of Washington's Livable City Year program (LCY) for the 2018-2019 academic year, the City of Bellevue seeks recommendations for forming a public private partnership with a hypothetical team of developers who will carry out development of the project site. The development team will consist of a real estate developer, a Technical University (Tech U) which would be the primary tenant of the site, and the City of Bellevue. The student suggestions embedded within this report are offered as a guiding framework for the City of Bellevue to build upon as it moves forward. Once formed, all members of the public private partnership can plan and develop the BelRed site.



Students meeting with City of Bellevue Project Lead Anthony Gill. TERI THOMSON RANDALL

Four self-organized student teams, consisting of five students from the University of Washington's Real Estate, Urban Planning, and Architecture programs participated in this Livable City Year project. Over the course of ten weeks, students would draw from their distinct disciplines to design and propose development solutions for the BelRed site. Students sought to identify specific challenges that hypothetical private developers would face given the site's location, the way in which it interfaces with a Sound Transit project, and the need to include housing and parking. In addition, students considered potential public private partnership structures that the City of Bellevue could pursue.

Students devised financial models and site plans. In doing so, students considered how much space to dedicate to office, commercial, and other land uses; devised strategies around using low income housing tax credits (LIHTC) to create affordable housing; and imagined how parking could fit in given the proposed requirements outlined within the City of Bellevue's request for proposal (RFP).

Students aligned their work around a set of assumptions informed by market research, rental data, and the City of Bellevue's Comprehensive Plan. Student recommendations have been informed by current rental rates for office and retail spaces, as well as housing. Students considered those rates in view of the Puget Sound region's projected population growth, the expansion of Sound Transit's Link light rail system, and other market trends. Students conclude that a mixed-use, transit-oriented project near the BelRed Station is financially feasible for the City of Bellevue to pursue through a public private partnership. This is so even while bearing in mind the profit margins developers garner from their projects and the parking requirements outlined within the Sound Transit Contract, which accord with the City's RFP (Appendix I). Given these findings, students support the City of Bellevue in its commitment to pursuing development that would provide access to new educational, commercial, and housing options. This sort of development plants a seed for the future BelRed neighborhood to grow out of its industrial past and blossom into a transit-oriented, urban hub.

# INTRODUCTION

## BUILDING A MORE LIVABLE CITY THROUGH PUBLIC PRIVATE PARTNERSHIPS

By partnering with private developers, cities across the country succeed in funding the construction of public spaces, such as court houses, city calls, parks, and park and rides. Public private partnership (P3) deals can generate funding for projects that benefit the public, while still incentivizing private developers through tax benefits. P3 projects also leverage the skills, expertise, and financial capital of private developers. This lowers costs and reduces, or altogether eliminates, risk factors for the municipalities involved in such projects.

## PROJECT SITE

The project site is located nearby the future BelRed/130th Station in Bellevue, Washington, at 1600 130th Ave NE. The site extends over five acres and consists of three lots controlled by Sound Transit. These lots form an L-shape. To the south, along Spring Street between 130th Ave NE and 132nd Ave NE, the BelRed Link light rail station is under construction.

Low density office buildings characterize the site’s current land uses. Students have assumed that the City of Bellevue will acquire the two lots adjacent to the light rail station through eminent domain. The City could also choose to purchase the two lots which run along the south side of the proposed light rail station.

## P3 STRATEGIC BENEFIT

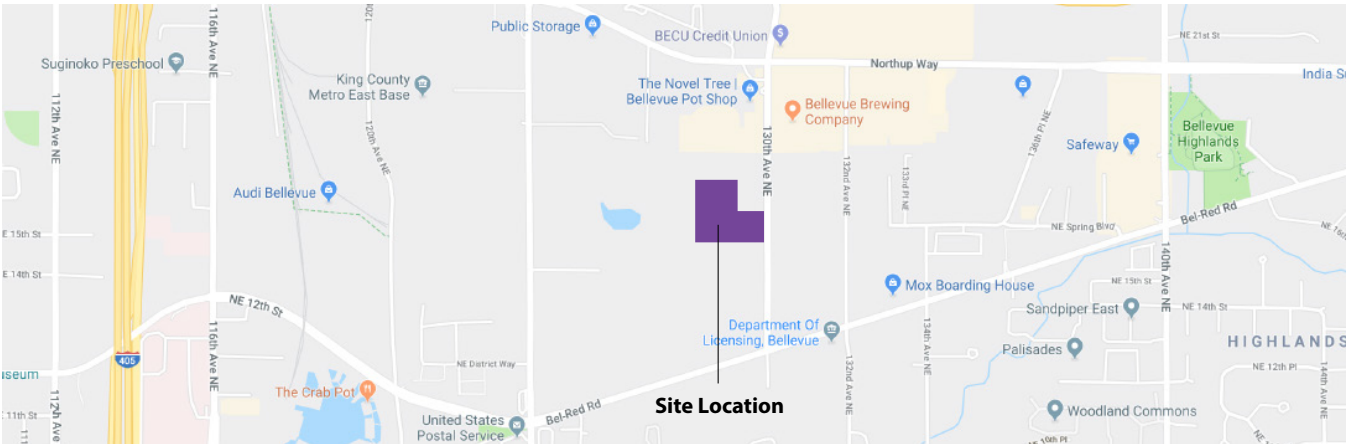
A P3 deal leverages financial incentives produced by a public entity and combines them with the expertise of a private developer. In the case of this project, the City of Bellevue holds the land, vision, and ability to issue tax exempt bonds, while a private developer would possess the knowledge and capacity to build a development of this scale in a cost-effective way. Thus, a public private partnership can facilitate the transformation of the area into a mixed-use, transit-oriented residential/ commercial center.

## BELLEVUE’S REQUEST FOR PROPOSAL

The City of Bellevue issued an RFP to explore the feasibility of forming a public private partnership to develop the site surrounding Sound Transit’s future BelRed Station. This includes providing space for a Technical University (Tech U). The full RFP can be found in Appendix I of this report. Other site uses outlined within the RFP include:

- Retail along 130th Avenue NE
- Onsite street improvements (new sidewalks, landscaping, public space, addition of new streets)
- 300 parking stalls for Sound Transit Park and Ride
- 450 parking stalls for Tech U students and faculty
- 250,000 square feet dedicated to Tech U, with opportunity to expand the institution’s footprint to 500,000 square feet
- Low cost lease option for Tech U, between \$25-\$40/square foot (10% below the market rate)
  - » A semi-public auditorium
  - » Creative co-working space
  - » Community/university shared space to foster collaboration

### BELRED SITE



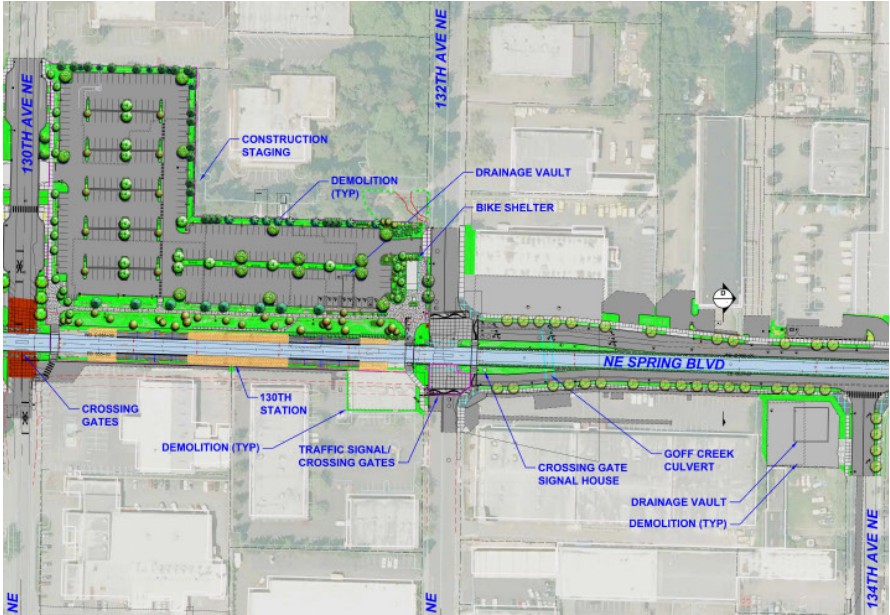
LCY STUDENT TEAM



Bellevue is looking to answer several questions related to the project's feasibility:

- What is the cost difference between an above ground vs. below ground park and ride structure?
- What are viable mixes of commercial, educational, parking, and affordable housing land uses?
- Is additional land required to carry out the full scope of the project?
- Should parking be addressed by a separate project?
- Does existing infrastructure support a development project of this size and scope?
- What is an appropriate timeline for project planning, construction, and completion?
- What is required for the City of Bellevue and Sound Transit to form an agreement that would enable the City to acquire the lots owned and controlled by Sound Transit?

## SOUND TRANSIT SITE PLAN



SOUND TRANSIT

## SITE PARCELS



Map of parcels currently owned by Sound Transit LCY STUDENT TEAM

The City of Bellevue is interested in transforming what is now an industrial park into a thriving urban center, one that will derive benefit to the city and region alike.

Other site details:

- Current zoning is for mixed-use residential/commercial uses (BR-RC-1). The maximum height limit for new buildings is 45 feet. The overall capacity for new buildings is about 550,000 square feet. This assumes an affordable housing bonus and an additional floor area ratio (FAR) allocation for amenity improvements, which could include a gallery or museum, or other space open to the public.
- Impermeable surfaces for parking, rooflines, sidewalks, roadways, and the future light rail station may cover up to 75% of the site.
- The site sits on a previously developed lot with no major topographical challenges.
- The easements that Sound Transit possesses for the light rail station run along the southern edge of the site, facing Spring Street, and at the east corner of the future BelRed Station.
- Utilities that serve the site are sufficient for high-density development. Water mains are 12" in diameter along 130th Avenue NE, with 8" diameter pipes along 132nd Avenue NE. However, during the construction of the BelRed Station, existing water mains along the southeast edge of the site may have been removed or altered which may incur additional expenses to the developer.
- Electricity is above ground with mains along the north and south edges of the site.

Students sought to identify specific challenges that hypothetical private developers would face given the site’s location, the way in which it interfaces with a Sound Transit project, and the need to include housing and parking.

BelRed

**Population: 1,244**  
**Percentage of City: 1 percent**  
**Under 18: 245 (19.7 percent of the area)**  
**Housing Units: 493**

BelRed is being transformed from a light industrial area into one of Bellevue’s newest mixed use, transit-oriented neighborhoods. The transformation will include the addition of three Sound Transit light rail stations, new investments in arterial street improvements, pedestrian and bike facilities, an arts district, parks and open spaces and the daylighting of the Kelsey Creek salmon-bearing headwaters and Golf creek. Located between Downtown Bellevue and Microsoft Headquarters, this neighborhood provides an ideal location for convenient access to anywhere you want to go.

BelRed is already known for Overlake Hospital, Group Health and its many medical facilities, as well as a large number of small businesses that provide essential home supplies and specialty services. Within BelRed is the hidden treasure of Highline Community Center, with its “log cabin” building and rustic charm, also home to Bellevue’s indoor and outdoor Skate Park.

The Spring District is already under construction, adding new residential and office space, as well as a new brewpub. BelRed will also be welcoming the campus of the new Gloval Innovation Exchange, a partnership between two leading research universities, the University of Washington and Tsinghua University, with foundational support from Microsoft.

*BelRed neighborhood description* CITY OF BELLEVUE



# METHODS

Four student teams executed this project. They received similar information from the City of Bellevue and Sound Transit liaisons. Guest lecturers shared their knowledge of public private partnerships, low income housing development, and financial modeling with all students. While student teams conducted separate market analyses, all derived their results from similar sources: US Census Bureau, City of Bellevue, and Colliers International. Thus, the findings produced by each team are similar. Overall, student teams agreed that a mix of retail, office, educational, residential, and public spaces would suit the site and correspond to the City's RFP. It is worth acknowledging that each team assumed a unique position and focused on a distinct theme: affordable housing tax credits, land acquisition by the developer partner, integration of gallery and museum space to activate the site, and transportation incentives to improve the site's accessibility by non-auto means.

Students met with representatives of the City of Bellevue's Community Development department and Cultural and Economic Vitality office; conducted a market analysis which focused on office space, retail space, and multi-family housing development; and visited the site to garner a sense of the site's scale and surroundings. In order to meet the City of Bellevue's RFP requirements, the four student teams performed financial and program analysis, in addition to exploring potential partnership agreements between the developer party, Tech U, and the City of Bellevue. This occurred iteratively over the course of a ten-week quarter. The process culminated with each student team producing a set of development possibilities and presenting them to the City of Bellevue during an open meeting. Students summarized their research and demonstrated the feasibility of their suggestions which included incorporating contractual obligations related to creating a Sound Transit Park and Ride. Each development scheme for the site includes office, retail, housing, and educational space.

## DATA COLLECTION

Using market data published by the US Census Bureau, the City of Bellevue, and several third parties, student teams identified market trends and demographic patterns occurring around the site. Students considered trends in the immediate market (BelRed District) and regional market (i.e., King County, the Eastside). Teams also reviewed City of Bellevue municipal building codes to determine what could be developed at the site as well as what degree of divergence from code might be necessary given each team's desired development schemes. Students also considered developments of similar size with mass transit access in other cities across the US. Models students discovered through their research include:

- N1 CAMPUS in San Jose, California
- Station Center Apartments in Union City, California
- GIX Steve Ballmer Building in Bellevue, Washington
- Lamar Union in Austin, Texas

These models of walkable, transit-oriented, mixed-used development establish solid precedent for the sort of development envisioned by the City of Bellevue for the BelRed neighborhood. Students garnered a sense of best practices from their review of these developments and let those best practices inform their recommendations for the City of Bellevue.

