



# Leading The Way:

Establish 1,000 Workforce Housing Units  
In Redmond - In 5 Years



They are our:

Teachers

Police Officers

Fire Fighters

City Staff

Healthcare Providers

Machinists

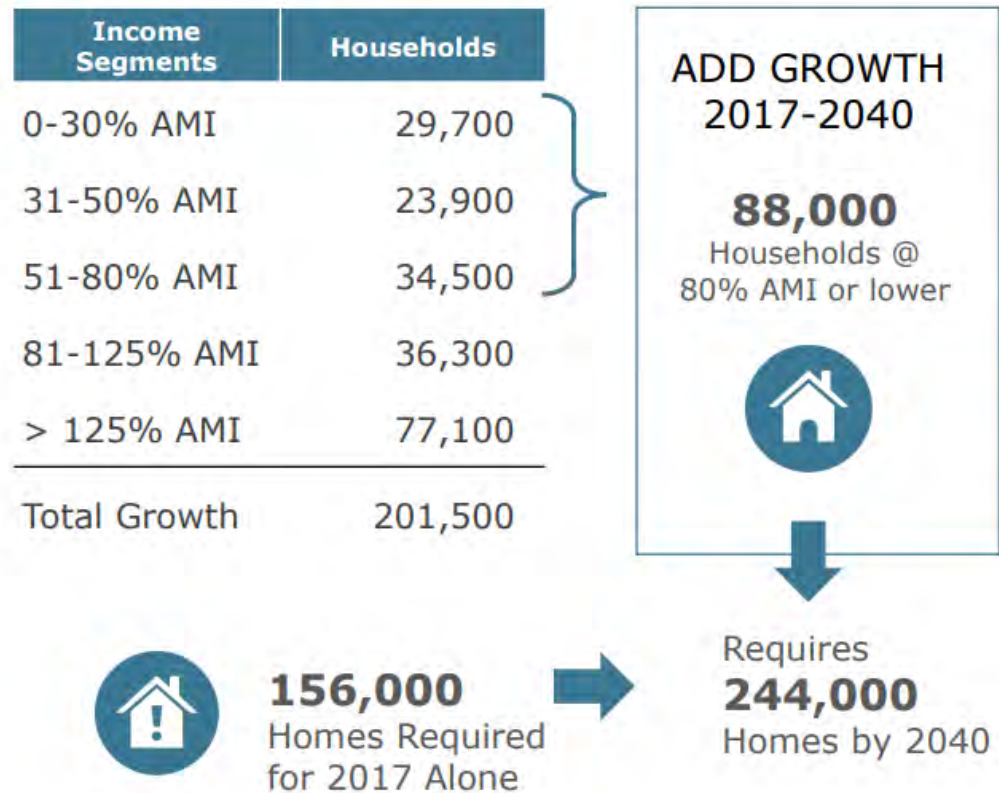
Service Personnel





# What Are The Challenges?

**King County requires 244,000 new homes to address the countywide affordable housing need by 2040.**



Current Shortage:  
**156,000 units**

Expected Shortage by 2040:  
**244,000 units**

Cost to build at \$350,000\*/unit:  
**\$85 billion**

# Middle Class Workforce Housing Jobs in Redmond

Job Title	Starting Salary	AMI (Single Person)
Fire Fighter*	\$72,348	100
K-12 Teacher (MA)	\$65,162	90
Assistant Planner (Redmond)	\$57,924	80
K-12 Teacher (BA)	\$55,699	77
Community College Professor	\$55,000	76
Office Manager	\$50,000	69
Police Support Officer*	\$48,564	67
Parks Maintenance Technician	\$47,040	65
Admin Assistant (Redmond)	\$46,608	64
Entry IT Contractor	\$45,000	63
EMS Paramedic*	\$44,947	62
Veterinary Technician	\$42,000	58
Grocery Store Manager	\$40,000	56

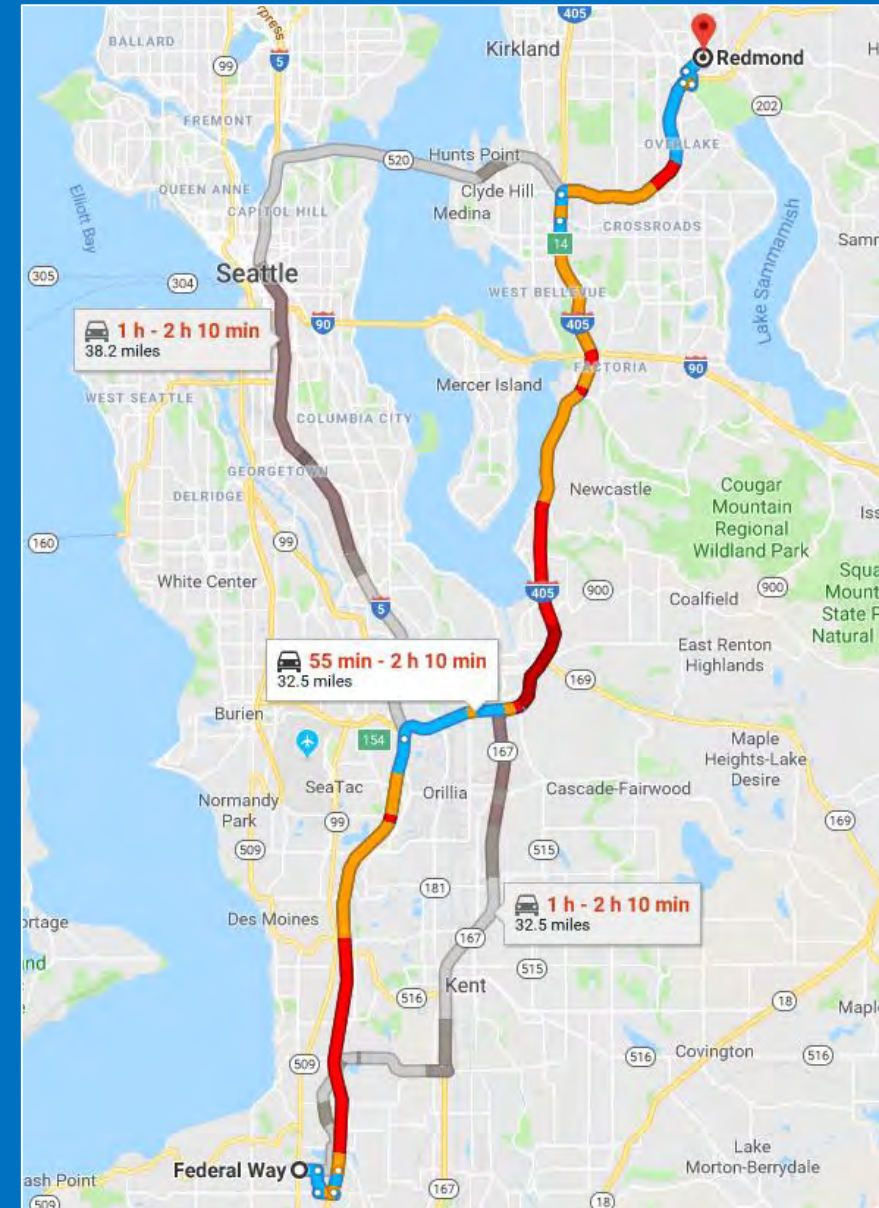
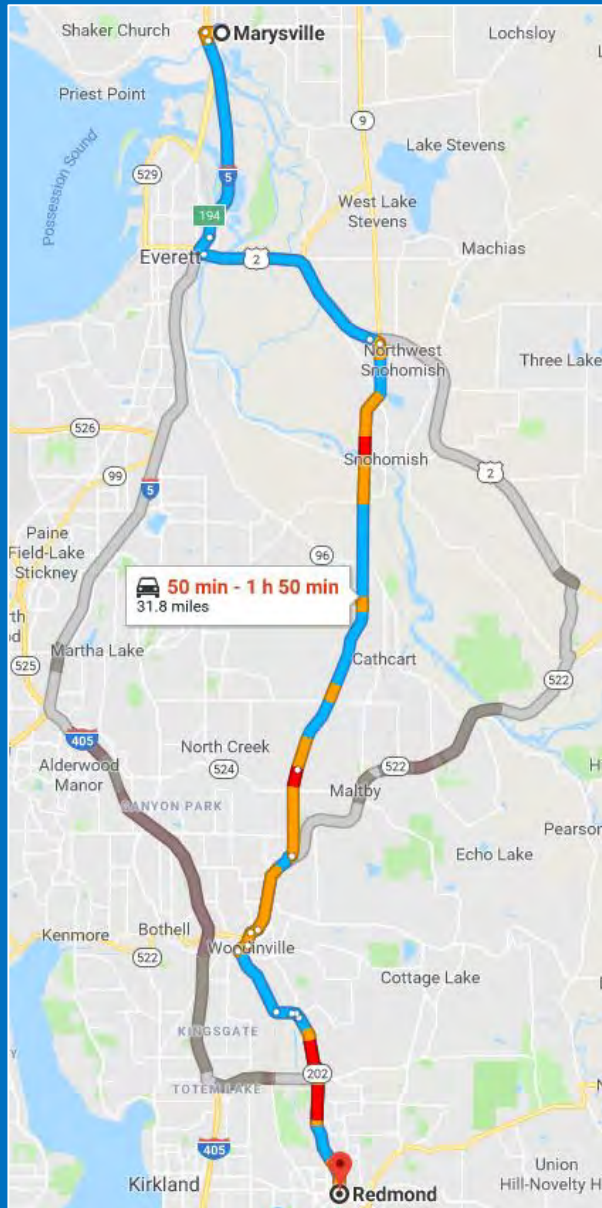
\*First responders

