



## *City of Tukwila*

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Jim Haggerton, Mayor

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Date: September 5, 2008

To: City Council

Copy: Mayor  
City Administrator  
Legislative Analyst

From: Economic Development Administrator 

Re: Tukwila Village Proposals: Significant Differences

In order to help the Council compare the Tukwila Village development proposals, staff has created a comparison of the significant differences (see below). Also, we have attached an update of the worksheet that compares the two developer proposals to the evaluation criteria.

We are waiting for an outside consultant's report comparing the two proposals. The consultant's report will attempt to identify any significant differences between the proposals that we have not yet recognized. It will also attempt to quantify (within an order of magnitude) if the proposals are economically feasible.

This worksheet and memo are based on preliminary discussions with the consultant. The final report should be available by September 12.

One of the most important points to consider is that both of these developers are highly qualified and very capable of developing Tukwila Village. Either of these developers would be a good choice. There is no easy choice because both proposals have strengths and will be a benefit to the community. Of course, their approaches are different and come with different trade-offs.

Please contact me at 206-433-1832 or [dspeck@ci.tukwila.wa.us](mailto:dspeck@ci.tukwila.wa.us) if you have any questions.

**Tukwila Village Developer Proposals  
Comparison of Significant Differences**

<b>Legacy</b>	<b>Tarragon</b>
<p align="center"><u>Advantages</u></p> <ol style="list-style-type: none"> <li>1. More feasible <ul style="list-style-type: none"> <li>▪ Less risk of market demand</li> <li>▪ Fewer unknowns</li> <li>▪ 80% of development in phase 1</li> </ul> </li> <li>2. Indoor commons area for formal and informal gathering</li> <li>3. Entire project offers \$1 to \$3 million higher payment to City</li> <li>4. 50 senior apartments (low income)</li> <li>5. 25 for-sale townhouses (moderate income, first-time homebuyers)</li> </ol> <p align="center"><u>Challenges</u></p> <ol style="list-style-type: none"> <li>1. Architecture, plaza, and landscaping needs to be "warmer" and more welcoming.</li> <li>2. Would need to structure a partnership between property owner and City to manage indoor commons.</li> </ol> <p align="center"><u>Risks</u></p> <ol style="list-style-type: none"> <li>1. May be challenging to find apartment tenants willing to pay \$1.45 to \$1.80 per square foot per month rent.</li> </ol>	<p align="center"><u>Advantages</u></p> <ol style="list-style-type: none"> <li>1. More retail space <ul style="list-style-type: none"> <li>▪ Offers more welcoming atmosphere</li> <li>▪ Better ability to "grow" with Tukwila (retail types can flex and upgrade over time)</li> <li>▪ Additional retail offers approx. \$100,000 in sales tax to City annually</li> </ul> </li> <li>2. Many citizens prefer the extra retail, larger plaza, and aesthetic appearance</li> <li>3. 60 apartments set-aside for moderate income tenants</li> </ol> <p align="center"><u>Challenges</u></p> <ol style="list-style-type: none"> <li>1. Locating a 15,000 square foot drug store at the corner of TIB and 144<sup>th</sup> separates the plaza from the rest of the community and is challenging to make attractive along TIB.</li> </ol> <p align="center"><u>Risks</u></p> <ol style="list-style-type: none"> <li>1. May not be financially feasible to build project for projected rents of \$1.35 per square foot.</li> <li>2. Proposed density of residential on phase 2 may not be palatable to City.</li> <li>3. A large portion of commercial space may be services instead of retail.</li> </ol>
Version dated 9/5/08	

# Tukwila Village Evaluation Criteria Worksheet – Version 9/5/08

Note: Information below is taken from the developer proposals and other sources. Opinions expressed are those of City staff and may not represent the views of the developers.