## TRANSPORTATION RESEARCH

Transportation research was another component to student methods. Students compared the City of Bellevue's RFP with Sound Transit's requirement that 300 parking stalls be designated as a park and ride. Sound Transit set this requirement as a condition for transferring title of the site to the City of Bellevue in 2006. Due to this constraint, teams framed a set of innovative suggestions for the City to consider as it moves forward with plans to develop this site, including renegotiation of the terms of this agreement to require fewer parking stalls.

# STUDENT MARKET ANALYSIS

The market area for this project includes the City of Bellevue and the surrounding Cities of Kirkland, Redmond, Renton, Seattle, and Woodinville. Additional communities along I-405, I-520, and I-90 have also been considered. The location of this project is ideal for the City's targeted demographics (students, working professionals, and residents) due to its proximity and connectivity to major city centers, like Bellevue and Seattle, as well as to the Seattle-Tacoma International Airport.

Each student team relied on quarterly data recorded for 2018 in their market analysis for the site. Their analyses included information from the US Census Bureau, Colliers International, the City of Bellevue's Annual Report for 2018, and the Seattle Apartment Market Study for 2018.



Immediate market area COLLIERS INTERNATIONAL



Seattle/Bellevue regional market area COLLIERS INTERNATIONAL



From 2010-2016, Bellevue experienced population growth at a rate four times greater than the national average. The city's growth indicates need for more housing, to include multi-family apartments and townhomes. Bellevue is unique in King County in having not only the highest population growth rate, but also the highest renter-occupancy rate. Among King County cities, Bellevue also stands out as having the highest per capita rate of individuals who hold a Bachelor's degree or higher educational status. This suggests a skilled and knowledgeable workforce resides within Bellevue's city limits. Bellevue's workforce may contribute to the growth of the technology industry throughout King County.

To evaluate market demand for this project, it is important to account for current market trends. The project site is located at the crossroads of three major cities: Bellevue, Redmond, and Kirkland. This area is referred to as the Eastside. This being the case, students narrowed their field of analysis to focus on the Eastside submarket. Students identified market trends related to demand for office and retail spaces as well as multi-family housing by considering other developments which have been recently completed or which are now in the planning and permitting stages or under construction (e.g., Microsoft's expansion, T-Mobile, and the Spring District). Students' review of other projects informed their development of site recommendations.

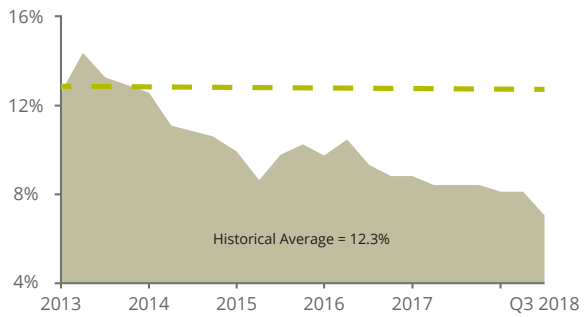
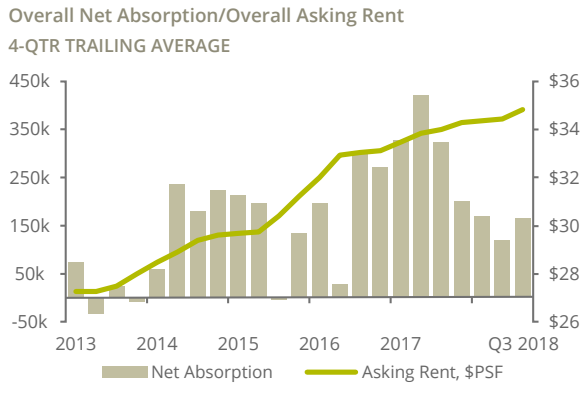
EDUCATIONAL ATTAINMENT - ACS 2016 ESTIMATE

	Bellevue	King County	MSA	Washington	United States
Less than 12th Grade	5%	8%	8%	9%	13%
High School	9%	14%	17%	19%	24%
GED	1%	2%	3%	4%	4%
Some College	14%	19%	23%	24%	21%
Associate's Degree	7%	8%	9%	10%	8%
Bachelor's Degree	37%	30%	25%	21%	19%
Master's Degree	20%	13%	10%	9%	8%
Professional School Degree	4%	3%	3%	2%	2%
Doctorate Degree	4%	2%	2%	1%	1%

US CENSUS BUREAU

Region	Population 2010	Population 2016	Annual Growth Rate (%)	Households 2010	Households 2016	Annual Growth Rate (%)
Bellevue	122,363	136,718	2.0%	50,355	54,661	1.4%
King County	1,931,249	2,079,550	1.3%	789,232	831,995	0.9%
Seattle-Tacoma-Bellevue, WA MSA	3,439,809	3,671,095	1.1%	1,357,475	1,417,727	0.7%
Washington	6,724,540	7,073,146	0.9%	2,620,076	2,696,606	0.5%
United States	308,745,538	318,558,162	0.5%	116,716,292	117,716,237	0.1%

US CENSUS BUREAU



COLLIERS INTERNATIONAL

PUGET SOUND EASTSIDE OFFICE			
Economic Indicators			
	Q3 17	Q3 18*	12-Month Forecast
Seattle-Tacoma-Bellevue Employment	2,003k	2,072k	▲
Seattle-Tacoma-Bellevue Unemployment	4.2%	3.9%	▼
U.S. Unemployment	4.4%	3.9%	▼
Market Indicators (Overall, All Classes)			
	Q3 17	Q3 18	12-Month Forecast
Vacancy	8.4%	7.0%	▼
Net Absorption (sf)	1,633	347k	▼
Under Construction (sf)	660k	718k	▲
Average Asking Rent**	\$33.81	\$35.78	▲

\*July-August 2018 data used to represent Economic Indicators for Q3 18  
\*\*Rental rates reflect gross asking \$psf/year

# EASTSIDE OFFICE MARKET

The Q3 Puget Sound Office Market Report (Colliers International 2018) for the Bellevue, Kirkland, Redmond area, or what is referred to as the “Eastside submarket” shows a vacancy rate for office rentals of 7%. This is down 1.4% since Q3 of 2017. The average cost to rent office space is \$35.78 per square foot. Net absorption of office space, an indicator of demand for new office space within the market, was reported as 347,000 square feet for Q3 of 2018. At the same time, Amazon has signed onto the largest new lease in the area. The corporation now leases about 413,000 square feet of office space in Tower 333 in Bellevue’s Central Business District. This illustrates the demand for office space in the Eastside submarket.

Based on records of overall vacancy, the Eastside’s rental market for offices has followed an upward trend in recent years, with the vacancy rate falling from 10% in 2016 to 5% in 2018. Average market rent has grown from roughly \$28 per square foot in 2015, to roughly \$36 per square foot in 2018. Meanwhile, more tech companies, including Amazon, Google, Facebook, and We Work, have entered the Eastside submarket, leasing office spaces of 650,000 square feet. In 2018, Facebook-owned company Oculus expanded its office to 700,000 square feet in Redmond. T-Mobile and Seattle Genetics each lease spaces in Bellevue and Bothell. There are more than 718,000 square feet of office space currently under construction throughout the Eastside and two tech giants, Microsoft and Amazon, have both expressed interest in them. This evidence indicates that, moving forward, the Eastside’s office market is likely to remain active and to continue expanding.

# EASTSIDE RETAIL MARKET

The Q3 Puget Sound Retail Market Report (Colliers International 2018) illustrates that this region’s retail market is also growing, with tenant demand remaining high. Among all submarkets of the Puget Sound, including those of Seattle, Tacoma, SeaTac, and Olympia, the Eastside submarket stood out as a top performer during Q2 of 2018. Average triple net leases (NNN), which are the standard lease arrangement for long-term retail or office tenants, grew by 7.3% between 2017 and 2018. The Eastside submarket also held the highest average rental rates for the Puget Sound region. Rental rates in the Bellevue Central Business District stood at \$45.93 per square foot, well above Seattle’s average rate of \$32.96 per square foot.

The Eastside’s retail space inventory consists of 28,521,489 square feet, an amount far greater than that of Seattle, which has just 615,687 square feet of vacant retail space. Among Puget Sound submarkets, the Eastside currently has the lowest retail vacancy rate. During Q2 of 2018, this rate stood at 2.2%. Furthermore, Eastside’s vacancy rate fell 0.3% between Q1 (January – March) and Q2 (April-June) of 2018, indicating increased market demand. During this time, net absorption was 55,161 square feet and the average NNN rental rate was \$30.83. Average rental rates rose from \$26.43 per square foot in Q1 to \$30.83 per square foot in Q2. At the same time, the Eastside has 656.894 square feet of retail space under construction, representing more than 54% of all Puget Sound projects.

Some major retail transactions occurred during Q2 of 2018. For example, Avalon Meydenbauer condos sold for \$16.6 million (\$753 per square foot) to Crow Holdings; and TMY Woodinville Towne Center LLC purchased the Woodinville Towne Center for \$37.8 million (\$313 per square foot), representing the largest transactions of the quarter. Leases and sales from 2018 indicate continued growth in core areas throughout the Eastside, to include Bellevue’s Central Business District. Meanwhile, retail in many other markets has been disrupted by the emergence of e-commerce.

RENTAL RATE QUARTERLY COMPARISON  
(AVERAGE NNN RENT PER SF)

Market	Year over Year Change	
	Q2 2018	% Change
Bellevue CBD	\$45.93	7.3%
Seattle CBD	\$32.96	-17.4%
I-90 Corridor	\$31.31	-12.7%

EXISTING PROPERTIES/VACANCY				
	Stock	Total Inventory (SF)	Direct Vacant (SF)	Sublease Vacant (SF)
Seattle Retail				
General Retail	2,968	22,878,020	548,355	10,319
Mall	2	592,681	20,297	0
Power Center	1	410,387	25,604	0
Shopping Center	112	3,011,267	162,013	3,000
Specialty Center	1	43,728	0	0
Total	3,084	26,936,083	756,269	13,319
Eastside Retail				
General Retail	1,146	11,604,586	103,615	6,380
Mall	5	3,452,770	99,918	0
Power Center	4	1,548,034	3,000	0
Shopping Center	222	11,526,282	357,544	45,230
Specialty Center	1	389,797	0	0
Total	1,378	28,521,469	564,077	51,610

COLLIERS INTERNATIONAL

Market	Year over Year Change	
	Q2 2018	% Change
Capitol Hill/Central District	\$33.93	17.2%
Renton/Tukwila	\$19.24	-32.2%
Suburban Tacoma	\$16.98	-11.3%

EXISTING PROPERTIES/VACANCY			ABSORPTION/RENTS	
	Total Vacant (SF)	Vacancy Rate Current Quarter (%)	YTD Absorption (SF)	Quoted NNN Rental Rates
	558,674	2.4%	(48,588)	\$28.70
	20,297	3.4%	35	\$32.33
	25,604	6.2%	(3,827)	\$28.86
	165,013	5.5%	(64,399)	\$27.56
	0	0.0%	0	\$0.00
	769,588	2.9%	(116,779)	\$24.92
	109,995	0.9%	56,000	\$32.03
	99,918	2.9%	(30,933)	\$31.00
	3,000	0.2%	(3,000)	\$45.00
	402,774	3.5%	33,094	\$24.60
	0	0.0%	0	\$0.00
	615,687	2.2%	55,161	\$30.83

