



City of Tukwila

Jim Haggerton, Mayor

Office of the Mayor
6200 Southcenter Boulevard
Tukwila, WA 98188
www.ci.tukwila.wa.us

Date: August 21, 2008

To: City Council

Copy: Mayor
City Administrator
Legislative Analyst

From: Economic Development Administrator

A handwritten signature in black ink, appearing to read 'Jim Haggerton', is written over the 'From:' line.

Re: Tukwila Village Evaluation of Proposals

Attached is a worksheet comparing the two developer proposals to our evaluation criteria. This is a draft. We are still analyzing the proposals (with help from an outside consultant) and I will provide an updated version during the first week of September.

At this stage, here are some significant items to consider:

- Legacy estimates paying the City \$5.4 million for the land which is \$3 million more than Tarragon's estimate of land value of \$2.4 million. Tarragon has stated that they would pay the appraised value which may be higher than the \$2.4 million. We are analyzing what elements may contribute to the different land values estimated by the developers. Different assumptions on parking ratios and approaches to providing parking explains a portion of the difference. I will provide more information with my updated version of this worksheet.
- Legacy has significantly more experience with the residential component of mixed-use developments. Tarragon has significantly more experience with retail in the Seattle area market.
- Both developers are proposing nearly the same amount of total building square feet but Legacy includes more residential and Tarragon includes more retail. In terms of residential units, Legacy's concept includes 343 units compared to Tarragon's 297. In terms of retail, Tarragon's concept includes 54,000 square feet of retail compared to Legacy's 16,000 square feet. An important question is whether Tarragon can attract enough retailers to this project.
- Both developers propose constructing the project in two phases with the first phase being generally the land north of 144th. Legacy plans more of their development in the first phase (80% of the total building square feet) than does Tarragon (55% of total building square feet).

There are many more items to consider. The ones I highlighted above are just a start.

Please contact me at 206-433-1832 or dspeck@ci.tukwila.wa.us if you have any questions.

Tukwila Village Evaluation Criteria Worksheet – DRAFT 8/22/08

Version: August 22, 2008

Selection Criteria	Legacy Partners	Tarragon
(1) Developer financial capacity	<p>Legacy has a proven ability to get financing for this size and type of project (mixed use residential). Legacy has a close connection and history to Lincoln Property Company which has developed over 58,000 residential units. Legacy recently received construction loans totaling nearly \$120 million on two projects in the Seattle area.</p>	<p>Tarragon has a proven ability to get financing for projects of this size. In the past few years, Tarragon received construction loans totaling nearly \$150 million for retail projects. In 2000 Tarragon completed a mixed-use project with 99 apartments and was able to get financing.</p>
(2) Developer experience	<p>Legacy is highly experienced in this type of mixed-use, mainly residential development. The River Park development in Redmond and Pratt Park project in Seattle are under construction and each average 285 apartments and contain retail in the amounts they are proposing.</p> <p>Legacy was formed in 1998 and now has 1,000 employees and is developing over 4,000 residential units and 13 million square feet of commercial.</p>	<p>Tarragon is highly experienced with retail in the Seattle market and in the amounts they are proposing. Tarragon has very successfully completed over 200,000 square feet of retail and 30,000 square feet of office in Kent Station. In that same project, Tarragon is currently developing an additional 58,000 square feet of retail, 20,000 square feet of office, and 150 apartments.</p> <p>Tarragon was formed in 1995, has developed a number of mixed-use projects in the Seattle area, and currently has 44 employees.</p>

