Real Estate Financial Feasibility Technical Report

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Prepared for:	Seattle Downtown Regional Center Plan
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Memorandum

To: Jesse London, Urban Centers Planner
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From: Matt Fairris, MCP, Vice President

Date: March 25, 2025

Re: REVISED DRAFT Downtown Seattle Regional Center Real Estate Development Financial Feasibility Analysis

INTRODUCTION

This memorandum provides an evaluation of the financial feasibility of four development prototypes in Downtown Seattle. These prototypes represent the types of development the City of Seattle is interested in supporting as part of the Urban Centers planning process, including high-rise residential apartments and mixed-use development, infill mass timber apartments, and commercial-to-residential conversion projects. BAE Urban Economics (BAE) defined these development prototypes in consultation with City Staff and a broader team of consultants, based on recent comparable projects in the city and region that would be representative of residential development types anticipated through the planning time horizon.

Following this introduction, the memorandum summarizes the feasibility of the four development prototypes under existing economic conditions, to inform the City of the current financial feasibility of typical development types. In addition, this analysis evaluates various sensitivities that influence the feasibility of the prototypes. This includes market factors, such as site acquisition costs, development costs, rental rates, and sale prices, as well as City policies that influence the development potential and project timeline. The intent of the sensitivity analysis is to inform the City of factors that can improve the feasibility of residential and mixed-use prototypes envisioned in the urban centers planning process. These factors may occur because of improving market conditions or specific actions the City takes to support the feasibility of future development in downtown.

FINANCIAL FEASIBILITY ANALYSIS

Methodology

BAE selected the four development prototypes in consultation with City Staff, based on discussions of recent developments and project proposals in the downtown area and City of Seattle to understand what has been feasible and what would suit downtown neighborhoods in terms of scale and character. After establishing the prototypes, BAE interviewed developers with local experience to ascertain development costs for similar projects in recently completed downtown and to confirm revenue assumptions (i.e., asking rents, capitalization rates). Cost assumptions include site acquisition, soft and hard construction costs, fees and permits, and financing costs. This 'baseline feasibility' is then adjusted to account for potential market shifts (i.e., increases in rents), and developer adjustments (i.e., accepting lower profit margins, constructing more economically than assumed).

Development Prototypes

As mentioned previously, the four development prototypes studied in this memo include: (1) high-rise rental apartments with a ground-floor commercial component; (2) high-rise mixed-use development with residential, office, and hotel components; (3) mass timber rental apartment with ground floor retail; and (4) commercial-to-residential conversion project. A summary of the prototypes is provided in Exhibit 1 on the following page, followed by descriptions of each prototype.

Exhibit 1: Downtown Development Prototype Summaries

	Prototype 1: High-Rise Residential		Prototype 2: High-Rise Mixed-Use		Prototype 3: Mass Timber Residential		Prototype 4: Commercial to Residential	
Project Characteristics								
Site Size (SF - Acres)	25,000	0.57	25,000	0.57	13,750	0.32	25,000	0.57
Number of Units		550		1,000		150		96
Building Height (feet)		300		990		108		54
Number of Stories		30		90		12		6
Residential Units	Count	SF	Count	SF	Count	SF	Count	SF
Studio	55	500	100	500	15	500	10	500
1-BR	275	700	500	700	75	700	48	700
2-BR	220	900	400	900	60	900	38	950
3-BR	0	1,200	0	1,200	0	1,200	0	1,200
All Units (Total SF - Units)	**550**	**418,000**	**1,000**	**760,000**	**150**	**114,000**	**96**	**74,700**
Density (du/acre)	*958*		*1,742*		*475*		*167*	
Circulation %		20%		20%		20%		30%
Total Residential Square Feet		**522,500**		**950,000**		**142,500**		**106,714**
Total Market Rate Units		522		950		142		96
Total Affordable Units		28		50		8		0
Total Affordability (% of units)		5.0%		5.0%		5.0%		0.0%
Avg Affordability (% of AMI)		60.0%		60.0%		60.0%		n.a.
Ground Floor Retail Space		11,000		0		5,000		7,500
Total Office Square Feet		**n.a.**		**450,000**		**n.a.**		**n.a.**
Net Rentable Office SF		n.a.		382,500		n.a.		n.a.
Total Hotel Square Feet		**n.a.**		**75,000**		**n.a.**		**n.a.**
Hotel Rooms		n.a.		150		n.a.		n.a.
Total Building Square Feet		**533,500**		**1,475,000**		**147,500**		**114,214**
Density (FAR)		*21.3*		*59.0*		*10.7*		*4.6*
Parking								
Residential Parking Spaces		413		750		113		32
Retail Parking		n.a.		0		n.a.		n.a.
Office Parking		n.a.		300		n.a.		n.a.
Hotel Parking		n.a.		50		n.a.		n.a.
Total Parking Spaces		**413**		**1,100**		**113**		**32**

Sources: City of Seattle; BAE, 2024.

Prototype #1: High-Rise Rental Residential

The high-rise rental residential prototype is based on a typical 30-story residential development project in downtown Seattle, with a density of nearly 960 DU per acre. Due to the building height, this prototype assumes type-I construction of either concrete or steel, leading to higher construction costs relative to traditional wood-framed construction. This prototype assumes a 25,000 square foot site, equal to roughly half of a traditional downtown block. In total, this 30-story residential building includes 550 housing units (55 studios, 275 one-bedroom units, and 220 two-bedroom units). In terms of unit size, these units range from 500 to 900 square feet. Given the elevators and fire exits required for a building of this size, the prototype assumes 20 percent circulation for a total of 522,500 square feet of gross

residential development. Within the ground floor, this prototype includes 11,000 square feet of retail space for local-serving retail, food service or community service uses. Based on comparable projects and discussions with developers, BAE assumes that traditional market-rate developments in downtown Seattle will include 0.75 parking space per unit. As such, this prototype assumes the inclusion of 413 parking spaces in a subterranean parking garage.

This prototype is required to abide by the City's Multifamily Housing Affordability (MHA) ordinance. Given this prototype is intended to represent the typical feasibility of development in all of downtown Seattle, which includes a variety of zoning and MHA requirements, the prototype assumes five percent the units must be affordable to households making 60 percent of the Area Median Income (AMI), or 28 units within the project.