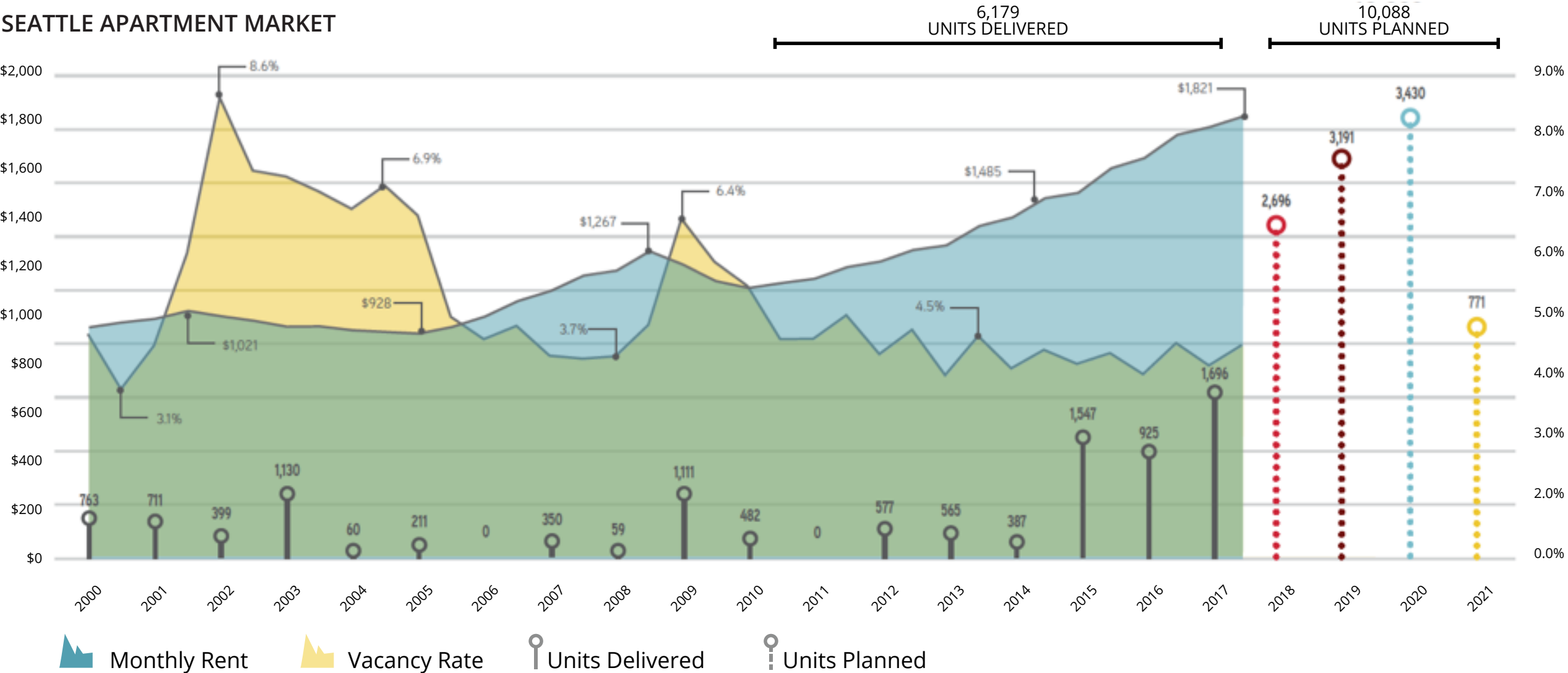
# EASTSIDE MULTI-FAMILY HOUSING MARKET

Multi-family rental properties constitute a balanced market, marked by the demand for multi-family rental housing matching its supply. Of the neighborhoods in the Eastside submarket, the BelRed neighborhood has the highest concentration of white-collar jobs outside of core and urban neighborhoods. The area has potential to continue growing in coming years and decades. Unlike other “hot” markets of the region, like Tacoma and Seattle, the Eastside’s multi-family market exhibits steady growth,

with an overall vacancy rate below 4.0%, and with per square foot rental rates increasing by about 5% each year since 2014. In the next four years, developers plan to add more than 10,000 new apartment units to the Eastside; this will mark a 67% increase in the number of housing units added to the area in the last seven years.

Meanwhile, many tech companies plan to settle in the Eastside, bringing with them new employment opportunities and increased demand for housing. Microsoft, in particular, has accelerated the rate of urbanization occurring throughout east King County. As of 2018, the tech giant had more than 47,000 employees in its headquarters in Redmond; this

## SEATTLE APARTMENT MARKET



LCY STUDENT TEAM

number stood at 44,000 in 2017. As the company provides thousands of new jobs each year, developers benefit from continued opportunity to build more housing for new residents. Currently, Microsoft is constructing 18 new buildings in Redmond. Once construction is complete, Microsoft will have space to hire 8,000 new employees at its headquarters. Microsoft is not alone in expanding in the Eastside. Facebook-owned company Oculus now seeks to expand in Redmond as well. Oculus has not revealed its expansion plan, but as of Q3 of 2018, it already has more than one hundred job openings posted at its Redmond office. New employees working for tech companies throughout the Eastside can be viewed as prospective renters of the BelRed neighborhood as a result of its proximity and connectivity to their job sites.

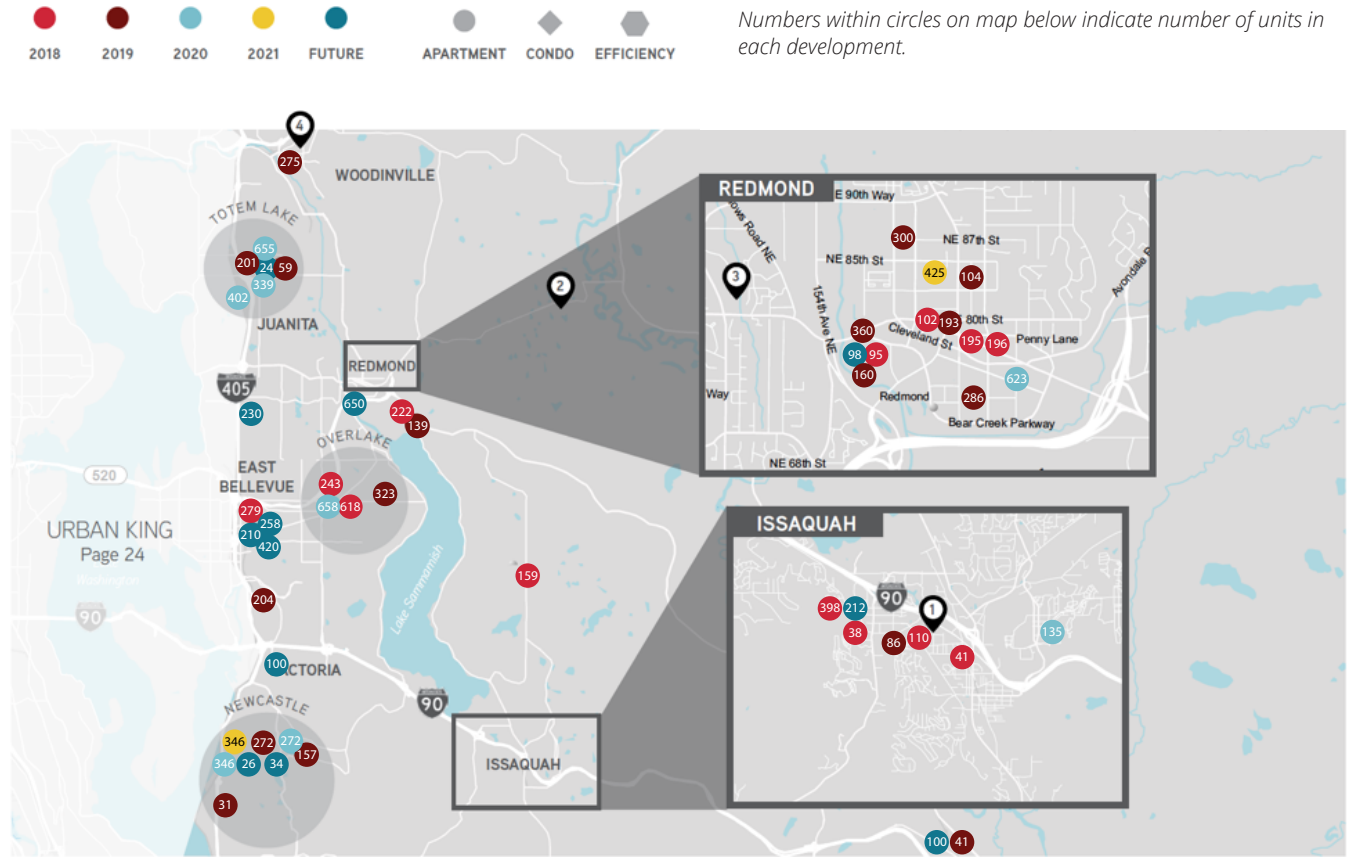
MULTI-FAMILY MARKET AREA



The Eastside multi-family market area includes all areas shaded in blue.  
COLLIERS INTERNATIONAL

NEW DEVELOPMENT MAP

DEVELOPMENTS



TOTAL DELIVERIES

2018	2019	2020	2021	FUTURE	TOTAL
2,696	3,191	3,430	771	2,362	12,450
EFFICIENCY UNITS			POTENTIAL CONDOS		
0			0		

COLLIERS INTERNATIONAL

Although the Eastside submarket constitutes the largest geographic area of King County according to Seattle Apartment Market Study, it has experienced the fewest multi-family property sales since 2014. This phenomenon is driven partly by the presence of relatively few small apartment buildings, as well as by the long-term property ownership strategy of many building owners. This makes it a challenging market



to enter as a prospective developer aiming to build new multi-family housing. It also increases competition among renters who seek affordable housing. However, the Eastside submarket provides major opportunities for potential investors and market trends remain positive due to the overall growth of the region and accompanying need for housing.

## MAJOR DEVELOPMENTS IN BELRED DISTRICT

The City of Bellevue identifies three development projects in its Third Quarter BelRed Major Projects List that are now in the land use and building review process. Another three have been issued land use and building permits, and 10 projects are now under construction. Eight projects are still in final design or permitting review. Project types in and around the BelRed neighborhood include office, retail, light rail stations, parking garages, townhomes, and senior housing. The ongoing projects considered for this project are Sound Transit's BelRed Station and a townhome project, as well as one mixed-use project and one multi-family project. Even with this assortment of new development occurring, the site stands to gain from the development of additional services, retail, and public spaces which complement the new transit station and housing. Combined, development can transform BelRed into a transit-oriented hub.

### OFFICE SPACE

Competition for office space is strong since the site is located close to Downtown Bellevue, where offices are highly concentrated. Since offices tend to establish themselves near other offices, BelRed is likely to remain a desirable location for companies and firms to establish themselves long into the future. Once the Spring District, an urban center to the west of the site, is established, corporate tenants could be even more attracted to this location. Ease of access among Downtown Bellevue, the BelRed project site, and the Spring District, made possible by the Link light rail's expansion through Bellevue is likely to also promote the expansion of offices throughout the area.

### RETAIL SPACE

Retail is well developed within a two-mile radius of the BelRed site; thus, competition among developers is rather strong. The site is a seven-minute drive from Bellevue Square, the core retail zone for the immediate area. The site is also within a five-minute drive of Overlake Business Center. Chain restaurants and Asian-food restaurants represent a large portion of the tenant mix of the neighborhood. With the BelRed Station coming soon to the neighborhood, new retail shops could make the space a great deal more appealing to people who use transit.

### MULTI-FAMILY HOUSING

Now is also a great time to develop for new multi-family housing. Once the BelRed Station opens, students, young professionals, and others who commute, will be drawn to the area because of its convenient location and access to other urban centers. Until now, single family houses have dominated the residential market of the neighborhood. As population increases, demand for multi-family housing options will soar. Even with several townhome projects under construction, demand for housing will remain strong and bring with it a host of development opportunities.

NEW DEVELOPMENT MAP

In Review Land Use & Building

- 1 RJ Development Senior Housing (Building Permit)  
2120 116th Avenue NE
- 2 DOL Townhomes (Building Permit)  
13133 NE Bellevue-Redmond Road
- 3 SummerHill (Land Use Approval)  
1600 132nd Avenue NE
- 4 Northup Way Mixed Use (Land Use Approval)  
12863 Northup Way
- 5 Retail/Bike Pavilion (Land Use Approval)  
12040 NE Spring Boulevard
- 6 Block 12 Office/Brew Pub (Building Permit)  
1285 122nd Avenue NE Lot #12
- 7 Spring District - Building 24 (Building Permit)  
12355 NE District Way

Issued Land Use & Building

- 1 Pine Forest Master Development Plan (MDP)  
1425, 1445 & 1215 120th Avenue NE
- 2 East Link Spring District/120th Station  
Located between 120th and 124th Avenue NE

Under Construction

- 1 Spring District Residential Phase II  
1209 124th Avenue NE
- 2 Hyde Square  
15500 NE 20th Street
- 3 East Link 130th Station  
Spring Boulevard (between 130th & 132nd Avenue NE)
- 4 AMLI Spring District  
1375 121st Avenue NE
- 5 REI at the Spring District  
1209 124th Avenue NE
- 6 Spring District, Building 16  
1288 123rd Avenue NE
- 7 East Link Operations & Maintenance Facility East (OMFE)-Phase 1  
1899 120th Avenue NE
- 8 Lario Townhomes  
12443, 12453 & 12433 NE Bellevue Redmond Road
- 9 AUDI AutoNation Parking Garage  
1533 120th Avenue NE
- 10 Aegis Overlake  
1835 116th Avenue NE

In the Pipeline

- |   |   |
|---|---|
| 1 Big 1 Mixed Use<br>13000 NE Bellevue-Redmond Road | 4 Public Storage (West)<br>2001 124th Avenue NE   |
| 2 Cadence<br>1500 130th Avenue NE                   | 5 Pine Forest, Building A<br>1251 120th Avenue NE |
| 3 Public Storage (East)<br>1800 124th Avenue NE     |   |



CITY OF BELLEVUE



The four student teams from RE 542 present their final recommendations to City of Bellevue staff affiliated with the BelRed Link light rail station project. LCY STUDENT TEAM

Moving forward, the Eastside’s office market is likely to remain active and to continue expanding.

# FINDINGS

The City of Bellevue refers to the BelRed project as “future-forward” within its RFP because the development it envisions for the site would change the character of the BelRed neighborhood, preparing it for the future. The City uses the term “future-forward” to suggest that the site should be transformed to accommodate demands of increased density. The area will soon require more office and retail space and new housing options. The addition of multi-family housing, a university campus, retail and commercial spaces, and the new Sound Transit Link light rail station will dramatically alter a previously single-family, low-density area.