Incomes via City of Redmond, LWSD, LWIT, indeed.com, glassdoor.com





# The Cost of a Long Commute



# Changing the Flow:

- Reduce traffic on freeways and neighborhood streets
- Give people the option to live close
- Create a better community fabric









# 10 Minute Communities

Everything you need, just a walk away



10 Minute Communities  
(Downtown, Overlake, SE)



Future Light Rail Stations



# Preserve Existing Housing







## The Financial Problem of Workforce Housing Creation:

Conventional profit on exit:

\$4,101,053

9.2% return on equity

WFH profit on exit, current code:

(\$3,142,648)

(7%) return on equity

WFH, shortfall on exit:

(\$7,243,701)

(16.2%) equity loss

# Big Picture Decisions



## Concepts:

- The #1 roadblock to affordability is the cost to create.
- Everything that raises the cost of housing should be challenged and justified to keep housing affordable.
- First focus our workforce housing in our green, walkable, light rail supported communities.
- Affordability creates a stronger social and economic fabric.

## Key Decisions:

- Blend workforce housing with market rate.
- Holistic approach to affordability.
- Build green in our walkable communities.





## Financial Results

### 50% Blended Proforma

Conventional profit on exit:

\$4,101,053

9.2% return on equity

WFH profit on exit, proposed:

\$4,611,497

10.0% return on equity

WFH, incentive on exit:

\$510,444

0.8% equity gain

# Council Direction: Ten Minute Communities Incentive Overlay Code

1. 10% more units for same building size without impact fee penalties.

2. Support King County's proposal to extend MFTE - 20 years.

3. 1% cost reduction by changes to City standards/processes.

4. Customize parking ratios to actual need.

5. 3% savings on construction costs through permit, impact, and connection fee reductions

6. Additional ½ floor with LEED Gold designation (reflect state actions) - lot coverage 100% in all TMC

7. Over current code - choices would increase Workforce housing units as presented:

- 30% of the units = 3.5X increase
- 50% of the units = 6X increase



# City Council Leadership Actions



## 1. Establish expected outcomes based on the proposed plan:

- More of our local teachers, police officers and other workforce employees will live in Redmond.
- There will be less traffic.
- It will create a better quality of life.

## 2. Provides the Administration with specific direction for:

- The appropriate % of workforce housing.
- The holistic approach to reduce the cost of each workforce housing unit with a focus on superior green buildings.
- Establishing the “Overlay Code” in Redmond’s green, walkable, light rail supported communities.



## 3. Set the plan in motion with a timely, transparent process.



Together we can create a more connected,  
affordable Redmond.





END











## Workforce Housing Incentive Overlay Code

Blended Communities: Market Rate and Workforce Housing Together

*Redmond's current inclusionary zoning code requires 10% affordable housing units to be created for all new communities over 4 units. This proposal would dramatically increase these percentages (under an optional incentive workforce housing overlay).*

### Optional Workforce Housing Incentive Code Overlay

**Current Inclusionary Code:** 90% market rate rents / 10% affordable housing rents

**Preferred Option:** 50% market rate rents / 50% workforce housing rents

**Alternate Option:** 70% market rate rents / 30% workforce housing rents

### Action Items:

1. Make Units 10% Smaller to Create Additional 10% Units Per Piece of Land
2. 3% Savings on Fees (Impact Fees, Permit Costs, Capital Charges)
3. Customize Parking Ratios to Actual Need
4. Construction Costs Reduced By 1% Through Adjustments to City Standards/Processes
5. Extend MFTE to 20 Years from Current 12 Year Standard (State Level Process)
6. Additional Half Floor with LEED Gold Designation

### Results:

**Preferred Option:** 6x increase over current code

**Alternate Option:** 3.7x increase over current code

## Possible Workforce Housing Units To Be Created

2020 - 2024, 50/50 Incentive Overlay Option

### New Rental Units In Redmond, 2013 - 2017

Market:	3,115
Affordable:	299
Total:	3,414

Affordable Workforce Housing is defined as:  
60, 80, 100% AMI (Area Median Income)

WFH = Workforce Housing

### Workforce Housing Units Possible (15% development uses WFH incentive code)

Market (90/10):	2,803
Affordable (90/10):	269
Units Created (Current Code):	3,072
Market (50/50):	208
Affordable (50/50):	208
Units Created (WFH Code)	416
<b>Total Market:</b>	<b>3,011</b>
<b>Total Affordable:</b>	<b>477</b>
<b>Total:</b>	<b>3,488</b>

### Workforce Housing Units Possible (30% development uses WFH incentive code)

Market (90/10):	2,181
Affordable (90/10):	209
Units Created (Current Code):	2,390
Market (50/50):	625
Affordable (50/50):	625
Units Created (WFH Code)	1,250
<b>Total Market:</b>	<b>2,806</b>
<b>Total Affordable:</b>	<b>834</b>
<b>Total:</b>	<b>3,640</b>

### Workforce Housing Units Possible (50% development uses WFH incentive code)

Market (90/10):	1,558
Affordable (90/10):	149
Units Created (Current Code):	1,707
Market (50/50):	1,041
Affordable (50/50):	1,041
Units Created (WFH Code)	2,082
<b>Total Market:</b>	<b>2,599</b>
<b>Total Affordable:</b>	<b>1,190</b>
<b>Total:</b>	<b>3,789</b>

\*Workforce housing incentive code produces 22% more units per project

## Possible Workforce Housing Units To Be Created

2020 - 2024, 70/30 Incentive Overlay Option

### New Rental Units In Redmond, 2013 - 2017

Market:	3,115
Affordable:	299
Total:	3,414

Affordable Workforce Housing is defined as:  
60, 80, 100% AMI (Area Median Income)

