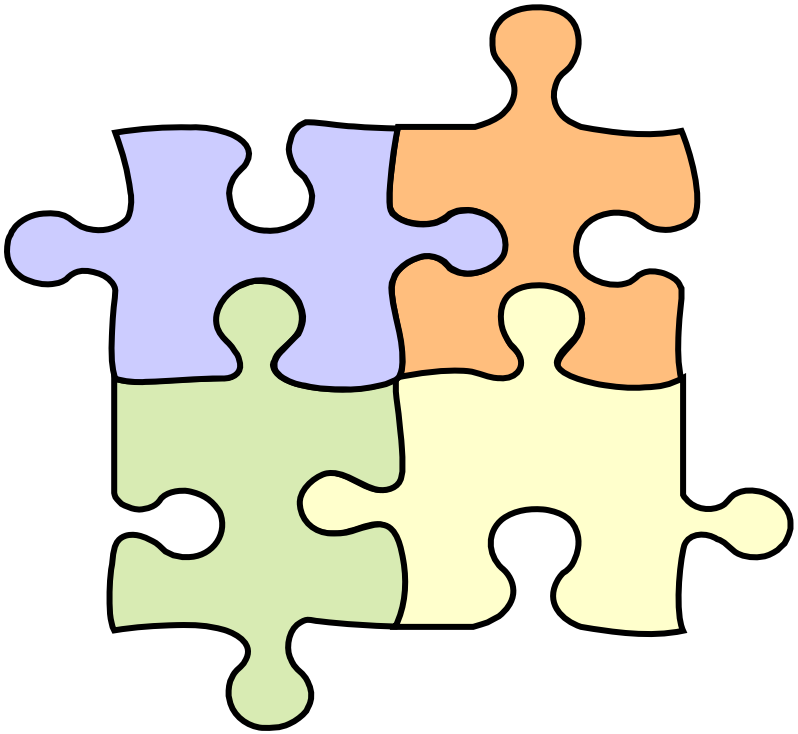
Yesler Terrace

Redevelopment Project

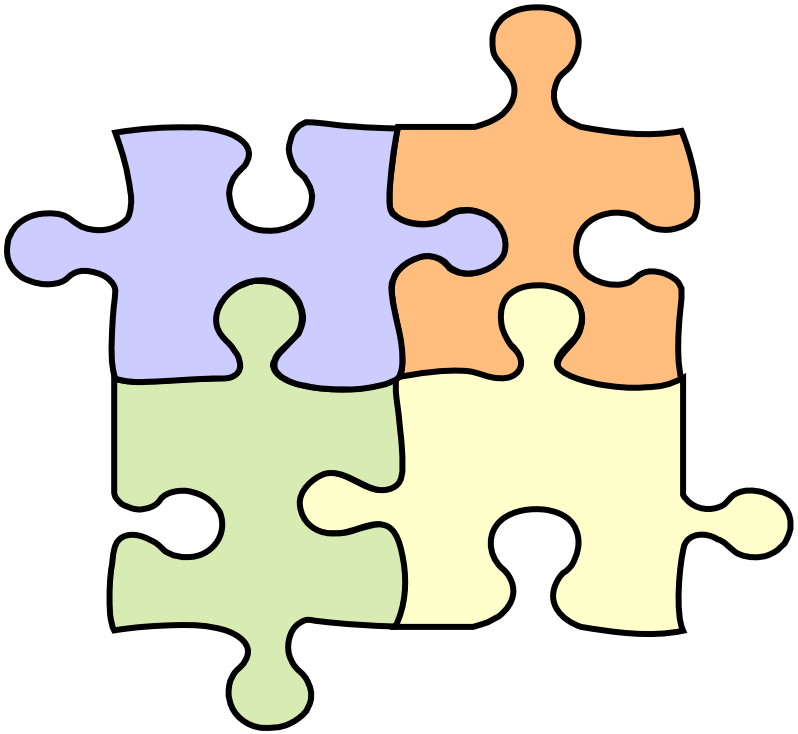
Seattle HOUSING AUTHORITY

Financial Modeling for Yesler



A computer program developed by consultants is helping staff understand how development pieces could fit together to meet the Guiding Principles and build the new Yesler Terrace community.

Financial Modeling for Yesler



The major puzzle pieces in the Yesler Terrace Redevelopment are:

- Program-what are we building?
- Costs-What does it cost to build it?
- Revenue-How do we pay for it?

