Attachment C

City of Bellevue Housing Economic Policy Analysis

Phase II Financial Feasibility Analysis

August 8, 2024

Prepared by:

CAI
COMMUNITY ATTRIBUTES INC

Prepared for:

CITY OF BELLEVUE WASHINGTON

Community Attributes Inc. tells data-rich stories about communities that are important to decision makers.

President and CEO:
Chris Mefford

Project Manager:
Cassie Byerly

Analysts:
Martin Arpin
Dominic Roche
Ethan Schmidt
Elliot Weiss

Community Attributes Inc.
119 Pine St, Suite 400
Seattle, WA 98101

www.communityattributes.com

EXECUTIVE SUMMARY

The City of Bellevue is considering new land use policy and affordable housing program updates to help spur affordable housing development. Quantitative analysis and outreach will inform the policy decisions facing the City by testing the potential impacts affordable housing programs have on development feasibility and summarizing the unique building considerations in Bellevue noted by local developers. This report includes analysis based on pro forma modeling and stakeholder engagement findings. Key findings include:

- Because of poor current market conditions, many projects are currently infeasible or would face economic challenges under current code or otherwise.
- There are many unique building considerations in Bellevue that increase the cost of development. Stakeholders noted permitting timelines, design review requirements, and inspections as being particularly costly and difficult.
- Under improved market conditions, the analysis suggests granting bonus square footage in exchange for providing affordable units can help offset the cost of providing affordable housing. The City must consider if the bonus area awarded can be fully utilized given other regulations and market factors. Factors that may hinder utilization include the site's underlying zone and maximum density, the type of project and the cost of building up (mid-rise versus high-rise), and other site-specific requirements potentially limiting site coverage, in addition to other factors.
- Reduced parking requirements can help reduce the total cost of development. While stakeholders indicated that there is market demand for some parking with multifamily, mixed-use, and commercial projects, reducing the required minimum parking could yield cost savings.
- When market conditions are poor, a density bonus received for providing affordable housing may not be appealing as an incentive, as rent levels may not be high enough to justify the costs of higher density development.

The purpose of this study is to provide an understanding of how different affordable housing program requirements impact the financial feasibility of a range of development types. The analysis is generalized, testing a range of development types and policy requirements. As a result, the analysis indicates the magnitude and directionality of policy changes on financial feasibility output metrics rather than assessing a potential project's feasibility.

Pro forma modeling quantifies the potential impacts of affordable housing program updates on development feasibility. Where possible, pro forma analysis in this report uses current data from Bellevue's neighborhoods. When data was not available, assumptions are made with the best available information and data from public and private data sources, interviews with local developers, and the City of Bellevue.

The primary limitations of the analysis are the generalized nature of the modeling and the poor market conditions currently impacting the development community. Site- and project-specific considerations can play a large role in the potential feasibility of a development and are not captured in this study. As such, the benefit of some affordable housing programs offered by the City of Bellevue is not accounted for, such as MFTE.

However, generalized modeling provides a better high-level overview of potential impacts of housing policy on a range of projects. This allows the City of Bellevue to better understand the ways in which these types of policies may affect development and investment decisions. Currently, poor market conditions (high construction and financing costs) are driving largely negative output metrics in the model. This suggests that many projects are currently infeasible or would face economic challenges under current code or otherwise.

As a result, this analysis employs sensitivity testing to better understand how policy updates may impact development feasibility under changing market conditions. The model will be provided to the City of Bellevue as a tool for continued and ongoing analysis of the potential impacts of proposed policies as market conditions change.

CONTENTS

INTRODUCTION

Background and Purpose

Phase I of the Bellevue Housing Economic Policy Analysis study consisted of an analysis of existing conditions in Bellevue, including applicable policy requirements and regulations, real estate market conditions, and affordable housing funding. It also included an assessment of best practices and successful tools that have been used to stimulate the production of affordable housing units in Washington based on case studies and secondary research.

As a result of Phase I, three policy options emerged for further feasibility analysis in Phase II: 1) Incentive zoning (voluntary) program; 2) Mandatory inclusionary zoning with a fee in-lieu program; and 3) Variation of the mandatory inclusionary zoning program.

The Phase II feasibility analysis aims to answer the following question:

"How does development feasibility under the three policy options compare to the feasibility of development projects built under current market conditions (baseline)?"

This report summarizes the findings from this analysis, including the methodology, inputs, and assumptions, and provides recommendations on affordable housing program requirements for the City of Bellevue.

The purpose of this study is to provide an understanding of how different affordable housing program requirements impact the financial feasibility of a range of development types. The analysis is generalized to allow for testing of a range of development types and policy requirements. As a result, the analysis aims to understand the magnitude and directionality of policy impacts on financial feasibility output metrics rather than assess a potential project's feasibility.

Limitations to the analysis accompany the generalized nature of the modeling. Site- and project-specific considerations can play a large role in the potential feasibility of a development and are not captured in this study, such as MFTE participation. Rather, the generalized nature provides a high-level overview of potential impacts of housing policy and allows the City of Bellevue to better understand the typical impacts policies may have on development projects.

Poor market conditions also limit the analysis in the sense that few projects are currently feasible independent of any local housing policy or land use changes, and the analysis reflects such trends. While the magnitude and directionality of policy requirements can still be

assessed, it would be more ideal to test policy requirements under conditions more favorable to development to understand how policy may impact under these conditions. To help offset this limitation, sensitivity analysis has been included to show how potential fluctuations in market conditions impact results. The modeling tool will be provided to the City of Bellevue for continued analysis of the impacts of proposed policies as market conditions begin to improve.

Methods

Phase II of this study included developing a scenario analysis tool to test parameters of selected affordable housing programs through financial analysis. To conduct the feasibility analysis, CAI worked with the City of Bellevue to define the three policy options—referred to as scenarios in this report—and four hypothetical development prototypes that could theoretically be built throughout the City of Bellevue. The development prototypes include:

- Residential: Low-rise or Mid-rise, 3 – 5 stories.
- Mixed-use: Mid-rise, 6 – 7 stories with ground floor active uses.
- Mixed-use: High-rise, up to the highest heights allowed in Bellevue and including ground floor active uses.
- Office: High-rise, up to the highest heights allowed in Bellevue and including ground floor active uses.

Data for the financial feasibility analysis (e.g., local rents, construction costs, capitalization rates) were collected from data sources including CoStar, CBRE, and Rider, Levett, & Bucknall. Assumptions for feasibility modeling were refined through interviews with stakeholders.

CAI conducted eight stakeholder interviews with local market-rate and affordable housing developers. Five of those interviews were with market-rate developers; three were with affordable housing developers. Interview questions focused on model inputs, current real estate market conditions, building conditions unique to Bellevue, and existing affordable housing programs in Bellevue. CAI also worked with the Bellevue Chamber of Commerce's PLUSH Committee to obtain additional feedback from developers, contractors, and brokers. Following a complete draft, CAI and the City of Bellevue reconvened with stakeholders for a final review of model inputs.

A spreadsheet-based pro forma model was developed to serve as a scenario analysis tool for the City of Bellevue. The tool can help evaluate the magnitude and directionality of impact of a combination of affordable housing requirements and incentives on potential returns for hypothetical residential and commercial development projects. This

study uses Residual Land Value (RLV) as the primary financial feasibility output metric. RLV is the remaining money that a developer of a project could use to pay to acquire the land needed for the project after accounting for all other costs, including construction costs and the developer's return. A detailed description of the methodology is included in the Pro Forma Feasibility Analysis section of this report.

Report Organization

The rest of this report is organized as follows:

- **Stakeholder Outreach Summary.** Summarizes the findings from the eight stakeholder interviews conducted to inform the financial feasibility analysis.
- **Financial Feasibility Analysis.** Discusses the policy context, policy scenarios, development prototypes, geographies, methodology, inputs, assumptions, and results of the financial feasibility analysis.
- **Feasibility Study Limitations.** Describes the limitations of the financial feasibility analysis conducted for this study.
- **Recommendations.** Provides recommendations for the design of inclusionary housing policies based on the findings of the analysis.

STAKEHOLDER OUTREACH SUMMARY

This section summarizes key findings from the interviews conducted to inform the financial feasibility analysis.

Pro Forma Model Inputs

This section discusses pro forma model feedback provided by the market-rate developer stakeholders.

Construction Costs

When asked about construction costs, market-rate developers generally agreed that total development costs per housing unit ranged from $500,000 to $700,000 for mid-rise construction, and from $700,000 to $900,000 per unit for high-rise construction. Total development cost figures will range depending on project-specific requirements, including the number of parking spaces required and average unit size. Parking costs play a significant role in total development costs. Stakeholders shared that building structured parking typically costs around $75,000 per stall, and that cost increases by about $10,000 per stall for every additional level of the parking structure that needs to be built.

Rents

Rent ranges provided by stakeholders were fairly consistent. Average monthly rents per square foot were estimated between $3.40 to $3.60 for mid-rise projects in Bellevue's mixed-use centers, excluding Downtown. The higher end of the range most accurately represents Wilburton and BelRed. Stakeholders shared that new mid-rise projects in Downtown could likely command rents closer to $4.00 per square foot. They also mentioned that monthly average rents of over $5.00 per square foot are needed to see projects become financially viable today. Interviewees had less to share about high-rise rents, but a few stakeholders mentioned that average rents are likely between $4.50 and $4.75. Feedback for residential parking rents ranged from $150 to $250 per stall per month.

Regarding retail rents, market-rate stakeholders noted that rental rates are highly dependent on location and the retail space itself but shared that triple net rental rates likely fall between $30 to $40 in mixed-use centers outside of Downtown. Downtown rents have the potential to climb closer to $50 depending on the location and retail space.[1] Given current uncertainty surrounding the office market, stakeholders did not provide data on office rents due to a lack of accurate information (or uncertainty given current office vacancy amid mixed return-to-office trends).

Land Prices

When asked about land prices in Bellevue, stakeholders generally agreed that land prices are currently difficult to estimate due to the lack of land transactions. A few stakeholders shared that they would expect land prices to fall around $100,000 to $125,000 per unit at this time, but they do not expect those price levels to be a long-term equilibrium and expect prices to fall in the future. Stakeholders also expressed that land prices are dictated by market forces. For example, stakeholders perceive that additional zoned capacity for high-rise development will only increase the market value of the land if high-rise construction is feasible under current market conditions. If only mid-rise projects are feasible, the market dictates that the land will transact at a price supportable by a mid-rise project, regardless of the zoned capacity.

[1] Triple Net (NNN) Rents: A lease in which the tenant is responsible for all expenses associated with their proportional share of occupancy of the building. (Source: CoStar)

Capitalization Rates

Most stakeholders agreed that exit capitalization rates for residential developments likely range from 5% to 5.5%. Stakeholders noted that to break ground on new development they would like to see returns 1.25% to 2% higher than exit capitalization rates. Stakeholders did not provide estimates for office capitalization rates due to a lack of information and current uncertainty surrounding the office market.

Interest Rates

When asked about construction loan interest rates, interviews indicated that interest rates currently fall between 7.50% and 9.00% depending on the lender but noted that many traditional lenders are not issuing loans at this time. Additional discussion about the lending market is provided in the Market Conditions section.

Market Conditions

Throughout the stakeholder interviews, interviewees repeatedly noted that current market conditions are challenging and that there is uncertainty regarding when a new "normal" may be achieved. The key considerations noted by stakeholders are current rent levels, construction costs, and the lending market.

All market-rate developers noted that achievable rent levels remain too low to allow for a project to be financially viable given where current construction costs and interest rates are. Stakeholders agreed that mid-rise rent levels are closer to the required levels to allow for development compared to high-rise rent levels, but mid-rise rent levels are still falling about $0.50 per square foot below the needed rental rate to build a mid-rise product under the current market conditions.

Stakeholders shared that construction costs have begun to come down slightly, with some estimating a 5% decrease from the previous year. It is believed the decrease is driven by the lack of demand for construction work caused by poor market conditions and the alleviation of supply chain issues felt during the pandemic that were driving up material prices.

While interest rates remain high resulting in higher borrowing costs for developers, interviewees also noted an inability to secure a loan as many major regional banks have ceased lending for real estate projects for the time being.

Affordable Housing Programs

When given the opportunity to speak to Bellevue's existing affordable housing policies, multiple market-rate developers shared that they felt the current structure of Bellevue's MFTE program is working well. They indicated that the current MFTE program is incentive-neutral, meaning that the project's additional costs are appropriately but not overly covered by the program's financial incentive. One stakeholder suggested the MFTE program should be able to be used in tandem with any affordable housing policies the City creates as it allows those programs to function as a stronger incentive.

Another market-rate developer noted they prefer that affordable housing policies include an in-lieu fee option, as those fees can be set in a manner that allows the program to be incentive-neutral when receiving the density bonus, rather than overly penalizing. A few stakeholders said they would prefer paying an in-lieu fee option over providing affordable housing even if yields are similar, or slightly better, for the performance option due to poor experiences building and managing affordable units in the past and the increased administrative costs associated with managing affordable units.

