ECONOMIC EVALUATION FOR BEL-RED BONUS INCENTIVE SYSTEM

CITY OF BELLEVUE

PROPERTY COUNSELORS

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I. INTRODUCTION AND SUMMARY

INTRODUCTION

The City of Bellevue is considering new zoning for the Bel-Red area. The proposed zoning will provide increased allowable density in the area, which will require investment in public infrastructure and public amenities. The incentive bonus system is intended to encourage more dense development, while also helping to provide for the infrastructure and amenities needed to support rezoning of the area. The City has hired Property Counselors to assist them in evaluating the bonus incentive system and setting bonus rates that provide a real incentive, but also maximize development's contribution to needed public infrastructure and amenities..

The analysis includes a feasibility assessment to determine the economic performance of different development scenarios, and the value created by additional density. Ten development scenarios are considered with six representing a range of commercial and residential uses at higher densities in nodes around transit facilities, and four scenarios representing a range of uses with lower densities. The bonus rates are calculated as averages for the *within* and *outside* node scenarios.

This report documents the results of the analysis. It is organized in four sections:

I. Introduction and Summary

II. Feasibility Analysis

III. Bonus Incentive System Analysis

IV. Appendices

The results are summarized in the remainder of this section.

SUMMARY

FEASIBILITY ANALYSIS

The feasibility analysis calculates a residual land value for each of 10 land use scenarios and two cost scenarios. The residual land value is the amount that a developer could afford to pay for a development property and still achieve a target return. The difference between the residual land value and a base land value reflecting current zoning represents a value increment that can be captured in the form of investment in public amenities.

Developer cost includes the sum of land acquisition, building construction, construction of grid streets within nodes, transportation impact fees, and other soft costs. A potential park impact fee for residential units is included in the high-rate scenarios.

The results of the feasibility analysis can be summarized as follows.

1. The Office Scenario outside the nodes indicates a residual land value approximately equal to the assumed base land price of $45 per square foot. This scenario represents a feasible project at the base density and the assumed land price, including the assumed development fees.

2. The other three cases outside the node show residual land values lower than the assumed land price of $45 per square foot. The costs associated with assumed transportation impact fees make these scenarios infeasible.

3. The scenarios within the nodes generally show residual land values of $120 to $135 per square foot for high-rise scenarios and $75 to $90 per square foot for the mid-rise scenarios. These numbers include embedded assumptions regarding developer-funded grid streets in nodes and impact fees.

BONUS INCENTIVE ANALYSIS

The purpose of the incentive analysis is to identify the amount of any bonus feature that is affordable given the amount of increased value available, and the cost of producing the feature. Bonus ranges are summarized on the following page. A low rate case is considered with lower impact fees from the feasibility analysis and 100% of value increase allocated to go towards bonus features. A high rate case is considered with higher impact fees from the feasibility analysis and 50% of value allocated to bonus features.

For example, if the zoning lift is $75 per square foot of land on a 200,000 square-foot site and the potential "bonus FAR" is 1.5, then the zoning could be allocated as follows:

> *200,000 square feet land X $75 per square foot lift = $15 million potential "zoning lift"*

This total zoning lift could potentially be fully allocated towards bonus features ($15 million), or 50% towards bonus features ($7.5 million) with 50% available to the developer or for public finance tools needed to support redevelopment ($7.5 million).

Table 1. Summary of Incentive Rate Analysis
Average Rates for Nodes

	Average in Node	
	Low Rate	**High Rate**
Stream Restoration		
$ / SF Building Area	39.24	18.73
SF Building Area / $1000	25.23	53.39
Workforce / Affordable Housing – Rental at 80% of Median Income Level		
Ratio: Additional Unit Per Affordable Unit Provided	3.7	7.9
Workforce / Affordable Housing – Ownership at 100% of Median Income Level		
Ratio: Additional Unit Per Affordable Unit Provided	5.5	11.5
Parks		
Bonus Rate (SF Building / SF Feature)	2.1	4.5
Drainage Features		
Bonus Rate (SF Building / SF Feature)	0.3	0.6
Public Access to Privately Developed Space		
Bonus Rate (SF Building / SF Feature)	0.9	1.9
LEED Certification		
Equivalent FAR Bonus		
Certified	0.06	0.13
Silver	0.09	0.20
Gold	0.13	0.27
Platinum	0.16	0.34
Subsidized Space		
Bonus Rate (SF Building / SF Feature)	4.7	10.0
Public Restrooms		
Bonus Rate (SF Building / SF Feature)	6.3	13.3
Active Recreation Areas		
Bonus Rate (SF Building / SF Feature)	3.7	7.7
Public Art		
SF Building Area / $1000	25.23	53.39

The results can be interpreted as follows:

For the stream restoration, the bonus is 25 to 53 square feet of additional building area per $1,000 in investment for stream restoration. For affordable rental housing, the bonus is 3.7 to 7.9 additional units for each affordable unit provided. For LEED Platinum, 0.16

to 0.34 FAR bonus is tied to the assumed cost premium, provided offsetting cost benefits from reduced long-term costs are not fully accounted for in this analysis.