Financing assumptions - costs

Replacement housing, additional affordable housing, infrastructure, and community programs represent significant costs

Cost of replacement housing –
estimated at $127 million (current costs)

Cost of additional affordable housing
estimated at $70 million (current costs)

Cost of infrastructure and parks–
estimated at $65 – 87 million (current costs)

Cost of community facilities and programs –
estimated at $10 million

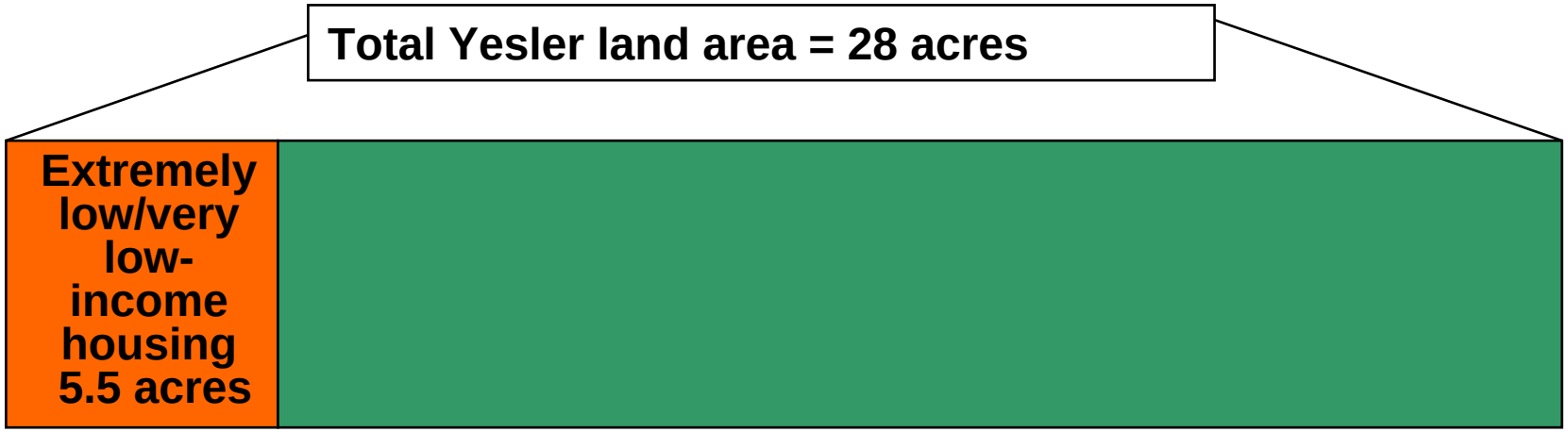
Financing assumptions - revenues

The value of the land is the largest source of revenue.

Additional revenue sources may include the following –

- Low-Income Housing Tax Credits
- Project-based Housing Choice Vouchers
- Affordable housing funds from the state and/or city
- Mortgage debt
- Potential federal funding – HOPE VI, Section 202 (senior housing)
- Federal, state and/or city money for infrastructure

Land use assumptions



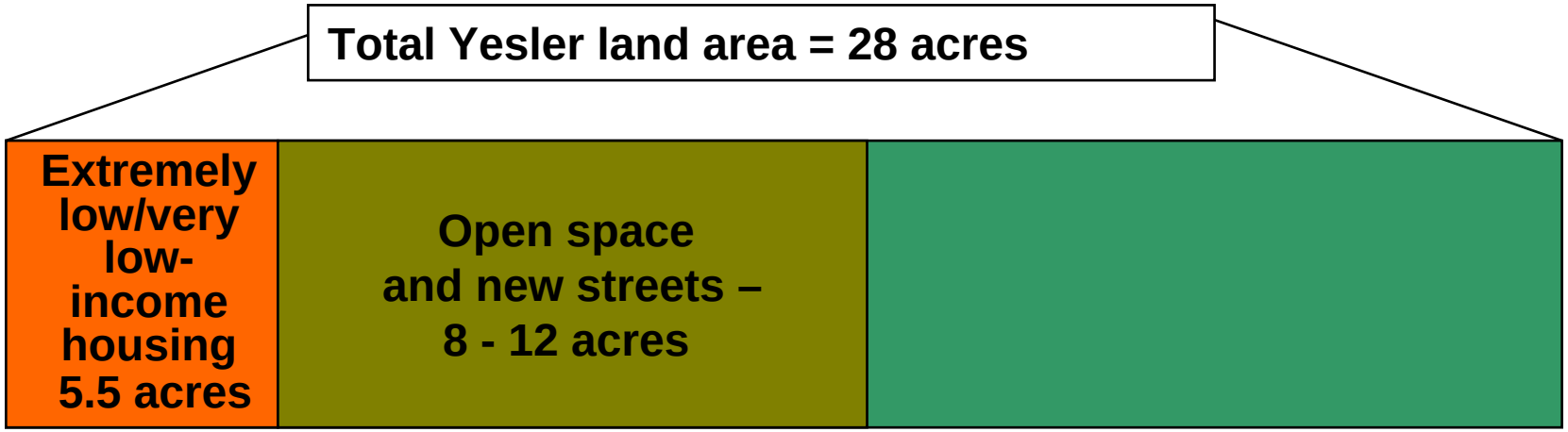
Replacing 561 extremely low-income units and adding 290 very low/low income units on site will use about 5.5 acres.