Prototype #2: High-Rise Mixed-Use

Representing a skyline-defining tower in downtown Seattle, the high-rise mixed-use prototype is based on a 90-story development. To maximize the economic feasibility of this prototype, this model assumes the lower floors are reserved for a hotel component, including 150 hotel rooms in 75,000 square feet of building area. The middle floors of the mixed-use tower include 450,000 square feet of office space intended to capture "Class A" tenants with view premiums and highly-amenitized space. The remaining upper floors are reserved for residential units, which includes a total of 1,000 residential units. To provide adequate parking for these various uses, this model assumes a total of 1,100 parking spaces, the majority of which are reserved for residential tenants.

Similar to Prototype 1 above, this prototype is similarly required to abide by the City's MHA ordinance. While the MHA requirement ranges throughout downtown, the majority of downtown zones require between three and seven percent of the units to be affordable to households at 60 percent of AMI. To represent a prototypical project within downtown, BAE assumes five percent of the units must be affordable to households at 60 percent of AMI, or 50 total housing units within the 1,000-unit project.

Prototype #3: Mass Timber Residential

Intended to capture innovative construction technologies and innovations that may spur future housing development, the third prototype models a mass timber building reaching above 100 feet in height. This innovative technology represents an opportunity to achieve taller buildings than is possible under typical type-5 wood-frame construction, which typically reaches a maximum of 80 to 85 feet. This technology therefore allows greater densities and a better utilization of urban land without requiring the use of full type-I construction like steel or concrete. To date, a limited number of mass timber residential buildings have completed in Seattle, although local mass timber manufacturing plants are increasing their presence throughout the Pacific Northwest, which will continue to improve the cost efficiencies of the technology.

One additional benefit of mass timber construction is the ability to deliver high-density projects on relatively small sites. As such, this prototype assumes a 13,750 square foot site, roughly equal to a quarter-block within downtown Seattle. In total, this prototype includes 150 residential units, for a density of nearly 500 dwelling units per acre. Due to the unique characteristics of mass timber, primarily the light-weight materials, this prototype assumes subterranean parking to reduce the weight of the above-ground structure. Similar to the prior prototypes, this project includes 0.75 parking spaces per unit, for a total of 113 spaces in the subterranean garage. Lastly, to abide by the City's MHA ordinance, this project includes 8 units affordable to households at 60 percent of AMI.

Prototype #4: Commercial-to-Residential Conversion

The final prototype captures an emerging opportunity to repurpose underutilized commercial spaces into residential space within downtown Seattle. Given this prototype relies on the characteristics and quality of existing buildings, this prototype aims to model the economics of a fairly average, underutilized office building that requires substantial investment to convert to residential uses. However, based on developer input, one of the critical factors driving the feasibility of this development prototype is the required seismic upgrading to meet current building code. This prototype assumes the building meets existing seismic requirements and that the bulk of new development costs are associated with gutting the office space, extending utility lines to align with the location of residential units, and the internal walls and corridors necessary to convert the space for residential uses. The feasibility of this prototype is sensitive to a range factors, most of which relate to the existing quality of the building.

This prototype assumes the acquisition and conversion of a 115,000 square foot six-story office building within downtown Seattle. This prototype assumes the ground floor will be used for residential lobby space and a small amount of ground floor retail space. Within the five additional floors, the prototype includes nearly 100 housing units. Due to the likely inefficiency of converting the space to residential uses, this model assumes a greater portion of each floor is non-leasable relative to a typical new building. As such, the total number of units and associated density is modestly lower than a new building. In order to attract residential tenants, this prototype includes 32 parking spaces in an at-grade or subterranean garage. This is a much lower ratio of parking spaces per unit, but will depend on the number of spaces within the existing building.

To support the feasibility of this development typology, Seattle recently exempted office to residential conversion projects from the MHA requirement. As a result, this prototype does not include any deed-restricted affordable housing units, however, as will be discussed below, the rental rates expected in this prototype are somewhat lower than traditional new development due to unique characteristics of the conversion process, which results in more affordable units than new buildings.

Baseline Cost and Revenue Assumptions

The following section outlines the development cost and revenue assumptions that inform the baseline feasibility analysis. These cost and revenue assumptions are based on interviews with local developers with recent experience in Seattle and the broader King County area; an analysis of recent land sales, development costs, and rental rates that BAE conducted as part of this study; and a review of development applications for recently completed projects. These assumptions are reflected in the pro forma financial feasibility models that are included in Appendix A to this memo.

Development Cost Assumptions

Site Acquisition Cost – Given the Downtown area covers a broad geography and range of neighborhoods, this analysis assumes a different site acquisition cost for each prototype that best reflects the likely location of each specific building typology. Based on recent land transactions and appraisals in the area, BAE assumes the site acquisition cost for the new building prototype (Prototypes 1 through 3) range from $6.0 to $12.0 million, with the higher price associated with the high-rise mixed-use development which is only likely to occur on a limited number of sites. For Prototype 4, the office-to-residential conversion, BAE assumes a full building acquisition cost of approximately $150 per existing building square footage, or roughly $17 million. This acquisition cost will depend on the quality of the existing building; however BAE used this price to reflect an average acquisition opportunity.

Hard Costs – Because the prototypes range in building heights and building materials, the hard costs differ between each prototype. For example, the hard costs for the 30-story high-rise residential project are assumed at $450 per square foot, while the taller mixed-use building includes a hard cost of $500 per square foot of office and residential, and $650 per square foot of hotel space. Lastly, the mass timber hard costs are estimated at $420 per square foot. For the office-to-residential conversion prototype, BAE assumes a cheaper hard cost per square foot, at $275 per gross building square foot, to successfully convert the office space to residential units.

Parking Costs – Due to the urban nature of these prototypes, all assume parking is provided in a subterranean parking garage. The cost to deliver subterranean parking is estimated at $65,000 per space, which includes the additional costs associated with excavation and other aspects of building underground parking.

City Impact and Permitting Fees – Currently, the City of Seattle has limited City impact and permitting fees. Based on a review of comparable projects, it is evident that projects are required to pay utility connection fees that equate to roughly $6,500 per unit.

Soft Costs – Softs costs, which are typically estimated as a percentage of hard construction costs, include the costs associated with architecture, engineering, legal, and accounting services. Given all of these prototypes represent somewhat complex or innovative development types, the soft cost assumptions are slightly above traditional soft cost expectations. For Prototypes 1 and 3, which represent new residential developments, soft costs are estimated at 18 percent of hard costs. For the more complex mixed-use high-rise prototype, soft costs are estimated at 20 percent of hard costs. Finally, due to the unique challenges of office-to-residential conversion projects, BAE assumes soft costs are 22 percent of site acquisition and hard costs.

