DATE: **May 11, 2011**

TO: **Derek Speck – Economic Development Administrator**
Office of the Mayor, City of Tukwila

FROM: **Bryan M. Park – Tukwila Village Development Associates, LLC**

SUBJECT: **Response to Additional Questions from Review of Tukwila Village RFQ Application**

[**Question 1** – Your application refers to approximately 306 affordable, mixed-income and/or market rate senior apartments. Can you provide an estimate of the expected percentage that would be income restricted or at least a more defined range?]

As referenced in our Application, we anticipate developing the Tukwila Village project in two (2) phases – a North Phase and a South Phase – separated by South 144th Street. We anticipate beginning with the construction of the North Phase first and then moving to the construction of the South Phase within 6 to 12 months to avoid having too many rental units on the market at the same time. The North Phase is anticipated to include approximately 135 senior living (age-restricted) rental dwelling units and 61 family living (non-age restricted) rental dwelling units. In addition to both the age-restricted (senior living) and non-age restricted (family living) rental dwelling units, the North Phase is expected to include some traditional commercial / retail space, the new King County Library Branch, the Community Commons meeting rooms, and the Community Plaza. Without a doubt, the North Phase will be the anchor and the focal point of the Tukwila Village redevelopment, and, as a result, we envision making the residential components of the North Phase as appealing as possible to the broadest segment of the Tukwila community. Accordingly, we have incorporated both age-restricted (senior living) and non-age restricted (family living) rental dwelling units into the North Phase ***and*** we anticipate that both of such residential components in the North Phase would be "mixed-income" in nature. By mixed income, we mean a mix or range of maximum household income restrictions or set-asides, including a significant market-rate component with no maximum household income restriction.

Together with the approximately 306 affordable, mixed-income and/or market rate senior living rental apartments referenced in our application, we also referenced approximately 15 affordable, mixed-income and/or market rate senior living rental townhomes with street level entries, for a total of 321 senior living rental dwelling units. Of those 321 senior living rental dwelling units, we anticipate 135 senior living rental dwelling units in the North Phase and 186 senior living rental dwelling units in the South Phase (135 + 186 = 321). As indicated above, we anticipate that the 135 senior living (age-restricted) rental dwelling units in the North Phase will be mixed-income. In particular, we anticipate that (i) 20% of such senior living rental dwelling units (135 x 20% = 27) would be set-aside for elderly individuals or households whose annual household income does not exceed 50% of the area median gross income (AMGI); (ii) 30% of such senior living rental dwelling units (135 x 30% = 41) would be set-aside for elderly individuals or households whose annual household income does not exceed 80% of AMGI; and (iii) 50% of such senior living rental dwelling units (135 x 50% = 67) would be market-rate units set-aside for elderly individuals or households with no maximum annual household income restriction. The adoption of the minimum 20% set-aside at 50% of AMGI will ensure that the 135 senior living rental dwelling units in the North Phase will be eligible to be financed with tax-exempt bond financing, the most favorable financing available for rental dwelling units, notwithstanding that the majority of the rental dwelling units will be market-rate or essentially market-rate dwelling units. [Please note that we consider senior living rental dwelling units set-aside at 80% of AMGI to be essentially market-rate units because such income limitation (which currently equates to an annual household income of $48,000 for a single individual or $54,800 for a couple) captures a very large percentage of the elderly renter market (See the attached 2010 Median Income table for King County). However, the 80% of AMGI set-aside serves another important purpose in terms of ensuring that such senior living rental dwelling units will qualify for a real property tax exemption.]