Student teams evaluated the site in view of land easements and market trends to determine the viability of a project with such diverse land uses. The overall consensus among students is that a mixed-use, transit-oriented project is in fact feasible. The quality of the land, its proximity to mass transit, and the potential for large scale housing to generate revenue, all suggest that mixed-use development would satisfy the requirements outlined by the City’s RFP. These include developing a transit-oriented commercial and residential hub around the BelRed Station that provides affordable housing and educational facilities, and that will spur further development as the area becomes denser.

## SUMMARY OF STUDENT FINDINGS

- Mixed-use development of the lots surrounding the BelRed Station, as outlined within the City of Bellevue’s RFP, is feasible.
- Acquisition of additional lots to the northeast and south of the existing site could expand the project’s scope, expanding opportunity to develop commercial, educational, and/or low income housing.
- Sound Transit’s parking requirement is feasible; however, the City’s contract with Sound Transit could be renegotiated to reduce the number of parking stalls required. This would bring the site’s development into greater alignment with the City’s most recent Comprehensive Plan.
- The developer partners should come up with all capital required to finance the project (equity and debt).
- In order to maintain control of the site and generate revenue, the City of Bellevue could issue a 99-year ground lease to its partner.

In transferring title to the lots surrounding the BelRed Station to the City of Bellevue, Sound Transit requires that the City plan for the development of a park and ride to accommodate 300 parking stalls. Student teams found that providing this kind of parking is feasible within the context of a larger scale development. In fact, students found that it would be feasible to include even more parking. Public parking can be financed using tax exempt bonds and student teams designed different fee structures to manage the debt related to developing parking. While it is feasible to develop the parking the City originally agreed to provide, students recommend that the City renegotiate the terms of its agreement with Sound Transit and bring the development into greater alignment with its goals to support public transit and pedestrian uses. This would result in providing less, not more, parking.

Student teams outlined financial contributions that would be made by the Tech University, the proposed university that would have a campus on site. As outlined in Bellevue’s RFP, a yet to be determined real estate developer, would become the primary driver for onsite rental housing. This housing is intended to support the students that would attend Tech U, offering them below market-rate rental fees. Students recommend that Tech U be responsible for all onsite housing equity in exchange for the right to lease rental units and commercial spaces. This would benefit the institution in two ways:

1. Tech University would control onsite student housing. Student housing would be the main income producer for the development.
2. Tech University would control rents and could offer below market-rate rents to their students.



# TEAM PROJECTS

The following sections contain report summaries for each student team. The student teams assumed the role of private developer within the development partnership, giving the hypothetical developer a name which each team invented: Belle Springs, Block 130, ReVision, and TechCamp. Each summary includes an overview of team findings, with general return metrics, and concluding statements.

## BELLE SPRINGS

### MARKET RATE SOLUTIONS AND DEVELOPMENT INCENTIVES THROUGH SALE OF LAND

The Belle Springs scheme involves the City of Bellevue selling the site to a private developer team in exchange for the team’s consent to construct a mixed-use development in accordance with the City of Bellevue’s RFP. The private developer team assumes responsibility for developing the 300 parking stalls required by Sound Transit. Further details of this sale are outlined in Appendix III.

The transfer of land ownership from the City of Bellevue to the private developer team places much of the development risk on the private developer team. The arrangement offers more financial incentive to the private developer in the form of cash flows and development fees. Belle Springs assumes that Tech U would be a partner in the private developer team. This would benefit Tech U as it would assume ownership of the site and gain control over financial decisions. In addition to the City selling its land title, an innovative partnership structure would enable the private developer partner to achieve a more desirable return on investment.

Given this partnership structure, Belle Springs is able to implement the project with construction costs at \$225 per square foot. This assumes an additional \$50 per square foot for tenant improvements and a construction cost of \$100 per square foot for any below grade parking, with a total cost per parking stall of about \$54,000. Infrastructure improvements for the site would be estimated at \$20 per square foot; this includes upgrading the site to fiber optic high speed internet. Total soft costs, which include architecture, engineering, and other fees, would stand at roughly 22% of the total development costs for the site.

The total cost for the Belle Springs project is \$241,033,962. The developer partnership would contribute \$73,600,914 in equity for the project. This is the money the to-be-determined real estate developer, Tech U, and any additional equity investor would contribute to the development. Debt for the Belle Springs project is broken down into two sources: debt to finance the construction of the park and ride and debt for the construction of buildings. Parking debt comes in the form of tax-exempt bonds totaling \$30,159,381. Building construction debt would come from a construction loan, totaling \$174,500,674.

### KEY OUTCOMES

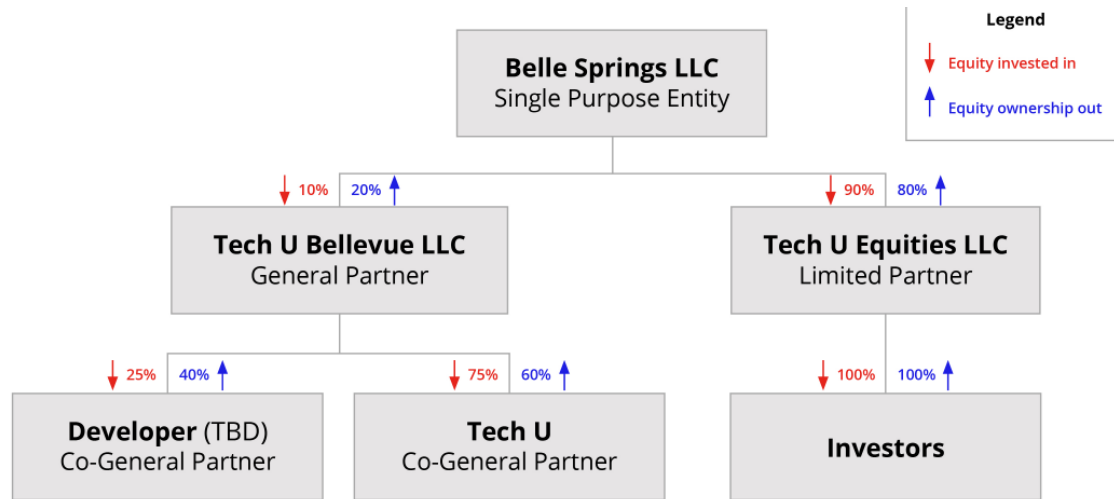
- Bellevue could incentivize development through sale of land to a developer partner, reducing risks assumed by the City while incentivizing private developer.
- Transfer of land eliminates the City's need to cover costs of Sound Transit Park and Ride.
- Tech U would rent education and office space and set rental rates to pay off debt at investor’s preferred return value.
- Housing rental rates would increase with market demand for housing, reducing the risk to the private developer team.

### BELLE SPRINGS TABLE OF RENTAL RETURNS

<div>\$2.65 /sf</div> <div>Below-market rate</div>	<div>\$32 /sf</div> <div>Below-market rate</div>	<div>\$25 /sf</div> <div>In line with area</div>	<div>\$100</div> <div>Per stall per month</div>
<div>Residential</div> <div><ul style="list-style-type: none"><li>• Eyes on recent Spring District development</li><li>• Sparc Apartments: studios at \$3.20/sf</li><li>• Smaller than average unit in Bellevue (375sf)</li><li>• Price-conscious students</li></ul></div>	<div>Academic</div> <div><ul style="list-style-type: none"><li>• Similar to Tech U's current lease rate</li><li>• Zero vacancy factored, given the situation</li></ul></div>	<div>Retail</div>	<div>Parking</div>

LCY STUDENT TEAM

### PUBLIC PRIVATE PARTNERSHIP STRUCTURE FOR BELLE SPRINGS



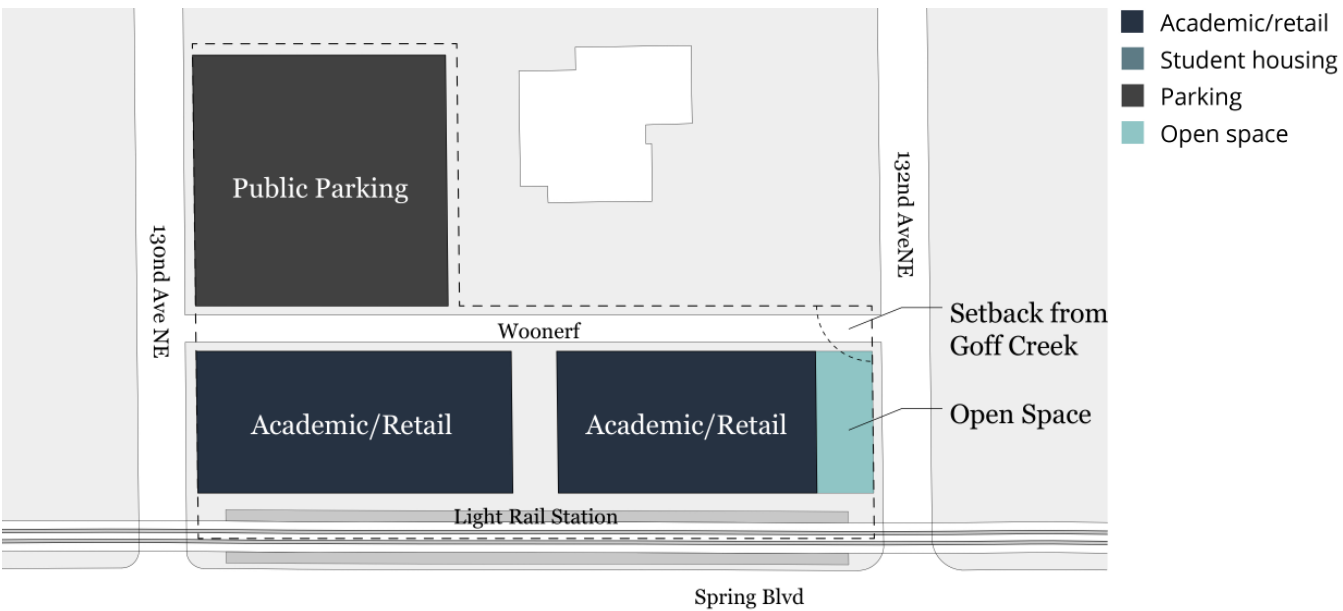
LCY STUDENT TEAM

### BELLE SPRINGS FUNDING

Equity	
Developer	\$1,840,023
Tech U	\$5,520,069
Investors	\$66,240,823
<b>Total equity</b>	<b>\$73,600,914</b>
Debt	
Tax-exempt bond	\$30,159,381
Construction loan	\$137,273,666
<b>Total debt</b>	<b>\$174,500,674</b>
<b>Total capital</b>	<b>\$241,033,962</b>

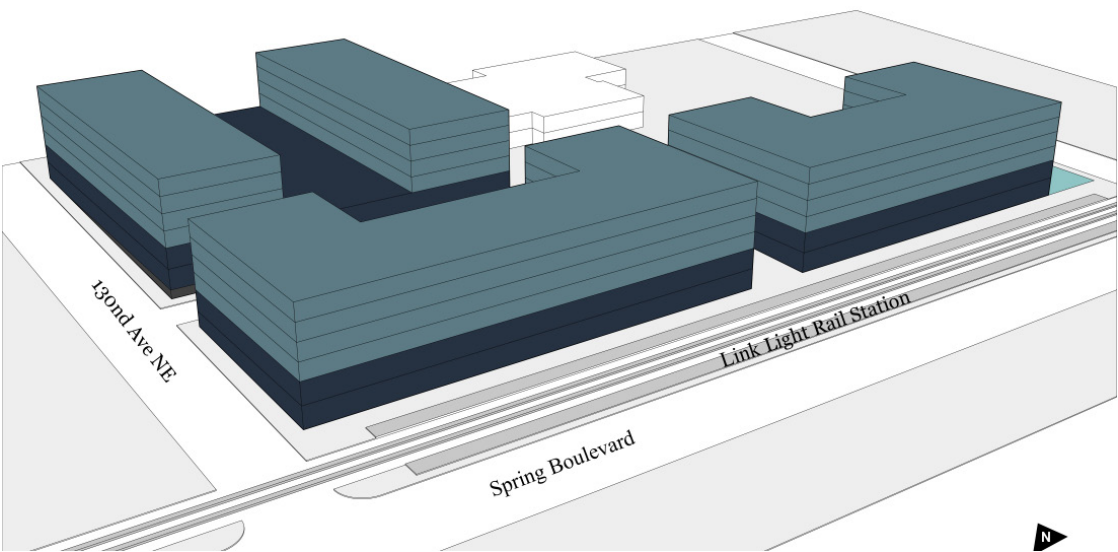
LCY STUDENT TEAM

### PLAN VIEW OF BELLE SPRINGS



LCY STUDENT TEAM

### PROPOSED MASSING OF BUILDINGS FOR BELLE SPRINGS



LCY STUDENT TEAM

# BLOCK 130

## PROMOTE PUBLIC USE THROUGH GALLERY, ART, AND CULTURAL SPACE

The Block130 team considered opportunities to activate the BelRed site as a transit-oriented, mixed-use hub by adding arts and cultural facilities. The team also included 265 one-bedroom housing units, which would be offered at a discount to students of Tech U.

Parking for the project is spilt into three main areas: Sound Transit Park and Ride, residential parking, and office parking. A six-story parking garage with 106 parking stalls on each level would be added to the southeast end of the site. This installation would address Sound Transit's requirement for a park and ride. Because Sound Transit requires only 300 parking stalls, the remaining stalls located in the parking garage (roughly three floors of parking) will be reserved for residents. Additional residential parking will be located underground along 130th Avenue NE and ground floor parking will be available for office and retail use.