Multiple stakeholders indicated that a density bonus does not always provide a project benefit. Depending on the site size and the planned building area, a density bonus for a mid-rise project may only be able to be utilized by building up, which could push the project into a new, far more expensive construction type. As a result, the density bonus will likely not be used, and the developer will gain no utility from the density bonus.

Speaking to affordable housing programs in general, multiple market-rate developers interviewed noted that the cost of affordable units in a market-rate building is not absorbed by the developer. Rather, the costs are transferred to market-rate renters through the price of rent, as market-rate rents have to be increased to ensure the development meets the required yields for developers and lenders. One stakeholder noted that equity can also be constrained by providing affordable units within market-rate developments as lenders can perceive projects including affordable housing to be riskier.

Market-rate developers interviewed expressed several concerns related to the implementation of mandatory affordable housing requirements, especially given current unfavorable market conditions, including potentially slowing down market recovery and adding additional uncertainty to a project's viability. Additionally, one interviewee noted that high rise projects are not an efficient way to deliver affordable

housing given the significantly higher costs associated with high rise construction. For context, multiple stakeholders noted that the construction costs associated with high rise development are typically about 35% higher than mid-rise construction.

Affordable Housing Developers

Conversations were held with affordable housing developers whose focus is developing 100% affordable housing projects at various levels of affordability. Key themes arose that are relevant for the City of Bellevue.

Like market-rate developers, affordable housing developers spoke to the poor market conditions and how this impacts their ability to build. While they secure funding in different ways, affordable housing development is not immune to high development costs and often will experience higher construction costs due to prevailing wage requirements and more stringent environmental regulations. One developer cited Bellevue's infrastructure and site requirements in certain neighborhoods as too burdensome to be viable for 100% affordable housing development given affordable housing's strict deadlines and project budgets.

Affordable housing developers noted that making affordable housing easier to build and offsetting some of these barriers would be beneficial to affordable housing developers and help 100% affordable projects to be built. One interviewee noted other jurisdictions where certain aspects of design review, permitting, or entitlements are streamlined for affordable housing projects. This is beneficial because it helps shorten the building timeline and save the project money. They also cited having worked in a jurisdiction where certain fees were waived for affordable housing projects, another efficient cost cutting measure benefiting 100% affordable housing projects.

When asked for feedback about the City of Bellevue's current affordable housing programs, one affordable housing stakeholder noted the amenity incentive programs have too many options to effectively deliver affordable units consistently. The interviewee noted that a program focused solely on affordable housing would likely be more effective if affordable housing production is the main goal of the program. The stakeholder also noted that they preferred programs with multiple options for unit set-asides and affordability levels, as this can lead to more deeply affordable units being built. Lastly, the stakeholder noted that they believe the performance option for affordable housing programs applicable to market-rate development is more efficient in creating affordable units than the payment option.

Multiple affordable housing stakeholders interviewed expressed that funding is the best way to help get 100% affordable projects built. One interviewee emphasized the importance of local contributions, noting this puts the project at the front of the line for state and other funding, which is presently constrained. One affordable housing developer relayed a positive experience working with the City of Bellevue for their project. Having plenty of access to staff and good coordination with the City ensured they hit the strict timeline required by part of their funding. One interviewee also noted the importance of working with the local government and community to get buy-in into 100% affordable housing projects. With the support of the city and the community, development goes much more smoothly and ensures the affordable project is delivered as planned.

Other Feedback

Other feedback shared by stakeholders mostly revolved around the added difficulty and costs associated with building in Bellevue. Stakeholders mentioned overly stringent setbacks as one difficulty impacting the efficient delivery of housing, particularly mid-rise projects. Additionally, interviewees noted the difficult entitlement and inspections process within the City of Bellevue.

To promote housing production, one stakeholder shared that they believe the City should allow developers to build as much as they can in wood; in other words, allow for easier building of mid-rise projects. They suggested alleviating setback requirements for mid-rise projects as an additional incentive to provide affordable housing. By reducing setback requirements for buildings with seven or less stories, mid-rise projects would be able to deliver units more efficiently and potentially gain from density bonuses granted through affordable housing. A few developers also suggested that Bellevue should look for ways to make development cheaper to incentivize housing production, such as reworking setback requirements and making the entitlement and inspections process easier.

Financial Feasibility Analysis

This section of the report discusses the policy context; defines the policy scenarios, development prototypes, and geographies for the financial feasibility analysis; and provides details on methodology, inputs and assumptions used, and analysis findings.

Policy Context

This section summarizes the existing policy context before describing the feasibility analysis.

Compliance with State Law

HB 1220

HB 1220 amended the Growth Management Act to instruct local governments to "plan for and accommodate" housing affordable to all income levels. The statute also directed the Washington State Department of Commerce to project future housing need by income bracket. In King County, a methodology to distribute countywide needs in alignment with County growth targets was developed and ratified within the Countywide Planning Policies. Individual jurisdictions need to plan for and accommodate their allocation of housing units at specified affordability levels, as measured by Area Median Income (AMI).

Bellevue's overall housing growth target is 35,000 net new housing units by 2044. When broken down into need by income band, 77% of housing units need to be affordable at the 50% and below AMI affordability level and 85% of units need to be affordable at the 80% and below AMI. Affordable housing plans, policies, tools, and strategies will be required to meet the requirements of HB 1220, especially at 50% and below AMI. Consequently, the scenarios described below intend help Bellevue to meet its housing unit allocations.

Exhibit 1. Bellevue Net New Units Allocation by 2044

Area Median Income	Net New Units Allocation	% of Total
30% and below	18,195	52%
31%-50%	8,780	25%
51%-80%	2,671	8%
81%-100%	703	2%
101%-120%	798	2%
121% and above	3,853	11%
Total	**35,000**	**100%**

Sources: King County, GMPC Motion 23-1, 2023; Community Attributes Inc., 2023.

HB 1110

Additionally, other state legislation, including HB 1110, has mandated increases to development capacity in neighborhoods currently zoned for single family residential uses. These increases are intended to allow for "missing middle" housing types, such as duplexes and quadplexes.

The City of Bellevue must implement the requirements of HB 1110 no later than June 30, 2025. The law requires the City of Bellevue, a fully GMA planning city with a population over the legislative threshold of 75,000 residents, to allow[2]:

- At least 4 units per lot in predominantly residential zones
- At least 6 units per lot within .25 miles walking distance of a major transit stop in predominantly residential zones
- At least 6 units per lot in predominantly residential zones, if at least two units are affordable housing.

Optimize Unit Production

Bellevue is invested in finding solutions to the region's affordable housing crisis, and the production of both affordable and market-rate units is critical. Any affordable housing requirements should be designed to produce affordable units without disincentivizing housing development altogether.

Policy Scenarios

The three policy options selected for analysis in this study are described below. These define the affordable housing parameters (set-aside percentage and Area Median Income level) and associated incentive (bonus ratio) for each program. Each scenario is tested against applicable generalized development prototypes defined in the subsequent sections.

Scenario 1 tests a bonus incentive of 1 square foot of affordable housing for every 1 square foot of market-rate housing matching the existing incentive zoning program in Bellevue. Scenario 2 and Scenario 3 test a bonus ratio that increases as the required AMI level of affordable units decreases.

All scenarios are compared to a baseline that assumes all units in a development are market rate and there is no requirement to include affordable units.

[2] Final Bill Report, Engrossed House Bill 1110, Washington State Legislature.

Exhibit 2. Summary of Policy Scenarios

	Set Aside % & AMI Level	Bonus Ratio (affordable sf:market rate sf)	Prototype	Geography	In-lieu Fee
Scenario 1	10% of units at 80% AMI 7% of units at 60% AMI	1:1	Residential Low-rise Mixed-use Mid-rise	Low Medium	n/a
Scenario 2	15% of units at 80%, 70%, & 60% AMI 10% of units at 80%, 70%, & 60% AMI	1:4, 1:5, 1:6	Mixed-use Mid-rise Mixed-use High-rise	Medium	Yes
Scenario 3	15% of units at 50% & 30% AMI 10% of units at 50% & 30% AMI	1:8, 1:10	Mixed-use Mid-rise Mixed-use High-rise	Medium	Yes

Source: City of Bellevue, 2024; Community Attributes, 2024.

Scenario 1: Incentive Zoning (Voluntary) Program

Scenario 1 analyzes a modification to the current citywide voluntary density bonus program. This scenario tests modifications to the existing 15% density bonus/FAR bonus program, which requires 15% of units to be provided at 80% AMI, to understand what program calibration, if any, might incentivize program participation. Analysis focuses on testing the voluntary program within the City's Mixed-use Centers (except Downtown) and in areas of the City outside the Mixed-use Centers. This scenario, applicable only to residential units, is tested for the residential low-rise and the mixed-use mid-rise prototypes.

Scenario 2: Mandatory Inclusionary Zoning with a Fee in-Lieu

Scenario 2 analyzes a combination of mandatory inclusionary zoning, applicable to residential projects and with a provision for a fee in-lieu, and a commercial fee in-lieu program.

- For the residential part of the program, this scenario focuses on Mixed-use Centers, and looks at medium to high density developments. Analysis focuses on the mixed-use mid-rise and mixed-use high-rise typologies. The scenario tests affordability levels of 60%, 70%, and 80% AMI while analyzing unit set asides of 10% and 15%.
- The commercial part of the program only includes a payment option. This scenario models the impact of various fee levels in combination with the selected incentive on development feasibility outputs. If the City decides to move forward with a commercial fee in-lieu, a nexus study will likely be needed to determine the maximum allowable fee levels.

Scenario 2 includes an in-lieu fee option for both residential and commercial units but aims to understand fee levels that incentivize the production of affordable units rather than payment of the fee.

Scenario 3: Mandatory Inclusionary Zoning Alternative

Scenario 3 analyzes a mandatory inclusionary zoning program, applicable to residential projects only, with a provision for a fee in-lieu. Analysis focuses on medium and high-density mixed-use areas, matching the densities defined in Scenario 2. AMI levels tested include 30%, 50%, and 80% for a unit set aside of 10% and 15%. Scenario 3 also includes an in-lieu fee option and aims to find fee levels that incentivize the production option rather than fee levels that incentivize in-lieu payments. Analysis for Scenario 3 also tests lower AMI requirements, including 30% AMI, to understand the level of subsidy needed to feasibly produce these units.

Development Prototypes

The financial feasibility analysis uses four core prototypes for scenario testing. These prototypes include:

- Residential Low-rise: suitable for the low densities proposed in all three scenarios. This prototype is envisioned as a residential low-rise or mid-rise building between 3 to 5 stories. Residential units will be modeled as rental units.
- Mixed-use Mid-rise: suitable for the low and medium densities proposed in all three scenarios. This prototype is envisioned as a mid-rise building between 6 to 7 stories consisting of residential uses with ground floor active uses, assumed to be retail. Residential units will be modeled as rental units.
- Mixed-use High-rise: suitable for the high densities proposed in Scenarios 2 and 3. Envisioned as a high-rise tower consisting mostly of a mix of residential uses with ground floor active uses, assumed to be retail. Residential units will be modeled as rental units.
- Office High-rise: will serve as a commercial-only prototype. Envisioned as a high-rise tower consisting mostly of office uses with ground floor active uses, assumed to be retail. This prototype will only be applicable to Scenario 2, which looks at a commercial in-lieu fee.

Data for the four prototypes was provided by the City of Bellevue and is summarized below.[3]

[3] Parking requirements align with the City of Bellevue's current parking requirements for each prototype and were provided by city staff.

Exhibit 3. Summary of Prototypes

	Low-rise	Mixed-use Mid-rise	Mixed-use High-rise	Office High-rise	Unit
Development Inputs					
Site Size	225,000	90,000	45,000	150,000	square feet
Built Square Feet (excl parking)	188,370	266,500	315,000	900,000	square feet
Net Floor Area	161,000	209,000	264,000	749,550	square feet
Residential	161,000	200,000	249,000	0	square feet
Office	0	0	0	734,550	square feet
Retail	0	9,000	15,000	15,000	square feet
Maximum FAR	1.00	4.00	8.00	8.00	floors
Above Grade Floor Count	3	7	18	20	floors
Residential	3	6	17	0	floors
Office	0	0	0	19	floors
Retail	0	1	1	1	
Unit Configuration					
Total Units	122	250	313	n/a	units
Studio	0%	15%	15%	n/a	of total units
1-Bedroom	50%	50%	50%	n/a	of total units
2-Bedroom	45%	30%	30%	n/a	of total units
3-Bedroom	5%	5%	5%	n/a	of total units
Average Unit Size (net)					
Studio	800	550	550	n/a	square feet
1-Bedroom	1,100	700	700	n/a	square feet
2-Bedroom	1,500	1,000	1,000	n/a	square feet
3-Bedroom	1,800	1,250	1,250	n/a	square feet
Parking					
Parking Type	Surface	Structured	Structured	Structured	construction type
Parking Stalls	122	395	519	1,514	stalls
Parking Stall Size (gross)					
Surface	300	300	300	300	square feet
Structured	325	325	325	325	square feet

Source: City of Bellevue, 2024; Community Attributes, 2024.