We anticipate that the 186 senior living rental dwelling units in the South Phase will be affordable (low- to moderate-income) senior living dwelling units, of which (i) 30% of such affordable senior living rental dwelling units (186 x 30% = 56) would be set-aside for elderly individuals or households whose annual household income does not exceed 50% of the area median gross income (AMGI); and (ii) 70% of such senior living rental dwelling units (186 x 70% = 130) would be set-aside for elderly individuals or households whose annual household income does not exceed 60% of AMGI. In addition to the fact that such household income restrictions will ensure that the 186 senior living rental dwelling units in the South Phase will be eligible to be financed with tax-exempt bond financing, the applicant also anticipates adopting the applicable rent restrictions to be eligible for federal low income housing tax credits and tax credit equity investment. [Please note that the 186 senior living rental dwelling units in the South Phase, which will be will be affordable to low- and moderate-income seniors, will be developed and constructed in tandem with the proposed medical / dental clinic and administrative offices for HealthPoint, which will also be serving primarily the low- to moderate-income population including seniors. The South Phase will be completed and placed in service after the North Phase, the anchor and focal point of the Tukwila Village redevelopment project, has been completed and placed in service.]

See Page 1 of the attached Summary of Project Parameters and Development Statistics, which provides a summary of the number of the anticipated age-restricted (senior living) and non-age restricted (family living) rental dwelling units in the North Phase, the South Phase and the combined Total which are affordable (low- to moderate-income) or mixed-income (including market-rate).

[**Question 2** – Also, your application states that there would be approximately 61 market rate non-age restricted apartments. The portion of the project devoted to these units plus any market rate age restricted units would not be eligible for tax credit equity investment. Can you provide some additional examples of past projects or information showing the ability of PNCC and SHAC (as the members of the applicant) to provide equity investment into Tukwila Village? We're trying to understand the approximate size of the equity investment that would be needed and the applicant's ability to provide it.]

As indicated above, we anticipate that the 61 family living (age-restricted) rental dwelling units in the North Phase will be mixed-income. In particular, we anticipate that (i) 20% of such family living rental dwelling units (61 x 20% = 12) would be set-aside for individuals or households whose annual household income does not exceed 50% of the area median gross income (AMGI); and (ii) 80% of such family living rental dwelling units (61 x 80% = 49) would be market-rate units set-aside for individuals or households with no maximum annual household income restriction. The adoption of the minimum 20% set-aside at 50% of AMGI will ensure that the 61 family living (non-age restricted) rental dwelling units in the North Phase will be eligible to be financed with tax-exempt bond financing, the most favorable financing available for rental dwelling units, notwithstanding that the vast majority (80%) of the rental dwelling units will be market-rate dwelling units. [Please note that we do not intend to set-aside any family living (non-age restricted) rental dwelling units at 80% of AMGI, because, among other reasons, family living rental dwelling units set-aside at 80% of AMGI do not qualify for a real property tax exemption. Accordingly, there is no reason to adopt any maximum household income restrictions beyond the minimum 20% set-aside at 50% of AMGI necessary to ensure eligibility for tax-exempt bond financing.]

Since the 80% of the 61 family living (non-age restricted) rental dwelling units in the North Phase will be market rate, although such rental dwelling units will be eligible to be financed with tax-exempt bond financing, they will not be eligible for federal low income housing tax credits and tax credit equity investment.

See Page 3 of the attached Summary of Project Parameters and Development Statistics which provides a summary of (i) the estimated total project development cost of the North Phase, the South Phase and the combined Total for the Tukwila Village redevelopment project, (ii) the estimated total debt financing for the North Phase, the South Phase and the combined Total for the Tukwila Village redevelopment project, and (iii) the estimated total investor equity capital requirements for the North Phase, the South Phase and the combined Total for the Tukwila Village redevelopment project. [Please note that we consider such estimated total project development costs to be relatively conservative (i.e., somewhat high) as they are based on preliminary construction cost estimates without the benefit of competitive bidding or value engineering, and, accordingly, the estimated total investor equity capital requirements are also considered to be relatively conservative (i.e., somewhat high).] In addition, Page 3 of the attached Summary of Project Parameters and Development Statistics also provides a summary of (i) the estimated total project development cost allocable to both the residential and non-residential components of the North Phase, the South Phase and the combined Total for the Tukwila Village redevelopment project, (ii) the estimated total debt financing allocable to both the residential and non-residential components of the North Phase, the South Phase and the combined Total for the Tukwila Village redevelopment project, and (iii) the estimated total investor equity capital requirements allocable to both the residential and non-residential components of the North Phase, the South Phase and the combined Total for the Tukwila Village redevelopment project.