WFH = Workforce Housing

### Workforce Housing Units Possible (15% development uses WFH incentive code)

Market (90/10):	2,803
Affordable (90/10):	269
Units Created (Current Code):	3,072
Market (70/30):	291
Affordable (70/30):	125
Units Created (WFH Code)	416
<b>Total Market:</b>	<b>3,094</b>
<b>Total Affordable:</b>	<b>394</b>
<b>Total:</b>	<b>3,488</b>

### Workforce Housing Units Possible (30% development uses WFH incentive code)

Market (90/10):	2,181
Affordable (90/10):	209
Units Created (Current Code):	2,390
Market (70/30):	875
Affordable (70/30):	375
Units Created (WFH Code)	1,250
<b>Total Market:</b>	<b>3,056</b>
<b>Total Affordable:</b>	<b>584</b>
<b>Total:</b>	<b>3,640</b>

### Workforce Housing Units Possible (50% development uses WFH incentive code)

Market (90/10):	1,558
Affordable (90/10):	149
Units Created (Current Code):	1,707
Market (70/30):	1,457
Affordable (70/30):	625
Units Created (WFH Code)	2,082
<b>Total Market:</b>	<b>3,015</b>
<b>Total Affordable:</b>	<b>774</b>
<b>Total:</b>	<b>3,789</b>

\*Workforce housing incentive code produces 22% more units per project



# History of US Rents



Inflation-adjusted rents have increased by ~64% since 1960

## Eastside Rents by Property Age

Unit Type	When Built	Rent	Rent/SF	AMI
Studio	1985-1989	\$1,273	\$2.35	80%
	1990-1999	\$1,419	\$2.84	90%
	2010-2017	\$1,614	\$2.97	100%
	2018	\$1,750	\$3.50	110%

Unit Type	When Built	Rent	Rent/SF	AMI
1-Bed	1985-1989	\$1,501	\$2.22	80%
	1990-1999	\$1,604	\$2.21	90%
	2010-2017	\$1,870	\$2.58	100%
	2018	\$2,300	\$3.07	120%

Unit Type	When Built	Rent	Rent/SF	AMI
2-Bed, 1-Ba	1985-1989	\$1,664	\$1.91	80%
	1990-1999	\$1,810	\$1.98	90%
	2010-2017	\$2,318	\$2.49	110%
	2018	\$2,600	\$2.36	120%

Unit Type	When Built	Rent	Rent/SF	AMI
2-Bed, 2-Ba	1985-1989	\$1,836	\$1.84	90%
	1990-1999	\$2,035	\$1.85	100%
	2010-2017	\$2,610	\$2.34	120%
	2018	\$3,359	\$3.17	150%

Per September 2017 report by Dupre+Scott  
 2018 Redmond NEW construction rents per Muse MGMT

## Redmond Affordable Housing Rent & Income Limits

Income Limits (2018)

Family Size	40% AMI	50% AMI	60% AMI	70% AMI	80% AMI	90% AMI	100% AMI
1 Person	\$28,952	\$36,190	\$43,428	\$50,666	\$57,904	\$65,142	\$72,380
2 Persons	\$33,088	\$41,360	\$49,632	\$57,904	\$66,176	\$74,448	\$82,720
3 Persons	\$37,224	\$46,530	\$55,836	\$65,142	\$74,448	\$83,754	\$93,060
4 Persons	\$41,360	\$51,700	\$62,040	\$72,380	\$82,720	\$93,060	\$103,400

Rent Limits (2018)

Unit Size	40% AMI	50% AMI	60% AMI	70% AMI	80% AMI	90% AMI	100% AMI
0 Bedroom	\$679	\$860	\$1,041	\$1,222	\$1,403	\$1,584	\$1,765
1 Bedroom	\$772	\$979	\$1,186	\$1,393	\$1,599	\$1,806	\$2,013
2 Bedrooms	\$836	\$1,068	\$1,301	\$1,534	\$1,766	\$1,998.85	\$2,232
3 Bedrooms	\$899	\$1,158	\$1,416	\$1,675	\$1,933	\$2,192	\$2,450

Rent levels assume the following family sizes:

Studio - 1 person  
 1 Bdrm - 2 persons  
 2 Bdrm - 3 persons  
 3 Bdrm - 4 persons

	100% AMI
Subtract:	No deduct
\$45 utilities for studios	\$1,810
\$55 utilities for 1-beds	\$2,068
\$95 utilities for 2-beds	\$2,327
\$135 utilities for 3-beds	\$2,585



## Redmond Inclusionary Housing Units 2013 - 2017

Year	Name of Project	Affordable Units	Total Units
2013	Legacy Town Square	16	177
2013	Valley Furniture	18	208
2014	Vision 5	9	96
2014	Core 83	10	120
2015	Avalon/Overlake	24	261
2015	The Carter	16	180
2016	162TEN	9	96
2016	Alexan Marymoor	27	222
2016	Alexan Central Park	18	193
2016	Redmond Triangle	18	195
2016	Station House Lofts	18	196
2016	Heron Flats	9	95
2016	Ravello	5	102
2017	Lincoln Esterra Park	60	664
2017	Avalon II - Esterra Park	29	323
2017	Redmond Town Center	13	286
	<b>Total</b>	<b>299</b>	<b>3,414</b>

+2 waivers from Capstone DA

- The number of inclusionary/affordable units is a little less than 10%, consistent with code, which allows the option for fewer affordable units with the low-income (50% AMI) option.

- Numbers shown here come from City of Redmond staff, as of January 2019. They reflect the rental housing market only.

# AMI = Average Median Income - King County

## For a single person household in a studio apartment:

2018 80% AMI:	\$57,904
Average market rent:	\$1,750*
Average rent as % of income:	39%

## For a dual person household in a one bedroom apartment:

2018 80% AMI:	\$66,176
Average market rent:	\$2,300*
Average rent as % of income:	44%

Families then need to pay for taxes, transportation, health care, childcare, food, fun, and, and, and.....

\*Plus additional utility costs of \$128 for a studio apartment and \$151 for a 1 bedroom, per ARCH required allowances

# Market Rents and AMI Savings: Redmond

November 2018



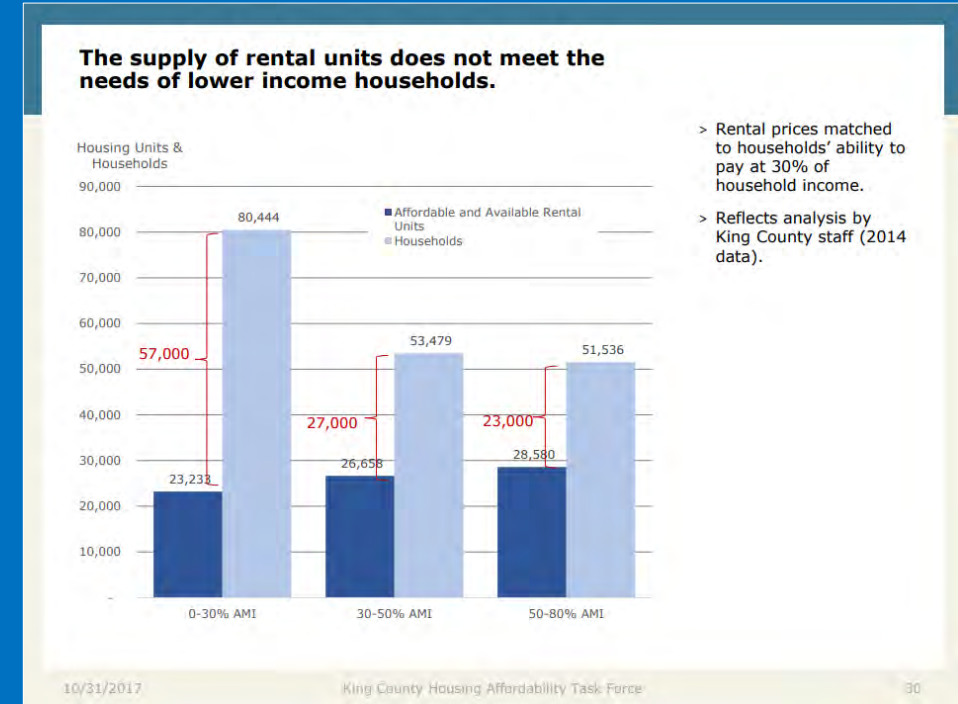
Apartment Type	Rent	AMI	Rent Reduction at 100% AMI	Rent Reduction at 80% AMI	Rent Reduction at 60% AMI
Studio	\$1,750	104%	\$68	\$430	\$792
1 Bedroom	\$2,300	111%	\$383	\$797	\$1,210
2 Bedroom	\$2,600	112%	\$460	\$925	\$1,390