Mixed-use retail and housing will be developed along 130th Avenue NE, with 265 residential units constructed above retail spaces. Block130 has set aside public amenity space along the southern edge of the project. Specific uses have yet to be ascertained, but could include an art space, gallery, or other cultural space that would draw people to the area from other parts of the city and region.

Tech U facilities would be located along the east side of the project, along 132nd Avenue NE. Tech U would gain access to 184 parking stalls and to 237,870 square feet of office and educational space.

The total project cost comes to \$210,472,564. This consists of three financing sources and debt totaling \$119,969,361, an equity investment of \$21,047,256, and a Transportation Infrastructure Finance and Innovation Act bond of \$69,455,946 to pay for the park and ride and other parking amenities for the project.

## KEY OUTCOMES

- A diverse mix of office, retail, housing, and public uses activate the area surrounding the BelRed Station.
- A gallery or other arts space engages the local and regional arts community.
- 265 1:1 bed/bath units set at below market rate rental rates by Tech U provides housing for students.
- Affordable office rental rates are offered to Tech U through long term lease of the site.

## PLAN VIEW OF BLOCK 130 SITE USES



LCY STUDENT TEAM



BLOCK 130 FUNDING

Capital distribution	Bank	TIFIA	Equity
Percent of total	57%	33%	10%
Capital required	119,969,361	69,455,946	21,047,256
Maximum loan available	119,969,361	69,455,946	
Remaining cash equity required	-	-	21,047,256
Total capital			210,472,564

Construction loan terms		
Loan cost	0.5%	0.5%
Amortization	30	30
Loan term years	Interest only	Interest only
Annual comp. prds	12	12
Rate	5.40%	3.80%
Amortizing PMT		323,635

Permanent Loan Terms	
Loan amount	120,569,208
Loan cost	0.5%
Amortization	30
Annual comp. prds	12
Rate	5.50%
Monthly PMT	\$684,579

LCY STUDENT TEAM



LCY report author Andrew Michael Brown (center) and classmate Yingying Huang (left) discuss the project with community member Linda Abe at the LCY year-end poster presentation. TERI THOMSON RANDALL

The addition of multi-family housing, a university campus, retail and commercial spaces, and the new Sound Transit Link light rail station will dramatically alter a previously single-family, low-density area.



BLOCK 130 DEVELOPMENT MASSING



*Rendering of an LCY student team's vision for transit-oriented BelRed development. The team proposes ground floor retail with five levels of housing above, adjoining the proposed light rail station. LCY STUDENT TEAM*

# REVISION

## LOW INCOME HOUSING AND A 99-YEAR GROUND LEASE

The ReVision team focused on achieving maximum site density and on the procurement of additional land to address housing needs. This team assumed it would act as a partner with Tech U in a joint venture to develop the site. The team determined that Bellevue could achieve the requirements outlined within its RFP by issuing a 99-year ground lease to the partnership formed by ReVision and Tech U. Tech U would provide 95% of the capital needed to develop the site. The site would revolve around the following mixed land uses: student housing, office, retail, and educational space, and 750 parking stalls. Tech U would also oversee site improvements, manage leases, and ensure retail and commercial spaces complement the educational institution.

ReVision's project will cost \$282,961,184. This consists of debt financing of \$156,900,000, equity for the project at \$104,761,184, and bonds totaling \$21,300,000.

In addition to developing the lots to the north of the BelRed Station, ReVision assumes that the City of Bellevue would acquire the two lots to the south of the station and include this land in the 99-year ground lease. This additional land would be partially acquired by the City through eminent domain. These lands could be converted into 200 units of low-income housing to address the need for affordable housing in the region. Further detail of this portion of ReVision's analysis on low income housing is included in Appendix IV.

By partnering with private developers, cities across the country succeed in funding the construction of public spaces, such as court houses, city calls, parks, and park and rides.

## LOW INCOME HOUSING

Through the use of low income housing tax credits (LIHTC), the City of Bellevue could build 200 units of affordable housing next to the BelRed Station site. These units could be constructed upon lots south of the site, which the City of Bellevue could acquire and then contribute to a non-profit affordable housing developer via a 99-year ground lease. The lease agreement could be \$1 per year so long as the housing remains affordable by US Housing and Urban Development (HUD) standards.

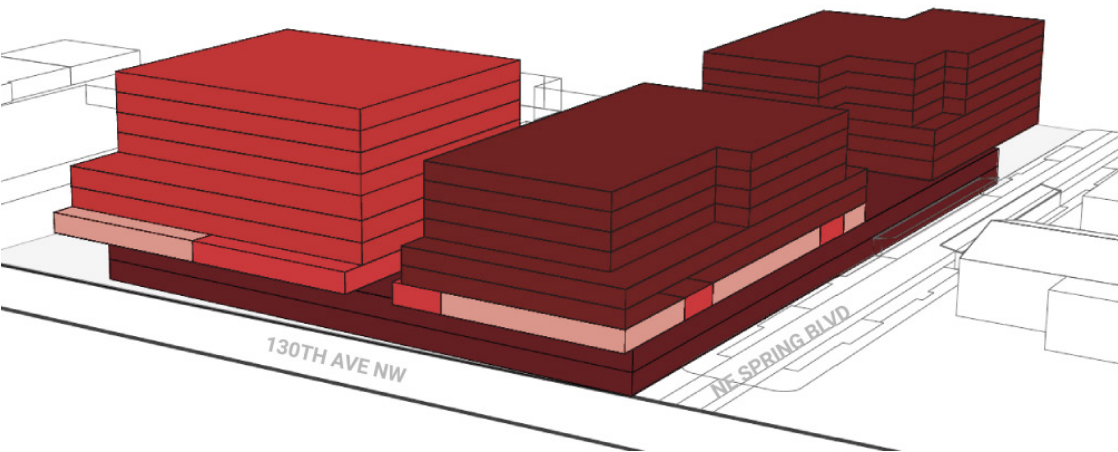
Details:

- The housing would serve families earning at or below 60% of the area median income (\$16,250 to \$62,100 annually).
- Unit design matches the aesthetic of development on the north end of the site; this achieves design cohesion.
- Rents would range from \$1,100 to \$1,500 per month.
- Unit size would range from 600 to 1250 square feet, a mix of one, two, and three bedrooms.
- Onsite amenities could include: childcare, financial services, family planning, recreation services, or other tenant benefit programs
- 10% of housing could be set aside for veterans and women who have experienced domestic violence.
- On-site subsidies could be applied to wave down payments, help people move, and offer free or reduced-rate childcare.

## KEY OUTCOMES

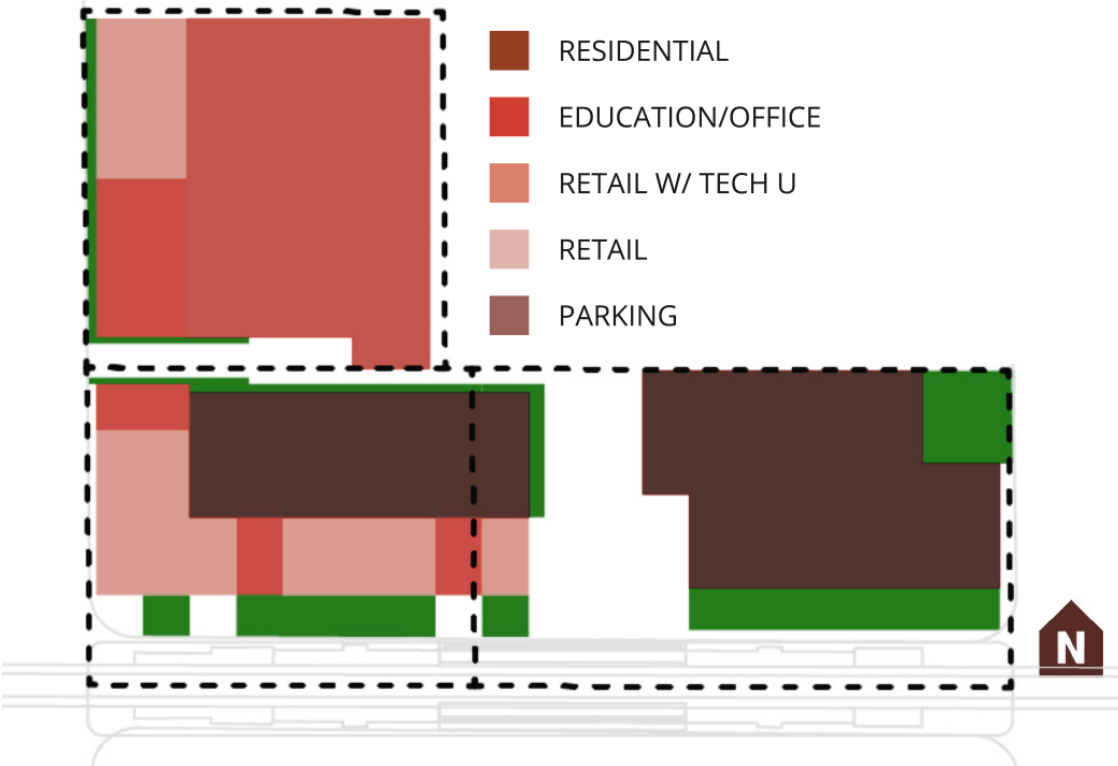
- A 99-year ground lease for the site is issued by the City of Bellevue to the Tech U – ReVision developer partnership.
- A 95/5 equity partnership structure forms between Tech U and ReVision.
- The site includes 300 parking stalls for Sound Transit Park and Ride and 450 parking stalls for Tech U students, faculty, and general public.
- Retail, residential, and commercial leases are controlled by Tech U.
- Tech U may purchase the site after 10 years.
- Additional acquisition of parcels along the south end of the site are devoted to low income housing using low income housing tax credits (4% bonds).

REVISION BUILDING MASSING DIAGRAM



LCY STUDENT TEAM

PLAN VIEW OF REVISION DEVELOPMENT



LCY STUDENT TEAM

RETURN MATRIX

Unleveraged Project IRR	6.6%
Leveraged Project IRR	8.2%
Leveraged Tech U IRR	7.5%
Leveraged ReVision IRR	17.5%
Project NPV @6%	\$24,699,654
ReVision NPV @6%	\$8,430,823
Project Equity Multiple	2.07
Tech U Equity Multiple	1.96
ReVision Equity Multiple	4.14
Return on Equity (ROE)	14.20%

LCY STUDENT TEAM

REVISION DEVELOPMENT MIX

RESIDENTIAL	382,620 SF
EDUCATION/OFFICE	283,603 SF
RETAIL WITH TECH U	10,782 SF
RETAIL	20,276 SF
PARKING	221,891 SF
TOTAL:	860,395 SF

LCY STUDENT TEAM



# TEHCAMP

## SOUND TRANSIT PARKING REDUCTION AND RIDERSHIP INCENTIVES

The TechCamp team sought feasibility through designing a diverse project with leasable space dedicated to retail, parking, residential, office, and educational uses. TechCamp challenged the generally held assumptions related to transportation and access to the site, shifting away from a focus on providing parking, toward providing enough mass transit and incentive programs to encourage individuals to access the site by non-automotive means. When Sound Transit and the City of Bellevue first finalized their agreement for land transfer 12 years ago, different objectives influenced the determination to prioritize 300 parking stalls. TechCamp asserts that because of demand for retail and residential uses, a park and ride no longer aligns with the overall vision for BelRed. Thus, this team addressed the need to renegotiate the City's agreement with Sound Transit related to the park and ride. Funds that would otherwise be dedicated to creating such a structure could be redirected to establishing a student transit pass, last mile ridership services, and/or a transit subsidy program that would reduce the number of cars making use of the site.

TechCamp's project would take an estimated 6.5 years to complete and cost about \$224.3 million dollars. The team proposes financing the project through equity (30% or \$67.3 million) and loans (70% or \$157 million). Average rent is \$29.70 per square foot for educational, office, and student housing units and \$33.00 per square foot for retail space. Parking stalls each cost \$90.00 per month.

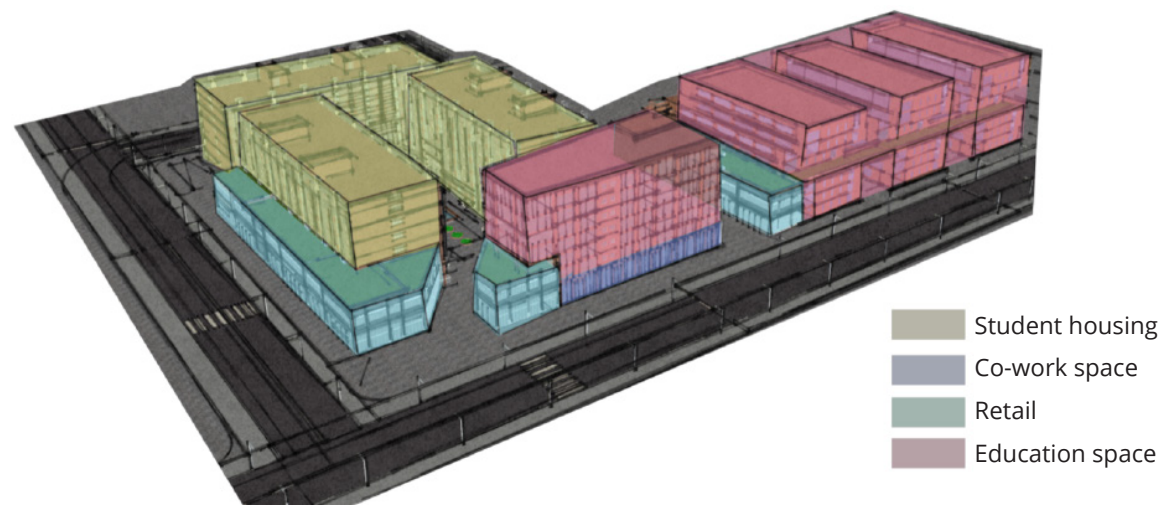
Even with several townhome projects under construction, demand for housing will remain strong and bring with it a host of development opportunities.