Much of the range between the low and high rate cases is related to the assumption about the percentage of value to be allocated to the bonus incentive system. The range between the high and the low ratios indicates a value that may be reserved to fund necessary infrastructure in the area, or could be left with developers as a further incentive to develop at the higher densities. With direction from the Bellevue City Council on the appropriate percentage, the range of potential bonus rates may be narrowed significantly.

II. FEASIBILITY ANALYSIS

The premise of the bonus incentive system is that the proposed zoning and increased development density creates additional value for the underlying land which can, in turn be invested in public amenities, may be reserved to fund necessary infrastructure in the area, or could be left with developers as a further incentive to develop at the higher densities. Feasibility analysis provides an estimate of the financial performance of any development scenario. In this case the analysis can provide an estimate of the value created by the additional density. The feasibility analysis is presented in this section in terms of:

Purpose and Method

Development Alternatives and Assumptions

Results and Conclusions

PURPOSE AND METHOD

The feasibility analysis provides a proforma projection of development performance to determine whether a project provides an adequate return to justify the capital investment. The proforma feasibility analysis compares the cost of development to completed value to determine the entrepreneurial profit. Entrepreneurial profit is considered the compensation to a developer for incurring the risk of undertaking and completing a project. Entrepreneurial profit for any development plan is compared to a target rate to identify whether that option is feasible. A 15% rate is considered a typical rate falling within a range of 10% to 20%. Such a rate provides adequate incentive for a developer to assume the risk associated with development. While 15% is a preferred rate, 10% is considered a hurdle rate for this analysis. The residual land value is the price that a developer could pay for a development property and still achieve the target entrepreneurial return on cost.

The value of the completed development is estimated as the capitalized value of the operating income in a stabilized year for a rental project. The capitalized value is calculated by dividing the operating income in a stabilized year by a capitalization rate that reflects investor expectations for projects with a comparable level of risk. The stabilized year is five or more years in the future, after construction and lease-up. Developer cost is calculated as the sum of land acquisition, building construction, construction of grid streets within nodes, transportation impact fees, and other soft costs. Development costs are expressed in today's dollars, as if the development proceeds immediately.

DEVELOPMENT SCENARIOS AND ASSUMPTIONS

Community Attributes prepared a study for the City in November 2007. The study as documented in a report *Bel-Red Corridor Economic Analysis* provided a feasibility analysis and residual land value assessment for 10 development scenarios for the Bel-Red area:

Within Transit Nodes

1. High-rise Office
2. Mid-rise Office
3. High-rise Residential
4. Mid-rise Residential
5. High-rise Mixed Residential and Retail
6. Mid-rise Mixed Residential and Retail

Outside of Nodes

7. Office
8. Residential
9. Mixed Use Residential and Retail
10. Retail

These 10 land use scenarios are used as a starting point in this feasibility analysis. It is envisioned that a majority of the growth in Bel-Red would be focused within the nodes (80% of new office space and 60-70% of new housing). The physical characteristics of the scenarios are summarized in the upper portion of the table on the following page. In each case the site area is 200,000 square feet. The gross building area for the six within node scenarios is 500,000 square feet, with a floor area ratio (FAR) of 2.5. The gross building area in the outside node scenarios is 250,000 square feet, with an FAR of 1.25. For purposes of this analysis, mid-rise is defined as four to six stories. High-rise is defined as above six stories (but not greater than 13 stories).

The average size of a dwelling unit is 1,020 net square feet. Parking requirements are assumed at 1.25 spaces per residential unit inside the nodes and 1.5 spaces per unit outside the nodes; and 3 spaces per 1,000 net square feet of office inside the nodes and 4 spaces outside. Parking is assumed to be provided in an above ground parking structure where space allows. (Scenario 2 requires a portion of the parking to be developed underground.)

The key financial assumptions are also summarized in the table. Generally, the assumptions in the current analysis are taken from the Community Attributes study. Rents are assumed at the optimistic level in that study. Development costs are taken from that study with an increase to reflect a higher quality of residential construction reflective of high design standards for the area.