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 the type of mixed-use, mainly residential development they have proposed. 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, is developing over 4,000 residential units and 13 million square feet of commercial, and has 1,000 employees nationwide and 10 employees in the Seattle office.</p> <p>We can provide LIHI's experience and capability under separate cover if needed.</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 18,000 square feet of retail, 60,000 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>

<p>(3) Responsiveness of the proposal to purpose and scope of the City's vision for the project</p>		
<p>(a) Achieves vision statement (see note a)</p>	<p>Achieves all the required elements of the City's vision statement.</p> <p>At the community meeting on 7/16, Tarragon's proposal received 86 votes.</p>	<p>Achieves all the required elements of the City's vision statement.</p> <p>At the community meeting on 7/16, Tarragon's proposal received 86 votes.</p>
<p>(b) Creates neighborhood gathering space</p>	<p>In phase 1, Legacy's proposal includes:</p> <ul style="list-style-type: none"> <li>▪ An 8,000 SF outdoor plaza</li> <li>▪ 10,000 SF of retail that would include a coffee shop and other food retailers.</li> <li>▪ A 3,400 SF indoor commons that can be used for both informal and scheduled public gatherings.</li> </ul>	<p>In phase 1, Tarragon's proposal includes:</p> <ul style="list-style-type: none"> <li>▪ A 20,000 SF outdoor plaza with pavilion</li> <li>▪ 42,000 SF of retail that would include a coffee shop, other food retailers, and more other retail.</li> </ul>
<p>(c) Creates activated gathering space</p>	<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>One challenge will be to select retailers or add retailers to ensure neighbors have a reason to visit the development.</p>	<p>The extra retail offers more reasons to draw neighbors to the development and fits well with the larger plaza.</p> <p>The outdoor plaza would be good for larger outside events.</p> <p>Tarragon does not "oppose" providing an indoor commons space, but does not see value in it.</p>
<p>(d) Uses, scale, site design, architecture blends with neighborhood</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 the value of the land but not so significantly to stop the project.</p> <p>One challenge will be to create a more</p>	<p>The proposed uses, scale, site design, and architecture can blend well with the neighborhood. However, the City may not want the amount of density on the south parcel and some changes to site design (e.g. greater setbacks) will need to be made that may reduce the value of the land but not so significantly to stop the project.</p>

	<p>welcoming aesthetic for the architecture, plaza, and landscaping.</p>	<p>The diagonal parking proposed on South 144<sup>th</sup> will need further research to determine if it is feasible.</p> <p>The retail building at the corner of TIB and 144<sup>th</sup> will offer some challenges in designing an attractive, inviting wall along TIB since the store will want the entrance to be onto the plaza. The retail building is large enough that it will limit the views from TIB into the plaza.</p>
<p>(3) (e) Sustainable and "green" construction</p>	<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>
<p>(f) Residential component includes ownership, condominium quality apartments, senior housing, and a mix of incomes</p>	<p>Legacy's proposal includes a total of 343 residential units comprising:</p> <ul style="list-style-type: none"> <li>▪ 200 market rate, condo-quality apartments (4 would be artist live/work lofts)</li> <li>▪ 25 townhouses that would be owned by families earning 80% or less of the area median income.</li> <li>▪ A 50 unit apartment building dedicated to seniors earning 50% or less of the area median income.</li> <li>▪ Phase two has room for 68 more apartments or condos</li> </ul>	<p>Tarragon's proposal includes 297 residential units comprising:</p> <ul style="list-style-type: none"> <li>▪ 234 market rate, condo-quality apartments (1 and 2 bedroom)</li> <li>▪ 59 apartments dedicated to families earning 80% or less of the area median income</li> <li>▪ 4 rental townhouses</li> </ul> <p>Of the 297 apartments, 154 are planned for phase 2 and could become condos depending on the market.</p>

<p>(3) (g) Quality of ongoing operations and management</p>	<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 and has an incentive to maintain them for a good resale value.</p> <p>It is unlikely the developer will agree to give the City a right to approve the buyer if the property is sold.</p>	<p>Tarragon generally retains ownership of their properties and has a strong incentive to manage them well and maintain them.</p> <p>It is unlikely the developer will agree to give the City a right to approve the buyer if the property is sold.</p>
<p>(h) Catalyst for future development along TIB (near and long term)</p>	<p>To be determined</p>	<p>One question is whether the retail would help or hinder other retailers in the TIB corridor.</p>
<p>(i) King County Library supports</p>	<p>Yes</p>	<p>Yes</p>
<p>(j) How soon it will be completed</p>	<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>Tarragon has stated that they have no pre-leasing requirements and the schedule is not dependent on leasing and financing because it can be done within the time needed for negotiations, design and permitting. Tarragon's proposal states that "bank financing would be used for the construction of the project and it is likely that pre-leasing will be required by the lender. The specific amount is yet to be</p>