Developer Fee – In order to attract developers and investors, real estate projects must support a one-time developer fee, while also generating sufficient levels of profit to investors. For rental prototypes, the developer profit is measured based on the value of the property, but the developer will still include a one-time developer fee to cover staffing overhead. BAE estimates this developer fee is equal to 4 percent of hard and soft construction costs.

Financing Costs – Assumptions regarding the financing of construction loans are comparable for all prototypes. Developers are assumed to take out a loan valued at 65 percent of construction costs and be charged a loan fee of 1.5 percent of the loan amount. The construction period interest is estimated based on an annual interest rate of 6.5 percent and a drawdown factor of 60 percent. The length of the loan is assumed at 24 months to cover the construction period.

Operating Cost and Revenue Assumptions

Residential Rental Rates – Given rental rates per square foot by bedroom size vary throughout Downtown and by development type and quality, the following rents are assumed in the prototypes. These reflect the higher expected rents for prototypes with view premiums and expected on-site amenities:

Unit Type	Prototype 1: High-Rise Residential	Prototype 2: High-Rise Mixed-Use	Prototype 3: Mass Timber Residential	Prototype 4: Commercial to Residential
Studio	$2,325	$2,500	$2,325	$2,200
1-BR	$3,115	$3,395	$3,115	$2,940
2-BR	$3,870	$4,230	$3,870	$3,848

Non-Residential Rental Rates – While the primary use of each prototype is residential, the following rental rates were estimated for the non-residential uses, most importantly within the high-rise mixed-use building:

Office Rent/SF: $5.50/SF Full Service Gross
Hotel Average Daily Rate: $375 per night (at 70% occupancy)
Retail Rent/SF: $2.50/SF NNN

Residential Rental Operating Expenses – In order to calculate the Net Operating Income (NOI) of the prototypes, this analysis assumes operating costs for the residential component of each prototype are equal to 28 percent of the prototype's rental income. This includes property taxes, on-site property management, and on-site amenities. The feasibility analysis also assumes a five percent vacancy rate to account for standard apartment turnover and resultant loss of rental income.

Non-Residential Operating Costs – Both office and hotel uses assume significant ongoing operating costs to serve office tenants and hotel guests. These are estimated at 32 percent of office gross revenue and 45 percent of gross hotel revenue. For retail spaces within the prototypes, these rents are conducted on a Triple-Net basis (NNN) which passes off the majority of ongoing operating costs to the tenant. As such, the feasibility analysis assumes a limited commercial operating cost of five percent of gross revenue. The analysis also assumes a vacancy rate of between 5 and 7 percent for each use.

Capitalization Rate and Required Yield– The capitalization rate (cap rate) represents the rate of return on a real estate investment property with a net operating income, like a multifamily rental project, and is used to estimate project value. Real estate developers and investors use this cap rate to determine the required project return for new construction projects. More specifically, investors will only invest in new construction projects that have a higher yield than the current cap rate. This "developer spread" is what determines the project feasibility. Under current market conditions, BAE estimates a cap rate of 5.0 percent for residential projects, and a required project yield of 6.0 percent in order to attract investors to a new construction project in downtown. For the high-rise mixed-use prototype, each use is a significant portion of the project and contains a different cap rate. BAE assumes a hotel cap rate of 7.0 percent, which translates to a required project yield of 8.5 percent, while the office cap rate is estimated at 5.75 percent with a required project yield of 6.75 percent.

Baseline Financial Feasibility

The following summarizes the financial feasibility of the baseline prototypes. Exhibit 2 below summarizes the critical cost and feasibility findings, while Appendix A includes the full pro forma feasibility models. Appendix A-1 is the pro forma financial feasibility model for the high-rise residential prototype, Appendix A-2 is the pro forma financial feasibility model for the mixed-use development prototype, Appendix A-3 is the mass timber prototype, and Appendix A-4 is the office to residential conversion prototype.

Prototype #1: High-Rise Rental Residential

The high-rise rental prototype has a total development cost of roughly $625,000 per unit, or nearly $350 million in total cost. This includes a site acquisition cost of roughly $4.8 million for the 25,000-square foot site in downtown Seattle. The majority of the cost, however, is associated with hard construction costs, amounting to approximately $230 million, or two-

thirds of the total overall development cost. The other major cost factors include soft costs ($45.6 million), subterranean parking costs ($26.8 million) and financing costs ($18.6 million).

Assuming the rental rates reported above, this prototype is estimated to generate roughly $23.3 million in total gross annual revenue. After an assumed vacancy rate and typical operating costs, the building results in an annual Net Operating Income (NOI) of $15.6 million. While this annual revenue is significant, by dividing the NOI by the total development cost, this project results in a 4.54 percent yield on cost. In the current real estate investment market, developers and investors are seeking a minimum of 6.0 percent yield on cost for stabilized developments. Given this project generates a lower yield than the required yield on cost, this rental prototype is currently **infeasible**, largely driven by the high development cost, high developer return requirements, and rental rates in downtown that have not kept pace with the cost of construction.

Prototype #2: High-Rise Mixed-Use

The high-rise mixed-use prototype has the highest total and per square foot development cost, driven by the required materials and complexity of a 90-story tower project. As seen in Exhibit 2 below, this prototype is expected to cost $1.2 billion, or $788 per gross square foot. Based on the additional detail shown in Appendix A-2, the residential component accounts for roughly 61 percent of the total development cost, given it is the largest component of the project. In terms of the total overall project, hard construction costs account for the most significant portion of the project costs, estimated at nearly $750 million. Other critical costs include soft costs ($174 million), parking costs ($82.5 million), and financing costs ($66 million).

From an ongoing revenue perspective, this project is estimated to generate nearly $90 million in annual revenue. After accounting for vacancy and operating expenses, the project results in approximately $49 million in annual net operating income. However, due to the high construction cost of nearly $1.2 billion, the project has a projected yield on cost of 4.22 percent. This is well below the minimum blended required yield on cost of 6.4 percent, indicating this prototype is currently **infeasible** in the current market. Appendix A-2 below summarizes the feasibility of each component of the project, which indicates that the hotel component is actually closest to feasibility, driven by the high average daily rates. The office and residential components have similar yield on costs, but due to the perceived challenges and risks associated with future office demand, the office component is further away from feasibility.