Geographies

Given some differences in residential market conditions in different neighborhoods of Bellevue, the feasibility analysis studies three submarkets defined as follows:

- High: Downtown Bellevue
- Medium: Mixed-use Centers, except Downtown (this includes East Main, BelRed, Wilburton, Crossroads, Factoria, and Eastgate)
- Low: All other areas of the City, except Downtown and Mixed-use Centers.

Methodology for Financial Feasibility Analysis

This study uses an output metric called residual land value for the feasibility model. The model is static in the sense that it compares the expected returns of a development during a stabilized year of operation to the expected total development costs associated with a project, rather than cash flows and expenses over multiple years. This provides a snapshot of development economics that allows for comparison across many different development types and is appropriate to inform broad, citywide policy decisions. Developers and investors may use other output metrics and highly specific cash flow modeling based on the specific characteristics of their project and its investors.

The model utilizes residual land value (RLV) as the primary output to evaluate the relative economic performance of each hypothetical project under each of the policy scenarios. RLV is the theoretical amount that a developer of a project could use to pay to acquire the land needed for the project based on anticipated revenues and after accounting for all other costs, including construction costs and the developer's return. If RLV meets or exceeds the market-clearing price for developable land, then the project could proceed.

RLV is calculated using the following formula:

Residual Land Value = Capitalized Value – Total Development Costs (Excluding Land Acquisition)

Exhibit 4 summarizes the components and variables needed to calculate RLV.

Exhibit 4. RLV Calculation Components

Revenue
Annual Rental Revenues
Less Vacancy and Credit Loss
Less Annual Operating Expenses
Net Operating Income (1)
Cost
Hard Costs
Parking Costs
Site Prep
Tenant Improvements
Soft Costs
Contingency
Affordable Housing In-lieu Fee
Construction Interest
Total Development Cost (2)
Capitalization Rate (3)
Capitalized Value (4=1/3)
Residual Land Value (4-2)

Source: Community Attributes, 2024.

First, the Capitalized Value is calculated by estimating stabilized Net Operating Income (NOI) and dividing NOI by the assumed Capitalization Rate, which is taken as a given and based on market data. Then, Total Development Costs are estimated and subtracted from the Capitalized Value to determine RLV.

The components of the RLV shown in **Exhibit 4** are defined below in more detail. Inputs and assumptions used to estimate RLV are discussed and shown in the next sections of the memo.

- **Capitalized Value.** The present value of the future net income derived from the project as of a particular valuation date. The Capitalized Value is calculated as the Net Operating Income divided by the Capitalization Rate.
- **Net Operating Income (NOI).** Measures the profitability of the project by subtracting all operating expenses a property incurs (vacancy and credit loss, annual operating expenses) from the revenues it generates.
- **Capitalization Rate.** Measures the rate of return on a project and for this analysis it is taken as a given.
- **Total Development Costs.** Includes the total cost of constructing and financing the project (see detailed elements of development cost in **Exhibit 4**).

Inputs and Assumptions

This section presents the model inputs and assumptions used in the analysis. Current market conditions have constrained the feasibility of multifamily and commercial development, especially for higher-density projects that have higher construction costs. However, this analysis is forward-looking and aims to inform longer-term planning for the City of Bellevue. In an effort to aid long-term planning, certain assumptions reflect market trends and anticipated shifts in model inputs, such as interest rates.

Net Operating Income (NOI) Inputs and Assumptions

Exhibit 5 presents rent price inputs for market-rate residential, office, retail, and parking spaces. Rental inputs are presented by geography, prototype, and unit bedroom count. Market-rate residential rental prices range from $2.75 to $4.50 per square foot per month across all geographies, prototypes, and bedroom counts. The residential high-rise prototype is assumed to demand the highest rents, ranging from $3.25 per square foot per month for a 3-bedroom unit in the medium market area, to as high as $4.50 per square foot for a studio in the high market area. Mid-rise rents on average are assumed to fall 20 to 30 cents per square foot below high-rise rents (**Exhibit 5**).

Office rents range from $30 per square foot per year to $48 per square foot per year between the medium and high market area. Meanwhile, retail rent price inputs range from $30 to $40 per square foot per year for the medium and high market area. Office rent prices represent gross rents, which means a tenant does not have to pay for building expenses as those costs are included in the rental rate. Retail rents represent triple net (NNN) rents, which means the tenant is required to pay for their portion of the buildings expenses on top of their agreed upon rental rate. Parking rents range from $150 to $235 for structured parking (**Exhibit 5**).

Exhibit 5. Market-rate Rents by Prototype and Geography

Geography	Unit	Low-rise	Mixed-use Mid-rise	Mixed-use High-rise	Office High-rise
Residential Rents ($/SF/Month)					
High	Studio	n/a	$4.20	$4.50	n/a
High	1-bedroom	n/a	$3.85	$4.20	n/a
High	2-bedroom	n/a	$3.65	$3.85	n/a
High	3-bedroom	n/a	$3.45	$3.65	n/a
Medium	Studio	n/a	$4.00	$4.10	n/a
Medium	1-bedroom	$3.50	$3.65	$3.75	n/a
Medium	2-bedroom	$3.30	$3.45	$3.55	n/a
Medium	3-bedroom	$3.10	$3.25	$3.25	n/a
Low	Studio	n/a	n/a	n/a	n/a
Low	1-bedroom	$3.25	n/a	n/a	n/a
Low	2-bedroom	$3.00	n/a	n/a	n/a
Low	3-bedroom	$2.75	n/a	n/a	n/a
Office Rents ($/SF/Year)					
High	gross rent	n/a	n/a	n/a	$48.00
Medium	gross rent	n/a	n/a	n/a	$30.00
Low	gross rent	n/a	n/a	n/a	n/a
Retail Rents ($/SF/Year)					
High	NNN	n/a	$40.00	$40.00	$40.00
Medium	NNN	n/a	$30.00	$30.00	$30.00
Low	NNN	n/a	n/a	n/a	n/a
Parking Rents ($/Stall/Month)					
Residential					
High	structured parking	$235	$235	$235	n/a
Medium	structured parking	$150	$150	$150	n/a
Office					
High	structured parking	n/a	n/a	n/a	$200
Medium	structured parking	n/a	n/a	n/a	$150

Source: CoStar, 2024; CBRE, 2024; Rider, Levett, & Bucknall, 2024; City of Bellevue, 2024; Stakeholder Interviews for Phase II Analysis, 2024; Community Attributes, 2024.

Exhibit 6 presents monthly affordable rent limits by area median income. Monthly affordable rent limits were provided by ARCH.

Exhibit 6. Monthly Affordable Rent Limits by Area Median Income (AMI) Level

AMI	Studio	1-Bedroom	2-Bedroom	3-Bedroom
30%	$774	$829	$995	$1,150
35%	$903	$967	$1,161	$1,341
40%	$1,032	$1,106	$1,327	$1,533
45%	$1,161	$1,244	$1,492	$1,725
50%	$1,290	$1,382	$1,658	$1,916
55%	$1,419	$1,520	$1,824	$2,108
60%	$1,548	$1,658	$1,990	$2,299
65%	$1,677	$1,796	$2,156	$2,491
70%	$1,806	$1,935	$2,322	$2,683
75%	$1,935	$2,073	$2,487	$2,874
80%	$2,064	$2,211	$2,653	$3,066
85%	$2,193	$2,349	$2,819	$3,258
90%	$2,322	$2,487	$2,985	$3,449
95%	$2,451	$2,626	$3,151	$3,641
100%	$2,580	$2,764	$3,317	$3,832
105%	$2,708	$2,902	$3,482	$4,024
110%	$2,837	$3,040	$3,648	$4,216
120%	$3,095	$3,317	$3,980	$4,599

Source: ARCH, 2024; Community Attributes Inc., 2024.

Affordable housing utility and parking allowances were subtracted from the monthly affordable housing rental limits to properly capture affordable housing revenues in the analysis (**Exhibit 7**). Utility and parking allowances were provided alongside monthly rent limits by ARCH.

Exhibit 7. Affordable Housing Utility and Parking Allowances (per month per unit)

Allowance	Studio	1-Bedroom	2-Bedroom	3-Bedroom
Utilities	$161	$191	$235	$288
Parking	$99	$99	$99	$99
Total	**$260**	**$290**	**$334**	**$387**

Source: ARCH, 2023; Community Attributes Inc., 2024.

Exhibit 8 presents vacancy rates and operating expense assumptions used in the analysis. Vacancy rate assumptions range from 5% to 10% and aim to align with general underwriting practices rather than reflecting current vacancy rates in Bellevue. As such, the generalized

vacancy rates assumptions are set with the intent of capturing vacancy, credit loss, and concessions.

Exhibit 8. Vacancy Rates and Operating Expenses by Prototype

	Low-rise	Mixed-use Mid-rise	Mixed-use High-rise	Office High-rise
Credit, Vacancy Loss, and Concessions				
Residential				
High	5%	5%	5%	n/a
Medium	10%	10%	10%	n/a
Low	10%	n/a	n/a	n/a
Office				
High	n/a	n/a	n/a	10%
Medium	n/a	n/a	n/a	20%
Low	n/a	n/a	n/a	n/a
Expenses				
Operating Expenses	30%	30%	30%	35%

Source: CoStar, 2024; City of Bellevue, 2024; Community Attributes, 2024.

Development Costs

Cost inputs include building hard costs, parking construction costs, soft costs, contingency, tenant improvements, and site improvement assumptions (**Exhibit 9**). Cap rates were informed by CBRE's Cap Rate Survey H2 2023. CBRE's Cap Rate Survey suggests that many investors and industry professionals feel cap rates have peaked in H2 2023 and expect market cap rates to begin declining. Aligning with this market sentiment, the modeling assumptions use estimates from the lower end of the estimated H2 2023 cap rate ranges.

Market sentiment regarding interest rates has also shifted in early 2024. After its December 2023 meeting, the U.S. Federal reserve has communicated publicly an intent to perform three interest rate cuts in 2024, with the first predicted as early as May. By Q2 of 2024, inflation has started to recede, however, the Federal Open Market Committee has signaled that it wants to see more positive data before lowering rates. These sentiments have been reflected in the construction interest rates assumptions used in the modeling.

Exhibit 9Inputs were informed by industry sources such as Rider, Levett, and Bucknall and finalized following conversations with local developers and real estate professionals. Hard costs range from $230 to $425 per square foot depending on the prototype. Soft costs are assumed to represent 25% of total hard costs and a 5% to 10%

contingency on total hard costs is also captured in development costs. For the residential prototypes, this translates to the following per unit costs prior to purchasing land:

- Low-rise: $500,000 to $590,000 per unit.
- Mixed-use Mid-rise: $615,000 to $640,000 per unit.
- Mixed-use High-rise: $775,000 to $800,000 per unit.

Cap rates were informed by CBRE's Cap Rate Survey H2 2023. CBRE's Cap Rate Survey suggests that many investors and industry professionals feel cap rates have peaked in H2 2023 and expect market cap rates to begin declining.[4] Aligning with this market sentiment, the modeling assumptions use estimates from the lower end of the estimated H2 2023 cap rate ranges.

Market sentiment regarding interest rates has also shifted in early 2024. After its December 2023 meeting, the U.S. Federal reserve has communicated publicly an intent to perform three interest rate cuts in 2024, with the first predicted as early as May. By Q2 of 2024, inflation has started to recede, however, the Federal Open Market Committee has signaled that it wants to see more positive data before lowering rates.[5] These sentiments have been reflected in the construction interest rates assumptions used in the modeling.

[4] "United State Cap Rate Survey H2 2023", CBRE, March 2024.
[5] Neubauer & Avery (2024), "When Will the Fed Cut Interest Rates in 2024?", CNBC, Web Address: cnbc.com)

Exhibit 9. Costs and Capitalization Rates by Prototype

	Low-rise	Mixed-use Mid-rise	Mixed-use High-rise	Office High-rise	Unit
Construction Costs					
Hard Costs	$230	$292	$424	$400	per sf
Parking Costs					
Surface	$5,000	$5,000	$5,000	$5,000	per stall
Strutured	n/a	$82,650	$82,650	$82,650	per stall
Soft Costs	25%	25%	25%	25%	of hard costs
Contingency	5%	10%	10%	5%	of hard costs
Tenant Improvements					
Office	n/a	n/a	n/a	$100	per net sf
Retail	n/a	$100	$100	$100	per net sf
Site Improvement/Development	$10	$10	$10	$10	per sf
Financing					
Construction Timeline	24	30	30	30	months
Interest Rate	7.5%	7.5%	7.5%	7.5%	
Loan-to-Cost	55%	55%	55%	55%	
Capitalization Rates					
Cap Rate	4.75%	4.75%	4.75%	7.00%	

Source: CoStar, 2024; CBRE, 2024; Rider, Levett, & Bucknall, 2024; City of Bellevue, 2024; Stakeholder Interviews for Phase II Analysis, 2024; Community Attributes, 2024.

