



Rendering Used For Inspiration

THE LIGHTHOUSE

BELLEVUE WASHINGTON NAIOP COMPETITION

PORTLAND STATE UNIVERSITY

March 2, 2020

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SUSTAINABLE VENTURE PARTNERS

PROJECT OVERVIEW

Sustainable Venture Partners (SVP) is seeking Investment Committee approval for The Lighthouse, a mixed-use multifamily and retail building to be located in downtown Bellevue. The Lighthouse sits at the northeast corner of the intersection of NE 8th Street and 102nd Avenue NE. The parcel is currently owned by McAusland Real Properties LLC.

The Lighthouse is proud to be the first cross laminated timber building (CLT) in downtown Bellevue. The Lighthouse has one core theme: to be the beacon in Bellevue of innovative, sustainable and memorable design. The Lighthouse is a 221,942 GSF nine-story mixed use residential project with 121 residential units, 8,142 GSF of Class-A active use retail, and two levels of underground parking for 178 vehicles, and 60 bicycles. Ground level retail tenants will be located on the 8th Street frontage, while the residential lobby will front 102nd. An outdoor community open space is housed in the courtyard to the northeast of the structure. Apartments are situated on floors two through nine. The nine story mass timber building will have magnificent protected views to the southwest and west with views of Meydenbauer Bay, Lake Washington, and Downtown Seattle.

The Lighthouse will pay homage to the history of the Pacific Northwest's timber industry and serve tomorrow's tech and environmental innovation for which Washington and Bellevue are renowned for. The look and feel will honor the Northwest with minimal, modern, and natural designs. This property has been family owned for many years and its tenants have offered a gathering place for the community of Bellevue, we look to continue this tradition. The Lighthouse will serve as a beacon for individuals and families looking to put their roots down in a natural, healthy and beautiful home in the heart of Bellevue.

Schematic design is ready to commence, and the entitlement period will begin in Q2 2021 with construction breaking ground in Q3 2022. The Lighthouse will begin pre-leasing in Q3 of 2023 and will be fully delivered Q1 of 2024. Stabilization is scheduled for Q3 of 2024.

Pending mutual agreement, McAusland Real Properties LLC. will contribute the land as a limited partner with an equity value of \$19,298,400 (\$600/SF) for a Limited Partnership interest in the project. SVP will serve as General Partner and contribute the remainder of the equity needed to finance the deal. SVP, for a fee, will provide the development services for the project. SVP has identified a lender and has agreed to principal terms for construction, and have negotiated with the same lender for a committed takeout loan. The total construction debt needed to finance the project is estimated to be roughly \$58MM. The total projected development costs for the project are roughly \$89MM. At this time, SVP forecasts a project level Leveraged IRR of 19.6% on a 10 year hold from the start of construction, with disposition occurring in 2033. The total project timeline is 13.5 years.

EXECUTIVE SUMMARY

SUSTAINABLE VENTURE PARTNERS

Sustainable Venture Partners (SVP) is a diversified, vertically integrated, real estate investment and development firm specializing in innovative and sustainable solutions in markets with strong barriers to entry. SVP seeks attractive returns in distressed and opportunistic residential real estate investments. SVP prioritizes capital preservation and wealth creation. Our investment process includes:

1. Identifying select key urban infill sites situated in markets with strong demographics
2. Underwriting conservatively to maximize downside risk protection.
3. Leveraging residential development and construction experience to enhance investment opportunities.

PROJECT FINANCIAL SUMMARY

Below summarizes the financial assumptions for The Lighthouse assuming a 10-year hold from completion of construction. For expanded financial assumptions including detailed development costs, revenue & expenses, project level annual cash flows, sources and uses summary, and our investor waterfall, please see our Appendix section.

CONSOLIDATED FINANCIAL SUMMARY	Total	PARKING	RETAIL	MULTIFAMILY
DESIGN ASSUMPTIONS				
GROSS BUILDING SF	221,924	56,176	8,142	157,606
RENTABLE SF	165,090	33,706	8,142	123,242
PARKING STALLS	178		33	145
% GROSS BUILDING SF		25.3%	3.7%	71.0%
% STRUCTURE ABOVE GROUND		0.0%	4.9%	95.1%
COST ASSUMPTIONS				
LAND VALUE (\$/NRSF)	\$118.65			
TOTAL HARD COSTS (\$/NSF)	\$330.83			
SOFT COSTS (\$/SF)	\$89.72			
TOTAL DEVELOPMENT COSTS (\$/SF)	\$539.19			
TOTAL DEVELOPMENT COSTS	\$89,015,429			
INCOME & OPERATING EXPENSE ASSUMPTIONS				
TOTAL INCOME (\$/NSF/MO)	\$3.81			
REVENUE (STABILIZATION)	\$7,540,724			
BASE YR. OPERATING EXPENSES (\$/SF/YR)	\$2,020,063			
NOI (STABILIZATION)	\$5,520,661			
EXIT ASSUMPTIONS				
BLENDED CAPITALIZATION RATE	4.50%			
FUTURE VALUE - YEAR 13.5 (\$)	\$166,235,403			
VALUE (\$/GSF)	\$749.06			
CONSTRUCTION DEBT ASSUMPTIONS				
LOAN TO COST	65%			
TOTAL DEBT	\$57,861,970			
EQUITY REQUIRED	\$31,153,459			
INTEREST RATE	4.75%			
PERMANENT DEBT ASSUMPTIONS				
LOAN TO VALUE	60%			
DEBT SERVICE COVERAGE	1.31			
TOTAL DEBT	\$73,608,818			
APPRAISAL YEAR 5	\$122,681,363			
INTEREST RATE	4.00%			
DEBT YIELD	7.50%			
AMORITIZATION PERIOD	30			
LOAN TERM	10			
RETURN ASSUMPTIONS				
YIELD ON COST	6.20%			
RETURN ON EQUITY	8.99%			
UNLEVERAGED IRR	10.87%			
LEVERAGED IRR	19.53%			

	Gross Cash Distributed		
	Limited Partner	General Partner	Total
Tier 1	\$ 32,048,678	\$ 19,687,589	\$ 51,736,267
Tier 2	\$ 8,628,859	\$ 5,300,731	\$ 13,929,589
Tier 3	\$ 12,080,502	\$ 8,053,668	\$ 20,134,170
Tier 4	\$ 10,325,916	\$ 6,883,944	\$ 17,209,860
Tier 5	\$ 15,696,156	\$ 23,544,234	\$ 39,240,390
Total Distributions	\$ 78,780,111	\$ 63,470,166	\$ 142,250,278
Total Contributions	\$ 19,298,400	\$ 11,855,059	\$ 31,153,459
Total Profit	\$ 59,481,711	\$ 51,615,107	\$ 111,096,819
XIRR	20.06%	19.01%	19.53%
Equity Multiple	4.08x	5.35x	4.57x

PROJECT SCHEDULE CONT...

ENTITLEMENTS

Once preliminary design was finished, SVP requested a preapplication conference with the City of Bellevue. The pre-application conference provided the City an opportunity to comment on our proposed design. We also used the opportunity, to obtain estimates on the City's entitlement timeline, discuss civil related issues, and discuss the viability of our program. Fire, Life and Safety was supportive of our proposed project, and were not concerned about the building's use of CLT as long as we comply by IBC 2021 standards, which our project will. Based on the pre-application conference, we do not anticipate any staff opposition to our project.

The success of the entitlement process hinges on Bellevue's approval of our design review, and obtaining necessary special permissions from the Director to obtain approval for our building design. Demolition, excavation & shoring, and building permits will be phased to accelerate our development timeline. The proposed entitlements process will take 18 months.

CONSTRUCTION

Our construction timeline forecasts a savings of 8 weeks based on the heavy use of CLT. Offsite preconstruction of CLT beams accelerates our construction schedule relative to Type - 1 Concrete. Elements of the building can be fabricated off-site, and delivered as needed based on construction schedules. Based on preliminary discussions with general contractors, we forecast construction will take 18 months.

LEASE-UP / ABSORPTION

Lease up will begin upon receipt of temporary certificates of occupancy on a unit by unit basis. We forecast heavy demand will translate to an accelerated lease up. We have conservatively estimated leasing averaging 14 units per month. And we expect lease up to be completed in 8 months. Retail leasing is forecast to take 8 months.

Detailed Multifamily Lease-Up Forecast										
Operating Year	Year 4									Year 5
Month	10/30/23	11/30/23	12/30/23	1/30/24	2/29/24	3/30/24	4/30/24	5/30/24	6/30/24	
Units Delivered		15	105							
Total Units Delivered		15	120							
Units Leased		15	15	15	15	15	15	15	9	
Total Units Leased		15	30	45	60	75	90	105	114	
MF Occupancy (%)		100%	25%	38%	50%	63%	75%	88%	95.0%	
Avg Occupancy Year 4	36.5%									
Avg Occupancy Year 5	95.0%									
Lease-Up Duration	8									
Ave Units Leased/Mo	14.25									

HOLDING PERIOD/OPERATIONS

Stabilized operation is scheduled for Year 5. We anticipate average occupancy at Year 5 to be 95% for the year. We have modeled a holding period of 10 years based on our understanding of McAusland Real Properties LLC's preference for a 10-year hold from the time construction is finished -- slated for end of Q4 2023.

DISPOSITION/PROJECT EXIT

Disposition of the project will occur in Q4 of 2033. The decision to exit will be dependent on building and market conditions at the time of sale.