Table 2
Summary of Scenarios and Assumptions

	Hi rise Office Station Node	Mid rise Office Station Node	High rise Housing Station Node	Mid rise Housing Station Node	Hi rise MU H/R Station Node	Mid rise MU H/R Station Node	Office Outside Node	Housing Outside Node	MU Hsg. Ret. Outside Node	Retail Outside Node
Description										
Site Area	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Gross Building Area	500,000	500,000	500,000	500,000	500,000	500,000	250,000	250,000	250,000	250,000
Net Building Area	450,000	450,000	425,000	425,000	425,000	425,000	225,000	212,500	212,500	237,000
Dwelling Units			417	417	367	367		208	192	
Parking Stalls	1,350	1,350	521	521	636	636	900	312	356	2,063
Assumptions										
Land Price ($/sf)	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00
Site Improvements ($/sf)	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00
Internal Streets (lump sum)	900,000	900,000	900,000	900,000	900,000	900,000				
Building Construction ($/sf)	175.00	155.00	200.00	155.00	200.00	155.00	155.00	130.00	130.00	130.00
Parking Structure ($/sp)	22,100	22,100	22,100	22,100	22,100	22,100	22,100	22,100	22,100	22,100
Transportation Impact	4,515,000	4,515,000	1,003,125	1,003,125	1,941,600	1,941,600	1,767,750	461,250	757,500	2,523,750
Park Impact (/housing unit)			2,500	2,500	2,500	2,500		2,500	2,500	
Other Soft Cost (% of constr.)	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
Rent Stabilized Yr ($/nsf)	40.00	36.00	36.00	24.00	36.00	24.00	36.00	24.00	24.00	36.00
Vacancy	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Operating Expense ($/nsf)	13.60	12.24	10.80	7.20	10.80	7.20	12.24	7.20	7.20	12.24
Capitalization Rate	6.5%	6.5%	5.5%	5.5%	5.5%	5.5%	6.5%	5.5%	5.5%	6.5%

Construction costs reflect today's prices. Rents reflect expected values at a stabilized year, approximately five years from today.

Land prices are assumed at a value of $45 per square foot to reflect the value under current zoning for much of the subarea (predominantly light industrial and commercial zoning). While there are recent transactions in the area that exceed this assumed value, these transactions are potentially speculative in anticipation of the new zoning.

The capitalization rates are based on recent published investor survey results at 5.5% for residential and 6.5% for commercial development.

Projects within the nodes will be expected to provide an internal street system. On average, the City estimates this cost to be $900,000 for each of these scenarios in the nodes. Potential transportation impact fee estimates were provided by the City at a level equivalent to $7,500 per trip. A potential park impact fee is considered at a level of $2,500 per residential unit, assigned only to residential and mixed use residential scenarios.

RESULTS AND CONCLUSIONS

The feasibility analysis was prepared for each of the ten scenarios for two cases:

A High Case that includes the park impact fee.

A Low Case that does not include the park impact fee.

The results of the analysis are shown in Appendix 1. The capitalized value, development cost, entrepreneurial profit, return as percent of investment and residual land value is shown for each case and scenario. Where the return as a percent of investment exceeds 10%, the residual land value exceeds the assumed land price of $45. The residual land value estimates are summarized in the following table.

Table 3
Estimated Residual Land Value
10 Development Scenarios

	Low*	High**
Within Node		
1. High-rise Office	123.62	123.62
2. Mid-rise Office	73.81	73.81
3. Hi-rise Residential	135.87	130.66
4. Mid-rise Residential	89.41	84.20
5. High-rise Mixed Res./Ret.	122.46	117.88
6. Mid-rise Mixed Res./Ret.	81.57	76.99
Outside Node		
7. Office	46.52	46.52
8. Residential	37.00	34.39
9. Mixed Res./Ret.	33.80	31.40
10.Retail	26.59	26.59

* Low bonus case based on higher construction cost for residential, internal streets, and transportation impact fees.

** High bonus case based on higher construction cost for residential, internal streets, park impact fees and transportation impact fees.

The results can be further summarized as follows:

1. The Office Scenario outside the nodes indicates a residual land value approximately equal to the assumed land price. This scenario represents a feasible project at the base density and the assumed land price, including the assumed development fees.

2. The other three cases outside the node show residual land values lower than the assumed land price of $45 per square foot. The costs associated with assumed transportation impact fees make these scenarios infeasible even if the property could be purchased at $45 per square foot.

3. The scenarios within the nodes generally show residual land values of $120 to $135 per square foot for high rise scenarios and $75 to $90 per square foot for the mid-rise scenarios. These numbers include embedded assumptions regarding developer-funded grid streets and impact fees.

III. BONUS INCENTIVE ANALYSIS

The feasibility analysis provides an estimate of the additional value created by the proposed zoning and increased density. The bonus incentive analysis considers what the bonus rates could be for a series of bonus features under different assumptions about how the additional value could be allocated. The incentive analysis is presented in this section in terms of:

Purpose and Method

Assumptions

Results and Conclusions

PURPOSE AND METHOD

The purpose of the incentive analysis is to identify the amount of any bonus feature that is affordable given the amount of increased value available, and the cost of producing the feature. A high and low rate for the bonus are calculated according to the following specifications:

Low Rate: Low residual value case from feasibility analysis with 100% of value increase allocated to bonus features.

High Rate: High residual value case from feasibility analysis with 50% of value allocated to bonus features.

The following public amenities were considered in the analysis.

Stream Restoration

Workforce/Affordable Housing-Rental

Workforce/Affordable Housing-Ownership

Parks

Drainage Features

Public Access to Privately Developed Space

LEED Certification

Subsidized Space (e.g. daycare or community space)

Public Restrooms

Active Recreation Areas

Public Art

The bonus rates are set in three steps.