Analysis Findings

Exhibit 10 through **Exhibit 14** present the output metrics from the pro forma modeling by scenario. Output metrics include the residual land value per square foot of the site size defined for each prototype and an in-lieu fee per square foot of bonus area for Scenario 2 and Scenario 3. For the residential prototypes, the in-lieu fee represents the fee that sets the RLV/sf equal for a performance and payment option. The performance option captures a development that chooses to include affordable housing units on-site, while the payment option captures a development paying a fee in-lieu of providing affordable housing units on-site. The in-lieu fee has been calculated to set RLV/sf equal for the performance and payment option to give a range of possible in-lieu fee rates to encourage the performance option. The in-lieu fees presented in this analysis are not suggested in-lieu fees, and a nexus study should be conducted to set in-lieu fee rates.

Scenario 1

Scenario 1 tests the existing incentive zoning program in Bellevue alongside two alternative scenarios for the low-rise and mid-rise prototypes. The outputs are compared to a baseline set of outputs, which captures a 100% market-rate development (**Exhibit 10**). Despite the density bonus, which is assumed to be a bonus of one additional square foot of market-rate space for every one square foot of affordable space provided to match the existing program, the existing program and

alternative scenarios saw decreases in RLV/sf for each of the prototypes and market areas tested.

The RLV/sf for the low-rise prototype saw the smallest impact across the baseline, existing program, and two alternative scenarios. The existing program, which includes 15% of units at 80% AMI in return for a density bonus returned the lowest RLV/sf, reducing RLV/sf by 10% to 13% depending on the market area. Alternative one, which models requiring 10% of units at 80% AMI returned the highest RLV/sf compared to the baseline, with RLV/s falling roughly 6.5% to 8.5% lower depending on the market area. The lower set aside of 7% paired with units affordable at 60% AMI had a similar impact on the RLV/sf to the higher set aside of 10% of units paired with units affordable at 80% AMI (**Exhibit 10**).

The mid-rise prototype saw negative RLV/sf across the baseline, existing program, and alternative scenarios, reflecting the poor market conditions currently facing the development community. The decrease in RLV/sf for the existing program and alternative scenarios ranged from 18% to 28%. The decrease in RLV/sf suggests the bonus area granted in return for requiring affordable housing would not offset the cost or incentivize the production of affordable housing under current market conditions and assumptions used in this analysis (**Exhibit 10**).

Exhibit 10. Scenario 1 Outputs

Outputs	Units	Affordability	Medium Market Area		Low Market Area	
			RLV/sf	Minimum In-lieu Fee/sf*	RLV/sf	Minimum In-lieu Fee/sf*
Low-rise Prototype						
Baseline	0%	0%	$112	n/a	$79	n/a
Existing Program	15%	80%	$101	n/a	$68	n/a
Alternative 1	10%	80%	$104	n/a	$72	n/a
Alternative 2	7%	60%	$103	n/a	$70	n/a
Mid-rise Prototype						
Baseline	0%	0%	($371)	n/a	n/a	n/a
Existing Program	15%	80%	($474)	n/a	n/a	n/a
Alternative 1	10%	80%	($438)	n/a	n/a	n/a
Alternative 2	7%	60%	($438)	n/a	n/a	n/a

Source: CoStar, 2024; CBRE, 2024; Rider, Levett, & Bucknall, 2024; City of Bellevue, 2024; Stakeholder Interviews for Phase II Analysis, 2024; Community Attributes, 2024.
**Note: Represents the minimum in-lieu fee needed to incentivize performance over payment.*
***Note: Bonuses associated with the alternatives represent a 1sf of market-rate space for every 1sf of affordable space provided.*

Scenario 2

Scenario 2 models a mandatory inclusionary zoning program with a fee in-lieu for the mid-rise and high-rise residential prototypes and the

high-rise office prototype. Alternatives for the residential prototypes tested unit set asides of 10% and 15% at AMI levels ranging from 60% to 80%. The density bonus associated with providing affordable housing is higher than the assumptions used in Scenario 1 and aims to capture higher incentives for providing affordable units. Compared to the baseline, the alternative scenarios returned decreases in RLV/sf ranging from 44% to 106% for the mid-rise prototype, and 41% to 95% for the high-rise prototype.

Under the baseline assumptions used in the analysis, the added density bonus associated with deeper levels of affordability does not offset the loss of revenues associated with more deeply affordable units. The minimum in-lieu fees necessary to set RLV/sf equal for the performance and payment option ranged from $27 to $37 per bonus square foot for the mid-rise prototype, and $35 to $41 per bonus square foot for the high-rise prototype (**Exhibit 11**).

Exhibit 11. Scenario 2 Outputs – Residential

Outputs	Units	Affordability	Medium Market Area	
			RLV/sf	Minimum In-lieu Fee/sf*
Mid-rise Prototype				
Baseline	0%	0%	($371)	n/a
Alternative 1	10%	80%	($534)	$27
Alternative 2	10%	70%	($583)	$34
Alternative 3	10%	60%	($628)	$34
Alternative 4	15%	80%	($623)	$30
Alternative 5	15%	70%	($694)	$33
Alternative 6	15%	60%	($766)	$37
High-rise Prototype				
Baseline	0%	0%	($2,005)	n/a
Alternative 1	10%	80%	($2,826)	$35
Alternative 2	10%	70%	($3,041)	$37
Alternative 3	10%	60%	($3,259)	$42
Alternative 4	15%	80%	($3,258)	$37
Alternative 5	15%	70%	($3,580)	$38
Alternative 6	15%	60%	($3,906)	$41

Source: CoStar, 2024; CBRE, 2024; Rider, Levett, & Bucknall, 2024; City of Bellevue, 2024; Stakeholder Interviews for Phase II Analysis, 2024; Community Attributes, 2024.
** Represents the minimum in-lieu fee needed to incentivize performance over payment.*
Note: Bonuses associated with the alternatives represent 4sf of market-rate space for every 1sf of affordable space provided for 80% AMI (1:4 ratio), a 1:5 ratio for 70% AMI, and a 1:6 ratio for 60% AMI.

For the office high-rise prototype, the current in-lieu fee used in BelRed was tested. Current market conditions are not favorable for office development, which is reflected in the RLV/sf returned through this

analysis. The bonus assumed for this scenario is 10% of the baseline square footage, following a one market-rate square foot for one affordable space square foot bonus ratio. With the bonus area and a $23.90 in-lieu fee applied to the bonus area assumed to go to an affordable housing fund managed by the City of Bellevue, the RLV/sf decreased by 10% compared to the baseline (**Exhibit 12**).

Exhibit 12. Scenario 2 Outputs – Office

Outputs	Bonus SF	Medium Market Area	
		RLV/sf	Minimum In-lieu Fee/sf*
Office High-rise			
Baseline	0%	($3,852)	n/a
Alternative	10%	($4,241)	$23.90

Source: CoStar, 2024; CBRE, 2024; Rider, Levett, & Bucknall, 2024; City of Bellevue, 2024; Stakeholder Interviews for Phase II Analysis, 2024; Community Attributes, 2024.
**Represents the in-lieu fee charged per bonus square foot to "earn" the 10% bonus square foot.*

Scenario 3

Scenario 3 is similar to Scenario 2, but tests deeper levels of affordability and the required subsidies needed to offset the costs of providing units at 30% AMI. For the mid-rise prototype, the alternative requiring 10% of units to be affordable at 50% AMI decreases RLV/sf by 90% compared to the baseline. Requiring 15% of units at 30% AMI decreases RLV/sf by 175% compared to the baseline. Alternative 2 and 3 reduce RLV/sf by 138% and 175%, respectively. The high-rise prototype reflects a similar trend for each alternative but ranges from an 82% decrease in RLV/sf to a 157% decrease compared to the baseline (**Exhibit 13**).

Exhibit 13. Scenario 3 Outputs

Outputs	Units	Affordability	Medium Market Area	
			RLV/sf	Minimum In-lieu Fee/sf*
Mid-rise Prototype				
Baseline	0%	0%	($371)	n/a
Alternative 1	10%	50%	($705)	$31
Alternative 2	10%	30%	($800)	$35
Alternative 3	15%	50%	($884)	$32
Alternative 4	15%	30%	($1,023)	$35
High-rise Prototype				
Baseline	0%	0%	($2,005)	n/a
Alternative 1	10%	50%	($3,654)	$37
Alternative 2	10%	30%	($4,080)	$39
Alternative 3	15%	50%	($4,503)	$37
Alternative 4	15%	30%	($5,151)	$40

Source: CoStar, 2024; CBRE, 2024; Rider, Levett, & Bucknall, 2024; City of Bellevue, 2024; Stakeholder Interviews for Phase II Analysis, 2024; Community Attributes, 2024.
** Represents the minimum in-lieu fee needed to incentivize performance over payment.*
Note: Bonuses associated with the alternatives represent 8sf of market-rate space for every 1sf of affordable space provided for 50% AMI (1:8 ratio) and a 1:10 ratio for 30% AMI.

The subsidies presented in **Exhibit 14** represent the total lump sum subsidy needed to set the RLV/sf for the alternative scenarios with a 30% AMI threshold equal to the baseline RLV/sf. The performance option subsidies are higher than the payment option subsidies due to the dynamic between total costs and revenues under each option. The total subsidy is calculated by setting the share of per unit revenues to per unit costs equal for the baseline and performance/payment options. Therefore, the subsidy represents the total amount needed to bring the return for entire project under alternative 2 and alternative 4 equal to the baseline return. Since the payment option has higher costs and revenues, the share of per unit costs to per unit revenues are higher than the performance option, causing the payment option subsidies to be lower.

Exhibit 14. Subsidies for Deeply Affordable Units

Outputs	Units	Affordability	Total Subsidy* Medium Market Area	
			Performance	Payment
Mid-rise Prototype				
Alternative 2	10%	30%	$6,536,636	$4,697,601
Alternative 4	15%	30%	$9,953,519	$7,101,277
High-rise Prototype				
Alternative 2	10%	30%	$8,521,978	$4,397,628
Alternative 4	15%	30%	$12,960,776	$6,661,515

Source: CoStar, 2024; CBRE, 2024; Rider, Levett, & Bucknall, 2024; City of Bellevue, 2024; Stakeholder Interviews for Phase II Analysis, 2024; Community Attributes, 2024.
**Total lump sum subsidy required to set RLV for 30% AMI scenarios equal to baseline RLV.*

Land Prices

Although the goal of this study is not to assess any one project's feasibility, understanding current land prices is important context for the modeling outputs. Typically, recent land transactions would be utilized to gain a better understanding of the land prices demanded by the market. However, given the poor market conditions impacting the development community, few recent land transactions have taken place, making pinning down current land prices very difficult. For illustrative purposes, land transactions in Bellevue since January 2022 were collected. Among the comparative sales (comps) found, price per square foot of land varied widely. The most recent transaction, which occurred in Downtown Bellevue for a site zoned for mixed-use development sold for a price of $625 per square foot, but the lot was only 8,000 square feet (**Exhibit 15**).

Exhibit 15. Land Price Comps, Bellevue, 2022 – 2024

Neighborhood	Zone	Max FAR	Land Area (sf)	Sale Price per Square Foot	Price per Proposed Unit*	Proposed Use	Sale Date
Downtown	DT-MU	5.0	7,932	$625	n/a	n/a	3/19/2024
Downtown	DT-MU	5.0	22,209	$495	n/a	n/a	1/24/2022
Downtown	DT-O-2-S	6.0	40,326	$2,368	n/a	Office	1/27/2022
Downtown	DT-O-2-N	6.0	40,946	$460	n/a	Hotel	4/25/2022
BelRed	BR-RC-1	4.0	78,617	$232	$63,194	Mixed-use Multifamily	3/2/2022
BelRed	BR-R	2.0	179,292	$145	$325,625	Townhomes	7/15/2022
BelRed	BR-CR	2.0	180,774	$144	n/a	n/a	7/6/2022

Sources: CoStar, 2024; Community Attributes Inc., 2024.
**Represents price per unit calculating using the proposed number of units included in the sale notes.*

During the outreach with stakeholders, land prices ranging from $65,000 a door to $125,000 a door were discussed. The lower end of land

price examples was for recent projects where land was purchased within the past few years, while the higher end of land prices were best estimates for what a developer would need to pay to secure land in the current market. When translated to align with the mid-rise prototype analyzed in this study[6], land prices range from $180/sf to $350/sf.