SITE SUMMARY

SUBJECT PROPERTY

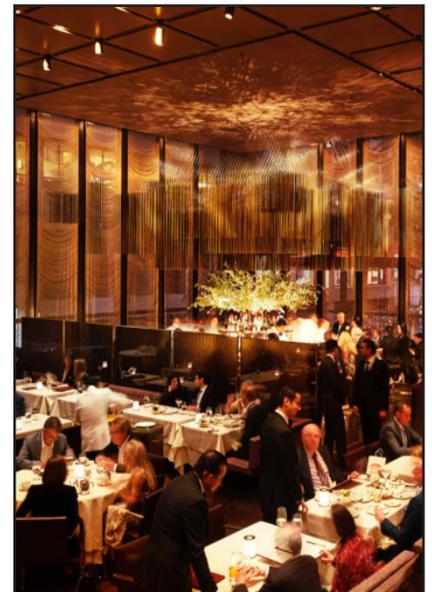
The proposed site is 32,164 square feet (0.74 acres) located at 10210 NE 8th St. in Bellevue, WA. The site currently houses a 14,538 square foot building with retail on the ground floor featuring national tenants such as Starbucks and See's Candies, and roughly 5,000 square feet of office space above.



NEIGHBORHOOD & AMENITIES

The site is bordered to the east by Fortress Development's highly anticipated project, The Avenue, planned for 332 luxury residences and 85,000 square feet of high end retail space. To the west, Pinnacle International Development has plans to develop over 1.5M SF of residential, retail, and hotel. We believe our site is uniquely positioned to benefit from the massive influx of high-end amenities and activity provided by these two developments. We do not believe the quantity of apartments added to the area will negatively affect the future leasability of our proposed development. We believe these projects will only enhance the desirability of our area, and help to draw energy and activity to the northwest section of downtown Bellevue.

The site is bordered to the south by The Bellevue Collection, which provides our close proximity to ample dining, shopping, and other experiential based retailers.



SITE SUMMARY

The Lighthouse is well served by public transportation, a necessary component of enhancing the leasability of our site. There are multiple bus lines serving the existing public transportation needs of Bellevue residents needing to travel within the King County metro. The future East Link light rail between downtown Seattle and Bellevue in the coming years should further bolster the local market fundamentals that will continue to spur development projects in the area.

With the massive influx of workers, the housing and rental market are experiencing substantial growth, leading to higher rents, low availability, and increasing demand for newer housing developments.



THE SITE

The site sits in the Downtown - Mixed Use base zone (City of Bellevue, LUC 20.25A, Downtown) and Perimeter Overlay Zone B-2 (Figure 20.25A.060.A.3). This zoning is designed to reduce building height and commercial activity on the perimeter of Downtown Bellevue given its proximity to residential neighborhoods. The zoning generally encourages residential uses.

Zoning: DT-MU (B-2 Overlay)	Code	Provided
Base FAR (Residential)	4.5	4.5
Amenity Bonus FAR (Residential)	0.5	0.5
Total Residential FAR	5.0	5.0
Base FAR (Commercial)	1.5	0.0
Bonus FAR (Commercial)	-	0.0
Residential Height Limit	176'-264'	80'
Commercial Height Limit	72'-92'	N/A
Parking Stalls Required (Residential)	161	178
Bicycle Parking Required	13	60

ENTITLEMENT SUMMARY

AFFORDABLE HOUSING - 20.25A.070

We evaluated the inclusion of affordable housing in our project. According to 20.25A.070.C.2, a maximum of 1.0 FAR may be exempted to support the development of affordable housing. Our return analysis concluded that 80% AMI rents do not justify construction of affordable housing even considering the benefits of added allowable site coverage (5%), reduced minimum parking ratios (0.5 per affordable unit), and reduced upper level setbacks.

PARKING – 20.25A.080

Minimum levels of car parking are required for development approval and to support our retail and residential leasing efforts. Resident parking is required at a rate of 1 per residential unit and one visitor parking stall is required for every 20 residential units developed. Additionally, 4 parking spaces are required for every 1,000 NSF of retail, provided the retail does not qualify as a restaurant.

BICYCLE PARKING – 20.2A.080.G

Off-street, secure bicycle parking shall be provided at a rate of 1 stall per 10 residential units and 1 stall per 10,000 nsf of nonresidential uses greater than 20,000 sqft.

REQUESTED VARIANCES

Our development proposal requires a variance to the required setback requirement (20.25A.075.C). A setback of 20 feet is required at the level of the first floor plate above 40 feet. Variances to Bellevue's Land Use Code (LUC) may be approved by the Director during Design Review. The Downtown Design Guidelines in 20.25A.140, expressly states the Guidelines are intended to 1) ensure the Downtown is viable, livable, memorable, and accessible, 2) to promote design excellence, innovation, and reinforce a sense of place for Downtown and 3) to encourage sustainable and green design features. LUC states that variances can be made to the LUC requirements, if variances are in support of the Downtown Design Guideline's stated goals. We believe that by delivering a CLT building, we meet these goals by providing a memorable, innovative, and sustainable design. If we were not approved for a variance, it would force us to increase our floor plates on the floors below 40', which we feel would fail to provide a competitive and high quality residential experience, specifically on floors 2 through 5 adjacent to the Avenue's planned parking structure. We believe we will be approved for the variance. We also do not anticipate an increase in the duration of the entitlement process as a result of the request variance.

DESIGN PROGRAM



DESIGN HIGHLIGHTS

The Lighthouse is designed to evoke the qualities of its namesake; strong, reassuring, optimistic. A lighthouse calls you back home, a beacon when seas get rough. Buildings with big, light-filled spaces are appealing in the dark Pacific Northwest winters. Wood plays to our historic past and our current connection to the outdoors. Clean, Scandinavian-inspired design elevates the interior, which appeals to our urbane target market.

The lobby is upscale with an open, minimalist style. It features a residents-only espresso bar, a rotating display of local art, ample seating area, and table space. A leasing office and concierge desk is programmed for the ground floor. Outside, a large landscaped patio space with fire pits, barbecues, bocce ball, and drought tolerant plants provides residents with a private back yard. A dog run with artificial turf is programmed for the “arm” in the northwest corner of the site. Next to the management office, and overlooking the patio is a large open tenant amenity with large TVs, Wifi, tables, chairs, and kitchen appliances. Garage style glass doors can be raised in the summer to create an indoor/outdoor experience for residents with open passage to the exterior patio area.

A standard residential floor plate has 16 units per floor: a unit mix of three studios, five 1-bedrooms, seven 2-bedrooms, and one 3-bedroom. The exception is floor nine, which will have three each 1, 2, and 3 bedroom units due to the smaller 13,500 foot floor plate. Higher level floors will offer views of the City and Lake Washington, justifying higher rents.

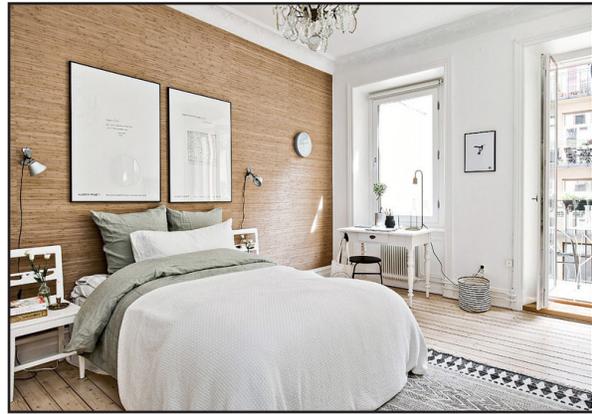


DESIGN PROGRAM

DESIGN SOLUTIONS

The proposed Avenue development will introduce a 50' wall immediately adjacent to the property and posed a significant design challenge. With views affected on that side up to the 4th floor of the building, we opted for a broad "L" shaped building that draws the proximity of residents away from the wall, and maximizes the value of windows and favorable views for each unit.

In the interior courtyard, we have programmed a self standing green wall along the Avenue's property line. This should help preserve rents, complement the natural aspects of our CLT building, and make the interior courtyard a more enjoyable space.



DESIGN PROGRAM

RETAIL PROGRAM

Located on one of the most traveled corridors in Bellevue, the frontage on NE 8th St. offers incredible retail exposure. SVP determined that parking requirements were prohibitive for a restaurant or bar. Instead we will target another sought after amenity; a boutique fitness club akin to OrangeTheory or Barry's Bootcamp. Adjacent to it, on the corner we will target an outdoor fashion retailer such as Patagonia or Arc'teryx. This solution both attracts people to the site, and serves the needs of its residents.



GYM / HEALTH CLUB

Capturing the feeling of the CLT and enhancing the ambiance of a similar brand or health club, such as Orange Theory, Equinox, Spin Studio and more.



ARC'TERYX STORE OR SIMILAR

Capturing the feeling of the CLT and enhancing the ambiance of a similar brand. CLT provides a space for customers to connect to nature, the brand and the building.