Prototype #3: Mass Timber Residential

With a slightly lower cost per square foot relative to the prior prototypes, the 150-unit mass timber prototype has a total development cost of roughly $90 million, or $605,000 per residential unit. Similar to the prior prototypes, hard cost still account for the largest share of development costs, at nearly $60 million. Due to the more limited site size, of just 13,750

square feet, the site acquisition cost is much lower than the prior prototypes, at $2.1 million. The other primary costs include soft costs, parking costs, construction financing costs, and developer fees.

From a revenue perspective, this 150-unit prototype is expected to yield $6.4 million in gross rents. After accounting for operating costs and a standard vacancy rate, the prototype yields $4.3 million in net operating income. Based on the total cost of $90 million, the prototype has a projected yield on cost of 4.74 percent. This is below the minimum required return of 6.0 percent, indicating this prototype is **infeasible** without subsidies. This aligns with recent mass timber developments in the city and region, which accessed a range of local and state funding to support the delivery of a mass timber residential building. However, the aim is that this technology will continue to improve and the costs will decrease over time. The impact of these potential cost decreases is discussed below.

Prototype #4: Office-to-Residential Conversion

Assuming a fairly significant existing building acquisition cost of $17 million, converting an aging office building to residential units is expected to cost a total of $61 million, or $639,259 per unit. On a per unit basis, this is more expensive than the mass timber prototype, though that prototype relies on finding a vacant site which is likely to be more challenging than finding existing underutilized buildings. Hard costs still account for the largest cost associated with this prototype, however the building acquisition cost is the second largest cost. The other primary costs to deliver this prototype include soft costs, financing costs, and developer fees.

With an expected net annual operating income of $2.7 million, this prototype has a projected yield on cost of 4.40 percent. This is well below the minimum required return of 6.5 percent, indicating this baseline prototype is **infeasible.** As discussed in more detail below, the cost to acquire the existing structure is a critical factor in the feasibility of development. If an existing development can be purchased at a price well below market price, that decreases the cost basis for the project and can improve the project economics. Until office buildings begin trading hands for less than the assumed $150 per existing square foot, the feasibility of these developments is challenging.

Exhibit 2: Downtown Development Prototype Feasibility Summary

	Prototype 1: High-Rise Residential	Prototype 2: High-Rise Mixed-Use	Prototype 3: Mixed-Use Mass Timber	Prototype 4: Office-to-Residential
Development Program				
Residential Component				
Number of Units	**550**	**1,000**	**150**	**96**
Market-Rate	*522*	*950*	*142*	96
Affordable	*28*	*50*	*8*	0
Avg Unit Size (SF)	760	760	760	758
Retail Component				
Total Retail Square Footage	11,000	0	5,000	7,500
Office Component				
Total Office Square Footage	*n.a.*	450,000	*n.a.*	*n.a.*
Hotel Component				
Total Hotel Square Footage	*n.a.*	75,000	*n.a.*	*n.a.*
Total Hotel Rooms	*n.a.*	150	*n.a.*	*n.a.*
Total Parking Spaces	***413***	***1,100***	***113***	***0***
Parking Type	*Subterranean*	*Subterranean*	*Subterranean*	*n.a.*
Feasibility Analysis				
Total Development Cost	**$344,518,602**	**$1,162,853,136**	**$90,665,954**	**$61,368,883**
Cost per gross SF	$687	$788	$663	$590
Cost per Residential Unit	$626,397	$710,247	$604,440	$639,259
Rental Feasibility				
Net Operating Income	$15,625,724	$49,033,942	$4,297,975	$2,699,470
Project Yield on Cost	4.54%	4.22%	4.74%	4.40%
Required Yield on Cost (a)	6.00%	6.40%	6.00%	6.50%
Project Feasibility	**Infeasible**	**Infeasible**	**Infeasible**	**Infeasible**

Note:
(a) Assumes a blended Yield on Cost based on the mix of uses and associated required returns.

Sources: City of Seattle; BAE, 2024.

Financial Feasibility Sensitivity Adjustments

In addition to the baseline pro forma analyses reflected in the model printouts in Appendix A, BAE conducted sensitivity testing that assesses the impact on feasibility from potential changes in three key categories: development costs, market shifts, and city policies. For example, some developers may be able to construct the prototypes for lower costs than our research has suggested, such as through reductions in building or material costs. Developers may also choose to accept lower profit margins for less risky projects. In addition, demand for housing in Downtown may change as conditions improve and additional amenities are delivered in the subarea, potentially raising the rental rates. Lastly, although the baseline

prototype feasibility analyses assume existing City policies regarding entitlement timeline, density, and fees, the City may be able to influence the feasibility of prototypes by adjusting these policies to support development.

The results of each sensitivity tested below assume all other costs and revenues are equal to those in the baseline prototypes and are therefore not representative of cumulative feasibility impacts from multiple sensitivity adjustments.

Development Cost Adjustments

Following is a range of key development cost components that BAE tested for sensitivity.

Reduced Hard Costs

Given that hard construction costs are the most significant component of development costs, any reduction in hard costs will improve development feasibility significantly. While hard costs have increased significantly in the last five years, interviews with local developers indicate that hard costs increases have slowed and even reached stagnation in the past year. Hard cost decreases are uncommon, but are typically a result of innovation in construction process and materials.

Reduced Developer Profit

For both of the market-rate developments, the developer profit requirement is a major determinant of project feasibility. For example, if a developer or investor does not require any project profit, the high-density rental prototype would be feasible assuming market-rate rents. However, any investor in residential development requires a profit and therefore is not going to invest in this type of development. However, a small reduction in the required profit margin does improve the feasibility of the project, but still results in a feasibility gap. A reduction in project profit for rental apartments can occur in a number of ways, including market fluctuations that attract more capital to the region, as well as reduced risk associated with a project through streamlined permitting and more certainty around the entitlement process.

Market Shifts

In addition to a reduction in development costs and required profit margin, shifts in market conditions will dramatically influence the feasibility of residential development. Due to recent increases in construction costs and interest rates, combined with stagnant rents and sale prices, development feasibility is challenging. However, should costs stagnate and rents or sale prices increase, the feasibility of development will improve.

City Fees and Policies

Following are cost components relating to City fees and policies that BAE tested for sensitivity.

Entitlement Timeline and Risk

While only a limited component of the project costs, a longer project approval process does lead to increased holding costs and increased project risk, which results in higher profit requirements to attract investment in residential projects. By reducing the entitlement timeline and risk, all of the prototypes become more feasible, though still require rent or sale prices increases or other cost decreases to reach feasibility.