Sensitivity Analysis

Feasibility analysis is sensitive to certain key assumptions. Changes in certain inputs like rent, construction costs, cap rates, unit size, and operating costs can have a significant impact on the results. This section of the report looks at the extent to which the findings of the financial feasibility analysis would be different under changing assumptions and how shifts in market conditions may impact the impact of affordable housing program requirements on feasibility outputs. This analysis is not meant to predict what will happen, but rather show what could happen if market conditions changed in certain ways and illustrate the degree to which the findings are dependent on specific inputs.

Rent Price Analysis

To better understand the role of rent levels and how they influence the impact of affordable housing program requirements, current rents were compared to rent levels that developers suggested are necessary to see development's obtain financial feasibility today. **Exhibit 16** through **Exhibit 18** present the findings of the rent price analysis for each scenario.

For the low-rise prototype, higher rents narrow the range of RLV/sf among the baseline, existing program, and two alternatives affordable housing requirements tested. However, the density bonus associated with providing affordable housing still did not offset the loss in revenues caused by providing affordable housing under the assumptions used in the analysis. The mid-rise prototype saw RLV/sf react in a similar way when rents were increased to average $5.50 per square foot per month (**Exhibit** 16).

[6] Price/sf = (land price per units * mid-rise prototype total units)/mid-rise prototype land area.

Exhibit 16. Scenario 1 Rent Price Analysis

Outputs	Units	Affordability	Bonus Ratio (market rate sf:affordable sf)	Medium Market Area		Low Market Area	
				Current Rents	Needed Rents	Current Rents	Needed Rents
Low-rise Prototype							
Average Rent RLV/sf				**$3.39**	**$4.00**	**$3.11**	**$4.00**
Baseline	0%	0%	n/a	$112	$184	$79	$184
Existing Program	15%	80%	1:1	$101	$173	$68	$173
Alternative 1	10%	80%	1:1	$104	$176	$72	$176
Alternative 2	7%	60%	1:1	$103	$174	$70	$174
Mid-rise Prototype							
Average Rent RLV/sf				**$3.62**	**$5.50**	n/a	n/a
Baseline	0%	0%	n/a	($371)	$305	n/a	n/a
Existing Program	15%	80%	1:1	($474)	$203	n/a	n/a
Alternative 1	10%	80%	1:1	($438)	$239	n/a	n/a
Alternative 2	7%	60%	1:1	($438)	$239	n/a	n/a

Source: CoStar, 2024; CBRE, 2024; Rider, Levett, & Bucknall, 2024; City of Bellevue, 2024; Stakeholder Interviews for Phase II Analysis, 2024; Community Attributes, 2024.
Note: Bonuses associated with the alternatives represent a 1sf of market-rate space for every 1sf of affordable space provided.

For Scenario 2, which assumes increasing bonus ratios for deeper levels of affordability, the rent price analysis suggests bonus area helps offset the decreased revenues associated with providing affordable units when rents are high enough and other inputs are held constant. Decreased revenues are fully offset for the mid-rise prototypes under average rent levels of $5.50 per square foot per month (**Exhibit 17**). However, this offset falls under the assumption that a development would be able to fully utilize the bonus area granted, which may be unlikely given the size of the bonus needed under the deeper levels of affordability and the City of Bellevue's current zoning code and design standards or other factors.

Exhibit 17. Scenario 2 – Residential Rent Price Analysis

Outputs	Units	Affordability	Bonus Ratio (market rate sf:affordable sf)	Medium Market Area	
				Current Rents	Needed Rents
Mid-rise Prototype					
Average Rent				**$3.62**	**$5.50**
RLV/sf					
Baseline	0%	0%	n/a	($371)	$305
Alternative 1	10%	80%	1:4	($534)	$349
Alternative 2	10%	70%	1:5	($583)	$364
Alternative 3	10%	60%	1:6	($628)	$388
Alternative 4	15%	80%	1:4	($623)	$362
Alternative 5	15%	70%	1:5	($694)	$393
Alternative 6	15%	60%	1:6	($766)	$422
High-rise Prototype					
Average Rent				**$3.71**	**$6.50**
RLV/sf					
Baseline	0%	0%	n/a	($2,005)	$501
Alternative 1	10%	80%	1:4	($2,826)	$415
Alternative 2	10%	70%	1:5	($3,041)	$444
Alternative 3	10%	60%	1:6	($3,259)	$467
Alternative 4	15%	80%	1:4	($3,258)	$354
Alternative 5	15%	70%	1:5	($3,580)	$411
Alternative 6	15%	60%	1:6	($3,906)	$456

Source: CoStar, 2024; CBRE, 2024; Rider, Levett, & Bucknall, 2024; City of Bellevue, 2024; Stakeholder Interviews for Phase II Analysis, 2024; Community Attributes, 2024.
Note: Bonuses associated with the alternatives represent 4sf of market-rate space for every 1sf of affordable space provided for 80% AMI (1:4 ratio), a 1:5 ratio for 70% AMI, and a 1:6 ratio for 60% AMI.

Scenario 3 presents similar trends as Scenario 2, with RLV/sf increasing as set asides and AMI levels increase (**Exhibit 18**). However, the bonus area provided for each alternative was not capped, and a real development may not feasibly be able to benefit from the total bonus area granted.

Exhibit 18. Scenario 3 Rent Price Analysis

Outputs	Units	Affordability	Bonus Ratio (market rate sf:affordable sf)	Medium Market Area Current Rents	Medium Market Area Needed Rents
Mid-rise Prototype					
Average Rent				**$3.62**	**$5.50**
RLV/sf					
Baseline	0%	0%	n/a	($371)	$305
Alternative 1	10%	50%	1:8	($705)	$447
Alternative 2	10%	30%	1:10	($800)	$486
Alternative 3	15%	50%	1:8	($884)	$512
Alternative 4	15%	30%	1:10	($1,023)	$579
High-rise Prototype					
Average Rent				**$3.71**	**$6.50**
RLV/sf					
Baseline	0%	0%	n/a	($2,005)	$501
Alternative 1	10%	50%	1:8	($3,654)	$566
Alternative 2	10%	30%	1:10	($4,080)	$639
Alternative 3	15%	50%	1:8	($4,503)	$608
Alternative 4	15%	30%	1:10	($5,151)	$709

Source: CoStar, 2024; CBRE, 2024; Rider, Levett, & Bucknall, 2024; City of Bellevue, 2024; Stakeholder Interviews for Phase II Analysis, 2024; Community Attributes, 2024.
Note: Bonuses associated with the alternatives represent 8sf of market-rate space for every 1sf of affordable space provided for 50% AMI (1:8 ratio) and a 1:10 ratio for 30% AMI.

Parking Ratio Analysis

To understand the impact that minimum parking ratios have on RLV/sf, parking ratios of 0.0, 0.5, 1.0, and 1.5 were tested for each prototype.

Decreasing parking ratios has the smallest impact on the low-rise prototype, which assumes surface parking. Surface parking can be built at much lower costs than structured parking. For the mid-rise prototype under Scenario 1, RLV/sf is negative under the 0.5, 1.0, and 1.5 parking ratios but ranges from $5 to $43 under the 0.0 parking ratio assumption (**Exhibit 19**). Results for the mid-rise prototype suggest reducing parking requirements can have a large impact on feasibility outputs, likely driven by the high cost of building structured parking.

Exhibit 19. Scenario 1 Parking Ratio Analysis

Outputs	Units	Affordability	Bonus Ratio (market rate sf:affordable sf)	Medium Market Area				Low Market Area			
Low-rise Prototype											
Parking Ratio				**0.0**	**0.5**	**1.0**	**1.5**	**0.0**	**0.5**	**1.0**	**1.5**
RLV/sf											
Baseline	0%	0%	n/a	$111	$112	$112	$110	$79	$79	$80	$78
Existing Program	15%	80%	1:1	$100	$100	$101	$101	$68	$68	$68	$69
Alternative 1	10%	80%	1:1	$104	$104	$105	$105	$72	$72	$72	$73
Alternative 2	7%	60%	1:1	$102	$102	$103	$103	$70	$70	$70	$71
Mid-rise Prototype											
Parking Ratio				**0.0**	**0.5**	**1.0**	**1.5**	**0.0**	**0.5**	**1.0**	**1.5**
RLV/sf											
Baseline	0%	0%	n/a	$43	($90)	($220)	($351)	n/a	n/a	n/a	n/a
Existing Program	15%	80%	1:1	$5	($150)	($300)	($450)	n/a	n/a	n/a	n/a
Alternative 1	10%	80%	1:1	$20	($129)	($271)	($415)	n/a	n/a	n/a	n/a
Alternative 2	7%	60%	1:1	$7	($137)	($277)	($416)	n/a	n/a	n/a	n/a

Source: CoStar, 2024; CBRE, 2024; Rider, Levett, & Bucknall, 2024; City of Bellevue, 2024; Stakeholder Interviews for Phase II Analysis, 2024; Community Attributes, 2024.
Note: Bonuses associated with the alternatives represent a 1sf of market-rate space for every 1sf of affordable space provided.

Like Scenario 1, the RLV/sf figures in Scenario 2 for the mid-rise prototype were negative under the 0.5, 1.0, and 1.5 parking ratio assumptions and positive under the 0.0 parking ratio assumption. RLV/sf improved in Scenario 2 given the higher bonus ratio assumptions used compared to Scenario 1. While high-rise RLV/sf do not become positive under the lower parking ratio assumptions, they do improve as the parking ratio decreases (**Exhibit 20**).

Exhibit 20. Scenario 2 – Residential Parking Ratio Analysis

Outputs	Units	Affordability	Bonus Ratio (market rate sf:affordable sf)	Medium Market Area			
Mid-rise Prototype							
Parking Ratio				**0.0**	**0.5**	**1.0**	**1.5**
RLV/sf							
Baseline	0%	0%	n/a	$43	($90)	($220)	($351)
Alternative 1	10%	80%	1:4	$47	($140)	($322)	($504)
Alternative 2	10%	70%	1:5	$39	($162)	($356)	($552)
Alternative 3	10%	60%	1:6	$35	($178)	($386)	($595)
Alternative 4	15%	80%	1:4	$42	($172)	($381)	($590)
Alternative 5	15%	70%	1:5	$34	($200)	($428)	($657)
Alternative 6	15%	60%	1:6	$25	($229)	($477)	($726)
High-rise Prototype							
Parking Ratio				**0.0**	**0.5**	**1.0**	**1.5**
RLV/sf							
Baseline	0%	0%	n/a	($914)	($1,251)	($1,576)	($1,902)
Alternative 1	10%	80%	1:4	($1,302)	($1,773)	($2,227)	($2,683)
Alternative 2	10%	70%	1:5	($1,410)	($1,913)	($2,400)	($2,887)
Alternative 3	10%	60%	1:6	($1,522)	($2,058)	($2,576)	($3,096)
Alternative 4	15%	80%	1:4	($1,513)	($2,051)	($2,571)	($3,094)
Alternative 5	15%	70%	1:5	($1,672)	($2,258)	($2,828)	($3,399)
Alternative 6	15%	60%	1:6	($1,836)	($2,472)	($3,090)	($3,711)

Source: CoStar, 2024; CBRE, 2024; Rider, Levett, & Bucknall, 2024; City of Bellevue, 2024; Stakeholder Interviews for Phase II Analysis, 2024; Community Attributes, 2024.
Note: Bonuses associated with the alternatives represent 4sf of market-rate space for every 1sf of affordable space provided for 80% AMI (1:4 ratio), a 1:5 ratio for 70% AMI, and a 1:6 ratio for 60% AMI.

For the office prototype, the RLV/sf also improves as the parking ratio decreases (**Exhibit** 21). The parking ratio is calculated as units per 1,000 gross square feet of office space.

Exhibit 21. Scenario 2 – Office Parking Ratio Analysis

Outputs	Bonus SF	Medium Market Area			
Office High-rise					
Parking Ratio		**0.0**	**0.5**	**1.0**	**1.5**
RLV/sf					
Baseline	0%	($2,709)	($3,049)	($3,388)	($3,728)
Alternative	10%	($2,987)	($3,358)	($3,732)	($4,105)

Source: CoStar, 2024; CBRE, 2024; Rider, Levett, & Bucknall, 2024; City of Bellevue, 2024; Stakeholder Interviews for Phase II Analysis, 2024; Community Attributes, 2024.

The impact of parking ratios on RLV/sf under Scenario 3 aligns with the trends seen in Scenario 1 and Scenario 2 (**Exhibit** 22).