DESIGN PROGRAM

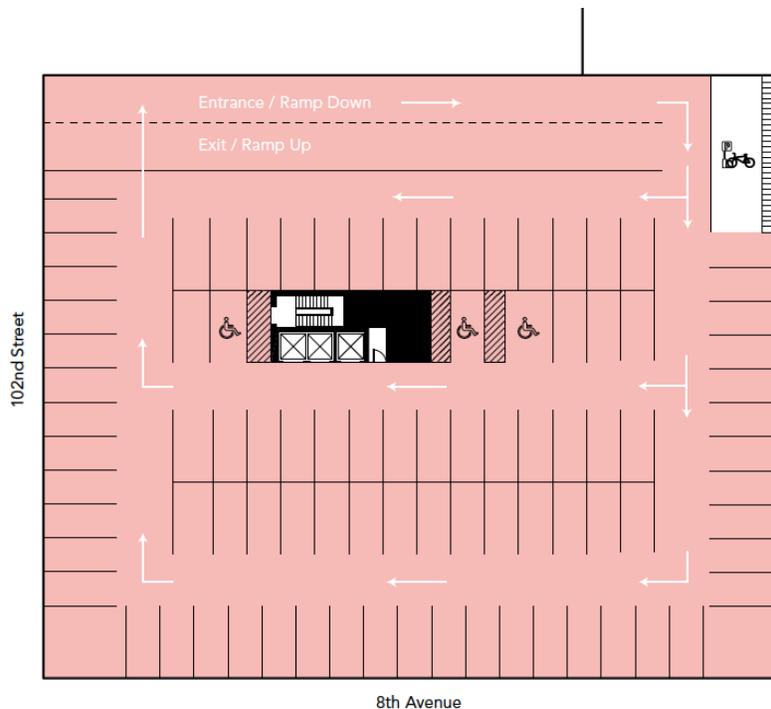
PARKING SOLUTIONS

Adequate parking is needed to attract our target market based on their income levels and lifestyles. The Lighthouse will offer 56,176 square feet of parking on two underground levels with two-way access from 102nd Ave NE. Both parking levels provide 89 parking stalls each. The first floor of underground parking provides 41 public access spaces for use by retail customers and residential visitors, the remaining parking spaces will be fenced for access by building residents only. Overall the project provides parking at a rate of about 1.2 per residential unit after deducting for retail and visitor parking requirements. We feel this ratio is necessary to accelerate lease up on the 2 and 3 bedroom units. The Lighthouse provides 10 electric car charging stations for resident use. We plan to wire an additional 10 spots to receive electric charging stations but will not install them. This allows for on-demand installation of EV stalls, as residents request them. Tenants will absorb the costs for additional installation on a per stall basis.

All resident bike parking will be secure, covered, and provided free of charge. Ample bicycle parking will be provided on both floors of underground parking, each floor provides upwards of 30 bicycle spaces.

PARKING LAYOUT

- 89 Parking Spaces / Level
- 2 ADA Spaces / Level
- 1 ADA Van Space / Level
- 30 - 60 Bike Parking Spaces



RESIDENTIAL TARGET MARKET

The Lighthouse targets the affluent and educated of Downtown Bellevue -- and those drawn to the natural beauty of the greater Seattle area. With Bellevue having the highest income in King County, this premium CLT building is designed to capture the tenant that demands an innovative and sustainable lifestyle. With sustainable CLT throughout, open floor plans, plenty of natural light, larger than average units, EV garage chargers, daily concierge, bottom floor retail, and resident amenities; this building is designed to attract Bellevue's affluent. As a multifamily building, the intent is to capture the tenants that travel to work and have stable jobs, dual income couples looking for an extra room, and empty nesters have an above average net worth and looking to live an urban lifestyle.

DESIGN PROGRAM

77%

Of Bellevue Residents Hold
a Bachelor Degree

\$140,000+

Average Household Income

16,500

Downtown Population

94

Walk Score Rating

TARGET RESIDENTS

OCCUPATION:

Semi-retired or near retirement and looking for an urban walkable city.

HOBBIES: Golfing, hiking, movies, dining, sports and urban social events.

EMPTY NESTERS

OCCUPATION:

Professionals

HOBBIES:

Traveling, entertainment, friends, sports, cooking, yoga, concerts, art shows and young lifestyle trends.

**DUAL INCOME
COUPLES**

OCCUPATION:

Working for large tech companies, start-ups or other organisations.

HOBBIES:

Working, hiking, entertainment, friends, travel, lifestyle trends and more.

TECH STARS

DESIGN PROGRAM

YIELD STUDY

We programmed a higher number of two bedrooms in our project. Two bedroom units turnover at a lower rate than one bedrooms, reducing operating costs, and helping to maintain building stabilization throughout operation.

Yield Study	GSF	NSF	Efficiency
Parking	112,352	33,706	30%
Retail	8,142	8,142	100%
Lobby & Amenity	10,889	10,889	100%
Multifamily	146,717	123,242	84%

Building Metrics	
Floor to Ceiling Height (Avg)	9.83
# Floors (Above Ground)	9
# Parking Stalls	178
Multifamily Units	121
Retail Units	4

Unit Type	Units	Unit Mix		
		%	Avg. Size	\$/Unit
Studio	21	17%	631	\$2,892
1 Br	38	31%	806	\$3,658
2 Br	52	43%	1,200	\$5,322
3 BR	10	8%	1,700	\$7,620
Total	121	100%	1,018	\$4,569

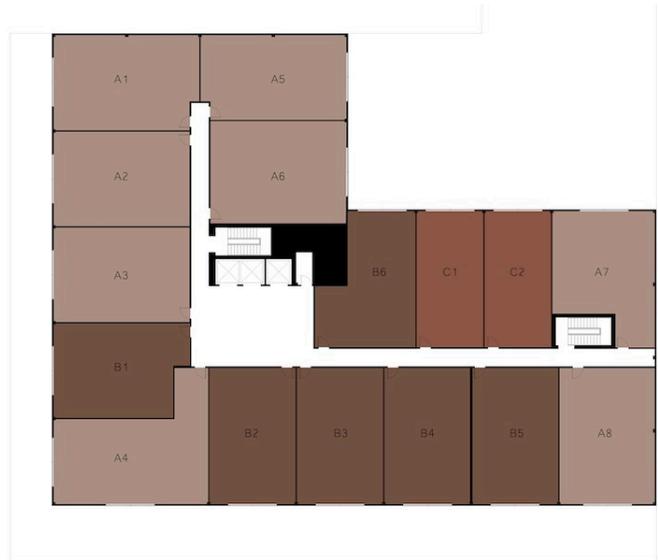
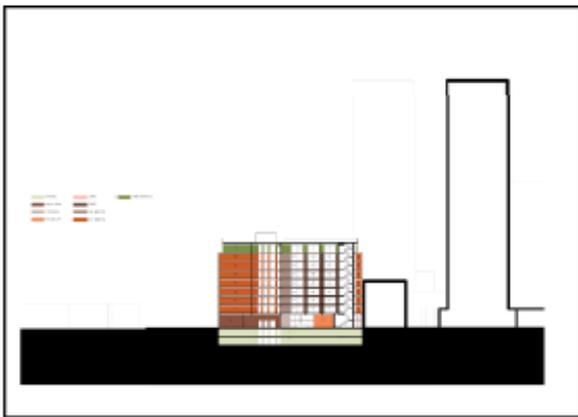
KEY AMENITIES AND SERVICES

LOBBY & GROUND FLOOR AMENITIS

- Rotating fine art in lobby
- Private dog playground
- Mail Room
- Package lockers
- Parking entrance
- Courtesy espresso bar
- Bike storage
- Charging stations
- Indoor plants and vegetation

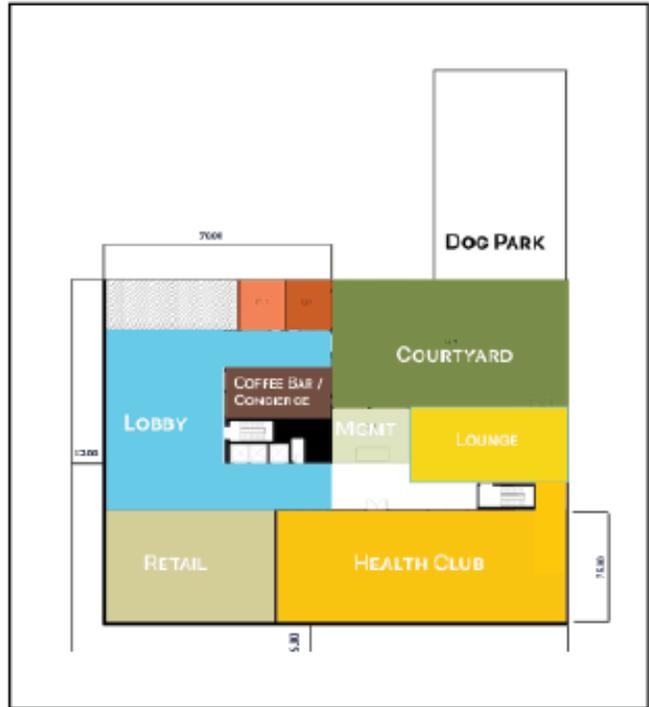


DESIGN PROGRAM



N
FLOOR PLAN 9th
SCALE: 1" = 20'

- TWO BEDROOM A
- ONE BEDROOM B
- STUDIO C



BUILDING SYSTEMS

BUILDING SYSTEMS SUMMARY

The Lighthouse is a Type IV-B building, one of the four new cross laminated timber (CLT) building types added to the 2021 International Building Code. The State of Washington has already adopted these new codes. CLT has the structural integrity of steel and concrete, as well as the benefit of speed, efficiency, tenant desirability, and higher NOI.

Two concrete cores will provide the lateral load bearing, and house the elevators and egress stairwells. Throughout the building, the CLT will be partially encased per code. 80% of the CLT will be covered with non-combustible material such as gypsum, with the remaining 20% left exposed. Exposed CLT beams and columns will be visible throughout. The two levels of underground parking will be constructed of reinforced concrete.

Glulam beams and columns will be used as structural support, and for added aesthetic value. Our preferred CLT manufacturer is Structurlam in British Columbia. By sourcing the timber and finished product from North America, we keep transportation costs low, improve lead times, and support The Lighthouse's regional, green brand concept.