Height and Density

Throughout Downtown, the City has already unlocked fairly high densities and height limits, indicating that more height or density will not dramatically improve feasibility until market conditions improve. However, there may be certain zones where these prototypes are not currently allowed, especially areas where the 100+ foot mass timber prototype may be an ideal development typology.

Impact Fees

Relative to comparable jurisdictions in King County, Seattle has limited City fees. Developments in Seattle are required to pay utility connection and use fees, though these fees only amount to roughly $6,500 per unit. If the City were to explore reducing or deferring fees to support residential development, any reduction will only reduce the development cost by between one and two percent, having a limited impact on project feasibility.

Prototype Feasibility Sensitivity Tables

The following section summarizes the sensitivity of the prototypes to adjustments in two critical categories: hard costs and market-rate rents. These are the two largest factors that lead to development feasibility. Given the recent increases in development costs, over a period when market rate rents did not keep pace, the feasibility of the prototypical developments discussed above is challenging. However, the following outlines the potential sensitivities to cost and rent changes to help understand the amount of change needed to support a feasibility project. It should be noted that these assume developers and investors continue to require high yield-on-costs relative to prior market cycles. Should those requirements fall, these developments will be considered feasible with less cost and rent adjustments.

Prototype #1: High-Rise Rental Residential Sensitivity

As seen below, the high-rise rental residential prototype requires a combination of hard cost decreases and rental rate increases to yield a feasible project, under current market return requirements. More specifically, the table below indicates that a project with a small decrease in total hard costs will be feasible if market-rate rents increase 20 percent. Similarly, if hard costs fall by 20 percent, the prototype would be considered feasible with a ten percent increase in market rate rents.

Impact of Hard Cost and Rent Adjustments on Project Yield on Cost:

Rent Adjustment	Hard Cost Adjustment: -20%	-10%	-5%	0%	5%	10%	20%
-20%	3.9%	3.5%	3.3%	3.2%	3.0%	2.9%	2.7%
-10%	4.7%	4.2%	4.0%	3.9%	3.7%	3.5%	3.3%
-5%	5.1%	4.6%	4.4%	4.2%	4.0%	3.9%	3.6%
0%	5.5%	5.0%	4.7%	4.5%	4.3%	4.2%	3.9%
5%	5.9%	5.3%	5.1%	4.9%	4.7%	4.5%	4.2%
10%	6.3%	5.7%	5.4%	5.2%	5.0%	4.8%	4.4%
20%	7.1%	6.5%	6.2%	5.9%	5.6%	5.4%	5.0%

Prototype #2: High-Rise Mixed-Use Sensitivity

Similar to Prototype #1, this mixed-use high-rise prototype requires substantial changes to market conditions to meet current investor return requirements. As shown below, the project yield on cost reaches the minimum required (shown in green) with significant hard cost decreases and increases to office and residential rents.

Impact of Hard Cost and Rent Adjustments on Project Yield on Cost:

Office and Residential Rent Adjustment	Hard Cost Adjustment: -30%	-15%	-5%	0%	5%	15%	30%
-30%	3.3%	2.8%	2.6%	2.5%	2.4%	2.2%	2.0%
-15%	4.5%	3.8%	3.5%	3.3%	3.2%	3.0%	2.7%
-5%	5.3%	4.5%	4.1%	3.9%	3.8%	3.5%	3.1%
0%	5.7%	4.8%	4.4%	4.2%	4.0%	3.7%	3.4%
5%	6.1%	5.2%	4.7%	4.5%	4.3%	4.0%	3.6%
15%	6.8%	5.8%	5.3%	5.1%	4.9%	4.5%	4.1%
30%	8.0%	6.8%	6.2%	6.0%	5.7%	5.3%	4.8%

Prototype #3: Mass Timber Residential Sensitivity

The mass timber prototype requires less adjustments to reach feasibility. As shown below, the project is feasible with a 20 percent increase in market rate rents and a limited decrease in hard costs. Similarly, if the mass timber technology is able to achieve greater cost efficiencies, market rate rents only need to increase by between five and ten percent to reach project feasibility under current investor return requirements.

Impact of Hard Cost and Rent Adjustments on Project Yield on Cost:

Rent Adjustment	Hard Cost Adjustment: -20%	-10%	-5%	0%	5%	10%	20%
-20%	4.0%	3.6%	3.5%	3.3%	3.2%	3.1%	2.8%
-10%	4.9%	4.4%	4.2%	4.0%	3.9%	3.7%	3.4%
-5%	5.3%	4.8%	4.6%	4.4%	4.2%	4.0%	3.7%
0%	5.7%	5.2%	5.0%	4.7%	4.5%	4.4%	4.0%
5%	6.1%	5.6%	5.3%	5.1%	4.9%	4.7%	4.4%
10%	6.6%	6.0%	5.7%	5.4%	5.2%	5.0%	4.7%
20%	7.4%	6.7%	6.4%	6.2%	5.9%	5.7%	5.3%

Prototype #4: Office-to-Residential Conversion Sensitivity

Unlike the prior sensitivity models, the table below outlines the sensitivity of this prototype to changes in site or building acquisition costs. As noted above, this model is particularly sensitive to the cost of acquiring the building that will be converted to residential units. While the baseline model assumes a fairly modest sale price of $150 per gross building square foot, a significant decrease in the site purchase price can yield a feasible project with modest increases in rental rates.

Impact of Site Acquisition Costs and Rent Adjustments on Project Yield on Cost:

		Site Acquisition Cost						
		-50%	-25%	-10%	0%	10%	25%	50%
Rent Adjustment	-20%	3.8%	3.4%	3.2%	3.1%	3.0%	2.8%	2.6%
	-10%	4.6%	4.1%	3.9%	3.7%	3.6%	3.4%	3.2%
	-5%	5.0%	4.5%	4.2%	4.1%	3.9%	3.7%	3.5%
	0%	5.4%	4.8%	4.6%	4.4%	4.2%	4.0%	3.7%
	5%	5.8%	5.2%	4.9%	4.7%	4.6%	4.3%	4.0%
	10%	6.2%	5.6%	5.2%	5.1%	4.9%	4.6%	4.3%
	20%	7.0%	6.3%	5.9%	5.7%	5.5%	5.2%	4.8%