Exhibit 22. Scenario 3 Parking Ratio Analysis

Outputs	Units	Affordability	Bonus Ratio (market rate sf:affordable sf)	Medium Market Area			
Mid-rise Prototype							
Parking Ratio				**0.0**	**0.5**	**1.0**	**1.5**
RLV/sf							
Baseline	0%	0%	n/a	$43	($90)	($220)	($351)
Alternative 1	10%	50%	1:8	$39	($200)	($434)	($668)
Alternative 2	10%	30%	1:10	$27	($238)	($498)	($758)
Alternative 3	15%	50%	1:8	$32	($261)	($550)	($838)
Alternative 4	15%	30%	1:10	$17	($315)	($643)	($971)
High-rise Prototype							
Parking Ratio				**0.0**	**0.5**	**1.0**	**1.5**
RLV/sf							
Baseline	0%	0%	n/a	($914)	($1,251)	($1,576)	($1,902)
Alternative 1	10%	50%	1:8	($1,702)	($2,303)	($2,886)	($3,470)
Alternative 2	10%	30%	1:10	($1,914)	($2,579)	($3,226)	($3,876)
Alternative 3	15%	50%	1:8	($2,110)	($2,844)	($3,560)	($4,278)
Alternative 4	15%	30%	1:10	($2,434)	($3,266)	($4,079)	($4,895)

Source: CoStar, 2024; CBRE, 2024; Rider, Levett, & Bucknall, 2024; City of Bellevue, 2024; Stakeholder Interviews for Phase II Analysis, 2024; Community Attributes, 2024.
Note: Bonuses associated with the alternatives represent 8sf of market-rate space for every 1sf of affordable space provided for 50% AMI (1:8 ratio) and a 1:10 ratio for 30% AMI.

Capitalization Rates

In the model created for this analysis, capitalization rates are used to calculate a capitalization value or potential sale price of the prototype and compared to total development cost before purchasing land to arrive at residual land value. As cap rates decrease, the capitalization value will increase, aligning with the notion that the lower the cap rate, the stronger the current market. To test the sensitivity of the modeling outputs to changes in the cap rate, each scenario was tested for the baseline cap rate assumption and a cap rate falling 0.25% higher and 0.25% lower than the baseline assumption. For the residential prototypes, this corresponds to cap rates of 4.50%, 4.75%, and 5.00%. For the office prototype, this corresponds to cap rates of 6.75%, 7.00%, and 7.25%.

Generally, lower cap rates raise the level of RLV/sf returned for the baseline and payment/permanent options.[7] Additionally, the lower the cap rates, the smaller the range between the baseline and payment/permanent options for the policy scenarios tested. The degree

[7] Note: In the sensitivity exhibits, payment/performance option = scenario.

to which the range decreases as cap rates decrease varies by prototype and geography, but there is a consistent trend showing a smaller range between the baseline and payment/performance options as cap rates decrease. Exhibits presenting the sensitivity testing by cap rates are included in **Appendix B**.

Feasibility Study Limitations

Limitations for the analysis conducted for this study fall under three major categories. The categories include the prototypical and generalized nature of the analysis, the variation of the real estate market over time, and the inherent imprecision in feasibility modeling for policy analysis.

Prototypical Nature of Analysis

This financial feasibility analysis is for hypothetical developments that are not site-specific. The analysis can only provide an overview-level assessment of development economics generally because it is based on prototypical projects rather than specific projects. Every project has unique characteristics that will dictate rents or sale prices supported by the market as well as development costs and developer return requirements. Each developer will assess the project's risk and return and assemble project financing differently. Additionally, while a program like MFTE provides cost savings through the tax exemption, not every project in Bellevue will utilize the program and it has therefore been left out of this analysis. This feasibility analysis is intended to reflect prototypical projects in Bellevue, but it is recognized that the economics of some projects may look better and some may look worse than those of the prototypes analyzed.

Additionally, the analysis assumes the bonus area granted to each prototype will be able to be fully utilized under each scenario, which may not always be realistic. Especially as bonus area increases, the ability to fully utilize the bonus area will become more difficult and the project must consider the underlying zone and the city's design requirements.

Lastly, due to the identified needs by the City and the demand for rental housing, the analysis conducted for this study only considers rental properties. However, there is an increasing demand for affordable for-sale units and the City will need to conduct further research or leverage ongoing research by local organizations like ARCH to fully understand the impact of affordable housing programs on for-sale development.

Variation Over Time

Real estate markets are ever changing, and the feasibility analysis provides findings for a given point in time. This analysis uses inputs that are a blend of current market conditions and projected trends under the assumption that when an affordable housing program is adopted. It generally only applies to new projects seeking building permits after adoption, and those projects will then take several years to be built. To further address the uncertainty of market conditions, this study also provides sensitivity analysis that looks at the extent to which the findings would be different under changing assumptions.

Inherent Imprecision of Results

Limited data, the diversity in the economics of different development projects, the sensitivity of results to inputs and assumptions mean that feasibility studies cannot provide a definitive answer to what is feasible in all cases. The analysis in this study should be seen as a way to illustrate the directionality and magnitude of the impact of proposed policy changes, rather than provide a single correct policy answer.

CONSIDERATIONS AND RECOMMENDATIONS

The following section discusses considerations and recommendations derived from the modeling and outreach performed for this study.

- When market conditions are poor, the analysis suggests a program with high bonus ratios will make building more difficult, but the high bonus ratios appear to offset the cost of providing affordable housing under improved market conditions.
- Parking requirements should be considered a lever the City can utilize to help reduce the cost of building. Developers have noted they will build to what the market demands, which is likely to be between 0.5 to 1.0 spaces per unit in Bellevue. By removing parking minimums and allowing developers to determine the amount of parking their development can support, the City could help reduce building costs for projects in Bellevue.
- Throughout the analysis, programs that require 10% of units to be provided at 80% AMI, regardless of the bonus ratio, were the least impactful on output metrics when market conditions were poor compared to higher set-asides and lower AMI requirements. When assuming a 1:4 bonus ratio and improved market conditions, the modeling suggests the density bonus could incentivize the production of affordable housing.
    - The bonus area associated with the 10% of units at 80% AMI under the 1:4 bonus ratio is also the most likely to be useful,

as the bonus area granted was large but would not cause the scope of the project to increase as significantly as some of the higher bonus ratios and run into potential barriers within underlying zoning code or the City's design standards.
    - The City of Bellevue may consider testing additional bonus ratios, to see at what bonus ratio the RLV/sf for the baseline and 10% of units at 80% AMI program are equal.
- While the analysis suggests that larger bonus ratios improve output metrics when market conditions are improved, the City needs to consider how these bonuses will fit into their underlying zoning and design review process. For example, a mid-rise will likely not be built higher than 7 floors due to higher costs associated with building higher than 7 stories. If a developer is unable to expand their footprint to accommodate the bonus area granted, the affordable housing program could become an additional cost with no cost offset; therefore, making building housing more difficult under some circumstances.
    - The City should also consider this when requiring additional unit set-asides, such as 15% rather than 10%. While the potential bonus area granted gets larger when providing more affordable housing, if the bonus area cannot actually be utilized, it will not be an incentive or cost offset for the developer.
- Programs with in-lieu fees benefit from providing developers options that can help reduce the barriers imposed to a project by affordable housing programs. While the City can work to set rates at a level that incentivizes the performance over a payment option, this fee level will likely vary from project to project. Additionally, developers will consider more than just the cost when choosing to provide units on-site or pay the fee in-lieu. For example, some developers have noted they prefer to pay the fee due to the lesser administrative burden associated with the fee. Some developers noted that they would consider paying the fee even if providing affordable units was more economically efficient due to the long-term commitment and costs of managing affordable units. This is especially the case with units below 80% AMI.
- As an alternative program set up, the City should consider providing the option to reduce the set aside in exchange for providing units at a deeper affordability while keeping the bonus ratio constant. The analysis suggests the impact of providing 10% of units at 80% of AMI was not far off from providing 7% of units at 60%, as the reduced number of units help offset the cost of providing affordable housing.

Appendix A: Definitions

AMI: Area Median Income. The midpoint of a specific area's income distribution calculated on an annual basis by the Department of Housing and Urban Development.[8]

ARCH: A Regional Coalition for Housing. The King County and Eastside partnership working to preserve and increase the supply of affordable and moderate housing in the region.[9]

FAR: Floor Area Ratio. The measurements of a building's floor area in relation to the size of the lot or parcel that the building is located on.

NNN: Triple Net Lease. Typically, a commercial lease where the lessee pays rent and utilities as well as three other types of property expenses: insurance, maintenance, and taxes.[10]

NOI: Net Operating Income. Total income less operating expenses and adjustments but before mortgage payments and tenant improvements.[11]

RLV: Residual Land Value. A metric used to determine the value of undeveloped land after development costs. One type of output of pro forma modeling.

TDC: Total Development Costs. This captures the total cost of construction for a development project, including the cost of land.

[8] U.S. Department of Housing and Urban Affairs (HUD).
[9] A Regional Coalition for Housing (ARCH).
[10] Legal Information Institute, Cornell.
[11] CoStar Glossary.

Appendix B. Cap Rate Analysis

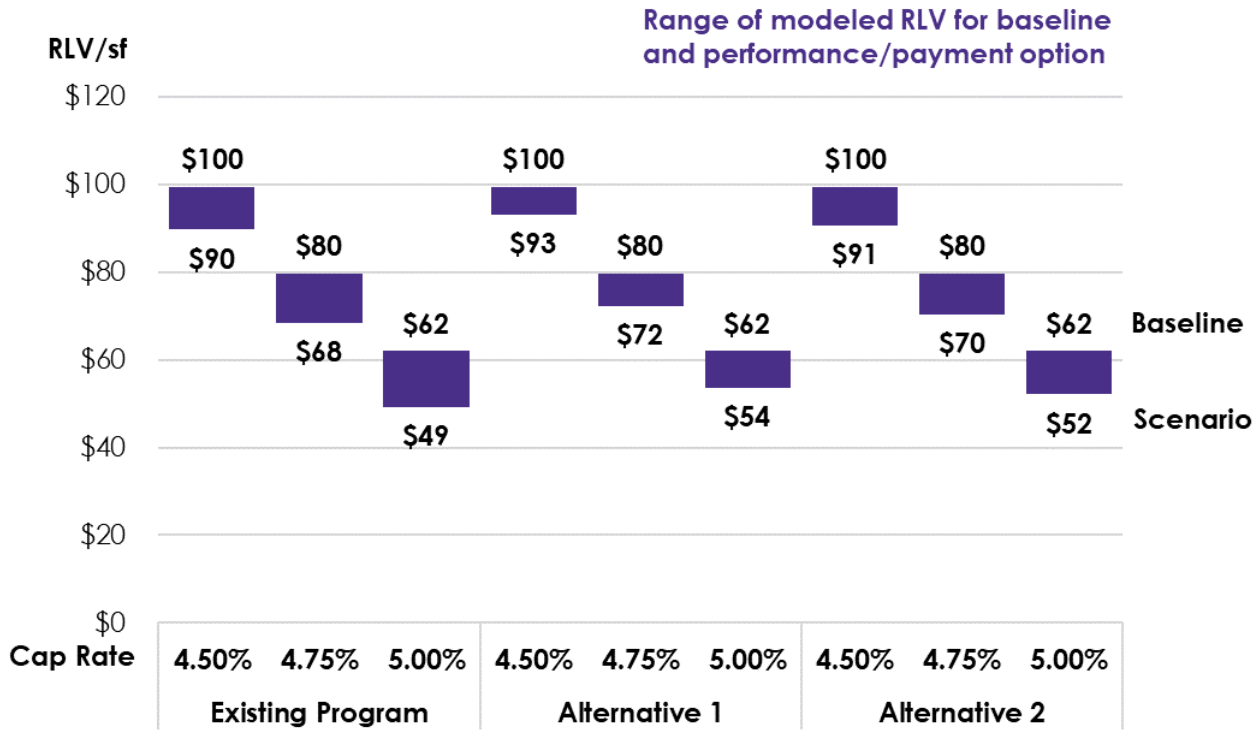
This section includes the exhibits capturing the cap rate analysis for each scenario, prototype, and market area.

The analysis uses capitalization rates to calculate a capitalization value or potential sale price of the prototype. Total development costs before purchasing land are subtracted from the capitalization value to arrive at residual land value. As cap rates decrease, the capitalization value will increase, aligning with the notion that the lower the cap rate, the stronger the current market. To test the sensitivity of the modeling outputs to changes in the cap rate, each scenario was tested for the baseline cap rate assumption and a cap rate falling 0.25% higher and 0.25% lower than the baseline assumption. For the residential prototypes, this corresponds to cap rates of 4.50%, 4.75%, and 5.00%. For the office prototype, this corresponds to cap rates of 6.75%, 7.00%, and 7.25%.

Exhibit 23 through **Exhibit 30** present the cap rate sensitivity analysis. Generally, lower cap rates raise the level of RLV/sf returned for the baseline and payment/permanent options.[12] Additionally, the lower the cap rates, the smaller the range between the baseline and payment/permanent options for the policy scenarios tested. The degree to which the range decreases as cap rates decrease varies by prototype and geography, but there is a consistent trend showing a smaller range between the baseline and payment/performance options as cap rates decrease.