Estimate of total value increment: (Residual value-$45 base value) X (Land Area) X (% Value Capture).

Estimate of incremental value per square foot of building area: (Total Value Increment) / (Incremental Building Area).

Estimated square feet of building area per unit of feature: (Cost per unit of feature) / (Value per square foot of building area)

In the case of Stream Restoration and Public Art, the result is expressed as dollar investment per square foot of additional building area. In the case of affordable housing the result is expressed as additional housing units for each affordable housing unit provided. For achieving a LEED standard, the result is expressed as the equivalent amount of FAR increase necessary to offset additional costs of development. (During their preliminary work on the incentive system, the Bellevue Planning Commission determined that only LEED Gold and LEED Platinum should be considered for a density bonus. They will likely also consider LEED for Neighborhoods pilot program in future years.)

ASSUMPTIONS

Cost assumptions for each bonus feature are summarized below.

Table 4. Incentive Bonus Features
Cost Assumptions

Stream Restoration	Actual Cost
Workforce Affordable Housing-Rental @ 80% of Median	
Mid-rise	$145,900 /unit average subsidy
High-rise	$211,400 /unit average subsidy
Workforce Affordable Housing-Ownership @ 100% of Median	
Mid-rise	$165,600 /unit average subsidy
High-Rise	$353,300 /unit average subsidy
Parks	$85 per square foot incl. land
Drainage Features	$11 per square foot
Public Access to Privately Developed Space	$35 per square foot
LEED Certification	
Certified	2% of Building Cost
Silver	4% of Building Cost
Gold	6% of Building Cost
Platinum	8% of Building Cost
Subsidized space	$188 per square foot
Public Restrooms	$250 per square foot
Active Recreation Areas	$145 per square foot incl. land

The cost factors for parks, drainage features, public access to private space, public restrooms, and active recreation areas were provided by the City. The affordable housing subsidy factors were calculated as the difference between the capitalized value of market rental units and affordable units for rental (80% of median income), and the difference between net sale price for market units and affordable prices for ownership units (100% of median income). The cost factors for LEED certification represent the additional hard and soft cost for construction of the entire project. The cost factor for subsidized space is estimated as the difference between the capitalized value of a market rent income stream (assumed at $36 per square foot per year) and a below-market income stream (assumed at $20 per square foot per year).

RESULTS AND CONCLUSIONS

The estimated bonus factors for the high and low cases are summarized as averages for the six in node scenarios are summarized in Table 5. There is no value increase for the outside node scenarios, so no bonus values are calculated.

Table 5. Summary of Incentive Rate Analysis
Average Rates for Nodes

	Average in Node	
	Low Rate	**High Rate**
Stream Restoration		
$ / SF Building Area	39.24	18.73
SF Building Area / $1000	25.23	53.39
Workforce / Affordable Housing – Rental at 80% Median Income Level		
Ratio: Additional Unit Per Affordable Unit Provided	3.7	7.9
Workforce / Affordable Housing – Ownership at 100% Median Income Level		
Ratio: Additional Unit Per Affordable Unit Provided	5.5	11.5
Parks		
Bonus Rate (SF Building / SF Feature)	2.1	4.5
Drainage Features		
Bonus Rate (SF Building / SF Feature)	0.3	0.6
Public Access to Privately Developed Space		
Bonus Rate (SF Building / SF Feature)	0.9	1.9
LEED Certification		
Equivalent FAR Bonus		
Certified	0.06	0.13
Silver	0.09	0.20
Gold	0.13	0.27
Platinum	0.16	0.34
Subsidized Space		
Bonus Rate (SF Building / SF Feature)	4.7	10.0
Public Restrooms		
Bonus Rate (SF Building / SF Feature)	6.3	13.3
Active Recreation Areas		
Bonus Rate (SF Building / SF Feature)	3.7	7.7
Public Art		
SF Building Area / $1000	25.23	53.39

The results can be interpreted as follows:

For the stream restoration, the bonus is 25 to 53 square feet of additional building area per $1,000 in investment for stream restoration. For affordable rental housing, the bonus is 3.7 to 7.9 additional units for each affordable unit provided. For LEED Platinum, 0.16

to 0.34 FAR bonus is tied to the assumed cost premium for developing at that standard, provided offsetting cost benefits from reduced long-term costs are not fully accounted for in this analysis.

Much of the range between the low and high rate cases is related to the assumption about the percentage of value to be allocated to the bonus incentive system. The percentage accounts for how much value may be reserved to fund necessary infrastructure in the area, and how much value could be left with developers as a further incentive to develop at the higher densities. With a decision on the appropriate percentage, the range of potential bonus rates will be narrowed significantly.