Selection Criteria	Legacy Partners	Tarragon
(3) Responsiveness of the proposal to purpose and scope of the City's vision for the project		
(a) Achieves vision statement (see note a)	To be determined	To be determined
(b) Creates neighborhood gathering space	<p>In phase 1, Legacy's proposal includes:</p> <ul style="list-style-type: none"> ▪ An 8,000 SF outdoor plaza ▪ 10,000 SF of retail that would include a coffee shop and other food retailers. ▪ A 3,400 SF indoor commons that can be used for both informal and scheduled public gatherings. 	<p>In phase 1, Tarragon's proposal includes:</p> <ul style="list-style-type: none"> ▪ A 20,000 SF outdoor plaza with pavilion ▪ 42,000 SF of retail that would include a coffee shop, other food retailers, and more other retail.
(c) Creates activated gathering space	<p>The indoor commons area offers more space for community and scheduled events during inclement weather and an opportunity for food vendors who are too small for traditional retail spaces.</p> <p>The proposed uses, scale, site design, and architecture can blend well with the neighborhood. Some changes to site design (e.g. more parking) may need to be made that could reduce</p>	<p>The extra retail offers more reasons to draw neighbors to the development and fits well with the larger plaza.</p> <p>The proposed uses, scale, site design, and architecture can blend well with the neighborhood. Some changes to site design (e.g. greater setbacks) will need to be made that may reduce the</p>
(d) Uses, scale, site design, architecture blends with neighborhood		

Selection Criteria	Legacy Partners	Tarragon
	<p>the value of the land but not so significantly to stop the project.</p> <p><i>(We need to determine how flexible this developer is in terms of blending the architectural style with the neighborhood.)</i></p>	<p>value of the land but not so significantly to stop the project. The diagonal parking proposed on South 144th will need further research to determine if it is feasible. The retail building at the corner of TIB and 144th will offer some challenges in designing an attractive, inviting wall along TIB since most of the retailers will prefer their entrances to be onto the plaza. The retail building is large enough that it will limit the views from TIB into the plaza.</p> <p><i>(We need to determine how flexible this developer is in terms of blending the architectural style with the neighborhood.)</i></p>
(3) (e) Sustainable and "green" construction	<p>Legacy would use the BuiltGreen standards for the multi-family housing. Would pursue LEED certification on the library and police center if requested. Currently has two projects under construction using BuiltGreen 4 star standards. The LIHI affordable housing would be built to the Evergreen Sustainable Development Criteria as required by the Washington State Housing Trust Fund.</p>	<p>Tarragon intends to develop the project in a sustainable manner and would determine the appropriate measure (BuiltGreen, LEED, etc.) at a later time. Currently is constructing a 78,000 square foot retail and office building at Kent Station that is pre-certified LEED Silver.</p>
(f) Residential component	<p>Legacy's proposal includes a total of</p>	<p>Tarragon's proposal includes 297</p>

Selection Criteria	Legacy Partners	Tarragon
<p>includes ownership, condominium quality apartments, senior housing, and a mix of incomes</p>	<p>343 residential units comprising:</p> <ul style="list-style-type: none"> ▪ 200 market rate, condo-quality apartments (4 would be artist live/work lofts) ▪ 25 townhouses that would be owned by families earning 80% or less of the area median income. ▪ A 50 unit apartment building dedicated to seniors earning 50% or less of the area median income. ▪ Potential for 68 additional apartments or condos in phase 2 	<p>residential units comprising:</p> <ul style="list-style-type: none"> ▪ 234 market rate apartments (1 and 2 bedroom) ▪ 59 apartments dedicated to families earning 80% or less of the area median income ▪ 4 townhouses (<i>We need to determine if these would be owned or rented.</i>) <p>Of the 297 apartments, 154 are planned for phase 2 and could become condos depending on the market.</p>
(g) Quality of ongoing operations and management	<p>Legacy has extensive experience in screening residential tenants and has built numerous projects in high-end markets that require good maintenance.</p> <p>Legacy generally sells their developments after 7 to 10 years.</p> <p><i>(We need to research if Legacy is open to the City having reasonable right to approve the buyer if the property is sold.)</i></p>	<p>Tarragon generally retains ownership of their properties and has a strong incentive to manage them well and maintain them.</p> <p><i>(We need to research if Tarragon is open to the City having reasonable right to approve the buyer if the property is sold.)</i></p>
(h) Catalyst for future development along TIB (near and long term)	To be determined	To be determined