The purpose of this exercise is to isolate the estimated total investor equity capital requirements allocable to both the residential and non-residential components of the North Phase, the South Phase and the combined Total for the Tukwila Village redevelopment project. The estimated total investor equity capital requirements allocable to both the residential and non-residential components of the North Phase, the South Phase and the combined Total for the Tukwila Village redevelopment project very likely would be provided by institutional investors as a single unitary mixed-use investment. In the case of the North Phase, all or most of the required equity capital likely would be provided by an economically-motivated institutional investor such as a REIT, insurance company or pension fund. In the case of the South Phase, all or most of the required equity capital likely would be provided by an tax-motivated institutional investor -- a tax credit equity investment based on eligibility for federal low income housing tax credits. Alternatively, the estimated total investor equity capital requirements allocable to both the non-residential components of the North Phase, the South Phase and the combined Total for the Tukwila Village redevelopment project could be isolated from the residential components and could be provided by either the developer or the primary users (i.e., the King County Library System relative to the new library branch in the North Phase or HealthPoint relative to the medical / dental clinic and administrative offices), since the developer intends to give each of the two (2) primary users the option to lease or purchase their facilities from the developer. [Please note that the estimated total project development cost allocable to both the non-residential components of the North Phase and the South Phase include items other than the new library branch in the North Phase and the medical / dental clinic and administrative offices in the South Phase, and should not be viewed as the cost allocable to either the King County Library System or HealthPoint for purposes of lease or purchase.]

Item 4 of the RFQ Application asked the applicant to "Describe the likely capital financing structure for Tukwila Village. Is your firm likely to be an equity investor?" Our response included the following: "The most likely capital financing structure on any mixed-income or predominantly market rate components of the Tukwila Village development -- including any family living or non-age restricted components -- will be a combination of tax-exempt bond financing coupled with direct equity capital investment from economically-motivated institutional investors. The applicant anticipates incorporating affordable, mixed-income and market-rate components into the Tukwila Village development concept. Therefore, the applicant anticipates utilizing both types of capital financing structures. The applicant ***does*** anticipate participating as an equity investor in any mixed-income or predominantly market rate component of the proposed Tukwila Village development where the capital financing structure consists of a combination of tax-exempt bond financing coupled with direct equity capital investment." We clearly indicated that we anticipated participating as an equity investor in any mixed-income or predominantly market rate component of the proposed Tukwila Village redevelopment, which is most likely the North Phase. However, we did ***not*** indicate that we anticipated being the sole equity investor. We anticipate leveraging all or most of the required equity capital from an economically-motivated institutional investor such as a REIT, insurance company or pension fund. Such economically-motivated institutional investors may or may not require the developer to participate as an equity investor and have some "skin in the game" but if they do, it would typically be no more than 10% to 20% of the total required equity capital. The estimated maximum equity capital required to be provided by the developer -- assuming a unitary mixed-use investment of both the residential and non-residential components combined or when the non-residential component is isolated from the residential component -- is reflected on Page 3 of the attached Summary of Project Parameters and Development Statistics. The affordable housing component of the proposed Tukwila Village redevelopment, which will serve low- to moderate-income seniors and will be eligible for federal low income housing tax credits and tax credit equity investment, is most likely the South Phase. Tax-motivated institutional investors do not require the developer to participate as a tax credit equity investor.

In terms of additional examples of past projects or information showing the ability of PNCC and SHAC (as the members of the applicant) to provide equity investment into Tukwila Village, in our response to Item 1 of the RFQ Application, we cited the Victoria Park Apartments project, a recently completed mixed-use, mixed-income development containing 152 senior living rental dwelling units, including 20% set-aside at 50% of AMGI, 30% set-aside at 80% of AMGI (essentially market-rate), and 50% set-aside at market-rate. The primary financing for the project was provided by a combination of tax-exempt bond financing and direct equity capital investment. Total project development costs and financing for the Victoria Park Apartments project totaled approximately $22,700,000, including $5,250,000 of investor equity capital. PNCC initially provided substantial pre-development ***and*** permanent equity capital contributions to the project in the amount of $1,500,000. PNCC subsequently provided an additional $175,000 of permanent equity capital, for a total permanent equity capital investment in the project in the amount of $1,675,000, approximately 32% of the total $5,250,000 of investor equity capital.