APPENDICES

SUMMARY OF PROFORMA ANALYSIS-BONUS RANGE SCENARIOS

SUMMARY OF FINANCIAL ANALYSIS OF INCENTIVE OPTIONS: INCENTIVE RATIO CALCULATIONS

BEL RED FINANCIAL STRATEGIES
FINANCIAL ANALYSIS OF DEVELOPMENT ALTERNATIVES
SUMMARY OF PROFORMA ANALYSIS-BONUS RANGE SCENARIOS

	1. Hi-Rise Office in Node		2. Mid-Rise Office in Node	
	Low*	High**	Low*	High**
RENTAL OPERATING INCOME	12,154,500	12,154,500	11,056,500	11,056,500
	-	-	-	-
CAPITALIZED VALUE	186,992,308	186,992,308	170,100,000	170,100,000
CAPITAL INVESTMENT				
Land Acquisition	9,000,000	9,000,000	9,000,000	9,000,000
Construction	108,272,500	108,272,500	104,122,500	104,122,500
Soft Costs	36,996,750	36,996,750	35,751,750	35,751,750
Total	154,269,250	154,269,250	148,874,250	148,874,250
ENTREPRENEURIAL RETURN	32,723,058	32,723,058	21,225,750	21,225,750
RETURN AS % OF INVESTMENT	21.2%	21.2%	14.3%	14.3%
RESIDUAL LAND VALUE	123.62	123.62	73.81	73.81

* Low bonus case based on higher construction cost for residential, internal streets, and transportation impact fees.
** High bonus case based on higher construction cost for residential, internal streets, and park and transportation impact fees.

BEL RED FINANCIAL STRATEGIES
FINANCIAL ANALYSIS OF DEVELOPMENT ALTERNATIVES
SUMMARY OF PROFORMA ANALYSIS-BONUS RANGE SCENARIOS

	3. Hi-Rise Hsg in Node		4. Mid-Rise Hsg in Node	
	Low*	High**	Low*	High**
RENTAL OPERATING INCOME	10,398,270	10,398,270	7,083,270	7,083,270
	-	-	-	-
CAPITALIZED VALUE	189,059,455	189,059,455	128,786,727	128,786,727
CAPITAL INVESTMENT				
Land Acquisition	9,000,000	9,000,000	9,000,000	9,000,000
Construction	110,534,350	110,534,350	75,534,350	75,534,350
Soft Costs	34,163,430	35,205,097	23,663,430	24,705,097
Total	153,697,780	154,739,447	108,197,780	109,239,447
ENTREPRENEURIAL RETURN	35,361,675	34,320,008	20,588,947	19,547,281
RETURN AS % OF INVESTMENT	23.0%	22.2%	19.0%	17.9%
RESIDUAL LAND VALUE	135.87	130.66	89.41	84.20

* Low bonus case based on higher construction cost for residential, internal streets, and transportation impact fees.
** High bonus case based on higher construction cost for residential, internal streets, and park and transportation impact fees.

BEL RED FINANCIAL STRATEGIES
FINANCIAL ANALYSIS OF DEVELOPMENT ALTERNATIVES
SUMMARY OF PROFORMA ANALYSIS-BONUS RANGE SCENARIOS

	5. Hi-Rise Mixed Hsg/Retail in Node		6. Mid-Rise Mixed Hsg/Retail in Node	
	Low*	High**	Low*	High**
RENTAL OPERATING INCOME	10,270,020	10,270,020	7,352,820	7,352,820
	-	-	-	-
CAPITALIZED VALUE	183,594,881	183,594,881	130,554,881	130,554,881
CAPITAL INVESTMENT				
Land Acquisition	9,000,000	9,000,000	9,000,000	9,000,000
Construction	108,054,600	108,054,600	77,254,600	77,254,600
Soft Costs	34,357,980	35,274,647	25,117,980	26,034,647
Total	151,412,580	152,329,247	111,372,580	112,289,247
ENTREPRENEURIAL RETURN	32,182,301	31,265,634	19,182,301	18,265,634
RETURN AS % OF INVESTMENT	21.3%	20.5%	17.2%	16.3%
RESIDUAL LAND VALUE	122.46	117.88	81.57	76.99

* Low bonus case based on higher construction cost for residential, internal streets, and transportation impact fees.
** High bonus case based on higher construction cost for residential, internal streets, and park and transportation impact fees.