Selection Criteria	Legacy Partners	Tarragon
(i) King County Library supports	To be determined.	To be determined.
(j) How soon it will it be completed	<p>Construction of phase 1 would take approximately 2 years. Legacy intends to start construction in 9/2009 and complete it by 8/2011.</p> <p>The senior apartments and ownership townhouses construction timing will depend on County, State, and Federal funding but would not affect the development schedule of the rest of phase 1.</p>	<p>Construction of phase 1 would take approximately 2 years. Tarragon intends to start construction in 4/2010 and complete it by 4/2012.</p> <p>The construction lender would probably require some retail leases to be signed before issuing a loan. If it takes longer than expected to get commitments from retailers, it would delay the project.</p>
(k) Development concept feasibility <ul style="list-style-type: none"> ▪ Does it reflect the market (e.g. is it realistic)? 	<p>Legacy is predicting rents ranging from \$1,125 for a studio to \$1,450 for a two-bedroom unit and rents per square foot of \$1.45 to \$1.80. These are significantly higher than the \$1.02/sf that apartments in the area were charging in 2007, however, the existing apartments are over 20 years old and are not in mixed-use developments with other amenities.</p> <p><i>(A significant question is whether there is sufficient demand by new</i></p>	<p>Tarragon is predicting an average rent of \$1.35 per square foot for apartments averaging 865 square feet. Tarragon has not yet estimated the mix of studios, one and two bedroom units.</p> <p><i>(A significant question is whether there is sufficient demand by retailers to lease all 54,000 square feet.)</i></p>

Selection Criteria	Legacy Partners	Tarragon
<ul style="list-style-type: none"> ▪ Does it require any unlikely City policy changes? 	<p><i>residents to pay these rents.)</i></p> <p>Legacy's proposal requires the City to approve:</p> <ul style="list-style-type: none"> ▪ An increase in height limits to 65 feet ▪ A multi-family property tax exemption ▪ An increase in housing units per acre ▪ A reduction in parking spaces per housing unit. ▪ Advancing funding for the South 144th Street project in the capital improvement plan 	<p>Tarragon's proposal requires the City to approve:</p> <ul style="list-style-type: none"> ▪ An increase in height limits to 65 feet ▪ A multi-family property tax exemption ▪ An increase in housing units per acre ▪ A reduction in parking spaces per housing unit. ▪ Advancing funding for the South 144th Street project in the capital improvement plan ▪ Diagonal on-street parking on S. 144th.
(3) (l) How complex is the proposal?	To be determined	To be determined
(m) How easy will the negotiations be?	To be determined	To be determined
(n) Does the developer "really want it"?	To be determined	To be determined
(o) Other considerations	To be determined	To be determined

Selection Criteria	Legacy Partners	Tarragon
(4) Financial package including purchase price, financial impact to City, etc.		
(a) Land sale price and timing of payment	<p>Legacy has estimated a price to pay the City \$5.4 million for the land at start of construction (fall 2009). Actual price would be negotiated. <i>(We may not include the land for phase 2 in the initial purchase.)</i></p>	<p>Tarragon has estimated a price to pay the City \$2.4 million for the land at start of construction (spring 2010). Actual price to be based on an appraisal. <i>(We may not include the land for phase 2 in the initial purchase.)</i></p>
(b) Other City financial impact	<p>Legacy has requested a multi-family property tax exemption so there would be only a small increase in property tax within the next 8 to 12 years.</p>	<p>Tarragon has requested a multi-family property tax exemption so there would be only a small increase in property tax within the next 8 to 12 years. Tarragon is proposing approximately 40,000 more square feet of retail than Legacy and could generate approximately \$100,000 more in sales tax annually (per staff assumption).</p>
(c) Other financial risks	<ul style="list-style-type: none"> ▪ To be determined. ▪ Legacy provided a development budget and financial proformas that we are currently analyzing. 	<ul style="list-style-type: none"> ▪ To be determined. ▪ Although Tarragon did not provide a development budget or financial proformas, we are currently analyzing their concept for other financial risks.

Note

(a) When considering whether the proposal is responsive to the purpose and scope of the City's vision for the project, it may be helpful to refer to the vision statement and details contained in Appendix A of the request for proposals (RFP).