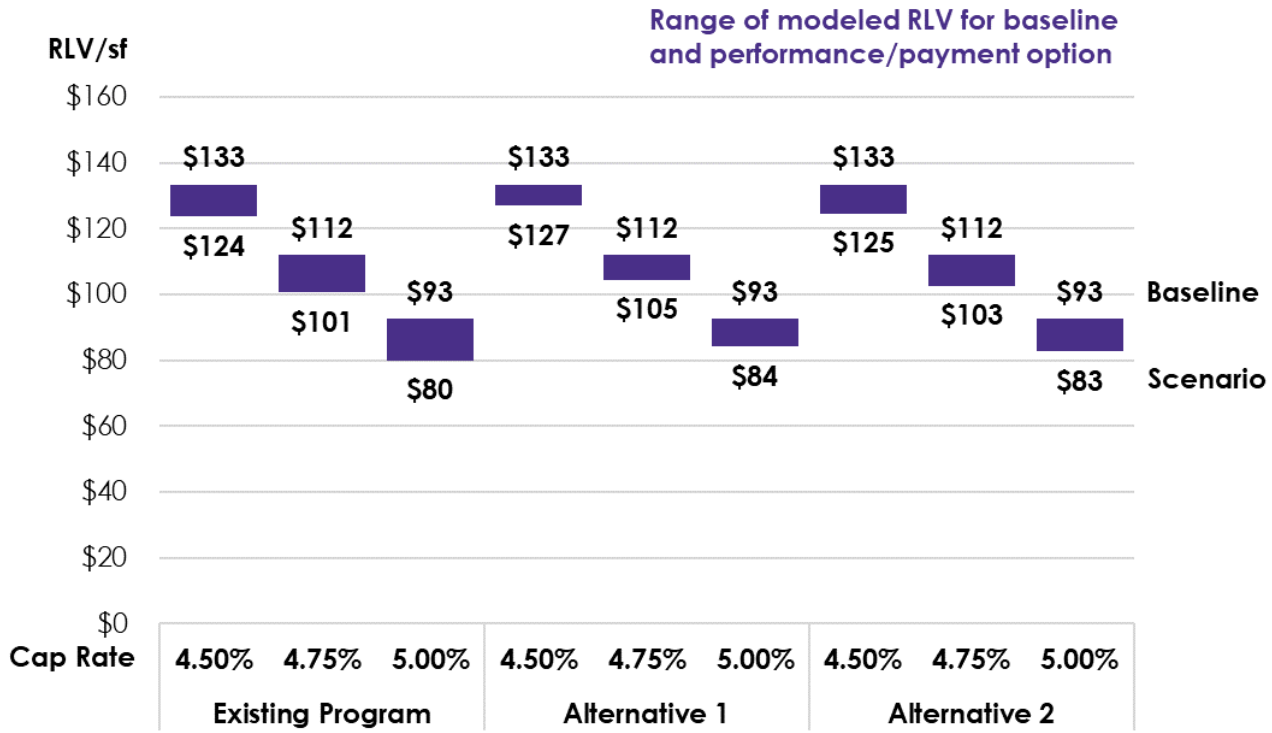
[12] Note: In the sensitivity exhibits, payment/performance option = scenario.

Exhibit 23. Scenario 1, Low-rise Prototype, Low Market Area



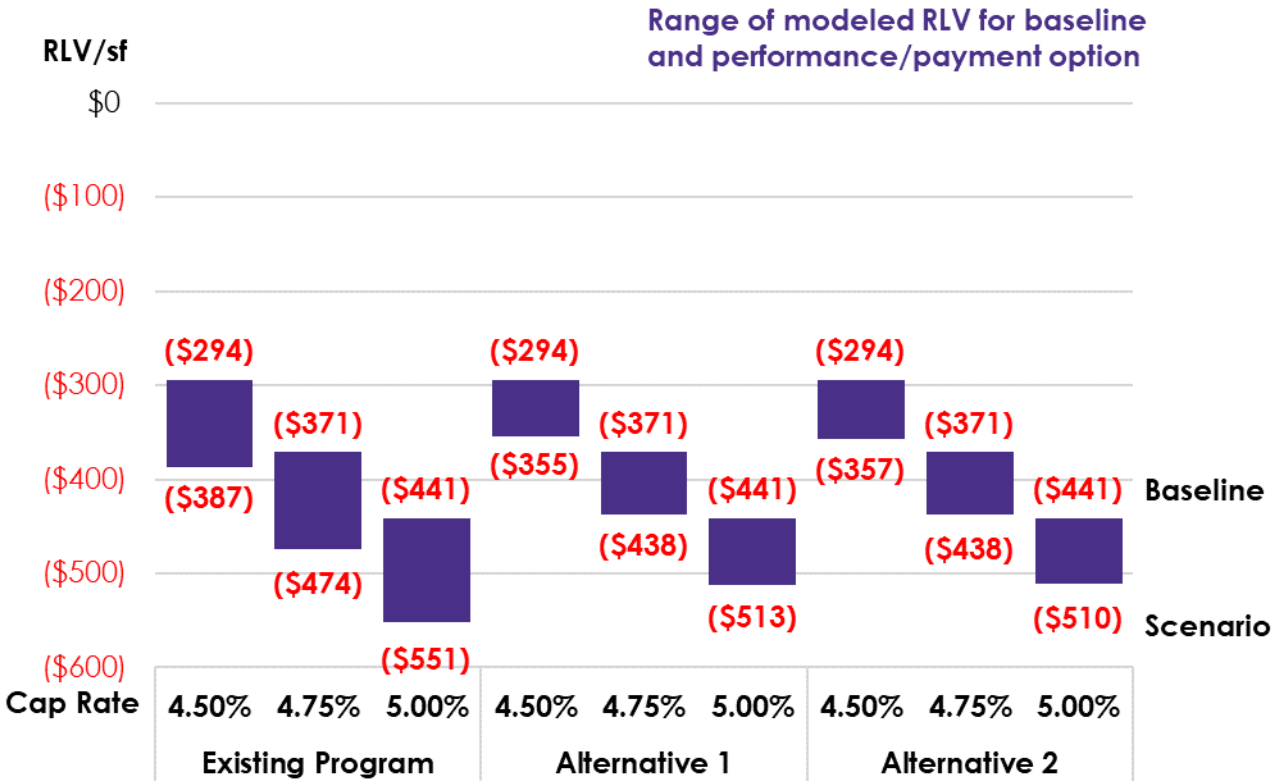
Source: CoStar, 2024; CBRE, 2024; Rider, Levett, & Bucknall, 2024; City of Bellevue, 2024; Stakeholder Interviews for Phase II Analysis, 2024; Community Attributes, 2024.
Note: Bonuses associated with the alternatives represent a 1sf of market-rate space for every 1sf of affordable space provided.
Note: Scenario = payment/performance option.

Exhibit 24. Scenario 1, Low-rise Prototype, Medium Market Area



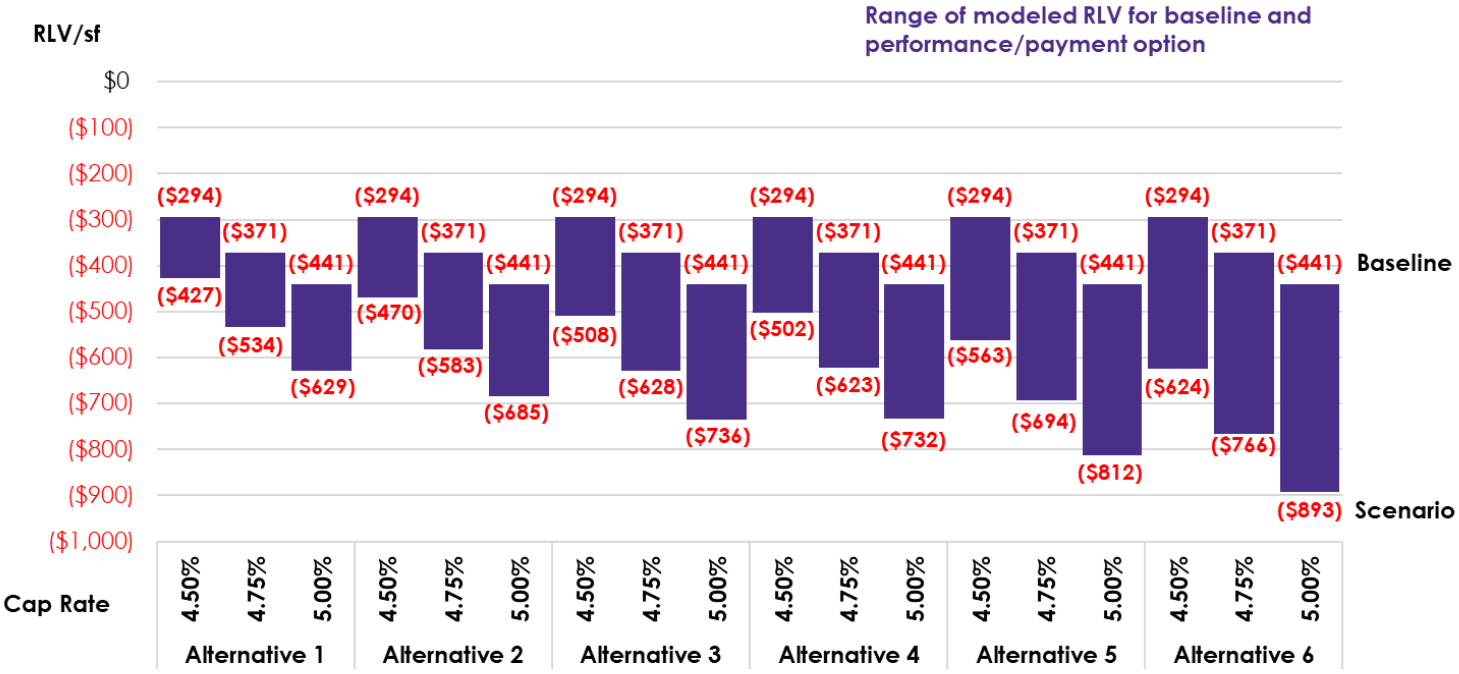
Source: CoStar, 2024; CBRE, 2024; Rider, Levett, & Bucknall, 2024; City of Bellevue, 2024; Stakeholder Interviews for Phase II Analysis, 2024; Community Attributes, 2024.
Note: Bonuses associated with the alternatives represent a 1sf of market-rate space for every 1sf of affordable space provided.
Note: Scenario = payment/performance option.

Exhibit 25. Scenario 1, Mid-rise Prototype, Medium Market Area



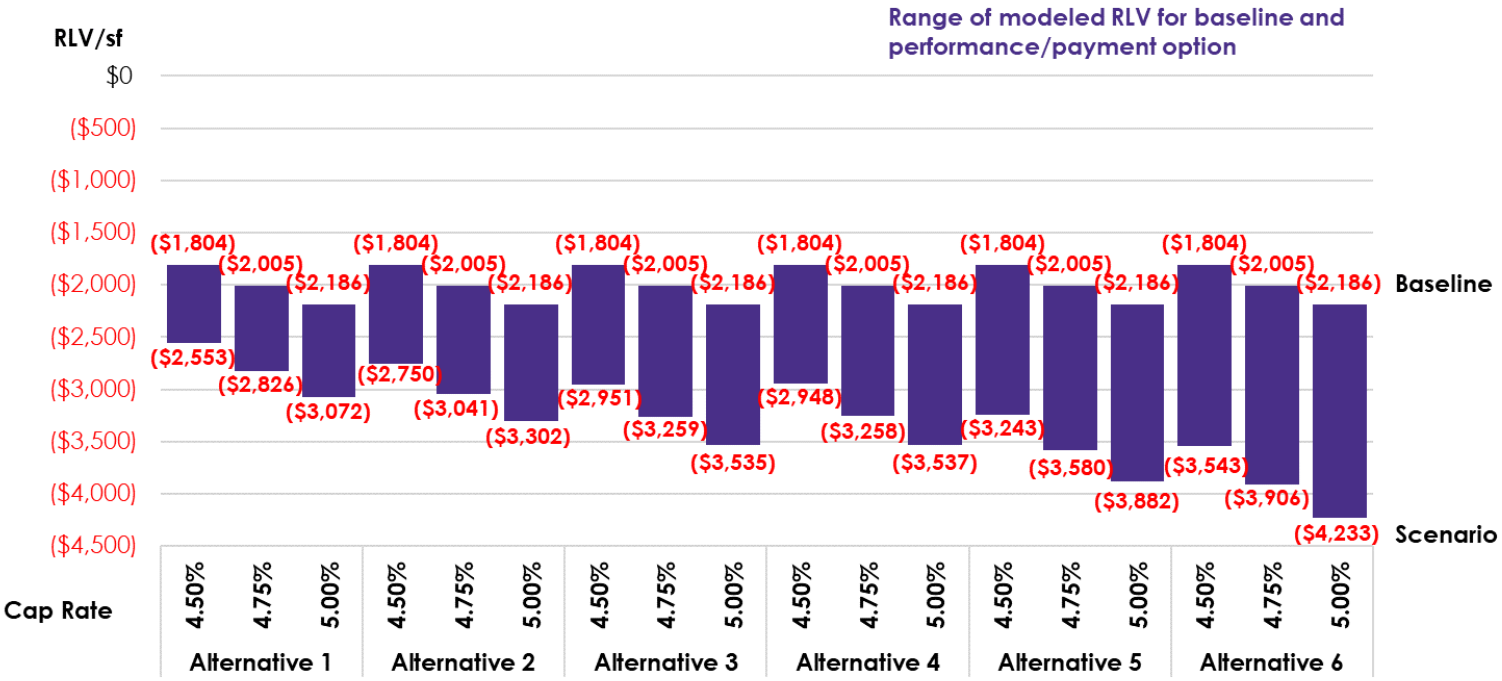
Source: CoStar, 2024; CBRE, 2024; Rider, Levett, & Bucknall, 2024; City of Bellevue, 2024; Stakeholder Interviews for Phase II Analysis, 2024; Community Attributes, 2024.
Note: Bonuses associated with the alternatives represent a 1sf of market-rate space for every 1sf of affordable space provided.
Note: Scenario = payment/performance option.