BEL RED FINANCIAL STRATEGIES
FINANCIAL ANALYSIS OF DEVELOPMENT ALTERNATIVES
SUMMARY OF PROFORMA ANALYSIS-BONUS RANGE SCENARIOS

	7. Office Outside Node (1.25 FAR)		8. Housing Outside Node (1.25 FAR)	
	Low*	High**	Low*	High**
RENTAL OPERATING INCOME	5,724,000	5,724,000	3,586,440	3,586,440
	-	-	-	-
CAPITALIZED VALUE	88,061,538	88,061,538	65,208,000	65,208,000
CAPITAL INVESTMENT				
Land Acquisition	9,000,000	9,000,000	9,000,000	9,000,000
Construction	53,065,000	53,065,000	39,553,200	39,553,200
Soft Costs	17,687,250	17,687,250	12,327,210	12,848,043
Total	79,752,250	79,752,250	60,880,410	61,401,243
ENTREPRENEURIAL RETURN	8,309,288	8,309,288	4,327,590	3,806,757
RETURN AS % OF INVESTMENT	10.4%	10.4%	7.1%	6.2%
RESIDUAL LAND VALUE	46.52	46.52	37.00	34.39

* Low bonus case based on higher construction cost for residential, internal streets, and transportation impact fees.
** High bonus case based on higher construction cost for residential, internal streets, and park and transportation impact fees.

BEL RED FINANCIAL STRATEGIES
FINANCIAL ANALYSIS OF DEVELOPMENT ALTERNATIVES
SUMMARY OF PROFORMA ANALYSIS-BONUS RANGE SCENARIOS

	9. Mixed Hsg/Retail Outside Node (1.25 FAR)		10. Retail Outisde Node (1.25 FAR)	
	Low*	High**	Low*	High**
RENTAL OPERATING INCOME	3,673,680	3,673,680	5,215,500	5,215,500
	-	-	-	-
CAPITALIZED VALUE	65,749,930	65,749,930	80,238,462	80,238,462
CAPITAL INVESTMENT				
Land Acquisition	9,000,000	9,000,000	9,000,000	9,000,000
Construction	40,196,600	40,196,600	50,078,050	50,078,050
Soft Costs	12,816,480	13,295,647	17,547,165	17,547,165
Total	62,013,080	62,492,247	76,625,215	76,625,215
ENTREPRENEURIAL RETURN	3,736,850	3,257,683	3,613,247	3,613,247
RETURN AS % OF INVESTMENT	6.0%	5.2%	4.7%	4.7%
RESIDUAL LAND VALUE	33.80	31.40	26.59	26.59

* Low bonus case based on higher construction cost for residential, internal streets, and transportation impact fees.
** High bonus case based on higher construction cost for residential, internal streets, and park and transportation impact fees.

BEL RED FINANCIAL STRATEGIES
FINANCIAL ANALYSIS OF INCENTIVE OPTIONS
INCENTIVE RATIOS

	Hi rise Station Node		Mid rise Station Node		Outside Node		Average in Node	
	Low Rate	High Rate	Low Rate	High Rate	Low Rate	High Rate	Low Rate	High Rate
Stream Restoration								
Change in Residual Value								
Residual Value /SF	127.32	124.05	81.59	78.33	39.10	37.44	104.46	101.19
Base (/SF	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00
Square Feet-Land	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Potential Value Increment	16,463,355	15,810,577	7,318,951	6,666,173	(1,179,044)	(1,512,377)	11,891,153	11,238,375
FAR Increment	1.5	1.5	1.5	1.5			1.5	1.5
Value Increment for Feature	16,463,355	15,810,577	7,318,951	6,666,173			11,891,153	11,238,375
Building Area Increment	300,000	300,000	300,000	300,000	-	-	300,000	300,000
Share of Value Increment	100%	50%	100%	50%	100%	50%	100%	50%
$/SF Building Area	54.88	26.35	24.40	11.11			39.64	18.73
Workforce Affordable Housing-80% of Median Rental								
Change in Residual Value								
Residual Value /SF	127.32	124.05	81.59	78.33	39.10	37.44	104.46	101.19
Base /SF	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00
Square Feet-Land	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Potential Value Increment	16,463,355	15,810,577	7,318,951	6,666,173	(1,179,044)	(1,512,377)	11,891,153	11,238,375
FAR Increment	0.5	0.5	0.5	0.5			0.5	0.5
Value Increment for Feature	5,487,785	5,270,192	2,439,650	2,222,058			3,963,718	3,746,125
Share of Value Increment	100%	50%	100%	50%	100%	50%	100%	50%
Affordable Subsidy (/unit)	211,418	211,418	145,879	145,879			178,648	178,648
Equivalent Affordable Units	26.0	12.5	16.7	7.6			22.2	10.5
Additional Units	83	83	83	83			83	83
Required Afforadable as % of Additional	31.3%	15.0%	20.1%	9.2%			26.7%	12.6%
Ratio: Additional to Affordable	3.2	6.7	5.0	10.9			3.7	7.9
Workforce Affordable Housing-100% of Median Ownership								
Change in Residual Value								
Future (w/ Fees & Premium) /SF	127.32	124.05	81.59	78.33	39.10	37.44	104.46	101.19
Base /SF	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00
Square Feet-Land	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Potential Value Increment	16,463,355	15,810,577	7,318,951	6,666,173	(1,179,044)	(1,512,377)	11,891,153	11,238,375
FAR Increment	0.5	0.5	0.5	0.5			0.5	0.5
Value Increment for Feature	5,487,785	5,270,192	2,439,650	2,222,058			3,963,718	3,746,125
Share of Value Increment	100%	50%	100%	50%			100%	50%
Affordable Subsidy (/unit)	353,280	353,280	165,600	165,600	165,600	165,600	259,440	259,440
Equivalent Affordable Units	15.5	7.5	14.7	6.7	-	-	15.3	7.2
Additional Units	83.3	83.3	83.3	83.3			83.3	83.3
Required Afforadable as % of Additional	18.6%	9.0%	17.7%	8.1%			18.3%	8.7%
Ratio: Additional to Affordable	5.4	11.2	5.7	12.4			5.5	11.5