		<p>determined.”</p> <p>In staff's opinion, a construction lender would probably require a significant portion of retail commitments (letters of intent or leases) before issuing a loan. If it takes longer than expected to get commitments from retailers, it would delay the project.</p>
<p>(3) (k) Development concept feasibility</p> <ul style="list-style-type: none"> <li>▪ Does it reflect the market (e.g. is it realistic)?</li> </ul>	<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 current rents in the area.</p> <p>The Gardner-Johnson study in 2007 estimated apartment rents to average \$1.02/sf that apartments in the area, however, the existing apartments are over 20 years old and are not in mixed-use developments with other amenities. Also, rents have increased and are generally in the \$1.20 range with one spiking at \$1.60 for a 600 SF unit.</p> <p>A significant question is whether there is sufficient demand by new residents to pay these rents.</p>	<p>Tarragon is predicting an average rent of \$1.35 per square foot for apartments averaging 865 square feet. In staff's opinion, conventional standards suggest that rents higher than \$1.35 are required to pay for the cost of new mixed-use development, however, Tarragon may have a unique approach and has not yet estimated the mix of studios, one and two bedroom units.</p> <p>A significant question is whether there is sufficient demand by retailers to lease all 54,000 square feet. Tarragon has a lot of retail experience and is very confident of the demand. However, the Gardner-Johnson study indicated 50,000 SF of retail demand for the whole TIB corridor through 2011. The 2007 Metrovation report (Ron Sher) estimated demand for 14,000 SF of retail.</p>
<p>(3) (k) Does it require any unlikely City policy changes?</p>	<p>Legacy's proposal asks the City to approve:</p> <ul style="list-style-type: none"> <li>▪ An increase in height limits to 65 feet</li> <li>▪ A multi-family property tax exemption</li> <li>▪ An increase in housing units per acre</li> </ul>	<p>Tarragon's proposal asks the City to approve:</p> <ul style="list-style-type: none"> <li>▪ An increase in height limits to 65 feet</li> </ul>

	<ul style="list-style-type: none"> <li>▪ A reduction in parking spaces per housing unit.</li> <li>▪ Advancing funding for the South 144<sup>th</sup> Street project in the capital improvement plan</li> </ul>	<ul style="list-style-type: none"> <li>▪ A multi-family property tax exemption</li> <li>▪ An increase in housing units per acre</li> <li>▪ A reduction in parking spaces per housing unit.</li> <li>▪ Advancing funding for the South 144<sup>th</sup> Street project in the capital improvement plan</li> <li>▪ Diagonal on-street parking on S. 144<sup>th</sup>.</li> </ul>
(3) (l) How complex is the proposal?	Not a significant issue.	Not a significant issue.
(m) How easy will the negotiations be?	We can work with this developer.	We can work with this developer.
(n) Does the developer "really want it"?	To be determined	To be determined
(o) Other considerations	To be determined	To be determined
(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.</p> <p>Legacy's estimated value for phase one would be \$4.3 million.</p> <p>Legacy's phase one includes the portion of land south of 144<sup>th</sup> that would have 25</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. In staff's opinion, the appraised value will be higher than the \$2.4 million.</p> <p>Tarragon's estimated value for phase one would be \$1.6 million.</p>



	townhouses. Deducting that from their phase one would reduce the estimated value for phase one to approximately \$3.6 million.	
(4) (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.</p> <p>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	<p>Legacy provided a development budget and financial proformas that we are currently analyzing.</p> <p>Although Tarragon did not provide a development budget or financial proformas, we are currently analyzing their concept for other financial risks.</p>	

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).