PNCC is a closely-held corporation with only two (2) shareholders, Bryan M. Park and Paul Scott Price. Together, PNCC, Bryan M. Park and Paul Scott Price have a combined net worth of well over $100 million and liquid assets of over $6 million. In addition, PNCC has a $4 million revolving line of credit, of which only about $500,000 is currently being utilized. The real estate portfolio owned or controlled by PNCC, Bryan M. Park and Paul Scott Price, together with SHAG and SHAC, consisting primarily of 27 affordable senior living communities, 2 affordable family living communities and 1 mixed-income senior living community, is performing extremely well, and in 2010 distributed a total of $7,837,892 to all of its partners, of which a total of $5,094,120 was distributed to PNCC, Bryan M. Park and Paul Scott Price. Our impression was that the Tukwila Village RFQ Application was primarily seeking a qualified, experienced and financially capable developer, rather than an equity investor, for Tukwila Village. Without a doubt, the applicant and its affiliates (PNCC, Bryan M. Park and Paul Scott Price, together with SHAG and SHAC) are a highly qualified, experienced and financially capable full-service development, construction and management organization. The RFQ Application did not request financial data for the applicant or its affiliates. However, in addition to the summary financial information provided herein, we are happy to provide additional detailed supplementary financial information (financial statements, tax returns, etc.) for the applicant and its affiliates.

If other applicants are touting their ability to provide direct equity capital investment to the Tukwila Village redevelopment, we respectfully suggest that attracting equity capital investment to the Tukwila Village redevelopment is not the most difficult or challenging aspect of the project. The challenge is to capture and implement the shared vision of the developer, the City of Tukwila, the community at large and other key constituents (including the King County Library System and HealthPoint, among others) to create an attractive, economically vibrant and lasting community center and gathering place to live, work and play. The applicant is the most qualified developer to meet that challenge and to realize the shared vision of the Tukwila Village redevelopment and has more than adequate financial resources to accomplish it.

Bryan M. Park

From: "Bryan Park" <BryanP@housing4seniors.com>
Date: Tuesday, May 10, 2011 5:24 PM
To: <bryanmpark@comcast.net>
Subject: FW: Tukwila Village Follow Up Questions

From: Derek Speck [mailto:dspeck@ci.tukwila.wa.us]
Sent: Tuesday, May 10, 2011 1:00 PM
To: Bryan Park
Subject: Tukwila Village Follow Up Questions

Hi Bryan,

Our staff review team discussed the applications yesterday and have a few questions for you.

Your application refers to approximately 306 affordable, mixed-income, and/or market rate senior apartments. Can you provide an estimate of the expected percentage that would be income restricted or at least a more defined range?

Also, your application states that there would be approximately 61 market rate non-age restricted apartments. The portion of the project devoted to these units plus any market rate age restricted units, would not be eligible for tax credit equity investment. Can you provide some additional examples of past projects or information showing the ability of PNCC and SHAC (as the members of the applicant) to provide equity investment into Tukwila Village? We're trying to understand the approximate size of the equity investment that would be needed and the applicant's ability to provide it.

I'm working on the staff report with a goal of finishing the draft this Friday because I'm out of town on vacation next week and will have limited access to internet. Can you let me know if you think you can answer these questions how much time you'd need?

Thanks!