BEL RED FINANCIAL STRATEGIES
FINANCIAL ANALYSIS OF INCENTIVE OPTIONS
INCENTIVE RATIOS

	Hi rise Station Node		Mid rise Station Node		Outside Node		Average in Node	
	Low Rate	High Rate	Low Rate	High Rate	Low Rate	High Rate	Low Rate	High Rate
Parks								
Residual Value /SF	127.32	124.05	81.59	78.33	39.10	37.44	104.46	101.19
Base Land Value /SF	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00
Square Feet-Land	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Potential Value Increment	16,463,355	15,810,577	7,318,951	6,666,173	(1,179,044)	(1,512,377)	11,891,153	11,238,375
FAR Increment	1.00	1.00	1.00	1.00			1.00	1.00
Value Increment for Feature	10,975,570	10,540,385	4,879,300	4,444,115	-	-	7,927,435	7,492,250
Building Area Increment	200,000	200,000	200,000	200,000	-	-	200,000	200,000
Share of Value Increment	100%	50%	100%	50%	100%	50%	100%	50%
$/SF Building Area	54.88	26.35	24.40	11.11			39.64	18.73
$/SF Cost of Feature	85	85	85	85	85	85	85	85
Bonus Rate (SF Bldg/SF Feat.)	1.5	3.2	3.5	7.7			2.1	4.5
Drainage Features								
Residual Value /SF	127.32	124.05	81.59	78.33	39.10	37.44	104.46	101.19
Base Land Value /SF	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00
Square Feet-Land	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Potential Value Increment	16,463,355	15,810,577	7,318,951	6,666,173	(1,179,044)	(1,512,377)	11,891,153	11,238,375
FAR Increment	1.00	1.00	1.00	1.00	-	-	1.00	1.00
Value Increment for Feature	10,975,570	10,540,385	4,879,300	4,444,115	-	-	7,927,435	7,492,250
Building Area Increment	200,000	200,000	200,000	200,000	-	-	200,000	200,000
Share of Value Increment	100%	50%	100%	50%	100%	50%	100%	50%
$/SF Building Area	54.88	26.35	24.40	11.11			39.64	18.73
$/SF Cost of Feature	11.00	11.00	11.00	11.00	10.00	11.00	11	11
Bonus Rate (SF Bldg/SF Feat.)	0.2	0.4	0.5	1.0			0.3	0.6
Public Access to Privately Developed Space								
Residual Value /SF	127.32	124.05	81.59	78.33	39.10	37.44	104.46	101.19
Base Land Value /SF	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00
Square Feet-Land	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Potential Value Increment	16,463,355	15,810,577	7,318,951	6,666,173	(1,179,044)	(1,512,377)	11,891,153	11,238,375
FAR Increment	1.00	1.00	1.00	1.00	-	-	1.0	1.0
Value Increment for Feature	10,975,570	10,540,385	4,879,300	4,444,115	-	-	7,927,435	7,492,250
Building Area Increment	200,000	200,000	200,000	200,000	-	-	200,000	200,000
Share of Value Increment	100%	50%	100%	50%	100%	50%	100%	50%
$/SF Building Area	54.88	26.35	24.40	11.11	-	-	39.64	18.73
$/SF Cost of Feature	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00
Bonus Rate (SF Bldg/SF Feat.)	0.6	1.3	1.4	3.2			0.9	1.9