The exterior of the building is clad with a light brick veneer which is significantly more cost effective than a glass curtain wall. The system demonstrates superior water penetration resistance, improved acoustical dampening, low thermal transmission rate, and ease of construction and maintenance. Inside, MEPs will run through gypcrete soffits on the ceiling and behind interior walls, which limits CLT penetrations.

CLT construction requires teams to function in a design-build model. Early and tight coordination between an experienced mass timber architect and contractor, the CLT manufacturer and MEP teams is critical to success.



CONSTRUCTION COST ASSUMPTION

Adjustments to assumed costs per square foot have been made to account for a Type IV-B wood construction. Reliable cost comparables were sourced from multiple GCs and market specialists. Cost and value adjustments were made as follows:

1. PSF all-in hard costs are assumed at roughly \$125 per GSF for the CLT structure, and building envelope. And \$125 per GSF for the Site and Interior MEPS for a total hard cost of \$250 per GSF of above ground structure.
2. We have included \$10 per GSF to encase CLT ceilings and floors per fire regulations.

STAGING/ACCESS

Staging will be tight. 102nd Ave NE is a relatively low traffic side street which is the best option. The small flag lot to the rear of the property can be accessed at specific stages of the project but is otherwise landlocked by neighboring properties.

The project will require a tower crane. Because of loading on the crane base, it can't be next to any other excavations, making the elevator pit a good location. The elevator pit foundation will be one of the first things that gets poured. Staging will primarily occur on the street and sidewalk. Due to limited space, delivery of materials will be on an as needed basis, likely daily deliveries.

CROSS-LAMINATED TIMBER

Sustainability is literally built into The Lighthouse. From the ground up, the building's structure is made from CLT, an engineered wood product with numerous environmental, structural, and financial benefits. The Pacific Northwest is the epicenter of mass timber innovation so it is only natural that Bellevue, a hub of innovation itself, be an early adopter in the CLT movement. To maintain a market edge, SVP has embraced this important new building technology.



SUSTAINABLE: Uses sustainably managed forests, disease & fire damaged trees, reduces waste, and sequesters carbon.

STRONG: Meets structural requirements, is seismically resilient and fire resistant.

EFFICIENT: Is a faster, safer, quieter way to build, requires less labor, improved coordination, can be installed in many types of weather (no curing or welding).

RURAL RESURGENCE: Breathes life into rural economies via timber and manufacturing, increases demand for domestic products.

BEAUTIFUL: Impacts health and wellbeing (biophilia), and adds aesthetic value.

BUILDING SYSTEMS

SUSTAINABLE FEATURES

Sustainable development is central to our mission at SVP. In addition to using CLT as our primary building material, we have taken extra steps to include other sustainable construction practices and materials in the building’s design. The existing building on the site will be deconstructed, rather than demolished to reduce waste and improve the ecological footprint of our building’s development. The Lighthouse will not pursue official LEED Certification but our building will exceed certification requirements. Low emission materials will be used when possible, energy star appliances, sensed lighting systems, and drought tolerant native landscaping in the courtyard have been selected. Although these elements incur additional costs, we feel they are essential elements, differentiating our product from other market offerings, and at the core of The Lighthouse’s mission.

SUSTAINABLE PREMIUMS

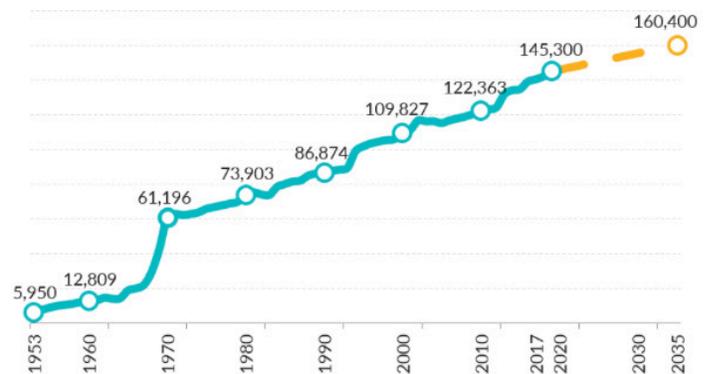
Excluding the cost implications of using CLT, the impacts of the below sustainable inclusions to our project’s Leveraged IRR is 8 basis points.

Sustainable Features Premiums	Unit Cost	Quantity	Added Cost
Green Wall Along Avenue	\$ 50.00	3,300 SF	\$ 165,000
Deconstruction in Lieu Of Demo	\$ 5.00	14,000 SF	\$ 70,000
Leed Equivalency	\$ 0.50	165,748 SF	\$ 82,874
Interior Courtyard Landscaping	\$ 2.50	4,211 SF	\$ 10,526
Dog Run (artificial turf)	\$ 10.00	4,000 SF	\$ 40,000
EV Chargers	\$2,350.00	10	\$ 23,500
Total Premiums Budget	\$ 2.36	165,748 SF	\$391,900.25

MARKET CONDITIONS

BELLEVUE DEMOGRAPHICS

Bellevue is the fifth largest city in the state of Washington, with a population around 145,300 in 2019. This number is projected to grow to upwards of 160,400 by 2035. The continued growth of Bellevue and its proximity to Seattle, and the surrounding Puget Sound cities has made it a hub for many major businesses. The majority of the population within the Bellevue market falls between ages 20 and 64. 38% fall between 20 to 44, and 27% between 45 to 64. Bellevue is extremely well educated, as seen in the strength of the companies that are located within the market. 36% of those living there have a bachelor’s degree and a staggering 32% have a graduate of professional degree. 64% of the population is working in management, business, science, and arts. Much of this comes from the continued tech boom within the Puget Sound - thanks in large part to Amazon and Microsoft. About 40% of Bellevue’s household incomes are over \$100,000, with 27% of the overall number being upwards of \$150,000. This indicates robust spending power within this tight market.



MARKET CONDITIONS

MULTI FAMILY MARKET

Currently Bellevue has 167 multifamily buildings with 19,108 units. Twelve-month deliveries have been slow with only one building and 114 units, according to CoStar. Construction has picked up with 5 buildings and 762 units currently being raised. The Bellevue submarket ranks 6th overall for the greater Seattle area in asking rents, coming in at \$2,313 per unit and \$2.65 per sf - an overall growth of 5.3% in the last year. The market also ranks 6th in vacancy as well, with 838 vacant units and an overall rate of 4.4%. Bellevue's absorption rate for the last 12-months has been 3.4% and 645 units - which is strong for the surrounding markets. With the continued growth in the overall Puget Sound market, and expanding economy and population of Bellevue, the need for high end units continues to grow.

The overall household type distribution within Bellevue is evenly distributed - with 28% single person, 27% married couple without children, and 24% married couples with children. The majority of these households live in single family homes, 49% of the overall market. Followed by 22% of the market living in larger multifamily developments with 20 or more units. Within multifamily buildings, 1-bedroom units make up about 16% of the total, 2 bedrooms-26%, 3 bedrooms- 22%, and the larger 4 bedrooms- 22%. Almost 50% of household's rent versus own.

MULTI FAMILY COMPS

Three primary comparables were evaluated to assess achievable rent levels for the rental apartments.

SOMA TOWERS

(432sf) Studio / \$1,806
(707sf) 1 Bedroom / \$2,259
(1,1158) 2 Bedroom / \$3,249

Forecasted Rent 2025
(432sf) Studio / \$2,145
(707sf) 1 Bedroom / \$2,683
(1,158) 2 Bedroom / \$3,859

LUX APARTMENTS

(583sf) Studio / \$2,036
(801sf) 1 Bedroom / \$2,669
(1,208sf) 2 Bedroom / \$4,001
(1,412sf) 3 Bedroom / \$6,915

Forecasted Rent 2025
(583sf) Studio / \$2,418
(801sf) 1 Bedroom / \$3,170
(1,208sf) 2 Bedroom / \$4,752
(1,412sf) 3 Bedroom / \$8,213

BRIO APARTMENTS

(520sf) Studio / \$1,755
(789sf) 1 Bedroom / \$2,194
(1,201sf) 2 Bedroom / \$3,624

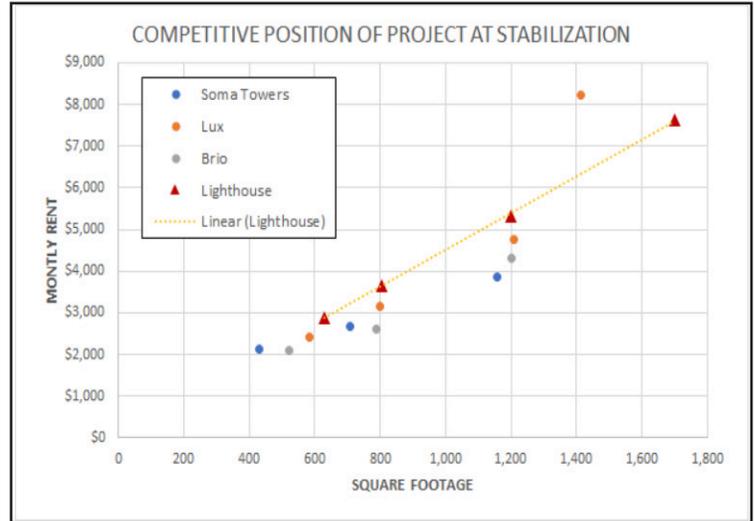
Forecasted Rent 2025
(520sf) Studio / \$2,084
(789sf) 1 Bedroom / \$2,606
(1,201sf) 2 Bedroom / \$4,304



MARKET CONDITIONS

COMPETITIVE POSITION

The subject site is expected to command a modest rent premium vis-a-vis the competitive sample set when introduced to the market. The CLT construction and outstanding location will help differentiate the project in the market, with larger units tailored towards our target market, who tend to also be less price sensitive buyers. The project should be attractively priced relative to the planned high-rise projects in the pipeline that will have significantly higher construction costs.