## TEHCAMP VISION



LCY STUDENT TEAM

## TEHCAMP SITE PLAN AND BUILDING TYPOLOGIES



LCY STUDENT TEAM



### REDUCED PARKING AND TRANSIT INCENTIVES

TechCamp proposes that the City of Bellevue renegotiate the terms of its agreement with Sound Transit and create fewer parking spaces than originally planned back in 2006. With money saved, transit programs can receive investment to increase transit ridership. The proposed program is similar to a workplace sponsored transit pass program, where an employer pays for monthly regional transit passes for their employees. School-sponsored transit programs exist in urban areas at institutions like the University of Washington, Seattle University, and Seattle Pacific University.

To estimate the number parking spaces the site requires, TechCamp used the King County Right-Size Parking Calculator. This tool calculates parking required given the size of a building. It estimates that 173 parking spaces are needed for the BelRed site. This is 0.57 parking spaces per 1000 square feet, considerably less than the BelRed Parking Standard of 0.75 parking per 1000 square feet. An additional 77 parking stalls can be added for short-term parking, to add up to a total of 250 parking spaces, excluding on-street parking.

#### Effect on Mode Choice

The effect of transit subsidies on student mode choice has been surveyed. University of Washington's 2007 Annual Report showed that the U-PASS increased transit ridership by 18% between 1989 and 2006. Another measure of the program's success is reflected by the fact that 80% of commute trips to the UW occur by non-automotive means. Since 2011, U-PASS has become mandatory to all students; each quarter, a fee of \$252 is applied to each student's account.

### KEY OUTCOMES

- The City and Sound Transit renegotiate the terms of their agreement to align plans for the site around the City's goals to reduce traffic and incentivize mass transit.
- The transportation focus shifts from providing 300 parking stalls to increasing Sound Transit ridership.
- A student transit program incentivizes students who use mass transit to commute to Tech U.



LCY project teams tour the proposed BelRed station site with City representatives Anthony Gill, Jesse Canado, and Emil King. LCY STUDENT TEAM

# RECOMMENDATIONS

Taking stock of the visions and findings of each team, there appear to be a variety of potential approaches the City of Bellevue could adopt toward reshaping the BelRed neighborhood, all of which would transform the area into a more dense and diverse, transit-oriented hub. All student teams produced financially feasible development models and encourage the City to move forward to formalize a public private partnership as soon as possible. Highlights from the various recommendations generated by the four student teams involved in this LCY project follow.

## BELLE SPRINGS: MARKET RATE SOLUTIONS AND DEVELOPMENT INCENTIVES THROUGH SALE OF LAND

- Incentivize development through sale of land to a developer.
- Move forward as soon as possible to ensure amenities are available when the BelRed Station opens in 2023.
- Start negotiations with real estate developers.

## BLOCK 130: INCREASE PUBLIC BENEFIT THROUGH GALLERY, ART, AND CULTURAL SPACE

- Include in the City's agreement with the private developer inclusion of multi-use office, art, and public space to accommodate future needs of site.
- Use TIFIA funds to cover Sound Transit Park and Ride.

## REVISION: LOW INCOME HOUSING AND A 99-YEAR GROUND LEASE

- Issue a 99-year ground lease to developer partners.
- Include 450 parking stalls, in addition to 300 Sound Transit Park and Ride stalls.
- Set up monthly parking fee system to generate additional income.
- Provide option for Tech U to purchase development after 10 years.
- Acquire additional parcels to the south of the site and develop them for low income housing using low income housing tax credits.

## TECHCAMP: SOUND TRANSIT PARKING REDUCTION AND RIDERSHIP INCENTIVES

- Renegotiate contract with Sound Transit to align development plans with City of Bellevue's goals to reduce car traffic and incentivize use of mass transit.
- Direct funds to creating new incentive programs that will increase Sound Transit ridership.
- Establish that private developer and Tech U will provide 100% of financing to develop Tech U campus and market rate housing.
- Provide student housing at 20% of market-rate rental price.

The student teams arrived at similar conclusions regarding the financial structure required for each of their project schemes. With the developer partnership providing 100% of the equity, their projects would yield a profit, with a dollar for dollar return on equity ranging from \$1.63 to \$4.41. Student housing would yield a profit to developers as well, even with rental rates 20% below market values (\$1,000 per month). A majority of Sound Transit Park and Ride parking stalls could be funded using government bonds. Financial findings for each team are outlined in the table below. In addition, pro formas for three of the teams are located in Appendices II.a, II.b, II.c.

New employees working for tech companies throughout the Eastside can be viewed as prospective renters of the BelRed neighborhood as a result of its proximity and connectivity to their job sites.

SUMMARY OF STUDENT PROFORMAS

Project Name		Team 1 - Belle Springs
Use	Office (sf)	-
	Retail (sf)	25,000
	Apartments (# of units)	700
	School (sf)	200,000
	Parking (stalls)	500
Capital required	Equity	73,600,914
	Debt	174,500,674
	Total capital	241,033,962
Return metrics	Yield on cost	5.5%
	Levered IRR	17.2%
	Unlevered IRR	8.2%
Residual value of the land		0
Other factor(s) that make the project unique		TechU purchase option and floating lease rate. Move Spring Blvd south of the new light rail.

LCY STUDENT TEAM

Team 2 - Block130	Team 3 - ReVision	Team 4 - TechCamp
251,500	238,603	7,134
27,000	31,058	21,724
265	676	343
15,680	Included in the office	232,836
942	750	250
21,047,256	143,800,000	67,290,000
189,425,308	239,200,000	157,010,000
210,472,564	383,000,000	224,300,000
6.3%	6%	6.7%
34.9%	8.2%	17.9%
6.7%	6.6%	8.9%
10,991,663	5,000,000	-
Three deviations from code: 1) Amendment to GSF 2) FAR incentive 3) Parking structure height	JV with TechU as equity partner w/ return of 7.5%. Parking is provided for CoB/ wsdot on time. TechU will be able to provide below-market rent to their students.	Change City of Bellevue parking requirements to 250. Not for specific Sound Transit use. Change local street design for the campus.



# CONCLUSION

Sound Transit’s BelRed Station is on its way to Bellevue. Along with its planned completion, the City of Bellevue desires to reshape the surrounding BelRed neighborhood as a walkable, transit-oriented urban hub. Four student teams devised schemes for the City to address the needs of the site and meet its own goals for future development. All student teams conclude that a mixed-use, transit-oriented project is feasible, and that the City of Bellevue should move forward in forming a public private partnership to carry out development of the site as soon as possible. This way, the City can succeed in providing new amenities when the BelRed Station opens in 2023, and offer services that a growing Bellevue will increasingly require.

## REVIEW OF STUDENT SCHEMES FOR THE BELRED SITE

### BELLE SPRINGS

Focused on reducing the risk of development from the City of Bellevue to the private developer. The team formulated a solution that would both incentivize developers to participate and provide the City of Bellevue with the mixed-use development it desires for the site.

### BLOCK130

Found that through Tech U taking part as a major equity investor, 275 student housing units could be built for the site. Tech U could be further accommodated with more office space if the optional NE parcel were also acquired. This would help Tech U accommodate future growth. This team also found that parking could be financed through TIFIA funds.

### REVISION

Sought to create a lasting benefit to the City of Bellevue through a revenue producing 99-year ground lease to Tech U. Tech U, as part of the partnership, would construct student, retail, and parking amenities for the site. This would provide Tech U with an income stream to further stabilize it as a tenant on this site. In addition, this team found that affordable housing could be expanded on parcels south of the site.

### TECHCAMP

Provided insight into what renegotiation of the Sound Transit Park and Ride requirement could look like. By renegotiating agreement terms, funds could be directed to creating transit programs and rider incentives to increase transit ridership.

Through a public private partnership, the City of Bellevue can create a vibrant center that offers existing and future residents with access to new office, retail, educational, and residential spaces, with immediate access to a regional mass transit system. This development will be the first of its kind in the BelRed neighborhood and act as a seed for the neighborhood to grow into a transit-oriented, urban hub.



The LCY student researchers present their development proposals to City of Bellevue staff during their final presentation. LCY STUDENT TEAM

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# APPENDICES

## APPENDIX I: BELLEVUE REQUEST FOR PROPOSAL

### PROJECT DESCRIPTION

This project will analyze how a public private partnership might be structured to facilitate development of transit-related parking, affordable student housing and facilities for a private educational organization on a set of parcels located near 1600 130th Ave NE, Bellevue, WA 98005. The site area comprises 4.9 acres. The City of Bellevue wants to understand the physical and financial viability of a real estate development project with the following components:

### PRIORITY USES

1. Permanent Student Housing
  - » 400 to 800 permanent, student beds
2. Transportation
  - » 300 parking stalls in a dedicated “Park & Ride” facility for Sound Transit that must be delivered by 2023
  - » Plus up to 450 additional parking stalls for students and faculty that can be built later
3. Active retail uses
  - » The zoning in this area requires active/retail uses on the 130th Avenue frontage and part of the Spring Boulevard frontage.
4. Develop and construct the local street network around the parcels
5. Education Space to be delivered as phase 2
  - » 250,000 square feet of space with options to go up to 500,000 sf.
  - » Low-cost sale or long-term lease with purchase preferred. Lease options should be between \$25 to \$40/sf. Or 10% below current market rate.

### “NICE TO HAVE” USES

1. Spaces that allow for the students to have serendipitous collaboration with the community.
2. Semi-public auditorium usable by the community when not in

- use by the school testing or incubator space
- 3. Sound rooms
- 4. “Creative Co-working” space as part of the project where local creative groups can set up offices and students can interact with the community.

### OBJECTIVES/DESIRED OUTCOMES

The City is looking for answers to the following questions:

1. What amount of education and commercial space is compatible with the required affordable housing (as specified by the City) along with meeting Sound Transit’s parking requirements?
2. What is the “ballpark” estimated cost to build a future-ready, flat-floor “Park & Ride” below grade compared to above grade?
3. Is there space to build parking for the school and housing while keeping construction costs in line with market rents?
4. Does the parking structure need to be an independent project to conform to the “Buy America” requirements that apply to Sound Transit projects due to requirements associated with federal grants?
5. Is additional land required to meet the school’s needs? If yes, how much?
6. Is additional land required to meet the City’s affordable housing and public benefit goals? If yes, how much?
  - » Proforma showing general/projected cost and revenue categories, including: Commercial lease rates that would have to be charged to finance construction costs, provide a return on whatever equity is required and also pay for operation and maintenance expenses?
  - » Residential lease rates that would have to be charged to finance construction costs, provide a return on equity, and cover O&M costs?
  - » The capital stack that incorporates the effect of public financing and incentives
7. Does existing infrastructure based on information provided by the City support a development of this size? If no, what else is needed?
8. An approximate development phasing and construction timeline.
9. A recommended terms sheet for acquiring the site from Sound Transit

APPENDIX II.A: BELLE SPRINGS PROFORMA

SUMMARY			
D4 Team #1			
Project Details		Operations	
Number of Buildings	3	Apartment Revenue (\$/SF/Mo)	\$2.65
Total Square Footage (retail, academic, residential, parking)	738,000	Academic Revenue (\$/SF/Yr NNN)	\$32
Total Beds	700	Retail Revenue (\$/SF/Yr NNN)	\$25
Total Parking Spaces	500	Parking Revenue (\$/Stall/Mo)	\$100
		Vacancy Rate (residential, retail, parking)	5%
		Vacancy Rate (academic)	0%
Development		Permanent Debt Structure	
Construction Costs			
Land Cost	\$0	Interest Rate	4.75%
Hard Construction Costs	\$191,940,443	Term (years)	30
Soft Construction Costs	\$39,283,469	LTV	75%
Financing Costs	\$13,305,164	DSCR	1.2
Gross Development Cost	\$244,529,076	Maximum Loan Amount	\$177,728,318
Equity Package		Annual Debt Service	\$11,125,380
Developer Equity	\$1,840,023	Returns	
Tech U Equity	\$5,520,069	Developer Fee	6,774,083
Investor Equity	\$66,240,823	5 yr IRR	17.2%
	\$73,600,914	Untrended Yield	5.5%
Debt Package		Trended Yield (2023)	5.8%
Tax-Exempt Bonds	\$30,159,381	Equity Multiple	2.39
Construction Loan	\$137,273,666	ROE 5 yr avg after stabilization	3.5%
	\$167,433,048		