FINANCIAL FEASIBILITY CONCLUSION

As summarized above, the financial feasibility of high-density residential and mixed-use development in Downtown Seattle is challenging under current market conditions due to recent cost increases and interest rates, in tandem with stagnant rent increases. The challenges in development feasibility in Downtown are not unique to this neighborhood, but are indicative of broader economic conditions effecting real estate development of all types with cost increase and revenue stagnation as the market recovers from the COVID-19 pandemic. Recent interviews with stakeholders indicate that development costs are stabilizing, if not decreasing, which will result in improved project economics. Similarly, expected interest rate decreases related to the Federal Reserve's decision to lower the overnight lending rate will likely lead to reduced costs and more reasonable investor return requirements in the near- to medium-term. While the above analysis indicates that development feasibility in Downtown would require improvements to the current market conditions, this is not atypical of a real estate market cycle. The City should interpret these results as an indication of why development interest in certain neighborhoods of Downtown is fairly limited at present, but also recognize that the City can improve project feasibility by leveraging publicly-owned land, investing in infrastructure, and updating land use, zoning, development standards and other policies and requirements to prepare the Downtown Regional Center for development when these conditions improve. While it is speculative to estimate when market conditions will improve to yield more favorable economic conditions in new development projects, real estate market cycles typically last between seven and ten years. Assuming the current conditions represent a beginning of a new market cycle, it is reasonable to assume the feasibility of new development will improve over the next five to seven years through a combination of improved market conditions in Seattle, decreased interest rates, innovation in construction typologies and materials, and renewed interest in urban real estate investing. In addition, Downtown Seattle is uniquely positioned to capture in these improved economic conditions given the projected job growth and future planned investment in downtown, including the Ballard Link Extension of Sound Transit which will create new transit stations throughout downtown and opportunities for transit-oriented development.

APPENDIX A: BASELINE PRO FORMA FEASIBILITY MODELS

Appendix A-1: High-Rise Rental Residential Financial Feasibility Analysis

Development Program Assumptions

Site Size - acres / square feet	0.6	25,000
Total Units		550
Affordable (% - count)	*5%*	*28*
Market Rate (% - count)	*95%*	*522*
Leasable Residential sq. ft.		418,000
Leasable Retail sq. ft.		11,000
Circulation & Communal Space		20%
Total Project sq.ft		**512,600**
Total Parking Spaces		413
Parking spaces per du		*0.75*
Parking Space Type		*Subterranean*
Building Height (ft)		300

Unit Mix and Affordability Levels

		AMI-Level					
Unit Mix	Sq. Ft.	30%	50%	60%	80%	MR	All
Studio	500	0	0	3	0	52	**55**
1-BR	700	0	0	14	0	261	**275**
2-BR	900	0	0	11	0	209	**220**
3-BR	1,200	0	0	0	0	0	**0**
All Units		**0**	**0**	**28**	**0**	**522**	**550**

Summary	Affordable		Market-Rate		Total
Number of Units (# - %)	28	5%	522	95%	550
Avg. Affordability (% AMI)	*60%*				n.a.
Leasable Sq. Ft.	21,200		396,800		418,000
Circulation & Communal Space					*20%*
Total Sq. Ft.	25,440		476,160		501,600
Parking Spaces	21		392		413
Parking Space/du	*0.75*		*0.75*		*0.75*

Cost Assumptions

Site Acquisition Cost, per Acre	$8,000,000
Construction	
Hard Cost per gross res/com sf	$450
Commercial Tenant Improvement per sf	$100
Parking cost per space	$65,000
Soft Costs (% of hard costs)	18.0%
Local Impact Fees (per unit) (a)	$6,500
MHA Payment (per residential sf)	$21.50
Developer Fee (% of hard and soft)	4.0%

Rental Revenue

	Rental Rates by AMI				
Unit Type	30%	50%	60%	80%	MR
Studio	$741	$1,267	$1,531	$1,892	$2,325
1-BR	$783	$1,346	$1,629	$2,016	$3,115
2-BR	$937	$1,615	$1,954	$2,417	$3,870
3-BR	$1,060	$1,844	$2,236	$2,885	$5,040

Other Residential Income (Per Month)	
Parking (per space)	$200
Other Income (Per Unit)	$80
Retail Rent (NNN per sq. ft.)	$2.50
Operating Costs	
Res Operating Cost (as % of gross revenue)	28%
Vacancy Rate, Residential	5.0%
Market Rate Cap Rate	5.0%
Financing	
Construction-Period	
MR Loan-to-Cost	65.0%
Loan Fees	1.5%
Drawdown Factor	60.0%
Interest rate	6.5%
Loan Term (months)	24

Development Cost Analysis

	Total Project
Site Acquisition Cost	**$4,764,899**
Hard Cost	$230,670,000
Commercial TIs	$1,100,000
Parking Cost	$26,845,000
Soft Costs	$46,550,700
Local Impact Fees	$3,575,000
MHA Fee Payment	$0
Subtotal	**$308,740,700**
Construction Financing	
Const. Loan Fees	$3,010,222
Const. Loan Interest	$15,653,153
Developer Fee	**$12,349,628**
Total Development Cost	**$344,518,602**
Per Unit	*$626,397*
Per Net SF	*$824*
Per Gross SF	*$687*

Feasibility Analysis

Project Income	Total Project
Gross Scheduled Rents	$23,321,976
Less Vacancy	($1,166,099)
Less Operating Expenses	($6,530,153)
Net Operating Income	**$15,625,724**
Development Cost/Subsidy	
Total Development Cost	$344,518,602
Impact Fee Waiver	$0
NPV of MFTE	$0
Total Cost, Incl. Subsidies	**$344,518,602**
Project Yield-on-Cost	4.54%
Required Yield-on-Cost	6.00%
Project Feasibility	**Infeasible**

Note:
(a) Includes utility connection and hook-up fees.

Sources: City of Seattle; BAE, 2024.