RETAIL MARKET

The Bellevue retail market is very tight, with limited new deliveries. The overall vacancy rate of the market is at a very low 1.3%, with a relatively minimal negative absorption of 4,000 SF. All signs point towards that product getting absorbed as there have been no deliveries within the last 12 months, so any retailers looking to come into the market will have to compete for the limited vacancies. Given the tight market, the 12-month rent growth is at a strong 6.4% which is double the historical average. The Bellevue retail market is well distributed between malls, general retail, and neighborhood centers. The market rents for these product types range from almost \$62 psf for malls to \$34 psf in neighborhood centers - with an overall market average of about \$48 psf. Bellevue's retail destinations are anchored by Bellevue Square, conveniently located across for our site, as well as the extremely high-end Shops at the Bravern which account for upwards of 1.6m sf of retail inventory. Outside of 2016 Bellevue has seen little to no retail deliveries within the market, and the forecast is much the same. This is why many retailers are paying higher end rates to get into this affluent market.



RETAIL COMPARABLES

MAIN STREET FLATS

\$45 NNN



989 ELEMENTS TOWER

\$40 NNN



BRIO APARTMENTS

\$50 NNN



BELCARRA APARTMENTS

\$45 NNN



EXIT VALUATION SENSITIVITY

We tested the sensitivity to our return at ± 25 bps and ± 50 bps. A worst case scenario predicts our returns decrease by 1.3% on project level IRR.

Exit Valuation Sensitivity Analysis					
NOI @ Reversion (YR11)	\$ 7,480,593.15				
Cap Rates	<u>-50bps</u>	<u>-25 bps</u>	<u>Base Case</u>	<u>+25 bps</u>	<u>+50 bps</u>
Residential & Retail	4.00%	4.25%	4.50%	4.75%	5%
Sales Price (Before Commission)	\$187,014,829	\$176,013,956	\$166,235,403	\$157,486,171	\$149,611,863
Sale Price / Gross sqft	\$842.70	\$793.13	\$749.06	\$709.64	\$674.16
Sale Price / Unit	\$1,544,901.16	\$1,454,024.62	\$1,373,245.47	\$1,300,969.39	\$1,235,920.92
Project IRR	20.89%	20.18%	19.53%	18.84%	18.22%

COST RISK ANALYSIS

Escalating construction costs by 2.5% and 7% adds \$2,225,385 and \$6,231,080 respectively to the building's total budget and lowers our expected return on cost by about 15 basis points each.

Costs Risk Analysis					
NOI @ Reversion (YR11)	\$ 7,480,593.15				
Construction Costs	<u>-7%</u>	<u>-2.50%</u>	<u>Base Case</u>	<u>+2.5%</u>	<u>7%</u>
Total Development Costs	\$82,784,349	\$86,790,043	\$89,015,429	\$91,240,815	\$95,246,509
Reversion Cap Rate	4.50%	4.50%	4.50%	4.50%	4.50%
Sales Price (Before Commission)	\$166,235,403	\$166,235,403	\$166,235,403	\$166,235,403	\$166,235,403
Cost Difference	-\$6,231,080.03	-\$2,225,385.72	\$0.00	\$2,225,385.72	\$6,231,080.03
Return on Costs	6.61%	6.43%	6.20%	6.07%	5.83%
Project IRR	22.02%	20.38%	19.53%	18.72%	17.36%

INTEREST RATE RISK

Interest rates continue to decline which is favorable for our project and debt financing. A 50 basis point decrease in our construction and permanent financing interest rates would increase our annual cash flow during the project, while raising our IRR and our DSCR.

Interest Rate Risk Analysis					
Interest Rates	<u>-100 bps</u>	<u>-50 bps</u>	<u>Base Case</u>	<u>+50 bps</u>	<u>+100 bps</u>
Construction Loan Rate	3.75%	4.25%	4.75%	5.25%	5.75%
Perm. Loan Interest Rate	3.00%	3.50%	4.00%	4.50%	5.00%
Yearly Debt Service(Perm.)	\$3,724,053	\$3,966,438	\$4,217,037	\$4,475,581	\$4,741,777
DSCR	1.48	1.39	1.31	1.23	1.16
Project IRR	20.60%	20.08%	19.53%	18.97%	18.39%

RISK ANALYSIS

MULTIFAMILY RENT INFLATION RISK

Proforma base rent escalation is pegged at 3.5% per year. With average rent inflation of just 2% over the 10 year hold, project level IRRs remain strong.

MF Rent Escalation Risk Analysis					
Base Case Escalation = 3.50%					
MF Rent Escalation Rate	+2%	+1%	Base Case	-1%	-2%
NOI at Reversion (YR13)	\$9,226,219	\$8,317,775	\$7,480,593	\$6,709,675	\$6,000,329
Reversion Cap Rate	4.50%	4.50%	4.50%	4.50%	4.50%
Sales Price (Before Commission)	\$205,027,089	\$184,839,444	\$166,235,403	\$149,103,889	\$133,340,644
Sale Price Delta	\$38,791,686	\$18,604,041	\$0	-\$17,131,514	-\$32,894,759
NOI Delta	\$1,745,625.85	\$837,181.85	\$0	-\$770,918.15	-\$1,480,264.15
Project IRR	22.62%	21.12%	19.53%	17.82%	15.97%

Key Financial Metrics

Total Development cost (including land): \$89,015,429

Total Site Value at Reversion: \$166,235,403

Total Profit: \$111,096,819

Yield on Cost at Stabilization: 6.20%

Leveraged XIRR: 19.53%

MAJOR RISKS AND OPPORTUNITIES

A central risk associated with the residential market is slower than expected growth in residential demand. If demand remains strong, so too will the viability of The Lighthouse. All indicators suggest that strong demand will continue, and the market will see continued rent growth driving developers to supply additional housing units to meet demand.

Lastly, we evaluated the probability of rent control legislation in Bellevue and its potential impact to our project. Although we consider the risk low, we expect any rent control legislation would be similar to Oregon's recent rent control legislation. Oregon's law exempts new construction from rent control for the first fifteen years from the date of delivery. We do not believe this poses a significant threat to our annual cash flows, but may cause a downward revaluation of multifamily investment properties, which is accounted for in our exit cap rate sensitivity analysis.

ACKNOWLEDGMENTS

WE WOULD LIKE TO THANK THE FOLLOWING COMPANIES FOR ASSISTING US
IN THE DEVELOPMENT OF THIS PROPOSAL.

CBRE Capital Markets - Seattle
Weber Thompson Architects
Gerding Edlen
Katerra
Kaiser + Path
Mill Creek
The Wolff Company
McCullough Hill Leary, PC
Trammell Crow
Provenance
Macerich
PSU School of Architecture
Harsch Investment Properties
WoodWorks

APPENDIX

ZONING & LAND USE SUMMARY

Base Zone

DT-MU (B-2 Overlay)

Zoning Information

City of Bellevue Land Use Code Chapter 20.25A, Downtown

Dimensional Requirements

- Structural Height
- 176' Base Maximum Building Height w/o Mechanical Equipment
- 72' Base Maximum Building Height w/o mechanical equipment for Nonresidential Building Type
- 105' Trigger for additional Height – Residential
- 20' Tower setback required at 80' if building exceeds 100'
- 40' Tower separation at 80' if Building Exceeds 100'

FAR – LUC Figure 20.25A.060.A.4 & Additional Dimensional Requirement in Perimeter Overlays

- Base FAR Residential: 4.5
- Max FAR: Residential: 5.0
- Base FAR Nonresidential: 1.5
- Max FAR Nonresidential 1.5
- Maximum FAR only achievable by participation in Amenity Incentive System, LUC 20.25A.070
- FAR Exemptions: Active Retail & Affordable Housing

Street Level Requirements

Commercial Street "B" on 8th St.

- Transparency – 75% minimum
- Weather protection required with highest pedestrian orientation
- Point of interest: Every 60 linear feet of façade, maximum
- 100% Active and Service Uses along street wall – minimum 50% active.

Mixed Street "C" on 102nd

- Transparency 75%
- Weather protection 75%
- Point of Interest: 75 linear feet
- 50% of street wall shall incorporate active uses or services
- Intrusions over the Sidewalk
- Mixed Street: external decks and balconies are permitted to extend over the sidewalk above 20' of ROW

Variance Requests

Intrusions into Stepbacks

- The Director may approve modification
- Must demonstrate that the resulting design will be more consistent with Design Guidelines LUC 2025A.140-180

General Requirements for Residential Buildings

- A single building is considered residential if more than 50% of the gross floor area is devoted to residential uses.