Land use assumptions

How did SHA decide that 5.5 acres was the right amount of land? What kind of housing is this?

- ground related and mid-rise housing – no towers
- Includes the following mix – all one- and two-bedroom apartments are in mid-rise buildings. All four-bedroom apartments and most (90%) three-bedroom apartments are ground-related units.

Land use assumptions



Replacing 561 extremely low-income and adding 290 very low/low-income units on site will use about 5.5 acres.

New streets and open space will use about 8 - 12 acres.

Land use assumptions

Total Yesler land area = 28 acres

Extremely low/very low-income housing 5.5 acres	Open space and new streets – 8 - 12 acres	Low-income/workforce housing, market-rate housing, office and retail uses – 10.5 - 14.5 acres

10.5 – 14.5 acres remains for other uses – mixed-income housing, retail and office.

Financing assumptions - revenues

Land not used for replacement housing, additional affordable housing, open space or infrastructure is available to be sold/leased.

The challenge of the financial model is to consider options for use of that 10-14 acres that can generate substantial revenues to offset costs.

Planning assumptions for model

Modeling requires making assumptions about costs and revenues.
Most assumptions can/will change over time.

Assumptions are identified for the overall goals at Yesler Terrace (program assumptions) and for costs and financial conditions.

Current Program Assumptions

1. Create a neighborhood with a full range of housing affordability.
2. Affordable housing program-
   - Replace 561 units serving extremely low income households (<30 percent AMI)
   - Add 290 units serving very low and low-income households (50 – 60% AMI)*
   - 950 units serving low-income/workforce households (<80%AMI)*
3. Build all units on the current site*
4. Replace all infrastructure
5. Provide new parks and open space
6. Provide for community services and facilities

*This assumption could change in the future.

Revenue Assumptions

1. Land will be sold to provide funding.
2. Federal, state and city funds might contribute 40% of infrastructure costs.
3. A variety of sources would **possibly** fund affordable housing – Tax credits, vouchers, HOPE VI, Sec. 202
4. Mortgage debt could fund housing serving those at 50 – 60% AMI, along with State and City funding and Tax Credits.

Cost Assumptions - Buildings

Building Type	Total Dev. Cost excluding land
High-rise	**$250 per square foot***
Mid-rise	**$210 per square foot***
Ground-related	**$200 per square foot***

High-rise – concrete construction up to 160 feet in height

Mid-rise – wood-frame or light steel construction up to 75 feet in height

Ground-related – unit with direct access to the outside at ground level – could be in a mid-rise or high-rise building, or in a stand-alone wood-frame townhouse.

*This assumption could change in the future.

Cost Assumptions - Parking

.6 stalls per unit is assumed as average across site, based on pattern in surrounding First Hill and Capitol Hill neighborhoods.*

Average cost to build parking -- $35,000 per space.*

Assumes most parking build partially or totally below grade.

*This assumption could change in the future.

Revenue Assumptions

Revenue is expected to be raised from land sales or leases

Land price has three components:

- Land price for Market Rate housing
- Land price for Low-Income/Workforce housing
- Land price for Office uses

Revenue Assumptions - Land for Market Rate Housing

1. Half of units are assumed to be mid-rise, half are high-rise or towers*

2. Each Market Rate housing unit that can be built on the site is assumed to contribute $40,000 to the land price*

*This assumption could change in the future.

Revenue Assumptions - Land for Low-Income/Workforce Housing

1. Assumed to require a 25% discount contribution to revenue*

2. Each low-Income/workforce housing unit that can be built on the site is assumed to contribute $30,000 to the land price *

3. Third party developers could profitably build housing to meet 80% AMI affordability*

*This assumption could change in the future.

Revenue Assumptions - Land for Office Uses

Each square foot of office uses (general office or medical office) that can be built on the site is assumed to contribute $55 to the land price *

* This assumption could change in the future.

How does the model work?

- Factors (also called variables) that will affect costs and revenues are identified.
- Estimates of costs and revenues are entered into the program.
- Formulas within the program show how the variables are related and how they affect each other, and how total costs change.
- By changing individual cost or revenue variables, we can see how the totals change

Looking at a simple model

Planning a wedding

- How many guests?
- What kind of food?
- Where should it be held?
- What kind of music should we have?

These all affect how much the wedding will cost.

Model for Yesler Terrace uses the same logic, just more complicated.