# Protect Older, Naturally Affordable Units



Redmond Hill Apartments, Built 1987  
\$1,388 1 Bedroom



- Create incentives for apartment owners to sell to nonprofits
- Work with third party initiatives like Microsoft
- Create master identity list of possible sellers and build relationships to acquire when the opportunity exists

# The Costs of Workforce Housing: Transportation Expenses



## Seattle's mega-commuters: We spend more time than ever traveling to work

- 2015 saw a 72% increase in mega commuters in 5 years – ranking 3<sup>rd</sup> nationally
- In the last 2 years another 100,000 have moved to the Seattle area.
- While it is great to live next to great services, if you still have to get in your car and drive two hours to work, it doesn't matter.

# Housing + Transportation Index

The Value of 10 Minute Communities to Affordability



The Housing and Transportation (H+T®) Affordability Index provides a comprehensive view of affordability, one that includes the cost of housing and transportation at the neighborhood level.

The Index is part of a broader effort to explore urban sustainability through location efficiency. Learn more about the ideas, tools, development strategies and policies behind location efficiency at CNT's [Location Efficiency Hub](#).

- People who live in location-efficient neighborhoods have lower transportation costs.
- This allows more money for other things after paying for housing and transportation.
- Less traffic because even car owners walk or use transit frequently.
- The H+T Index combines housing and transportation costs and sets the benchmark at no more than 45% of household income.
- Workforce housing located in 10 minute communities creates an opportunity for middle income workers to actually reach that 45% goal.



# The Cost Of A Long Commute

## Additional Cost of the Commute

	Cost Per Mile*	Annual Cost
Small Sedan	\$0.14	\$2,240
Medium Sedan	\$0.17	\$2,720

\*Fuel, maintenance, repair, tires



## Additional Commute Time

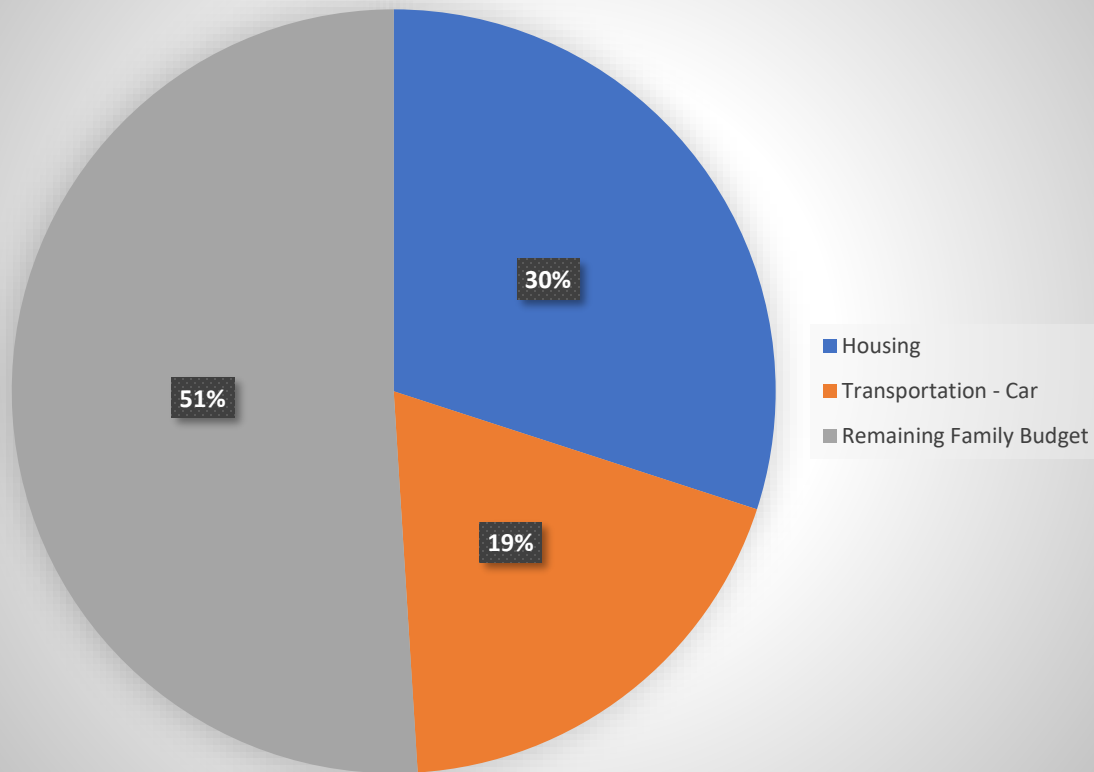
Origin	Distance	Time	Hours/Week
Marysville	31.8 miles	50 min – 1 hr 50 min	8 - 20
Federal Way	32.5 miles	55 min – 2 hr 10 min	9 - 22
Maple Valley	29.3 miles	50 min – 1 hr 40 min	8 - 17