Permitted Uses - Chart 20.25A.050.D

Minimum Sidewalk Width

- NE 8th – 16' sidewalk width plus 6" curb
- NE 102nd – 12' sidewalk width plus 6" curb

Parking Quantity, Location, And Access Requirements - LUC 20.25A.080

- Residential — 1 stall per 1 unit provided
- Retail (Non restaurant) – 4 stalls per 1,000 NSF
- Retail (Restaurant) – 10 stalls per 1,000 NSF
- Visitor – 1 stall per 20 residential units

Bicycle Parking

- 1 space per 10,000 sf of non-residential uses > 20,000 NSF
- 1 space per 10 units residential
- Location: onsite, secure location
- 50% covered

APPENDIX

Downtown Residential Coverage & Floor Size Limits

- 75% Maximum Lot Coverage, Bonusable by 5% (Unused)

Landscaping Minimum Requirements - Table 20.25.090.A.1 Plate A

- NE 8th (100th to 106th) - Planter Strip; Medium Honeylocust
- 102nd (NE 12th to NE 8th) – Planter Strip; Large Katsura
- Planter Strips: minimum 5 feet wide, located adjacent to the curb
- Site Perimeter Landscaping (DT-MU): if buffering parking area – 8'
- Green Sustainability Factor - 0.3 (LUC 20.25A.120)

Mechanical Equipment Screening

- Visual screening of mechanical equipment required
- Screening design consistent with building design

SITE SUMMARY																																																																						
Site information 10210 NE 8th St, Bellevue WA Parcel # 570900-0184 Zone DT-MU (Downtown Mixed Use) Perimeter Overlay Code B-2		Building Use Summary <table border="1"> <thead> <tr> <th></th> <th>Gross SF</th> <th>NRA</th> <th>Efficiency</th> <th>Total Units</th> </tr> </thead> <tbody> <tr> <td>Parking</td> <td>56,176</td> <td>33,706</td> <td>60%</td> <td>178</td> </tr> <tr> <td>Retail</td> <td>8,142</td> <td>8,142</td> <td>100%</td> <td>4</td> </tr> <tr> <td>Lobby & Amenity</td> <td>10,889</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Residential</td> <td>146,717</td> <td>123,242</td> <td>84%</td> <td>121</td> </tr> <tr> <td>Building Total</td> <td>221,924</td> <td>165,090</td> <td>74%</td> <td>303</td> </tr> </tbody> </table>					Gross SF	NRA	Efficiency	Total Units	Parking	56,176	33,706	60%	178	Retail	8,142	8,142	100%	4	Lobby & Amenity	10,889				Residential	146,717	123,242	84%	121	Building Total	221,924	165,090	74%	303																																			
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Soft Costs Architecture & Engineering 5.5% HC City Permitting Fees & SDCs 7.0% HC Fee-In Lieu Payments Taxes and Insurance 3.50% Acq. Leasing Commissions 3.43% Retail Rev. Operating Reserves 1.00% Development Fees 3.00% Loan Fees 1.50% Soft Cost Contingency 3.50% Total Soft Costs Total Soft And Hard Costs		Soft Costs <table border="1"> <thead> <tr> <th></th> <th>Cost</th> <th>% of Total</th> </tr> </thead> <tbody> <tr> <td>Architecture & Engineering</td> <td>\$3,003,876</td> <td>3.37%</td> </tr> <tr> <td>City Permitting Fees & SDCs</td> <td>\$3,823,115</td> <td>4.29%</td> </tr> <tr> <td>Fee-In Lieu Payments</td> <td>\$430,596</td> <td>0.48%</td> </tr> <tr> <td>Taxes and Insurance</td> <td>\$685,576</td> <td>0.77%</td> </tr> <tr> <td>Leasing Commissions</td> <td>\$191,881</td> <td>0.22%</td> </tr> <tr> <td>Operating Reserves</td> <td>\$823,388</td> <td>0.92%</td> </tr> <tr> <td>Development Fees</td> <td>\$1,907,231</td> <td>2.14%</td> </tr> <tr> <td>Loan Fees</td> <td>\$819,239</td> <td>0.92%</td> </tr> <tr> <td>Soft Cost Contingency</td> <td>\$408,972</td> <td>0.46%</td> </tr> <tr> <td>Total Soft Costs</td> <td>\$12,093,872</td> <td>13.59%</td> </tr> <tr> <td>Total Soft And Hard Costs</td> <td>\$66,709,794</td> <td>23.80%</td> </tr> </tbody> </table>					Cost	% of Total	Architecture & Engineering	\$3,003,876	3.37%	City Permitting Fees & SDCs	\$3,823,115	4.29%	Fee-In Lieu Payments	\$430,596	0.48%	Taxes and Insurance	\$685,576	0.77%	Leasing Commissions	\$191,881	0.22%	Operating Reserves	\$823,388	0.92%	Development Fees	\$1,907,231	2.14%	Loan Fees	\$819,239	0.92%	Soft Cost Contingency	\$408,972	0.46%	Total Soft Costs	\$12,093,872	13.59%	Total Soft And Hard Costs	\$66,709,794	23.80%																													
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Subtotal Development Costs Construction Loan Interest Total Development Costs		Subtotal Development Costs \$86,297,670 96.95% Construction Loan Interest \$2,717,759 3.05% Total Development Costs \$89,015,429 100%																																																																				
Return on Cost		Return On Cost 6.20%																																																																				

Competitive Rents Analysis & Forecast										
Data from CoStar		2/19/20		3.75%						
Building	Year Built	Units	Vacancy	Proximity	2020	2021	2022	2023	2024	2025
Brio	2020	258	Lease-Up	1.85 Miles	\$ 3.63	\$ 3.77	\$ 3.91	\$ 4.05	\$ 4.21	\$ 4.36
Lux	2018	137	2.90%	0.20 Miles	\$ 3.55	\$ 3.68	\$ 3.82	\$ 3.96	\$ 4.11	\$ 4.27
Soma	2014	273	4%	0.45 Miles	\$ 3.42	\$ 3.55	\$ 3.68	\$ 3.82	\$ 3.96	\$ 4.11
Average	2017	223	3.45%		\$ 3.53	\$ 3.67	\$ 3.80	\$ 3.95	\$ 4.09	\$ 4.25
					\$ 3.53	\$ 3.67	\$ 3.80	\$ 3.95	\$ 4.09	\$ 4.25

4 & 5 Star Supply Analysis Believe										
Year	Units Delivered	Units Growth	% Growth	Market Rent	rent	rent Growth				
2018	9,385	949	11.2%	\$2.80	3.1%					
2019	9,664	279	3.0%	\$2.93	4.7%					
2020	10,126	462	4.8%	\$3.03	3.2%					
Average	9,725	563.3	6.3%		3.67%					

Our Forecasted Rents									
Year	2024	2025	2025	2025	2025	2025	2025	2025	2025
Gross Potential Revenue	\$6,636,662.40	\$6,868,945.58	\$7,109,358.68	\$7,358,186.23	\$7,615,722.75	\$7,882,273.05			
Gross Potential Average Rent	\$ 4.49	\$ 4.64	\$ 4.81	\$ 4.98	\$ 5.15	\$ 5.33			
Rent Differential - Premium (Percent)	5.65%	5.40%	5.15%	4.89%	4.64%	4.39%			
Rent Differential (PSF)	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.23	\$ 0.23	\$ 0.22			

Stabilization									
Year	2024	2025	2025	2025	2025	2025	2025	2025	2025
Gross Potential Revenue	\$6,636,662.40	\$6,868,945.58	\$7,109,358.68	\$7,358,186.23	\$7,615,722.75	\$7,882,273.05			
Gross Potential Average Rent	\$ 4.49	\$ 4.64	\$ 4.81	\$ 4.98	\$ 5.15	\$ 5.33			
Rent Differential - Premium (Percent)	5.65%	5.40%	5.15%	4.89%	4.64%	4.39%			
Rent Differential (PSF)	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.23	\$ 0.23	\$ 0.22			

10 Stories - Mass Timber / CLT w/ 5% Rent Premium														
Level	Floor	# of MF Units	Net Rentable	Total Mix Rentable	Studio	1 Br	2 Br	3 Br / PH	Studio	1 Br	2 Br	3 Br	\$/SF per Floor	Rent PSF Per Room Type & Floor
2	2nd Floor	16	0	15,986	3	5	7	1	629	800	1,200	1,700	\$4.15	\$4.30
3	3rd Floor	16	0	15,986	3	5	7	1	629	800	1,200	1,700	\$4.25	\$4.20
4	4th Floor	16	0	15,986	3	5	7	1	629	800	1,200	1,700	\$4.35	\$4.30
5	5th Floor	16	0	15,986	3	5	7	1	629	800	1,200	1,700	\$4.45	\$4.40
6	6th Floor	16	0	15,986	3	5	7	1	629	800	1,200	1,700	\$4.55	\$4.50
7	7th Floor	16	0	15,986	3	5	7	1	629	800	1,200	1,700	\$4.65	\$4.60
8	8th Floor	16	0	15,986	3	5	7	1	629	800	1,200	1,700	\$4.75	\$4.70
9	9th Floor	9	0	11,340	0	3	3	3	650	850	1,200	1,700	\$5.05	\$5.20
	Total SF	121	0	123,242	21	38	52	10	631	806	1,200	1,700	\$4.68	\$4.58
	% Allocation			1%	0%	0%	1%	0%						

Average \$ / Room									
Studio	1 Br	2 Br	3 Br	Studio	1 Br	2 Br	3 Br	TOTAL GPI	Percentage
\$2,703	\$3,360	\$4,920	\$6,800	\$8,110	\$16,800	\$34,440	\$6,800	\$66,150	11.96%
\$2,766	\$3,440	\$5,040	\$6,970	\$8,298	\$17,200	\$35,280	\$6,970	\$67,748	12.25%
\$2,829	\$3,520	\$5,160	\$7,140	\$8,487	\$17,600	\$36,120	\$7,140	\$69,347	12.54%
\$2,892	\$3,600	\$5,280	\$7,310	\$8,676	\$18,000	\$36,960	\$7,310	\$70,946	12.83%
\$2,955	\$3,680	\$5,400	\$7,480	\$8,864	\$18,400	\$37,800	\$7,480	\$72,544	13.12%
\$3,018	\$3,760	\$5,520	\$7,650	\$9,053	\$18,800	\$38,640	\$7,650	\$74,143	13.41%
\$3,080	\$3,840	\$5,640	\$7,820	\$9,241	\$19,200	\$39,480	\$7,820	\$75,741	13.70%
\$3,380	\$4,335	\$6,000	\$8,330	\$0	\$13,005	\$18,000	\$25,431	\$56,436	10.20%
\$2,892	\$3,658	\$5,322	\$7,620	\$60,729	\$139,005	\$276,720	\$76,601	\$553,055	100.00%
	\$4.58	\$4.54	\$4.43	\$4.49	\$53,055	\$106,110	\$31,530	\$160,700	
					\$4.49	\$53,055	\$106,110	\$31,530	
						\$6,636,662	\$13,273,324	\$39,819,966	