Exhibit 26. Scenario 2 – Residential, Mid-rise Prototype, Medium Market Area



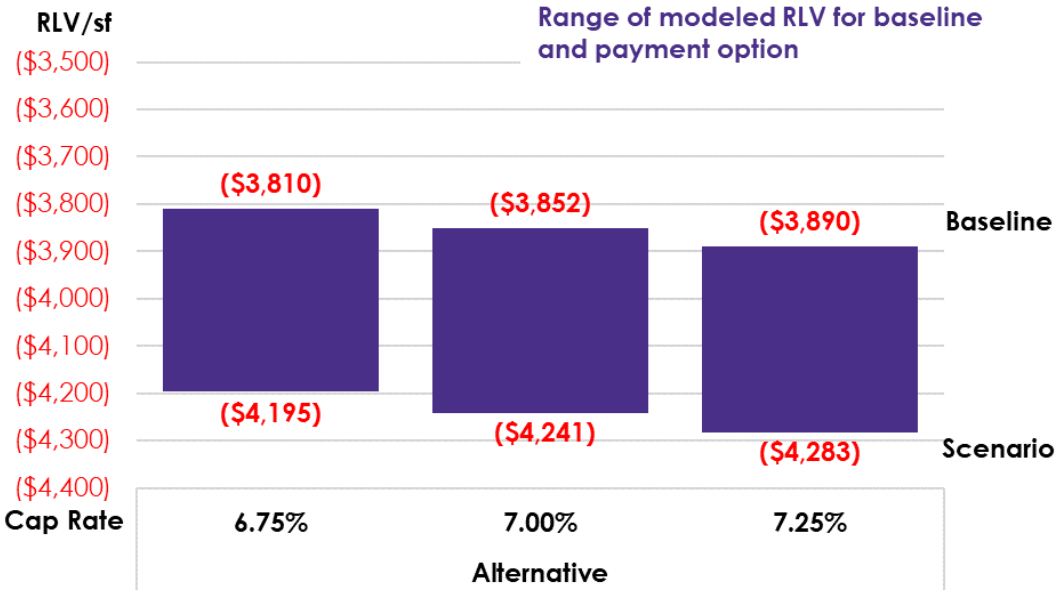
Source: CoStar, 2024; CBRE, 2024; Rider, Levett, & Bucknall, 2024; City of Bellevue, 2024; Stakeholder Interviews for Phase II Analysis, 2024; Community Attributes, 2024.
Note: Bonuses associated with the alternatives represent 4sf of market-rate space for every 1sf of affordable space provided for 80% AMI (1:4 ratio), a 1:5 ratio for 70% AMI, and a 1:6 ratio for 60% AMI.
Note: Scenario = payment/performance option.

Exhibit 27. Scenario 2 – Residential, High-rise Prototype, Medium Market Area



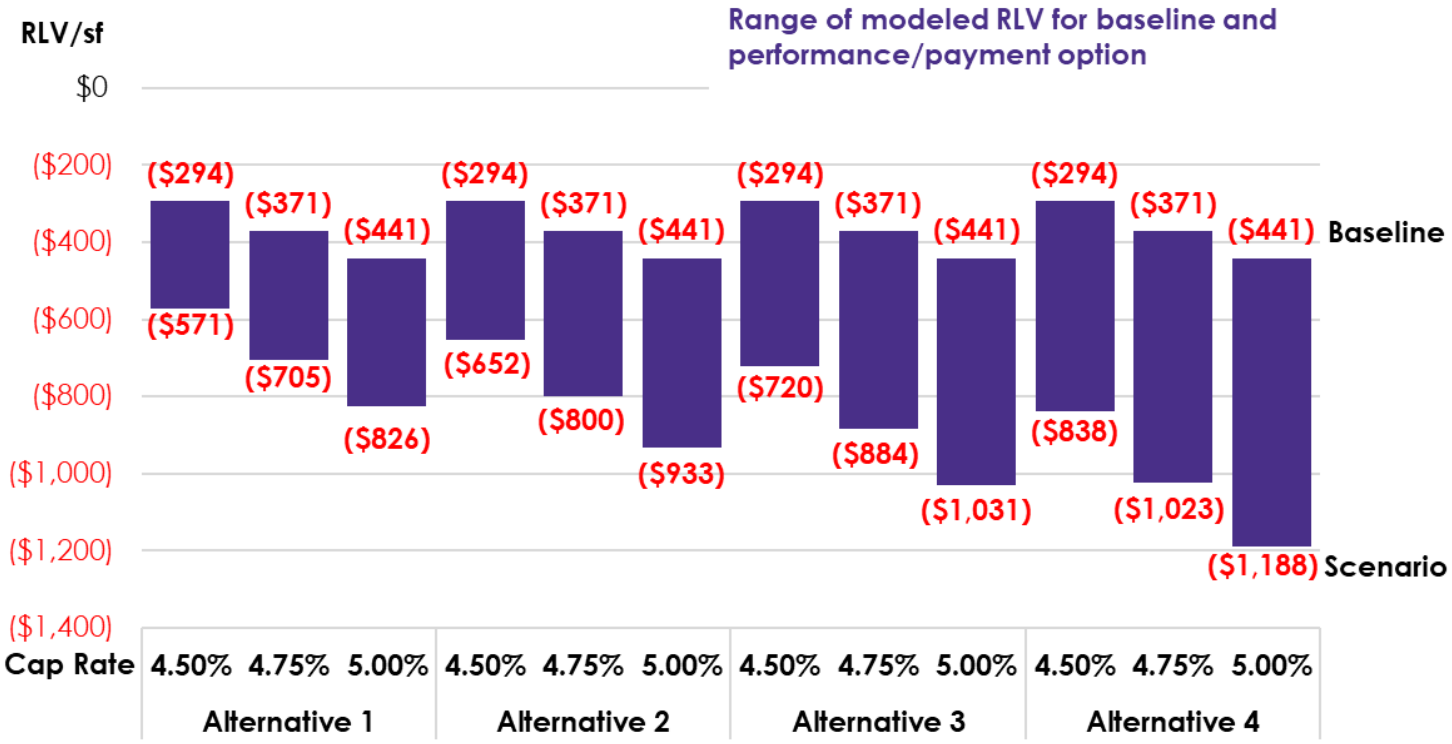
Source: CoStar, 2024; CBRE, 2024; Rider, Levett, & Bucknall, 2024; City of Bellevue, 2024; Stakeholder Interviews for Phase II Analysis, 2024; Community Attributes, 2024.
Note: Bonuses associated with the alternatives represent 4sf of market-rate space for every 1sf of affordable space provided for 80% AMI (1:4 ratio), a 1:5 ratio for 70% AMI, and a 1:6 ratio for 60% AMI.
Note: Scenario = payment/performance option.

Exhibit 28. Scenario 2 – Office, High-rise Prototype, Medium Market Area



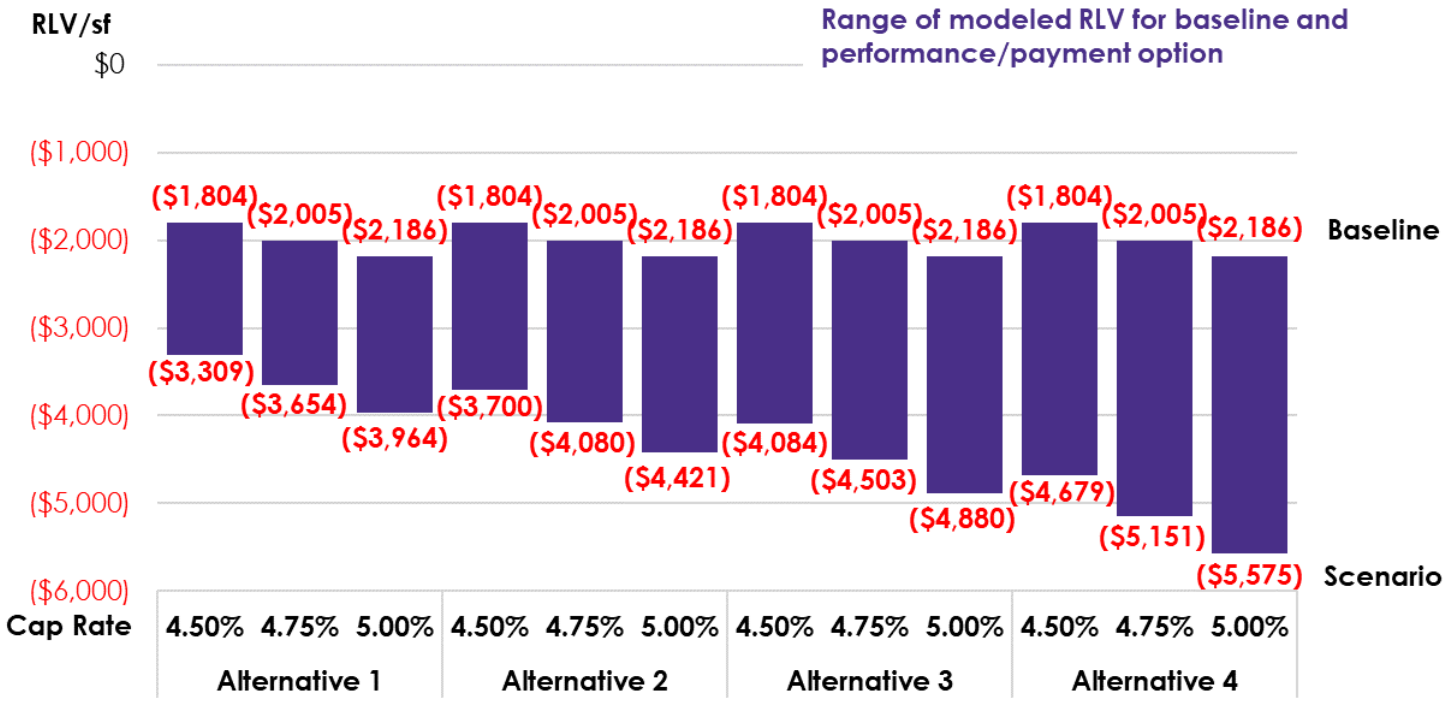
Source: CoStar, 2024; CBRE, 2024; Rider, Levett, & Bucknall, 2024; City of Bellevue, 2024; Stakeholder Interviews for Phase II Analysis, 2024; Community Attributes, 2024.
Note: Scenario = payment/performance option.

Exhibit 29. Scenario 3, Mid-rise Prototype, Medium Market Area



Source: CoStar, 2024; CBRE, 2024; Rider, Levett, & Bucknall, 2024; City of Bellevue, 2024; Stakeholder Interviews for Phase II Analysis, 2024; Community Attributes, 2024.
Note: Bonuses associated with the alternatives represent 8sf of market-rate space for every 1sf of affordable space provided for 50% AMI (1:8 ratio) and a 1:10 ratio for 30% AMI.
Note: Scenario = payment/performance option.

Exhibit 30. Scenario 3, High-rise Prototype, Medium Market Area



Source: CoStar, 2024; CBRE, 2024; Rider, Levett, & Bucknall, 2024; City of Bellevue, 2024; Stakeholder Interviews for Phase II Analysis, 2024; Community Attributes, 2024.
Note: Bonuses associated with the alternatives represent 8sf of market-rate space for every 1sf of affordable space provided for 50% AMI (1:8 ratio) and a 1:10 ratio for 30% AMI.
Note: Scenario = payment/performance option.