Appendix A-2: High-Rise Mixed-Use Financial Feasibility Analysis

Development Program Assumptions

Project Characteristics		
Site Area (acres - sf)	0.57	25,000
Building height (stories & feet)	90	990
Total building area exc. parking (sf)		1,475,000
Parking (sf)		385,000
Building floor-area ratio		59.0
Hotel Component		
Hotel Space (sf)		75,000
Hotel Rooms		150
Avg Size (sf)		500
Office Component		
Gross office area (sf)		450,000
Circulation (% & sf)	*15%*	*67,500*
Leasable office area (sf)		382,500
Residential Component		
Total dwelling units (# & avg. sf)	1,000	760
Studios (# & avg. sf)	*100*	*500*
1 br (# & avg. sf)	*500*	*700*
2 br (# & avg. sf)	*400*	*900*
3 br (# & avg. sf)	*0*	*1,200*
Gross residential area (sf)		950,000
Circulation (% & sf)		20%
Leasable residential area (sf)		760,000
Dwelling units per acre		n.a.
MHA Requirement		
Below-Market Rate (%-units)	**5%**	**50**
Low-Income (60% AMI)	*5%*	50
Moderate-Income (80% AMI)	*0%*	0
Middle-Income (110% AMI)	*0%*	0

Income Level	*Studio*	*1BR*	*2BR*	*3BR*
Low-Income	*5*	*25*	*20*	*0*
Moderate-Income	*0*	*0*	*0*	*0*
Middle-Income	*0*	*0*	*0*	*0*
BMR Units	***5***	***25***	***20***	***0***

Parking Summary	
Parking type	Subterranean
Total Spaces	1,100
Hotel Share (# of spaces)	50
Office share (# of spaces)	300
Residential share (# of spaces)	750
Hotel parking ratio (spaces/1,000 sf)	0.67
Office parking ratio (spaces/1,000 sf)	0.67
Residential parking ratio (spaces/du)	0.75

Cost & Income Assumptions

Site Acquisition Cost, per Acre	$12,000,000
Development Costs:	
Hard Cost per Office/Residential	$500
Hard Cost per Hotel	$650
TI allowance per leasable Office sf	$100
Parking construction costs per podium space	$75,000
Soft costs (% of hard costs)	20.0%
Impact Fees (per sf)	$9
Inclusionary Fee, per BMR residential sf	$21.50
Developer fee (% of hard and soft costs)	4%
Hotel	
Average Daily Rate	$375
Occupancy Rate	70%
Operating expenses (% of Gross Rev)	45%
Cap Rate	7.00%
Office	
Rent (FS, per month, per gsf)	$5.50
Vacancy rate	7%
Operating expenses (% of Gross Rev)	32%
Cap Rate	5.75%

Residential	**Market-Rate**	**60% AMI**
Studio rent per du per month	$2,500	$1,531
1 br rent per du per month	$3,395	$1,629
2 br rent per du per month	$4,230	$1,954
3 br rent per du per month	$5,460	$2,236
Operating expense ratio	28.0%	
Vacancy rate	5%	
Cap Rate	5.00%	

Financing (All Components)	
Loan to Cost Ratio	65%
Interest Rate	6.5%
Period of Initial Loan (Months)	24
Initial Construction Loan Fee (Points)	2%
Average Outstanding Balance	60%

Development Cost Analysis

	Hotel	Office	Residential	TOTAL
Site Acquisition Cost	$350,189	$2,101,135	$4,435,729	$6,887,052
Construction Cost				
Hard costs	$48,750,000	$225,000,000	$475,000,000	$748,750,000
Tenant improvement costs	n.a.	$38,250,000	$0	$38,250,000
Parking Costs	$3,750,000	$22,500,000	$56,250,000	$82,500,000
Soft Costs	$10,500,000	$57,150,000	$106,250,000	$173,900,000
Impact Fees	$641,447	$3,848,684	$6,500,000	$10,990,132
MHA Fee Payment	n.a.	n.a.	$0	$0
Developer Fees	$2,545,658	$13,869,947	$25,760,000	$42,175,605
Total Construction Costs	**$66,187,105**	**$360,618,632**	**$669,760,000**	**$1,096,565,737**
Financing Costs				
Interest on construction loan	$3,355,686	$18,283,365	$33,956,832	$55,595,883
Points on construction loan	$645,324	$3,516,032	$6,530,160	$10,691,516
Total Financing Costs	**$4,001,011**	**$21,799,396**	**$40,486,992**	**$66,287,399**
Total Development Cost	**$70,188,116**	**$382,418,028**	**$710,246,992**	**$1,162,853,136**
Cost per sf	*$936*	*$850*	*$748*	*$788*
Cost per du	*n.a.*	*n.a.*	*$710,247*	*n.a.*

Feasibility Analysis

Projected Income	**Hotel**	**Office**	**Residential**	**TOTAL**
Gross scheduled rents	$20,531,250	$25,245,000	$42,539,820	$88,316,070
Less operating expenses	($9,239,063)	($8,078,400)	($11,911,150)	($29,228,612)
Less vacancy	($6,159,375)	($1,767,150)	($2,126,991)	($10,053,516)
Net Operating Income	**$5,132,813**	**$15,399,450**	**$28,501,679**	**$49,033,942**
Development Feasibility				
Construction costs	$66,187,105	$360,618,632	$669,760,000	$1,096,565,737
Financing costs	$4,001,011	$21,799,396	$40,486,992	$66,287,399
Total Development Cost	**$70,188,116**	**$382,418,028**	**$710,246,992**	**$1,162,853,136**
Project Yield-on-Cost	7.31%	4.03%	4.01%	**4.22%**
Required Yield-on-Cost	8.50%	6.75%	6.00%	**6.40%**
Project Feasibility	**Infeasible**	**Infeasible**	**Infeasible**	**Infeasible**

Note:
(a) Includes utility connection and hook-up fees.

Sources: City of Seattle; BAE, 2024.

Appendix A-3: Mass Timber Residential Financial Feasibility Analysis

Development Program Assumptions

Site Size - acres / square feet	0.3	13,750
Total Units		150
Affordable (% - count)	*5%*	*8*
Market Rate (% - count)	*95%*	*142*
Leasable Residential sq. ft.		114,000
Leasable Retail sq. ft.		5,000
Circulation & Communal Space		20%
Total Project sq.ft		**141,800**
Total Parking Spaces		113
Parking spaces per du		*0.75*
Parking Space Type		*Underground*
Building Height (ft)		108

Unit Mix and Affordability Levels

		AMI-Level					
Unit Mix	Sq. Ft.	30%	50%	60%	80%	MR	**All**
Studio	500	0	0	1	0	14	**15**
1-BR	700	0	0	4	0	71	**75**
2-BR	900	0	0	3	0	57	**60**
3-BR	1,200	0	0	0	0	0	**0**
All Units		**0**	**0**	**8**	**0**	**142**	**150**

Summary	Affordable		Market-Rate		Total
Number of Units (# - %)	8	5%	142	95%	150
Avg. Affordability (% AMI)	*60%*				n.a.
Leasable Sq. Ft.	6,000		108,000		114,000
Circulation & Communal Space					*20%*
Total Sq. Ft.	7,200		129,600		136,800
Parking Spaces	6		107		113
Parking Space/du	*0.75*		*0.75*		*0.75*