Development Costs	GSF	NSF
Land & Acquisition Costs	221,924	165,090
Land Value	\$ 19,298,400	\$ 86.96
Acquisition Costs	\$ 289,476	\$ 1.30
Total Cost Basis - Land	\$ 19,587,876	\$ 88.26
Hard Costs		
CLT Structure & Envelope	\$ 20,718,500	\$ 93.36
Site & Interior (MEP)	\$ 20,718,500	\$ 93.36
Environmental Remediation	\$ 250,000	\$ 1.13
Demolition	\$ 218,070	\$ 0.98
Sustainability Premiums	\$ 321,900	\$ 1.45
Retail Tenant Improvement	\$ 692,070	\$ 3.12
Parking Construction	\$ 9,345,000	\$ 42.11
Contingency	\$ 2,351,882	\$ 10.60
Total Hard Costs	\$ 54,615,922	\$ 246.10
Total Development Costs	\$ 54,615,922	\$ 246.10
Hard Costs % of Total Costs	61%	
Soft Costs		
Architecture & Engineering	\$ 3,003,876	\$ 13.54
City Permitting Fees & SDCs	\$ 3,823,115	\$ 17.23
Fee-In Lieu Payments	\$ 430,596	\$ 1.94
Taxes and Insurance	\$ 685,576	\$ 3.09
Leasing Commissions	\$ 191,881	\$ 0.86
Operating Reserves	\$ 823,388	\$ 3.71
Development Fees	\$ 1,907,231	\$ 8.59
Loan Fees	\$ 819,239	\$ 3.69
Soft Cost Contingency	\$ 408,971,50	\$ 1.84
Construction Loan Interest	\$ 2,717,759	\$ 12.25
Total Soft Costs	\$ 14,811,631	\$ 66.74
Soft Costs % of Hard Costs	27%	
Development Costs (Less Land)	\$ 69,427,553	\$ 312.84
Total Development Costs	\$ 89,015,429	\$ 401.11
		\$ 539.19

Revenue - Year 2025	Underwriting	Per SF/Per Unit	121 Units	Per SF/Per Unit
Rental Income				
Scheduled Market Rents 2025 - Annualized	\$6,281,525	\$4.25		Per SF
Increase in Market Rents 2025 - Stabilizatic	\$355,137	5.7%		
Gross Potential Rent	\$6,636,662	\$4.49		Per SF
Other Income				
Non-Refundable Fees	\$30,263	\$250		Per Unit
Garage Income	\$534,000	\$3,000		Per Stall
Utility Reimbursement	\$157,369	\$1,300		Per Unit
Miscellaneous Income	\$90,790	\$750		Per Unit
Retail Income	\$488,520	\$60		Per SF
Total Other Income	\$1,300,942	\$10,747		Per Unit
Vacancy & Credit Loss	\$396,880	5%		
Gross Revenue	\$7,540,724	\$62,293		
Operating Expenses				
Controllable Expenses				
Payroll	\$353,360	\$2,919		Per Unit
Administrative	\$77,183	\$638		Per Unit
Marketing & Retention	\$47,644	\$394		Per Unit
Repairs and Maintenance	\$61,747	\$510		Per Unit
Landscaping & Contract Services	\$154,367	\$1,275		Per Unit
Total Controllable Expenses	\$694,302	\$5,736		Per Unit
Noncontrollable Expenses				
Utilities	\$253,573	\$2,095		Per Unit
Management Fee	\$170,046	\$1,405		Per Unit
Real Estate Taxes	\$828,000	\$6,840		Per Unit
Replacement Reserves	\$30,991	\$256		Per Unit
Total Noncontrollable Expenses	\$1,325,761	\$10,952		Per Unit
Total Operating Expenses	\$2,020,063	\$16,687		
Net Operating Income After Reserves	\$5,520,661	\$45,605		26.8% of EGI

PARTNERSHIP LEVEL RETURNS - EQUITY WATERFALL

Promote Hurdle Method

IRR
Pari Passu

General Partner (GP)	38.1%	11,855,059
Limited Partner (LP)	61.9%	19,298,400
Total Equity		31,153,459

	Gross Cash Distributed		
	Limited Partner	General Partner	Total
Tier 1	\$ 32,048,678	\$ 19,687,589	\$ 51,736,267
Tier 2	\$ 8,628,859	\$ 5,300,731	\$ 13,929,590
Tier 3	\$ 12,080,502	\$ 8,053,668	\$ 20,134,170
Tier 4	\$ 10,325,916	\$ 6,883,944	\$ 17,209,860
Tier 5	\$ 15,696,156	\$ 23,544,234	\$ 39,240,390
Total Distributions	\$ 78,780,111	\$ 63,470,166	\$ 142,250,278
Total Contributions	\$ 19,298,400	\$ 11,855,059	\$ 31,153,459
XIRR	20.06%	19.01%	18.53%
Equity Multiple	4.08x	5.36x	4.57x

Emer Check: OK
Profit Del: 11/09/14M
Net BTCP: 11/09/14M

Partnership Distribution Assumptions (IRR Hurdles)

	Promote Structure Incentive		Distribution as %		Notes
	GP Promote	LP %	GP %	LP %	
Tier 1 (Pref + Return of Capital)	Up to 9.0% IRR to LP	38.1%	61.9%	61.9%	Prorata to LP/GP, then Pro rata return of capital
Tier 2 (Promote)	> 9.0% IRR to LP up to 12.0% IRR to LP	38.1%	61.9%	61.9%	Prorata to LP/GP to 9.0%, then 61.9%/38.1% to 12.0%
Tier 3 (Promote)	> 12.0% IRR to LP up to 15.0% IRR to LP	40.0%	60.0%	60.0%	61.9%/38.1% to 12.0%, then 60.0%/40.0% to 15.0%
Tier 4 (Promote)	> 15.0% IRR to LP up to 18.0% IRR to LP	50.0%	50.0%	60.0%/40.0% to 15.0%, then 50.0%/50.0% to 18.0%	
Tier 5 (Promote)	> 18.0% IRR to LP	60.0%	40.0%	50.0%/50.0% to 18.0%, then 40.0%/60.0% thereafter	

(1) Amended GP Promote up to based on GP invested capital.

Summary of Partnership-Level Returns

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 13.5
Limited Partner (LP) Returns															
Total LP Distributions	78,780,111	-	-	-	-	11,122,454	917,156	1,030,237	1,146,897	1,267,248	1,391,404	1,519,484	1,651,609	1,787,904	56,945,717
Total LP Contributions	19,298,400	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total LP Profit	59,481,711	-	-	-	-	11,122,454	917,156	1,030,237	1,146,897	1,267,248	1,391,404	1,519,484	1,651,609	1,787,904	56,945,717
LP XIRR	20.06%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
LP Equity Multiple	4.08x	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GP Returns															
Total GP Distributions	63,470,166	-	-	-	-	6,832,553	563,411	632,877	704,542	778,474	854,743	933,423	1,014,588	1,098,314	50,057,239
Total GP Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total GP Contributions	11,855,059	289,476	4,232,855	6,046,936	1,285,792	-	-	-	-	-	-	-	-	-	-
Total GP Profit	51,615,107	-	-	-	-	6,832,553	563,411	632,877	704,542	778,474	854,743	933,423	1,014,588	1,098,314	50,057,239
GP XIRR	19.01%	(289,476)	(4,232,855)	(6,046,936)	(1,285,792)	-	-	-	-	-	-	-	-	-	-
GP Equity Multiple	5.35x	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Property-Level Cash and GP Fees

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 13.5
Net Property-Level Cash Flow															
Adjusted Net Property-Level Cash Flow	(289,476)	(4,232,855)	(6,046,936)	(20,584,192)	-	17,955,007	1,480,568	1,663,115	1,851,440	2,045,722	2,246,148	2,452,907	2,666,196	2,886,218	107,002,956
Levered IRR	18.89%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity Multiple	4.57X	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Tier 1 - Preferred Return + Return of Capital