TIMING				
D4 Team #1				
LAND COSTS		Start	Duration	End
Land Cost	0	Jan-22	3	Apr-22
TOTAL LAND COSTS				
BELOW GRADE HARD COSTS (PARKING)				
Construction Below Grade	18,600,000	Nov-21	8	Jun-22
Washington State Sales Tax	1,878,600		see cashflow	
Hard Cost Contingency	1,023,930		see cashflow	
TOTAL BELOW GRADE HARD COSTS	21,502,530			
ABOVE GRADE HARD COSTS (BUILDING)				
Construction Above Grade	124,200,000	Jan-22	18	Jun-23
Infrastructure Improvements	4,000,000	Jan-22	6	Jun-22
Tenant Improvement Allowance	11,250,000	Jan-23	3	Mar-23
Washington State Sales Tax	14,084,450		see cashflow	
Hard Cost Contingency	1,266,723		see cashflow	
TOTAL ABOVE GRADE HARD COSTS	154,801,173			
BELOW GRADE SOFT COSTS (PARKING)				
Architecture & Engineering	1,581,186	Apr-20	14	May-21
Specialty Consultants	151,342	Jun-20	12	May-21
Legal	194,260	Apr-21	2	May-21
Permits	447,250	May-21	6	Oct-21
Insurance	142,307	Apr-20	20	Nov-21
Utilities	596,333	Jun-20	12	May-21
Testing & Inspection	97,130	Nov-21	8	Jun-22
Developer Fee	903,535	Apr-20	20	Nov-21
Real Estate Taxes during Development	58,730	Nov-21	8	Jun-22
Soft Cost Contingency	208,604		see cashflow	
TOTAL BELOW GRADE SOFT COSTS	4,380,676			



ABOVE GRADE SOFT COSTS (BUILDING)

Architecture & Engineering	11,854,645	Apr-20	14	May-21
Specialty Consultants	1,134,659	Jun-20	12	May-21
Furniture, Fixtures & Equipment	1,236,270	Apr-21	2	May-21
Legal	1,456,428	Apr-21	2	May-21
Permits	3,353,171	May-21	8	Dec-21
Insurance	1,066,918	Apr-20	21	Dec-21
Marketing	220,158	Jan-23	9	Sep-23
Utilities	4,470,895	Jun-20	12	May-21
Testing & Inspection	728,214	Jan-22	18	Jun-23
Lease Commissions	505,000	Jun-23	3	Aug-23
Developer Fee	6,774,083	Apr-20	39	Jun-23
Real Estate Taxes during Development	440,315	May-23	2	Jun-23
Soft Cost Contingency	1,662,038		see cashflow	
TOTAL ABOVE GRADE SOFT COSTS	34,902,793			

OPERATIONS DURING DEVELOPMENT

Lease Revenue	-4,287,819	Jul-23	3	Sep-23
Expense Recoveries	0	Jul-23	3	Sep-23
Operating Expenses	792,704	Jul-23	3	Sep-23
TOTAL OPERATIONS	-3,495,114			

FINANCING COSTS

Construction Loan Fees	1,372,800	Nov-21	1	Nov-21
Construction Loan Interest	6,894,031	Dec-21	20	Jul-23
Tax-Exempt Bond Fees	75,400	Jul-23	1	Jul-23
Tax-Exempt Bond Interest	3,114,933	Nov-21	23	Sep-23
Equity Placement Fee	1,848,000	Nov-21	1	Nov-21
TOTAL FINANCING COSTS	13,305,164			

SOURCES & USES

D4 Team #1

SOURCES

Developer Equity*	2.5%	1,840,023
DigiPen Equity**	7.5%	5,520,069
Investor Equity***	90.0%	66,240,823
Tax-Exempt Bonds		30,159,381
Construction Loan		137,273,666
Total Sources		\$241,033,962

USES

Land Costs	0
Below Grade Hard Costs	22,588,372
Above Grade Hard Costs	169,352,071
Below Grade Soft Costs	4,380,676
Above Grade Soft Costs	34,902,793
Operating during Development	-3,495,114
Financing Costs	13,305,164
Total Uses	\$241,033,962

\*Third-party private developer

\*\*DigiPen acts as co-GP with developer

\*\*\*Limited Partner brought by Tech U



APPENDIX II.B: BLOCK130 PROFORMA

Project Summary							
Capital Stack:							
Equity Investment:	10%	\$	21,047,256				
TIFIA Investment:	33%	\$	69,455,946				
Debt:	57%	\$	119,969,361				
Total Project Cost:		\$	210,472,564				
Residential Summary				Classroom Summary			
Belred Details:				DigiPen Details:			
Unit Count:			265	Total Area (SF):			264,300
Average SF/Unit:			809	Net Rentable (SF):			237,800
Parking Ratio:			1.26X	Load:			10.03%
Average Cost/Unit: \$			331,852	Average Cost/SF: \$			385.61
Average Costs/SF: \$			410	Total Parking:		184	
Starting Rent/SF: \$			2.75	Starting Rent/SF: \$			32.00
Financing:				Financing:			
Total Construction Loan: \$	90%		98,008,952	Total Construction Loan: \$	90%		91,725,737
Total Project Costs: \$			108,555,078	Total Project Costs: \$			101,917,486
Development Timeline				Development Timeline			
Construction Start:			Jun-19	Construction Start:			June-19
Construction End:			Dec-21	Construction End:			December-21
Belred Land Purchase:			\$5.25M, EOY - 5	Belred Land Purchase: \$			10,325,000
Project Sale:			EOY - 10	Project Sale:			EOY - 10
Yield				Yield			
Belred Stabilized NOI: \$			4,841,129	DigiPen Stabilized NOI: \$			5,679,266
Trended Yield on Cost:			6.32%	Trended Yield on Cost:			6.00%
Date of Sale Yield on Cost:			6.96%	Date of Sale Yield on Cost:			6.80%
Project Sale EOY-10				Project Sale EOY-10			
Exit Cap Rate:			6.15%	Exit Cap Rate:			6.40%
Potential Sale Price: \$			128,013,759	Potential Sale Price: \$			112,754,474
Price/Unit: \$			483,071	Price/SF: \$			427
Levered IRR:			34.9%	Levered IRR:			17.3%
Levered Equity Multiple:			6.14X	Levered Equity Multiple:			4.35X

Residential 10-Year Operating Cash Flow											
Revenue	Year 0	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
S.T. Revenue		186,000	191,580	196,370	201,279	206,311	211,468	216,755	222,174	227,728	233,422
Unit Rent		6,912,000	7,119,360	7,297,344	7,479,778	7,666,772	7,858,441	8,054,902	8,256,275	8,462,682	8,674,249
Parking MF		380,760	392,183	401,987	412,037	422,338	432,896	443,719	454,812	466,182	477,837
Parking ST		186,000	191,580	196,370	201,279	206,311	211,468	216,755	222,174	227,728	233,422
Premium/Other		349,140	356,123	363,245	370,510	377,920	385,479	393,188	401,052	409,073	417,255
Retail Rent		624,948	640,571	656,586	673,000	689,825	707,071	724,748	742,866	761,438	780,474
Less Vacancy		441,391	454,208	465,474	477,020	488,853	500,980	513,408	526,145	539,198	552,576
Less Vacancy: ST Parking		9,300	9,579	9,818.48	10,063.94	10,315.54	10,573.42	10,837.76	11,108.70	11,386.42	11,671.08
GI		8,188,157	8,427,610	8,636,609	8,850,798	9,070,308	9,295,271	9,525,822	9,762,100	10,004,247	10,252,410
Expense											
Ground Lease		-	-	-	-	-	-	-	-	-	-
Property Management Fee		286,585	294,966	302,281	309,778	317,461	325,334	333,404	341,673	350,149	358,834
S.T. Parking Expenses		58,110	58,305	58,473	58,645	58,821	59,001	59,186	59,376	59,570	59,770
Payroll		156,000	159,120	163,098	167,175	171,355	175,639	180,030	184,530	189,144	193,872
Utilities		38,400	39,168	40,147	41,151	42,180	43,234	44,315	45,423	46,558	47,722
Turnover		3,600	3,672	3,764	3,858	3,954	4,053	4,155	4,258	4,365	4,474
R&M		30,000	30,600	31,365	32,149	32,953	33,777	34,621	35,487	36,374	37,283
Administrative		42,000	42,840	43,911	45,009	46,134	47,287	48,470	49,681	50,923	52,196
Insurance		96,000	97,920	100,368	102,877	105,449	108,085	110,787	113,557	116,396	119,306
Landscaping		5,400	5,508	5,646	5,787	5,932	6,080	6,232	6,388	6,547	6,711
Property Taxes		1,309,500	1,335,690	1,369,082	1,403,309	1,438,392	1,474,352	1,511,211	1,548,991	1,587,716	1,627,409
Total		2,025,595	2,067,790	2,118,135	2,169,738	2,222,630	2,276,843	2,332,410	2,389,365	2,447,742	2,507,578
NOI		6,162,561	6,359,820	6,518,473	6,681,060	6,847,678	7,018,428	7,193,412	7,372,735	7,556,505	7,744,832
Less-Capital Reserves		-	(53,000)	(79,500)	(79,500)	(106,000)	(106,000)	(106,000)	(106,000)	(106,000)	
Less-Debt Service		(1,321,432)	(1,536,549)	(1,536,549)	(1,536,549)	(1,536,549)	(1,536,549)	(2,260,946)	(2,260,946)	(2,260,946)	
BTCF		4,841,129	4,770,271	4,902,424	5,065,011	5,205,129	5,375,879	4,826,465	5,005,788	5,189,558	
Outstanding Debit: EOY		17,791,621	68,372,760	110,240,176	109,272,753	108,250,761	107,171,120	106,030,579	104,088,554	102,050,060	
Sale EOY - Forward Cap		121,139,434	121,840,624	122,588,261	123,381,592	124,219,965	125,102,814	126,029,655	127,000,082	128,013,759	
Cap. Reserves Account		-	53,000	132,500	212,000	318,000	424,000	530,000	636,000	742,000	
Selling Costs		4,239,880	4,264,422	4,290,589	4,318,356	4,347,699	4,378,598	4,411,038	4,445,003	4,480,482	
Net Cash w/ Sale		103,949,061	53,973,713	12,959,920	14,855,494	16,826,635	18,928,975	20,414,504	23,472,314	26,672,776	
Trended Yield on Cost	6.32%	5.68%	5.86%	6.00%	6.15%	6.31%	6.47%	6.63%	6.79%	6.96%	
Stabilized DSCR	3.94X		4.14X	4.24X	4.35X	4.46X	4.57X	3.18X	3.26X	3.34X	
Stabilized Equity Multiple	4.05X			2.08X	2.71X	3.35X	4.03X	4.66X	5.39X	6.14X	
10-year Levered CF	(10,855,508)	4,841,129	4,770,271	4,902,424	5,065,011	5,205,129	5,375,879	4,826,465	5,005,788	26,672,776	
10-Year Levered IRR	34.90%										
NPV Residual Land Value	10,991,663										

Tech U 10-Year Operating Cash Flow

Revenue	Year 0	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Office		7,787,950	7,982,649	8,182,215	8,386,770	8,596,440	8,811,351	9,031,634	9,257,425	9,488,861	9,726,082
Parking		165,600	170,568	174,832	179,203	183,683	188,275	192,982	197,807	202,752	207,821
Less Vacancy		636,284	652,257	668,564	685,278	702,410	719,970	737,969	756,419	775,329	794,712
GI		7,317,266	7,500,959	7,688,483	7,880,695	8,077,713	8,279,656	8,486,647	8,698,813	8,916,284	9,139,191
Expense											
Payroll		276,000	281,520	288,558	295,772	303,166	310,745	318,514	326,477	334,639	343,005
Utilities		60,000	61,200	62,730	64,298	65,906	67,553	69,242	70,973	72,748	74,566
Turnover		48,000	48,960	50,184	51,439	52,725	54,043	55,394	56,779	58,198	59,653
R&M		60,000	61,200	62,730	64,298	65,906	67,553	69,242	70,973	72,748	74,566
Administrative		180,000	183,600	188,190	192,895	197,717	202,660	207,727	212,920	218,243	223,699
Insurance		180,000	183,600	188,190	192,895	197,717	202,660	207,727	212,920	218,243	223,699
Landscaping		6,000	6,120	6,273	6,430	6,591	6,755	6,924	7,097	7,275	7,457
Property Taxes		828,000	844,560	865,674	887,316	909,499	932,236	955,542	979,431	1,003,916	1,029,014
Total		1,638,000	1,670,760	1,712,529	1,755,342	1,799,226	1,844,206	1,890,312	1,937,569	1,986,009	2,035,659
NOI		5,679,266	5,830,199	5,975,954	6,125,353	6,278,487	6,435,449	6,596,335	6,761,244	6,930,275	7,103,532
Less-Capital Reserves		(237,800)	(237,800)	(237,800)	(237,800)	(237,800)	(237,800)	(237,800)	(237,800)	(237,800)	
Less-Debt Service		(1,412,821)	(4,268,752)	(5,255,982)	(5,255,982)	(5,255,982)	(5,255,982)	(5,858,509)	(5,858,509)	(5,858,509)	
BTCF		4,028,645	1,323,647	482,173	631,572	784,705	941,668	500,027	664,935	833,966	
Outstanding Debit: EOY		14,798,419	56,869,957	91,693,740	90,889,073	90,039,017	89,141,012	88,192,351	86,577,046	84,881,502	
Sale EOY - Forward Cap		106,003,626	106,713,471	107,462,338	108,249,777	109,075,411	109,938,925	110,840,064	111,778,629	112,754,474	
Cap. Reserves Account		237,800	475,600	713,400	951,200	1,189,000	1,426,800	1,664,600	1,902,400	2,140,200	
Selling Costs		3,710,127	3,734,971	3,761,182	3,788,742	3,817,639	3,847,862	3,879,402	3,912,252	3,946,407	
Net Cash w/ Sale	-	91,523,725	47,432,190	12,489,589	14,203,533	16,003,460	17,891,718	19,268,337	21,954,266	24,760,532	
Trended Yield on Cost	6.17%	5.57%	5.72%	5.86%	6.01%	6.16%	6.31%	6.47%	6.63%	6.80%	
Stabilized DSCR	1.19X		1.37X	1.14X	1.17X	1.19X	1.22X	1.13X	1.15X	1.18X	
Stabilized Equity Multiple	3.49X			2.75X	2.97X	3.20X	3.47X	3.69X	4.01X	4.35X	
10-year Levered CF	(10,191,749)	4,028,645	1,323,647	482,173	631,572	784,705	941,668	500,027	664,935	24,760,532	
10-Year Levered IRR	17.34%										
NPV Residual Land Value	\$3,568,993										