Cost Assumptions

Site Acquisition Cost, per Acre	$6,000,000
Construction	
Hard Cost per gross res/com sf	$420
Commercial Tenant Improvement per sf	$100
Parking cost per space	$65,000
Soft Costs (% of hard costs)	18.0%
Local Impact Fees (per unit) (a)	$6,500
MHA Payment (per residential sf)	$21.50
Developer Fee (% of hard and soft)	4.0%

Rental Revenue

	Rental Rates by AMI				
Unit Type	30%	50%	60%	80%	MR
Studio	$741	$1,267	$1,531	$1,892	$2,325
1-BR	$783	$1,346	$1,629	$2,016	$3,115
2-BR	$937	$1,615	$1,954	$2,417	$3,870
3-BR	$1,060	$1,844	$2,236	$2,885	$5,040

Other Residential Income (Per Month)	
Parking (per space)	$200
Other Income (Per Unit)	$80
Retail Rent (NNN per sq. ft.)	$2.50
Operating Costs	
Res Operating Cost (as % of gross revenue)	28%
Vacancy Rate, Residential	5.0%
Market Rate Cap Rate	5.0%
Financing	
Construction-Period	
MR Loan-to-Cost	65.0%
Loan Fees	1.5%
Drawdown Factor	60.0%
Interest rate	6.5%
Loan Term (months)	24

Development Cost Analysis

	Total Project
Site Acquisition Cost	**$2,112,929**
Hard Cost	$59,556,000
Commercial TIs	$500,000
Parking Cost	$7,312,500
Soft Costs	$12,126,330
Local Impact Fees	$975,000
MHA Fee Payment	$0
Subtotal	**$80,469,830**
Construction Financing	
Const. Loan Fees	$784,581
Const. Loan Interest	$4,079,820
Developer Fee	**$3,218,793**
Total Development Cost	**$90,665,954**
Per Unit	*$604,440*
Per Net SF	*$795*
Per Gross SF	*$663*

Feasibility Analysis

Project Income	Total Project
Gross Scheduled Rents	$6,414,888
Less Vacancy	($320,744)
Less Operating Expenses	($1,796,169)
Net Operating Income	**$4,297,975**
Development Cost/Subsidy	
Total Development Cost	$90,665,954
Impact Fee Waiver	$0
NPV of MFTE	$0
Total Cost, Incl. Subsidies	**$90,665,954**
Project Yield-on-Cost	4.74%
Required Yield-on-Cost	6.00%
Project Feasibility	**Infeasible**

Note:
(a) Includes utility connection and hook-up fees.

Sources: City of Seattle; BAE, 2024.

Appendix A-4: Office-to-Residential Conversion Financial Feasibility Analysis

Development Program Assumptions

Site Size - acres / square feet	0.6	25,000
Total Units		96
Affordable (% - count)	*0%*	*0*
Market Rate (% - count)	*100%*	*96*
Leasable Residential sq. ft.		72,800
Leasable Retail sq. ft.		7,500
Circulation & Communal Space		30%
Total Project sq.ft		**102,140**
Total Parking Spaces		0
Parking spaces per du		*0.00*
Parking Space Type		*Underground*
Building Height (ft)		54

Unit Mix and Affordability Levels

		AMI-Level					
Unit Mix	Sq. Ft.	30%	50%	60%	80%	MR	**All**
Studio	500	0	0	0	0	10	**10**
1-BR	700	0	0	0	0	48	**48**
2-BR	900	0	0	0	0	38	**38**
3-BR	1,200	0	0	0	0	0	**0**
All Units		**0**	**0**	**0**	**0**	**96**	**96**

Summary	Affordable		Market-Rate		Total
Number of Units (# - %)	0	0%	96	100%	96
Avg. Affordability (% AMI)	*n.a.*				n.a.
Leasable Sq. Ft.	0		72,800		72,800
Circulation & Communal Space					*30%*
Total Sq. Ft.	0		104,000		104,000
Parking Spaces	0		0		0
Parking Space/du	*n.a.*		*0.00*		*0.00*

Cost Assumptions

Site Acquisition Cost, per Acre	$17,132,143
Construction	
Hard Cost per gross res/com sf	$275
Commercial Tenant Improvement per sf	$100
Parking cost per space	$50,000
Soft Costs (% of site acq and hard costs)	22.0%
Local Impact Fees (per unit) (a)	$6,500
MHA Payment (per residential sf)	$21.50
Developer Fee (% of hard and soft)	4.0%

Rental Revenue

	Rental Rates by AMI				
Unit Type	30%	50%	60%	80%	MR
Studio	$741	$1,267	$1,531	$1,892	$2,200
1-BR	$783	$1,346	$1,629	$2,016	$2,940
2-BR	$937	$1,615	$1,954	$2,417	$3,848
3-BR	$1,060	$1,844	$2,236	$2,885	$4,740

Other Residential Income (Per Month)	
Parking (per space)	$200
Other Income (Per Unit)	$80
Retail Rent (NNN per sq. ft.)	$2.50
Operating Costs	
Res Operating Cost (as % of gross revenue)	28%
Vacancy Rate, Residential	5.0%
Market Rate Cap Rate	5.5%
Financing	
Construction-Period	
MR Loan-to-Cost	65.0%
Loan Fees	1.5%
Drawdown Factor	60.0%
Interest rate	6.5%
Loan Term (months)	24

Development Cost Analysis

	Total Project
Site Acquisition Cost	**$17,132,143**
Hard Cost	$28,088,500
Commercial TIs	$750,000
Parking Cost	$0
Soft Costs	$10,113,541
Local Impact Fees	$624,000
MHA Fee Payment	$0
Subtotal	**$39,576,041**
Construction Financing	
Const. Loan Fees	$385,866
Const. Loan Interest	$2,006,505
Developer Fee	**$2,268,327**
Total Development Cost	**$61,368,883**
Per Unit	*$639,259*
Per Net SF	*$843*
Per Gross SF	*$590*

Feasibility Analysis

Project Income	Total Project
Gross Scheduled Rents	$4,029,060
Less Vacancy	($201,453)
Less Operating Expenses	($1,128,137)
Net Operating Income	**$2,699,470**
Development Cost/Subsidy	
Total Development Cost	$61,368,883
Impact Fee Waiver	$0
NPV of MFTE	$0
Total Cost, Incl. Subsidies	**$61,368,883**
Project Yield-on-Cost	4.40%
Required Yield-on-Cost	6.50%
Project Feasibility	**Infeasible**

Note:
(a) Includes utility connection and hook-up fees.

Sources: City of Seattle; BAE, 2024.