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 13.5
Return Threshold - Up to 9.0%															
Beginning Balance (LP Capital Account)	-	-	-	-	19,298,400	21,035,256	11,895,975	11,951,357	11,965,742	11,920,551	11,735,962	11,400,794	10,907,392	10,237,437	9,370,902
LP Return of Capital	-	-	-	-	(1,736,856)	9,229,281	(145,382)	(45,385)	67,191	193,589	335,168	493,413	669,944	866,535	9,370,902
Rec'd Return by LP to hit Hurdle 1	-	-	-	-	1,736,856	1,893,173	1,062,538	1,075,622	1,079,707	1,073,660	1,056,237	1,026,071	981,664	921,369	843,381
Contributions from LP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Distributions to LP (Hurdle 1)	-	-	-	-	19,298,400	-	-	-	-	-	-	-	-	-	-
Ending Balance (LP Capital Account)	-	-	-	-	11,122,454	11,951,357	11,965,742	11,920,551	11,735,962	11,400,794	10,907,392	10,237,437	9,370,902	-	-
LP IRR Check	9.00%	-	-	-	(19,298,400)	-	-	-	-	-	-	-	-	-	-
Distribution to LP	-	-	-	-	11,122,454	917,156	1,030,237	1,146,897	1,267,248	1,391,404	1,519,484	1,651,609	1,787,904	1,918,284	20,134,284
Beginning Balance (GP Capital Account)	-	289,476	4,548,384	11,004,674	13,280,887	14,476,167	8,946,468	9,188,239	9,382,303	9,522,168	9,600,689	9,610,008	9,541,485	9,385,631	9,132,024
Rec'd Return by GP (Pref)	-	26,553	409,355	990,421	1,195,280	1,302,855	805,182	826,942	844,407	856,995	864,062	864,901	858,734	844,707	821,882
Contributions from GP	289,476	4,232,855	6,046,936	1,285,792	-	-	-	-	-	-	-	-	-	-	-
Distribution to GP	-	-	-	-	-	6,832,553	563,411	632,877	704,542	778,474	854,743	933,423	1,014,588	1,098,314	6,274,662
Ending Balance (GP Capital Account)	289,476	4,548,384	11,004,674	13,280,887	14,476,167	8,946,468	9,188,239	9,382,303	9,522,168	9,600,689	9,610,008	9,541,485	9,385,631	9,132,024	3,679,244
GP IRR Check	7.17%	(289,476)	(4,232,855)	(6,046,936)	(1,285,792)	-	-	-	-	-	-	-	-	-	-
Total Distributions (Tier 1 - Preferred Return + Return of Capital)	-	-	-	-	-	17,955,007	1,480,568	1,663,115	1,851,440	2,045,722	2,246,148	2,452,907	2,666,196	2,886,218	107,002,956
Cash Flow Remaining	-	-	-	-	-	-	-	-	-	-	-	-	-	-	90,514,011

Tier 2

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 13.5
Return Threshold - Up to 12.0%															
Beginning Balance (LP Capital Account)	-	-	-	-	19,298,400	21,614,208	13,085,459	13,738,558	14,356,948	14,932,884	15,457,582	15,921,087	16,312,133	16,617,981	16,824,234
Rec'd Return by LP to hit Hurdle 2	-	-	-	-	-	2,315,808	2,593,705	1,570,255	1,648,627	1,722,834	1,791,946	1,854,910	1,910,530	1,957,456	1,994,158
Contributions from LP	-	-	-	-	19,298,400	-	-	-	-	-	-	-	-	-	-
Prior Distributions to LP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Distributions to LP Tier 2	-	-	-	-	-	11,122,454	917,156	1,030,237	1,146,897	1,267,248	1,391,404	1,519,484	1,651,609	1,787,904	18,843,142
Ending Balance (LP Capital Account)	-	-	-	-	19,298,400	21,614,208	13,085,459	13,738,558	14,356,948	14,932,884	15,457,582	15,921,087	16,312,133	16,617,981	16,824,234
IRR Error Check - 12.0%	-	-	-	-	(19,298,400)	-	-	-	-	-	-	-	-	-	-
Distribution to LP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,628,859
Distribution to GP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,300,731
Total Distributions (Tier 2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,929,590
Cash Flow Remaining	-	-	-	-	-	-	-	-	-	-	-	-	-	-	76,584,421

Tier 3

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 13.5
Return Threshold - Up to 15.0%															
Beginning Balance (LP Capital Account)	-	-	-	-	19,298,400	22,193,160	14,399,680	15,642,476	16,958,610	18,355,504	19,841,581	21,426,414	23,102,892	24,937,417	26,890,126
Rec'd Return by LP to hit Hurdle 3	-	-	-	-	-	2,894,760	3,328,974	2,159,952	2,346,371	2,543,791	2,753,326	2,978,237	3,213,962	3,468,134	3,740,613
Contributions from LP	-	-	-	-	19,298,400	-	-	-	-	-	-	-	-	-	-
Prior Distributions to LP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Distributions to LP Tier 3	-	-	-	-	-	11,122,454	917,156	1,030,237	1,146,897	1,267,248	1,391,404	1,519,484	1,651,609	1,787,904	18,843,142
Ending Balance (LP Capital Account)	-	-	-	-	19,298,400	22,193,160	14,399,680	15,642,476	16,958,610	18,355,504	19,841,581	21,426,414	23,102,892	24,937,417	26,890,126
IRR Error Check - 15.0%	-	-	-	-	(19,298,400)	-	-	-	-	-	-	-	-	-	-
Distribution to LP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,080,502
Distribution to GP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,053,668
Total Distributions (Tier 3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,134,170
Cash Flow Remaining	-	-	-	-	-	-	-	-	-	-	-	-	-	-	56,450,251

Tier 4

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 13.5
Return Threshold - Up to 18.0%															
Beginning Balance (LP Capital Account)	-	-													

Amenity Incentive Calculator	\$/Point	Cost
Site Size	32,164 SF	
Achievable Bonus SF	16,082 SF	
Points Required	16,082	
In Lieu of Fees	8,041	\$ 31.30
Improving Park Property	8,041	\$ 251,683
		\$ 178,912
	Total Cost of Points:	\$ 430,596

Sustainable Features Premiums	Unit Cost	Quantity	Added Cost
Green Wall Along Avenue	\$ 50.00	3,300 SF	\$ 165,000
Deconstruction in Lieu Of Demo	\$ 5.00	14,000 SF	\$ 70,000
Lead Equivalency	\$ 0.50	165,748 SF	\$ 82,874
Interior Courtyard Landscaping	\$ 2.50	4,211 SF	\$ 10,526
Dog Run (artificial turf)	\$ 10.00	4,000 SF	\$ 40,000
EV Chargers	\$ 2,350.00	10	\$ 23,500
Total Premiums Budget	\$ 2,36	165,748 SF	\$ 391,900.25

Yield Study	GSF	NSF	Efficiency
Parking	112,352	33,706	30%
Retail	8,142	8,142	100%
Lobby & Amenity	10,889	10,889	100%
Multifamily	146,717	123,242	84%
Building Metrics			
Floor to Ceiling Height (Avg)	9.83		
# Floors (Above Ground)	9		
# Parking Stalls	178		
Multifamily Units	121		
Retail Units	4		

Retail Commission Calculator	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Sum
Rent Commencement (Year)	\$ 488,520	\$ 503,176	\$ 518,271	\$ 533,819	\$ 549,834	\$ 566,329	\$ 583,318	\$ 600,818	\$ 618,843	\$ 637,408	
Proforma GPR	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	
Commission % by Year	\$ 21,983	\$ 22,643	\$ 23,322	\$ 24,022	\$ 24,743	\$ 25,483	\$ 26,243	\$ 27,022	\$ 27,821	\$ 28,648	
Sum of 10 Years of Commissions											\$ 191,881
\$	191,880.74										

TAX ASSESSMENT CALCULATOR	Project Year	Tax Year	Assessed Value	% Change	Tax Bill	Levy Rate	Tax Per Unit
	Year -1	2019 (2)	\$10,453,300		\$ 89,850		121.0529
	Year 0	2020 (2)	\$12,061,500	15.4%	\$ 105,000	0.87%	
	Year 1	2021	\$13,917,115	15.4%	\$ 121,154		
	Year 2	2022	\$16,058,210	15.4%	\$ 139,793		
	Year 3	2023	\$18,528,704	15.4%	\$ 161,299		
	Year 4	2024	\$21,379,274	15.4%	\$ 186,115		
	Year 5	2025	\$90,000,000	Reappraisal (1)	\$ 828,000	0.92%	\$8,840
	Year 6	2026	\$92,700,000	103.0%	\$ 852,840		\$7,045
	Year 7	2027	\$95,481,000	103.0%	\$ 878,425		\$7,257
	Year 8	2028	\$98,345,430	103.0%	\$ 904,778		\$7,474
	Year 9	2029	\$101,295,793	103.0%	\$ 931,921		\$7,698
	Year 10	2030	\$104,334,667	103.0%	\$ 959,879		\$7,929
	Year 11	2031	\$107,464,707	103.0%	\$ 988,675		\$8,167
	Year 12	2032	\$110,688,648	103.0%	\$ 1,018,336		\$8,412
	Year 13	2033	\$114,009,307	103.0%	\$ 1,048,886		\$8,665

(1) assumes appraisal at \$90M

(2) actuals

Tax & Fees on Sale	Levy
King County	0.50%
Washington State	1.28%
Broker Fee & Disposit	1.20%
Total Tax & Fees on S	2.98%
Total Tax During Development	
Years 2020-2024	\$713,361
Property Taxes Operating	
Year 2025-2033	\$8,411,740



SUSTAINABLE VENTURE PARTNERS

ROOTED DEVELOPMENT



Jennifer Dillan

Jennifer is the Marketing and Business Development Manager at Kaiser + Path, a design/build/develop firm at the forefront of a movement to build with cross laminated timber.

Andrew Goodman

Andrew is a Development Manager for Harsch Investment Properties, based in Portland, Oregon. Previously he held positions in Leasing and Property Management in Las Vegas, Nevada.



Tim Lawler

Tim is a loan production analyst at Melvin Mark Capital Group based in Portland, Oregon. He has a background in business and property management.

Elton Yuan

Elton is an Operations Manager for ELK Properties focusing on investments and asset management.



Michael Lowes

Michael is an Associate Broker at Capital Pacific, based in Portland, Oregon. He specializes in retail sales throughout the Western United States.

Dirks Mathias

Dirks Mathias is managing editor for Hotel Digest and focuses on both domestic and international editorial development.