# The Difference A Ten Minute Community Makes

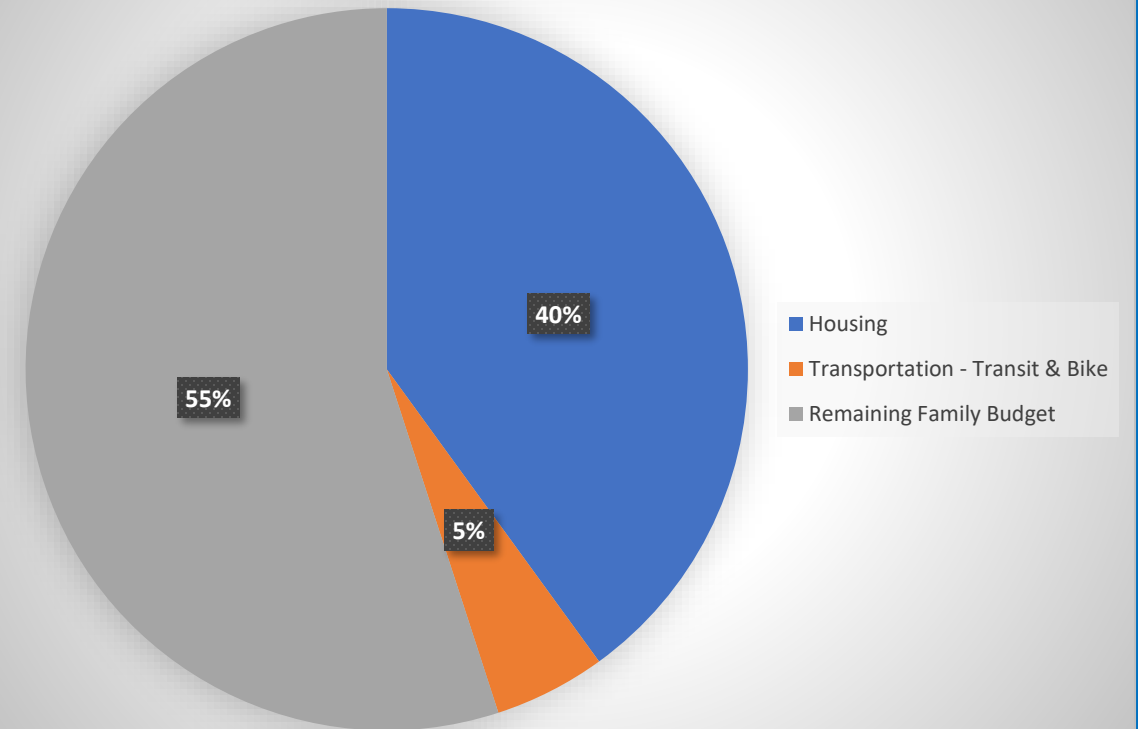
## Traditional Split

H&T Index (49% of Budget) - 80% AMI

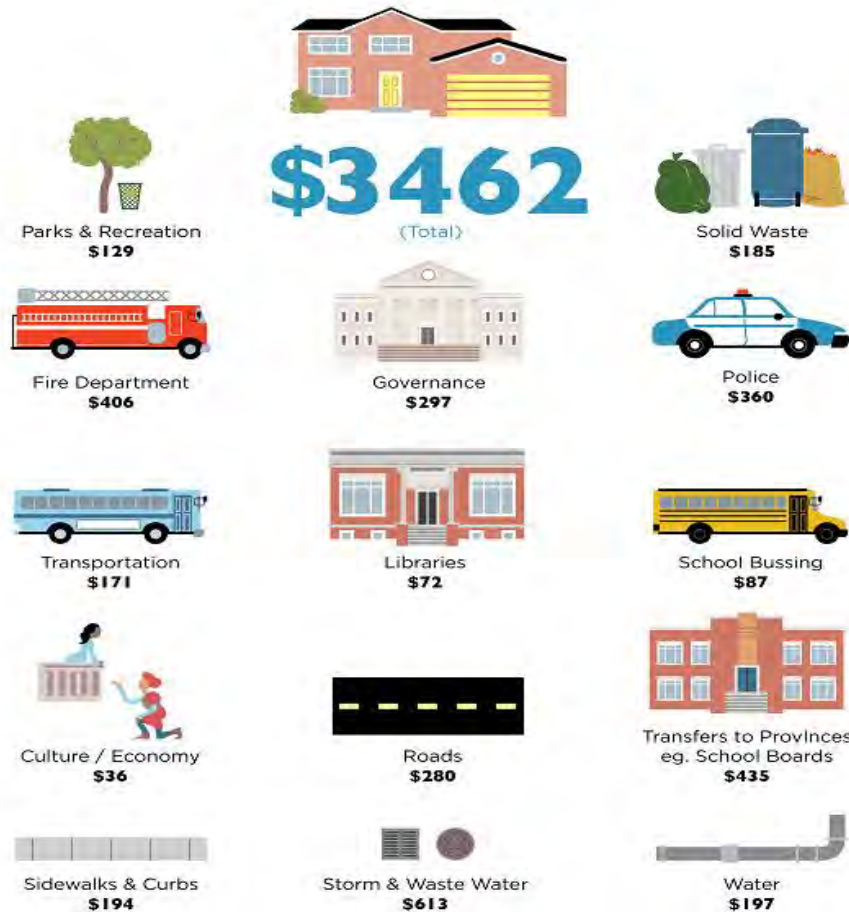


## Ten Minute Community

H&T Index (45% of Budget) - 80% AMI



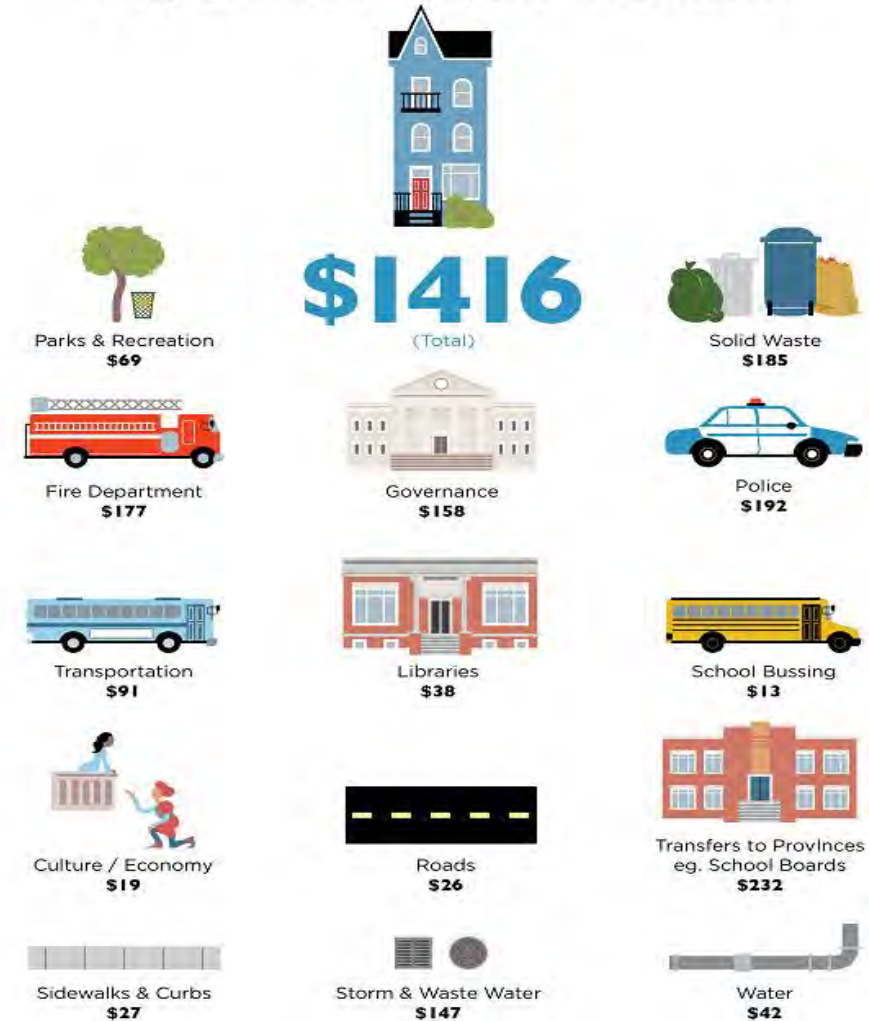
## City's Annual Cost, per Household



**SP** Sustainable Prosperity

For more data and more reports, visit [thecostofsprawl.com](http://thecostofsprawl.com)  
Data based on Halifax Regional Municipality