Derek Speck
Economic Development Administrator
Office of the Mayor
City of Tukwila
6200 Southcenter Blvd
Tukwila, WA 98188
Office: 206-433-1832
Mobile: 206-571-9123
Email: dspeck@ci.tukwila.wa.us

Residential Unit Mix, Unit Type & Restricted Income Set-Asides	North Phase	South Phase	Combined Total
Affordable (Low- to Moderate-Income) Senior Living Dwelling Units Restricted Income Set-Asides: **30% @ 50% of AMGI and 70% @ 60% of AMGI**	0	186	186
Mixed-Income Senior Living Dwelling Units Restricted Income Set-Asides: **20% @ 50% of AMGI; 30% @ 80% of AMGI; and 50% @ Market Rate**	135	0	135
Affordable (Low- to Moderate-Income) Family Living Dwelling Units Restricted Income Set-Asides: **30% @ 50% of AMGI and 70% @ 60% of AMGI**	0	0	0
Mixed-Income Family Living Dwelling Units Restricted Income Set-Asides: **20% @ 50% of AMGI; and 80% @ Market Rate**	61	0	61
Totals	196	186	382
Summary of Senior Living Dwelling Units:			
One Bedroom/One Bathroom (1-BR/1-BA) Apartments	0	105	105
Two Bedroom/One Bathroom (2-BR/1-BA) Apartments	0	66	66
Two Bedroom/One Bathroom (2-BR/1-BA) Townhomes (Street Level Entry)	0	15	15
Total - Affordable (Low- to Moderate-Income) Senior Living Dwelling Units	0	186	186
One Bedroom/One Bathroom (1-BR/1-BA) Apartments	80	0	80
Two Bedroom/One Bathroom (2-BR/1-BA) Apartments	48	0	48
Two Bedroom/One Bathroom (2-BR/1-BA) Townhomes (Street Level Entry)	7	0	7
Total - Mixed-Income Senior Living Dwelling Units	135	0	135
Summary of Family Living Dwelling Units:			
Studio (0-BR/1-BA) Apartments	0	0	0
One Bedroom/One Bathroom (1-BR/1-BA) Apartments	0	0	0
Two Bedroom/One Bathroom (2-BR/1-BA) Apartments	0	0	0
Two Bedroom/One Bathroom (2-BR/1-BA) Live / Work (Street Level Entry)	0	0	0
Total - Affordable (Low- to Moderate-Income) Family Living Dwelling Units	0	0	0
Studio (0-BR/1-BA) Apartments	4	0	0
One Bedroom/One Bathroom (1-BR/1-BA) Apartments	36	0	0
Two Bedroom/One Bathroom (2-BR/1-BA) Apartments	16	0	0
Two Bedroom/One Bathroom (2-BR/1-BA) Live / Work (Street Level Entry)	5	0	0
Total - Mixed-Income Family Living Dwelling Units	61	0	0

Residential, Commercial / Retail, and Other Non-Residential Floor Areas	North Phase	South Phase	Combined Total
Total Net Rentable Residential Floor Areas:			
Affordable (Low- to Moderate-Income) Senior Living Dwelling Units	0	114,070	114,070
Mixed-Income Senior Living Dwelling Units	82,880	0	82,880
Affordable (Low- to Moderate-Income) Family Living Dwelling Units	43,480	0	43,480
Mixed-Income Family Living Dwelling Units	0	0	0
Total Residential Circulation & Community Facilities Floor Areas:			
Affordable (Low- to Moderate-Income) Senior Living Dwelling Units	0	32,930	32,930
Mixed-Income Senior Living Dwelling Units	27,020	0	27,020
Affordable (Low- to Moderate-Income) Family Living Dwelling Units	11,320	0	11,320
Mixed-Income Family Living Dwelling Units	0	0	0
Total Commercial / Retail Floor Areas:			
Traditional Commercial / Retail Space	7,500	0	7,500
Medical / Dental Clinic & Administrative Space	0	23,000	23,000
Total Other Non-Residential Floor Areas:			
King County Library Branch	12,000	0	12,000
Community Commons Meeting Space	3,000	0	3,000
Community Policing Space	0	2,000	2,000
Total Storage, Utility & Parking Floor Areas:			
Affordable (Low- to Moderate-Income) Senior Living Dwelling Units	0	40,000	40,000
Mixed-Income Senior Living Dwelling Units	28,700	0	28,700
Affordable (Low- to Moderate-Income) Family Living Dwelling Units	11,000	0	11,000
Mixed-Income Family Living Dwelling Units	0	0	0
Total Gross Building Floor Areas	226,900	212,000	438,900