BEL RED FINANCIAL STRATEGIES
FINANCIAL ANALYSIS OF INCENTIVE OPTIONS
INCENTIVE RATIOS

	Hi rise Station Node		Mid rise Station Node		Outside Node		Average in Node	
	Low Rate	**High Rate**	**Low Rate**	**High Rate**	**Low Rate**	**High Rate**	**Low Rate**	**High Rate**
LEED Certification								
Residual Value /SF	127.32	124.05	81.59	78.33	39.10	37.44	104.46	101.19
Base Land Value /SF	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00
Square Feet-Land	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Potential Value Increment	16,463,355	15,810,577	7,318,951	6,666,173	(1,179,044)	(1,512,377)	11,891,153	11,238,375
FAR Increment	1.0	1.0	1.0	1.0	-	-	1.00	1.00
Value Increment for Feature	10,975,570	10,540,385	4,879,300	4,444,115	-	-	7,927,435	7,492,250
Building Area Increment	200,000	200,000	200,000	200,000	-	-	200,000	200,000
Share of Value Increment	100%	50%	100%	50%	100%	50%	100%	50%
Captured Value Incrmnt for Feature	10,975,570	5,270,192	4,879,300	2,222,058	-	-	7,927,435	3,746,125
Cost Premium (@ 10%)								
Certified	540,152	540,152	425,901	425,901	219,589	219,589	483,027	483,027
Silver	829,711	829,711	654,836	654,836	337,352	337,352	742,274	742,274
Gold	1,119,270	1,119,270	883,771	883,771	455,116	455,116	1,001,520	1,001,520
Platinum	1,408,828	1,408,828	1,112,707	1,112,707	572,880	572,880	1,260,767	1,260,767
Equivalent FAR Increment								
Certified	0.05	0.10	0.09	0.19			0.06	0.13
Silver	0.08	0.16	0.13	0.29			0.09	0.20
Gold	0.10	0.21	0.18	0.40			0.13	0.27
Platinum	0.13	0.27	0.23	0.50			0.16	0.34
Subsidized Space								
Residual Value /SF	127.32	124.05	81.59	78.33	39.10	37.44	104.46	101.19
Base Land Value /SF	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00
Square Feet	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Potential Value Increment	16,463,355	15,810,577	7,318,951	6,666,173	(1,179,044)	(1,512,377)	11,891,153	11,238,375
FAR Increment	1.00	1.00	1.00	1.00	-	-	1.00	1.00
Value Increment for Feature	10,975,570	10,540,385	4,879,300	4,444,115	-	-	7,927,435	7,492,250
Building Area Increment	200,000	200,000	200,000	200,000	-	-	200,000	200,000
Share of Value Increment	100%	50%	100%	50%	100%	50%	100%	50%
Captured Value Incrmnt for Feature	10,975,570	5,270,192	4,879,300	2,222,058	-	-	7,927,435	3,746,125
$/SF Building Area	54.88	26.35	24.40	11.11			39.64	18.73
$/SF Cost of Feature	188.00	188.00	188.00	188.00	188.00	188.00	188.00	188.00
Bonus Rate (SF Bldg/SF Feat.)	3.4	7.1	7.7	16.9			4.7	10.0

BEL RED FINANCIAL STRATEGIES
FINANCIAL ANALYSIS OF INCENTIVE OPTIONS
INCENTIVE RATIOS

	Hi rise Station Node		Mid rise Station Node		Outside Node		Average in Node	
	Low Rate	High Rate	Low Rate	High Rate	Low Rate	High Rate	Low Rate	High Rate
Public Restrooms								
Residual Value /SF	127.32	124.05	81.59	78.33	39.10	37.44	104.46	101.19
Base Land Value /SF	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00
Square Feet	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Potential Value Increment	16,463,355	15,810,577	7,318,951	6,666,173	(1,179,044)	(1,512,377)	11,891,153	11,238,375
FAR Increment	1.00	1.00	1.00	1.00	-	-	1.00	1.00
Value Increment for Feature	10,975,570	10,540,385	4,879,300	4,444,115	-	-	7,927,435	7,492,250
Building Area Increment	200,000	200,000	200,000	200,000	-	-	200,000	200,000
Share of Value Increment	100%	50%	100%	50%	100%	50%	100%	100%
Captured Value Incrmnt for Feature	10,975,570	5,270,192	4,879,300	2,222,058	-	-	7,927,435	3,746,125
$/SF Building Area	54.88	26.35	24.40	11.11			39.64	18.73
$/SF Cost of Feature	250.00	250.00	250.00	250.00	249.00	250.00	250.00	250.00
Bonus Rate (SF Bldg/SF Feat.)	4.6	9.5	10.2	22.5			6.3	13.3
Active Recreation Areas								
Residual Value /SF	127.32	124.05	81.59	78.33	39.10	37.44	104.46	101.19
Base Land Value /SF	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00
Square Feet	200,000	200,000	200,000	200,000	200,000	200,000	200,001	200,002
Potential Value Increment	16,463,355	15,810,577	7,318,951	6,666,173	(1,179,044)	(1,512,377)	11,891,212	11,238,488
FAR Increment	1.0	1.0	1.0	1.0			1.0	1.0
Value Increment for Feature	10,975,570	10,540,385	4,879,300	4,444,115	-	-	7,927,475	7,492,325
Building Area Increment	200,000	200,000	200,000	200,000	-	-	200,001	200,002
Share of Value Increment	100%	50%	100%	50%			100%	50%
Captured Value Incrmnt for Feature	10,975,570	5,270,192	4,879,300	2,222,058	-	-	7,927,475	3,746,163
$/SF Building Area	54.88	26.35	24.40	11.11			39.64	18.73
$/SF Cost of Feature	145.00	145.00	145.00	145.00			145.00	145.00
Bonus Rate (SF Bldg/SF Feat.)	2.6	5.5	5.9	13.1			3.7	7.7