## City's Annual Cost, per Household

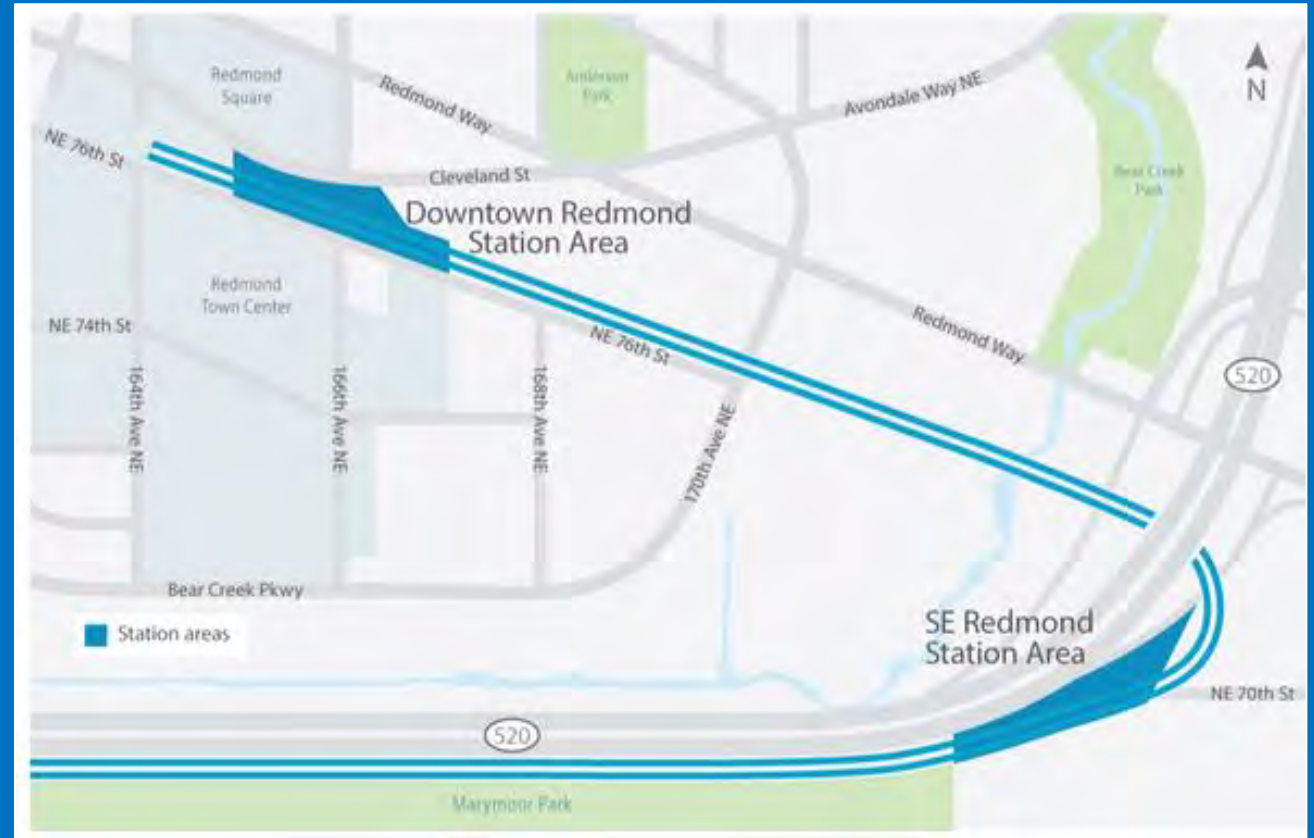


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For more data and more reports, visit [thecostofsprawl.com](http://thecostofsprawl.com)  
Data based on Halifax Regional Municipality



# Redmond's Future Light Rail Stations



Ende

100% Market Rate					Workforce Housing Option 1					Workforce Housing Option 2					Workforce Housing Option 3					Workforce Housing Option 4					Workforce Housing Option 5									
100 Market Rate Units 0 Workforce Housing Units					90 Market Rate Units 10 Workforce Housing Units					80 Market Rate Units 20 Workforce Housing Units					60% AMI Workforce Housing Units 80% AMI Workforce Housing Units 100% AMI Workforce Housing Units					60% AMI Workforce Housing Units 80% AMI Workforce Housing Units 100% AMI Workforce Housing Units					60% AMI Workforce Housing Units 80% AMI Workforce Housing Units 100% AMI Workforce Housing Units									
RENT					RENT					RENT					RENT					RENT					RENT									
Base Rent					Base Rent					Base Rent					Base Rent					Base Rent					Base Rent									
Type	Qty	Ave SF	Rent*		Type	Qty	Ave SF	Rent*		Type	Qty	Ave SF	Rent*		Type	Qty	Ave SF	Rent*		Type	Qty	Ave SF	Rent*		Type	Qty	Ave SF	Rent*						
Studio	Market Rate	25	500	\$15,850	Studio	Market Rate	22	500	\$15,850	Studio	Market Rate	18	500	\$15,850	Studio 60% AMI	4	500	\$958		Studio	60% AMI	2	500	\$958	Studio	60% AMI	1	500	\$958					
	Workforce Rate					Workforce Rate					Workforce Rate					80% AMI	6	500	\$1,320			80% AMI	6	500	\$1,320		80% AMI	4	500	\$1,320				
1BR	Market Rate	30	750	\$2,200	1BR	Market Rate	46	750	\$2,200	1BR	Market Rate	42	750	\$2,200	1BR 60% AMI	8	750	\$1,682		1BR	60% AMI	8	750	\$1,682	1BR	60% AMI	7	750	\$1,682					
	Workforce Rate					Workforce Rate					Workforce Rate					80% AMI	8	750	\$1,503			80% AMI	8	750	\$1,503		80% AMI	7	750	\$1,503				
2BR	Market Rate	25	1,100	\$2,500	2BR	Market Rate	22	1,100	\$2,500	2BR	Market Rate	18	1,100	\$2,500	2BR 60% AMI	12	900	\$1,850		2BR	60% AMI	12	900	\$1,850	2BR	60% AMI	12	900	\$1,850					
	Workforce Rate					Workforce Rate					Workforce Rate					80% AMI	12	900	\$1,503			80% AMI	12	900	\$1,503		80% AMI	10	750	\$1,503				
Total		100	775	\$2,138	Total		100	742	\$2,119	Total		100	708	\$2,050	1BR 100% AMI	8	750	\$1,917		1BR 100% AMI	8	750	\$1,917	1BR 100% AMI	8	750	\$1,917	1BR 100% AMI	14	750	\$1,917			
Other Income	\$530	Per unit (including parking)			Other Income	\$130	Per unit (including parking)			Other Income	\$130	Per unit (including parking)			Market Rate	25	750	\$2,200		Market Rate	25	750	\$2,200	Market Rate	25	750	\$2,200	Market Rate	25	750	\$2,200			
Expenses	\$7,000	Per unit			Expenses	\$7,000	Per unit			Expenses	\$7,000	Per unit			2BR 60% AMI	4	1,100	\$1,210		2BR 60% AMI	2	1,100	\$1,210	2BR 60% AMI	1	1,100	\$1,210	2BR 60% AMI	4	1,100	\$1,675			
COST		per unit			COST		per unit			COST		per unit			80% AMI	6	1,100	\$1,675		80% AMI	6	1,100	\$1,675	80% AMI	4	1,100	\$1,675	80% AMI	7	1,100	\$2,041			
Land	\$5,000,000	\$50,000			Land	\$5,000,000	\$50,000			Land	\$5,000,000	\$50,000			100% AMI	8	1,100	\$2,141		100% AMI	8	1,100	\$2,141	100% AMI	7	1,100	\$2,141	100% AMI	12	1,100	\$2,500			
Muni Fees	1,900,000	19,000			Muni Fees	1,900,000	19,000			Muni Fees	1,900,000	19,000			Market Rate	12	1,100	\$2,300		Market Rate	12	1,100	\$2,300	Market Rate	12	1,100	\$2,300	Market Rate	12	1,100	\$2,300			
Soft + Financing	8,000,000	80,000			Soft + Financing	8,000,000	80,000			Soft + Financing	8,000,000	80,000			Total	100	643	\$1,825		Total	100	643	\$1,891	Total	100	640	\$1,931	Total	100	640	\$1,931			
Hard + Contingency	\$2,500,000	25,000			Hard + Contingency	\$2,500,000	25,000			Hard + Contingency	\$2,500,000	25,000			Other	\$130	Per unit (including parking)			Other	\$130	Per unit (including parking)			Other	\$130	Per unit (including parking)			Other	\$130	Per unit (including parking)		
Total	\$35,000,000	\$350,000			Total	\$35,000,000	\$350,000			Total	\$35,000,000	\$350,000			Expens	\$7,000	Per unit			Expenses	\$7,000	Per unit			Expenses	\$7,000	Per unit			Expenses	\$7,000	Per unit		
Debt	\$21,000,000	60%			Debt	\$20,125,000	59% Assumes limited rent growth			Debt	\$19,250,000	55% Assumes limited rent growth			COST		per unit			COST		per unit			COST		per unit			COST		per unit		