Residential and Non-Residential Parking Stalls	North Phase	South Phase	Combined Total
Total Number of Residential Garage Parking Stalls	110	108	218
Total Number of Residential Surface Parking Stalls	25	0	25
Total Number of Non-Residential Surface Parking Stalls	70	37	107
Total Number of Parking Stalls	205	145	350

Project Development Costs, Debt Financing & Equity Requirements	North Phase	South Phase	Combined Total
Estimated Total Project Development Costs (Including Estimated Land Cost)	$31,200,000	$30,800,000	$62,000,000
Less - Estimated Total Debt Financing	21,200,000	21,800,000	43,000,000
Estimated Total Equity Capital Requirements	$10,000,000	$9,000,000	$19,000,000
Estimated Project Development Costs Allocable to Non-Residential	$4,000,000	$4,600,000	$8,600,000
Less - Estimated Debt Financing Allocable to Non-Residential	2,800,000	3,300,000	6,100,000
Estimated Equity Capital Requirements Allocable to Non-Residential	$1,200,000	$1,300,000	$2,500,000
Estimated Maximum Equity Capital Requirements Allocable to Non-Residential to be Provided by Developer or Principal User (e.g., King County Library System, HealthPoint, etc.)	$1,200,000	$1,300,000	$2,500,000
Estimated Project Development Costs Allocable to Residential	$27,200,000	$26,200,000	$53,400,000
Less - Estimated Debt Financing Allocable to Residential	18,400,000	18,500,000	36,900,000
Estimated Equity Capital Requirements Allocable to Residential	$8,800,000	$7,700,000	$16,500,000
Estimated Maximum Equity Capital Requirements for a Unitary Investment to be Provided by Developer (20% of Mixed-Income or Market-Rate Equity / 0% of Tax Credit Equity)	$2,000,000	$0	$2,000,000
Estimated Maximum Equity Capital Requirements Allocable to Residential to be Provided by Developer (20% of Mixed-Income or Market-Rate Equity / 0% of Tax Credit Equity)	$1,760,000	$0	$1,760,000
Estimated Maximum Equity Capital Requirements to be Provided by Developer if Residential and Non-Residential Components are Isolated	$2,960,000	$1,300,000	$4,260,000

KING COUNTY Effective: 5/14/10 (CURRENT)
2010 Median Income: $85,600

Maximum HOUSEHOLD INCOME for All Tax Credit and Bond Financed Properties (Table A, B, & C Properties)								
Set-Aside %	**1 Person**	**2 People**	**3 People**	**4 People**	**5 People**	**6 People**	**7 People**	**8 People**
80%	$48,000	$54,800	$61,680	$68,480	$74,000	$79,440	$84,960	$90,400
60%	$36,000	$41,100	$46,260	$51,360	$55,500	$59,580	$63,720	$67,800
50%	$30,000	$34,250	$38,550	$42,800	$46,250	$49,650	$53,100	$56,500
45%	$27,000	$30,825	$34,695	$38,520	$41,625	$44,685	$47,790	$50,850
40%	$24,000	$27,400	$30,840	$34,240	$37,000	$39,720	$42,480	$45,200
35%	$21,000	$23,975	$26,985	$29,960	$32,375	$34,755	$37,170	$39,550
30%	$18,000	$20,550	$23,130	$25,680	$27,750	$29,790	$31,860	$33,900

Maximum RENTS for Projects Based on UNIT SIZE **Low-Income Housing Tax Credit Program**						
Set-Aside %	**Studio**	**1 Bedroom**	**2 Bedroom**	**3 Bedroom**	**4 Bedroom**	**5 Bedroom**
60%	$900	$963	$1,156	$1,335	$1,489	$1,644
50%	$750	$803	$963	$1,113	$1,241	$1,370
45%	$675	$722	$867	$1,001	$1,117	$1,233
40%	$600	$642	$771	$890	$993	$1,096
35%	$525	$562	$674	$779	$868	$959
30%	$450	$481	$578	$667	$744	$822