REVISION 10-YEAR CASH FLOW PROJECTION

Dev. Phase Period Year	Precon	Precon	Const.	Const.	Const.	Stable 1	Stable 2	Stable 3	Stable 4	Stable 5	Stable 6	Stable 7	Stable 8	Stable 9	Stable 10	Stable 11	Stable 12	17
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	2035	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034		
Income																		
Gross Potential Revenue																		
Residential																		
Office																		
Retail Leasable					\$ 228,302	\$ 940,603	\$ 968,821	\$ 997,885	\$ 1,027,822	\$ 1,058,657	\$ 1,090,416	\$ 1,123,129	\$ 1,156,823	\$ 1,191,527	\$ 1,227,273	\$ 1,264,091	\$ 1,302,014	
Tech U Retail																		
Parking																		
Tech U Total Rent																		
Total Gross Potential Revenue					\$ 8,543,157	\$ 18,069,204	\$ 18,611,280	\$ 19,169,619	\$ 19,744,707	\$ 20,337,049	\$ 20,947,160	\$ 21,575,575	\$ 22,222,842	\$ 22,889,527	\$ 23,576,213	\$ 24,283,499	\$ 25,012,004	
Vacancy/Credit Loss																		
Retail leasable					\$ 11,415	\$ 47,030	\$ 48,441	\$ 49,894	\$ 51,391	\$ 52,933	\$ 54,521	\$ 56,156	\$ 57,841	\$ 59,576	\$ 61,364	\$ 63,205	\$ 65,101	
Tech U Lease					\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Vacancy/Credit Loss					\$ 11,415	\$ 47,030	\$ 48,441	\$ 49,894	\$ 51,391	\$ 52,933	\$ 54,521	\$ 56,156	\$ 57,841	\$ 59,576	\$ 61,364	\$ 63,205	\$ 65,101	
Operating Expenses																		
Non Reimbursable Admin Fee					\$ 170,863	\$ 361,384	\$ 372,226	\$ 383,392	\$ 394,894	\$ 406,741	\$ 418,943	\$ 431,511	\$ 444,457	\$ 457,791	\$ 471,524	\$ 485,670	\$ 500,240	
Land Lease					\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	
Total Operating Expenses					\$ 520,863	\$ 711,384	\$ 722,226	\$ 733,392	\$ 744,894	\$ 756,741	\$ 768,943	\$ 781,511	\$ 794,457	\$ 807,791	\$ 821,524	\$ 835,670	\$ 850,240	
Net Operating Income	\$ -	\$ -	\$ -	\$ -	\$ 8,010,878	\$ 17,310,790	\$ 17,840,614	\$ 18,386,332	\$ 18,948,422	\$ 19,527,375	\$ 20,123,696	\$ 20,737,907	\$ 21,370,544	\$ 22,022,160	\$ 22,693,325	\$ 23,384,625	\$ 24,096,664	
Cost																		
Hard Cost Total																		
Lease Payment During Construction					\$ 40,673,291	\$ 170,827,821	\$ 89,684,606											
Soft Costs Total	\$ 11,172,967	\$ 17,780,102	\$ 15,261,254	\$ 9,431,455	\$ 6,476,266													
Subtotal Project Costs	\$ 11,172,967	\$ 17,780,102	\$ 56,284,545	\$ 180,609,276	\$ 96,160,872													
Project Financing																		
Construction Interest	\$ -	\$ -	\$ -	\$ 6,314,548	\$ 12,565,005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Construction Loan Fee	\$ -	\$ -	\$ -	\$ 2,075,314	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Project Costs	\$ 11,172,967	\$ 17,780,102	\$ 56,284,545	\$ 188,999,138	\$ 108,725,876	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Financing																		
Equity																		
R.E.Vision Equity	\$ 558,648	\$ 889,005	\$ 2,814,227	\$ 2,878,119	\$ 464,617	\$ 418,155												
Tech U Equity	\$ 10,614,319	\$ 16,891,097	\$ 53,470,318	\$ 54,684,267	\$ 46,462													
Municipal Bond																		
Loan Fee			\$ 259,000															
City of Bellevue - total			\$ 25,900,000															
Capitalized Interest				\$ 918,673														
Interim Loan																		
Take Out Fee			\$ 1,816,314															
Construction Loan Interest			\$ 6,314,548	\$ 12,565,005														
Construction Loan Beginning			\$ -	\$ 97,146,890														
Construction Loan Period			\$ 97,146,890	\$ 96,160,872														
Construction Loan Balance			\$ 97,146,890	\$ 193,307,762														
Loan Amount Remaining					\$ 212,187,315													
Perminant Loan (1/1/2024)					\$ 211,722,698													
Take Out Fee					\$ 4,234,454													
Debt Service - Perm					\$ 14,425,658	\$ 14,425,658	\$ 14,425,658	\$ 14,425,658	\$ 14,425,658	\$ 14,425,658	\$ 14,425,658	\$ 14,425,658	\$ 14,425,658	\$ 14,425,658	\$ 14,425,658	\$ 14,425,658	\$ 14,425,658	
Debt Service - Municipal				\$ 1,481,801	\$ 1,481,801	\$ 1,481,801	\$ 1,481,801	\$ 1,481,801	\$ 1,481,801	\$ 1,481,801	\$ 1,481,801	\$ 1,481,801	\$ 1,481,801	\$ 1,481,801	\$ 1,481,801	\$ 1,481,801	\$ 1,481,801	
Total Financing Cost	\$ 11,172,967	\$ 17,780,102	\$ 56,284,545	\$ 188,999,138	\$ 108,725,876	\$ 20,606,530	\$ 15,907,460	\$ 15,907,460	\$ 14,425,658	\$ 14,425,658	\$ 14,425,658	\$ 14,425,658	\$ 14,425,658	\$ 14,425,658	\$ 14,425,658	\$ 14,425,658	\$ 14,425,658	
Disposition																		
Sale Proceeds																		
Selling Cost															\$ 359,763,460			
Disposition Cap Rate															\$ 10,792,904			
Loan Balance Outstanding															6.5%			
Net Sale Proceeds															\$ 174,758,013			
Cash Flow																		
Unleveraged Cash Flow	\$ (11,172,967)	\$ (17,780,102)	\$ (56,284,545)	\$ (180,609,276)	\$ (88,149,993)	\$ 17,310,790	\$ 17,840,614	\$ 18,386,332	\$ 18,948,422	\$ 19,527,375	\$ 20,123,696	\$ 20,737,907	\$ 21,370,544	\$ 22,022,160	\$ 371,663,882			
Leveraged Cash Flow	\$ (11,172,967)	\$ (17,780,102)	\$ (56,284,545)	\$ (57,562,386)	\$ 6,529,077	\$ (3,295,740)	\$ 1,933,154	\$ 2,478,872	\$ 4,522,764	\$ 5,101,716	\$ 5,698,038	\$ 6,312,249	\$ 6,944,886	\$ 7,596,502	\$ 182,480,210			
Tech U CF	\$ (10,614,319)	\$ (16,891,097)	\$ (53,470,318)	\$ (54,684,267)	\$ 5,876,169	\$ (2,966,166)	\$ 1,739,839	\$ 2,230,985	\$ 4,070,487	\$ 4,591,545	\$ 5,128,234	\$ 5,681,024	\$ 6,250,397	\$ 6,836,852	\$ 164,232,189			
R.E.Vision CF	\$ (558,648)	\$ (889,005)	\$ (2,814,227)	\$ (2,878,119)	\$ 652,908	\$ (329,574)	\$ 193,315	\$ 247,887	\$ 452,276	\$ 510,172	\$ 569,804	\$ 631,225	\$ 694,489	\$ 759,650	\$ 18,248,021			
Cash-on-Cash	0%	0%	0%	0%	5%	-2.3%	1.4%	1.7%	3.2%	3.6%	4.0%	4.4%	4.9%	5.3%	127.8%			
Feasibility Measures																		

Unleveraged Project IRR	4.8%
Leveraged Project IRR	4.3%
Leveraged Digipen IRR	3.8%
Leveraged R.E.Vision IRR	11.2%
Project NPV @6%	\$ (19,397,653)
R.E.Vision NPV @6%	\$ 4,021,092
Project Equity Multiple	1.54
Digipen Equity Multiple	1.46
R.E.Vision Equity Multiple	3.08
Return on Equity	10.6%

APPENDIX III.A: BELLE SPRINGS PROPOSED  
TERMS OF AGREEMENT

**Seller:** City of Bellevue

**Buyer:** Tech U Bellevue LLC (see Organization Chart)

- Developer
- Tech U
- Investors

**Project Start Date:** January 1, 2019

**Estimated Completion Date:** August 31, 2023

**Purchase Price:** \$0

**Terms of Purchase:** Buyer required to provide 300 parking stalls to Sound Transit free of charge on or before September 1, 2023.

**Fees:** Belle Springs LLC, the private developer entity, for this project consisting of the buyer and additional investors, is responsible for all legal, title, and escrow fees associated with the purchase of the land. The City of Bellevue is not responsible for any required fees.

**Tech U Purchase Option:** Upon stabilization, Tech U has the option to purchase the Developer's ownership interest in the property at a value subject to third-party appraisal. Tech U's ability to do so lasts 60 days after permanent refinancing of the property.

**Construction Contracts:** Developer manages the project and is responsible for all contracts outside of the ownership structure (architect, contractor, consultants, etc.).

**Lease:** Tech U will lease 100% of all housing (327,000 square feet) and academic space (200,000 square feet). Lease terms TBD.

**Floating Rental Rate:** The rental rate on Tech U's academic space, currently set to \$32 per square foot, is a floating rate until a final budget has been established. Immediately following publishing of a finalized budget and prior to construction, the rental rate on academic space will be adjusted to meet a minimum return metric established by Tech U Equities LLC and approved by the developer.

**Property Management:** Tech U is responsible for all property management following project completion.

**Parking:** In addition to the 300 Sound Transit park and ride parking stalls, there will be 200 public parking stalls on the site. These are intended for use by Tech U students and faculty. A third-party parking service will manage the facility and administer monthly parking passes.

**Sound Transit Parking:** Sound Transit is responsible for 100% of maintenance costs on their 300 parking stalls following certificate of occupancy.

**Parking Purchase Option:** Tech U has the option at any time to purchase the additional public parking stalls on site at a value subject to third-party appraisal.

**Preferred Return:** 8% per year, compounded monthly.

**Returns Beyond:** Equity returns greater than the preferred return will be distributed on a percentage basis based on the equity ownership percentages shown in the Organizational Chart.



# GLOSSARY

**Basis points**

One 100th of 1%. Used in finance to describe interest rates. Example—the bank will give you a loan rate of 150 basis points above their standard 2%, that would mean a total rate of 3.5%.

**Class A office/retail**

High quality, well designed, using above average materials, well managed, and most desirable in their markets.

**Debt**

The amount of money you owe to lenders.

**Equity**

The amount of capital you or the partnership can pay for without needing a loan from the bank, think of it like cash in the bank.

**IRR**

Internal rate of return: The true annual rate of earnings on an investment, equates to the value of cash returns with cash invested. The internal rate of return is a discount rate that makes the net present value (NPV) of all cash flows from a project equal to zero.

**Leveraged**

A term used to describe how much of the net operating income is tied up in paying for a loan, or other partnership obligations.

**LID**

Local improvement district. A tool used by local governments to generate more income, usually through taxes, for public projects that would specifically benefit a local district.

**LIHTC**

Low income housing tax credit. A government tax credit program used to incentivize development of affordable housing across the country.

**NNN**

Triple net lease. A lease where the tenant is to pay all operating expenses for the property, and the landlord receives a net rent.

**NPV**

Net present value is the difference between the present value of cash inflows and the present value of cash outflows over a period of time. NPV is used in capital budgeting and investment planning to analyze the profitability of a projected investment or project.

**Pro-Forma**

A financial statement showing what is expected to occur, typically used in development to forecast financial outcomes for a project.

**Tax credit bonds**

Bonds issued by the governments which reduce tax credit liability for earned income from the property. Used to incentivize construction of affordable housing, public buildings, and projects which provide public benefits.

**TIFIA**

Transportation Infrastructure, Finance, and Innovation Act. A government infrastructure finance program that uses tax exempt bonds to fund transportation and infrastructure projects.

**Yield**

Measurement of the rate of earning from an investment.