Equity	\$14,000,000	40%			Equity	\$14,875,000	43% for workforce housing units			Equity	\$15,750,000	45% for workforce housing units			Land	\$5,000,000	\$50,000			Land	\$5,000,000	\$50,000			Land	\$5,000,000	\$50,000			Land	\$5,000,000	\$50,000		
Total	\$35,000,000	100%			Total	\$35,000,000	100%			Total	\$35,000,000	100%			Muni Fees	1,900,000	19,000			Muni Fees	1,900,000	19,000			Muni Fees	1,900,000	19,000			Muni Fees	1,900,000	19,000		
CASH FLOW		Annual			CASH FLOW		Annual			CASH FLOW		Annual			CASH FLOW		Annual			CASH FLOW		Annual			CASH FLOW		Annual			CASH FLOW		Annual		
Rental Income	\$1,623,000				Rental Income	\$1,542,754				Rental Income	\$1,460,528				Soft +	8,000,000	80,000			Soft +	8,000,000	80,000			Soft +	8,000,000	80,000			Soft +	8,000,000	80,000		
Other Income	180,000				Other Income	180,000				Other Income	180,000				Hard +	22,500,000	225,000			Hard +	22,500,000	225,000			Hard +	22,500,000	225,000			Hard +	22,500,000	225,000		
Vacancy	(149,250)				Vacancy	(136,138)				Vacancy	(132,026)				Total	\$35,000,000	\$350,000			Total	\$35,000,000	\$350,000			Total	\$35,000,000	\$350,000			Total	\$35,000,000	\$350,000		
Effective Gross Inc	2,664,750				Effective Gross Inc	2,586,626				Effective Gross Inc	2,508,502				Debt	\$19,250,000	55% Assumes limited rent growth			Debt	\$19,250,000	55% Assumes limited rent growth			Debt	\$19,250,000	55% Assumes limited rent growth			Debt	\$19,250,000	55% Assumes limited rent growth		
Expenses	(700,000)				Expenses	(700,000)				Expenses	(700,000)				Equity	\$15,750,000	45% for workforce housing units			Equity	\$15,750,000	45% for workforce housing units			Equity	\$15,750,000	45% for workforce housing units			Equity	\$15,750,000	45% for workforce housing units		
Net Operating Inc	\$1,964,750				Net Operating Inc	\$1,886,626				Net Operating Inc	\$1,808,502				Total	\$35,000,000	100%			Total	\$35,000,000	100%			Total	\$35,000,000	100%			Total	\$35,000,000	100%		
VALUE		Annual			VALUE		Annual			VALUE		Annual			CASH		Annual			CASH FLOW		Annual			CASH FLOW		Annual			CASH FLOW		Annual		
Net Operating Inc	\$1,964,750				Net Operating Inc	\$1,886,626				Net Operating Inc	\$1,808,502				Rental	\$2,189,748				Rental Income	\$1,269,764				Rental Income	\$1,217,380				Rental Income	\$1,217,380			
Cap Rate	4.75%				Cap Rate	4.63% Assumes limited rent growth				Cap Rate	5.00% Assumes limited rent growth				Other	180,000				Other Income	180,000				Other Income	180,000				Other Income	180,000			
Gross Value	\$41,363,138				Gross Value	\$39,101,032 for workforce housing units				Gross Value	\$36,170,032 for workforce housing units				Vacac	(118,487)				Vacancy	(122,458)				Vacancy	(124,889)				Vacancy	(124,889)			
RETURNS		GROSS PROFIT			RETURNS		GROSS PROFIT			RETURNS		GROSS PROFIT			Effect	2,251,261				Effective Gross Inc	2,326,706				Effective Gross Inc	2,372,511				Effective Gross Inc	2,372,511			
Return on Cost	5.5%				Return on Cost	5.4%				Return on Cost	5.2%				Expens	(700,000)				Expenses	(700,000)				Expenses	(700,000)				Expenses	(700,000)			
Profit on Exit	\$6,363,138				Profit on Exit	\$4,101,032				Profit on Exit	\$1,170,032				Net O	\$1,551,261				Net Operating Inc	\$1,626,706				Net Operating Inc	\$1,672,511				Net Operating Inc	\$1,672,511			
Return on Equity	15%				Return on Equity	8.2%				Return on Equity	2%				VALUE		Annual			VALUE		Annual			VALUE		Annual			VALUE		Annual		
Annual return / 3 years															Net O	\$1,551,261				Net Operating Inc	\$1,626,706				Net Operating Inc	\$1,672,511				Net Operating Inc	\$1,672,511			
															Cap Ra	5.23% Assumes limited rent growth				Cap Rate	5.23% Assumes limited rent growth				Cap Rate	5.23% Assumes limited rent growth				Cap Rate	5.23% Assumes limited rent growth			
															Gross	\$25,347,821 for workforce housing units				Gross Value	\$30,984,872 for workforce housing units				Gross Value	\$31,837,352 for workforce housing units				Gross Value	\$31,837,352 for workforce housing units			
															GROS		GROSS PROFIT			GROS		GROSS PROFIT			GROS		GROSS PROFIT			GROS		GROSS PROFIT		
															Return	4.4%				Return on Cost	5.3%				Return on Cost	4.8%				Return on Cost	4.8%			
															Profit	(\$5,452,179)				Profit on Exit	(\$4,013,128)				Profit on Exit	(\$2,342,648)				Profit on Exit	(\$2,342,648)			
															Return	12%				Return on Equi	8%				Return on Equi	7%				Return on Equi	7%			





## Financial Results

### 70% Blended Proforma

Conventional profit on exit:

\$4,101,053

9.2% return on equity

WFH profit on exit, proposed:

\$5,341,049

11.2% return on equity

WFH, incentive on exit:

\$1,239,996

2.0% equity gain



Current Housing code 90/10					Workforce Housing Option 70/30					Workforce Housing Option 50/50				
10/80% AMI Workforce Housing Units					10/80% AMI Workforce Housing Units					10/80% AMI Workforce Housing Units				
14/90% AMI Workforce Housing Units					14/90% AMI Workforce Housing Units					14/90% AMI Workforce Housing Units				
90 Market Rate Units					85 Market Rate Units					61 Market Rate Units				
RENT	Type	Qty	Ave SF	Rent*	RENT	Type	Qty	Ave SF	Rent*	RENT	Type	Qty	Ave SF	Rent*
Studio	Market Rate	20	500	\$1,000	Studio	60% AMI	1	500	\$1,000	Studio	60% AMI	2	500	\$1,000
	Workforce Rate	1	500	\$1,200		80% AMI	7	500	\$1,200		80% AMI	8	500	\$1,200
						100% AMI	4	500	\$1,200		100% AMI	8	500	\$1,200
	Market Rate	26	500	\$1,000		Market Rate	26	500	\$1,000		Market Rate	26	500	\$1,000
1BR	Market Rate	46	750	\$1,200	1BR	60% AMI	1	750	\$1,200	1BR	60% AMI	2	750	\$1,200
	Workforce Rate	8	750	\$1,500		80% AMI	7	750	\$1,500		80% AMI	12	750	\$1,500
						100% AMI	9	750	\$1,500		100% AMI	17	750	\$1,500
	Market Rate	64	750	\$1,200		Market Rate	64	750	\$1,200		Market Rate	29	750	\$1,200
2BR	Market Rate	20	1,100	\$2,000	2BR	60% AMI	1	1,100	\$2,000	2BR	60% AMI	4	1,100	\$2,000
	Workforce Rate	8	1,100	\$2,400		80% AMI	4	1,100	\$2,400		80% AMI	2	1,100	\$2,400
						100% AMI	3	1,100	\$2,400		100% AMI	8	1,100	\$2,400
	Market Rate	34	1,100	\$2,000		Market Rate	34	1,100	\$2,000		Market Rate	12	1,100	\$2,000
Total		100	742	\$2,116	Total		122	606	\$1,980	Total		122	638	\$1,906
Other income	\$100	Per unit (including parking)			Other income	\$100	Per unit (including parking)			Other income	\$100	Per unit (including parking)		
Expenses	\$7,000	Per unit			Expenses	\$7,000	Per unit			Expenses	\$7,000	Per unit		
COST	Per unit	Cost			COST	Per unit	Cost			COST	Per unit	Cost		
Land	\$5,000,000	\$50,000			Land	\$5,000,000	\$50,000	14.2%		Land	\$5,000,000	\$50,000	14.7%	
Muni Fees	1,500,000	15,000			Muni Fees	1,800,000	18,000	5.2%		Muni Fees	1,800,000	18,000	5.4%	
					Fees reduced -1% co	(2,000)	(2,000)	-1.3%		Fees reduced -1% co	(2,000)	(2,000)	-1.3%	
					Parking to TMP need	(814,000)	(8,140)	-2.4%	\$55,000 per stall for lowest level stall costs	Parking to TMP need	(1,342,000)	(13,420)	-3.9%	\$55,000 per stall for lowest level stall costs
					Wise standard modifications	(1,625)	(1,625)	-1.1%		Wise standard modifications	(1,625)	(1,625)	-1.5%	
					MITE*2 Credit over	(3,317,780)	(33,178)	-9.4%		MITE*2 Credit over	(3,317,780)	(33,178)	-9.7%	
Soft + Financing	6,000,000	60,000			Soft + Financing	7,320,000	73,200	20.6%		Soft + Financing	7,320,000	73,200	21.5%	
Hard + Contingency	23,500,000	235,000			LEED additional 5% *	1,248,750	(12,488)	-3.5%		LEED additional 5% *	1,248,750	(12,488)	-3.7%	
Total	\$25,000,000	\$250,000	Per unit costs		Total	\$25,476,395	\$254,764	100.0%	Significant per unit reduced costs	Total	\$26,040,720	\$260,407	100.0%	Significant per unit reduced costs
Debt	\$20,125,000	201,250			Debt	\$19,541,852	195,419			Debt	\$19,722,396	197,224		
Equity	\$14,875,000	148,750			Equity	\$15,934,543	159,345			Equity	\$16,318,324	163,183		
Total	\$25,000,000	250,000			Total	\$25,476,395	254,764			Total	\$26,040,720	260,407		
CASH FLOW	Annual				CASH FLOW	Annual				CASH FLOW	Annual			
Rental Income	\$2,142,784				Rental Income	\$2,888,276				Rental Income	\$2,790,540			
Other Income	180,000				Other Income	213,000	97% other income for smaller units-same building size			Other Income	208,620	95% other income for smaller units-same building size		
Vacancy	(126,138)	5% vacancy			Vacancy	(140,000)	4.5% vacancy			Vacancy	(119,965)	4% vacancy		
Effective Gross Inc	2,196,646				Effective Gross Inc	2,979,276				Effective Gross Inc	2,879,195			
Expenses	(710,000)				Expenses	(828,330)	67% costs for smaller units-same property size			Expenses	(811,300)	65% costs for smaller units-same property size		
Net Operating Inc	\$1,886,646				Net Operating Inc	\$2,142,946				Net Operating Inc	\$2,067,895			
VALUE					VALUE					VALUE				
Net Operating Inc	\$1,886,646				Net Operating Inc	\$2,142,946				Net Operating Inc	\$2,067,895			
Cap Rate	4.80%				Cap Rate	5.20%	Assumes modest rent growth			Cap Rate	5.25%	Assumes limited rent growth		
Gross Value	\$28,888,889				Gross Value	\$40,827,144	for workforce housing units			Gross Value	\$28,852,217	for workforce housing units		
GROSS PROFIT					GROSS PROFIT					GROSS PROFIT				
Return on Cost	5.4%	**Current returns are sub-par. Minimum returns should be 5.75% to "north" of 6% for risk capital			Return on Cost	6.0%				Return on Cost	6.1%			
Profit on Exit	\$4,001,000				Profit on Exit	\$5,341,000				Profit on Exit	\$4,611,400			
Return on Equity	9.2%	Return on Equity should be 10-15% annual returns to attract risk capital			Return on Equity	11.2%				Return on Equity	10.0%			
*Maximum rent after all allowances, per ADG					**Fannie Mae / Freddie Mac potential for better financing for WH especially LEED Platinum					*Fannie Mae / Freddie Mac potential for better financing for WH especially LEED Platinum				
**Per institutional investors, local lenders and lenders-reason for current permit slow down					*Est. present value					*Est. present value				
Costs based on beginning of 2018					*The savings per unit creates ability to create lower rents					*The savings per unit creates ability to create lower rents				
Gifted land is not considered in proforma					*Parking - 4 less than market rate at .9 + .5 based on need					*Parking - 4 less than market rate at .9 + .5 based on need				
					*Savings per unit is \$10,000 all units or \$20,000 for WH					*Savings per unit is \$10,000 all units or \$20,000 for WH				
					*A faster permitting, modify to best standards -1.5% of hard costs					*A faster permitting, modify to best standards -1.5% of hard costs				
					*S Protects long term operational increases					*S Protects long term operational increases				

## 100 Unit Sample Project

### Outcomes

#### Standard Inclusionary Housing, standard code (90/10):

Unit Size	Unit Type	Quantity
Studio	Workforce (80% AMI)	3
	Market Rate	22
1BR	Workforce (80% AMI)	4
	Market Rate	46
2BR	Workforce (80% AMI)	3
	Market Rate	22
Total	Workforce (80% AMI)	10
	Market Rate	90

#### Proposed Workforce Housing, overlay incentive code (50/50):

Unit Size	Unit Type	Quantity
Studio	60% AMI	2
	80% AMI	9
	100% AMI	8
	Market Rate	20
1BR	60% AMI	2
	80% AMI	12
	100% AMI	17
	Market Rate	29
2BR	60% AMI	1
	80% AMI	2
	100% AMI	8
	Market Rate	12
Total	Workforce Housing	61
	Market Rate	61

## 100 Unit Sample Project

### Outcomes

#### Standard Inclusionary Housing, standard code (90/10):

Unit Size	Unit Type	Quantity
Studio	Workforce (80% AMI)	3
	Market Rate	22
1BR	Workforce (80% AMI)	4
	Market Rate	46
2BR	Workforce (80% AMI)	3
	Market Rate	22
Total	Workforce (80% AMI)	10
	Market Rate	90

#### Proposed Workforce Housing, overlay incentive code (70/30):

Unit Size	Unit Type	Quantity
Studio	60% AMI	1
	80% AMI	7
	100% AMI	4
	Market Rate	28
1BR	60% AMI	1
	80% AMI	7
	100% AMI	9
	Market Rate	43
2BR	60% AMI	1
	80% AMI	4
	100% AMI	3
	Market Rate	14
Total	Workforce Housing	37
	Market Rate	85

# Key Council Decision:

## Support Eastside Statement of Mayors:

Reduce the cost for  
each workforce  
housing unit

Microsoft

## Statement of Mayors

We will consider opportunities to advance housing affordability in the region, including but not limited to:

1. Making available at no cost, at deep discount, or for long-term lease, under-utilized publicly-owned properties,
2. **Updating zoning and land use regulations** to increase density near current and planned public transit,
3. **Reducing or waiving parking requirements** in transit corridors to help reduce overall development costs,
4. Reducing or waiving impact and other development-related fees.
5. **Streamlining and accelerating the permitting process** for low- and middle-income housing projects to improve developer certainty,
6. **Providing tax exemptions and credits** to incent low-and middle-income housing development, and
7. **Updating building codes to promote more housing growth** and innovative, low-cost development.

Auburn, Bellevue, Federal Way, Issaquah, Kent, Kirkland, Redmond, Renton, Sammamish