



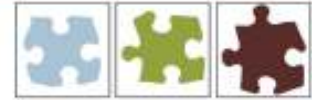
Prodigy Developments

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Prodigy Developments

*Presents* Aqua Viva



## BIOGRAPHIES

### **Anita Smidesang – BCom Candidate (Real Estate, Grad 2006)**

Anita is a fourth year student majoring in Real Estate. She interned as a market analyst with Polygon during the summer of 2005. Anita will begin her career in commercial brokerage. She was responsible for the market analysis in this project.

### **Arya Ghodsi – BCom Candidate (Real Estate, Grad 2006)**

Arya is a fourth year Real Estate student. He is looking to enter the Real Estate development industry after graduation. Arya was responsible for the financial pro-forma of this project.

### **Graeme Bullus – BCom Candidate (Real Estate, Grad 2006)**

Graeme is a fourth year Real Estate student who gained development experience interning for UBC Properties Trust in the summer of 2005. He wishes to enter the Real Estate industry in development or commercial brokerage. Graeme was responsible for the design and construction cost portion of this project.

### **Ian Saxon – BCom Candidate (Real Estate & Economics, Grad 2006)**

Ian is a fourth year Real Estate student with a minor in Economics. He currently works for the UBC Real Estate Division. Ian specialized in the sustainability and legal issues surrounding the proposed development.

### **Paula Jarolim – BCom Candidate (Real Estate & Finance, Grad 2006)**

Paula is a fourth year student completing a double-major in Real Estate and Finance. She plans to enter a career in real estate development after pursuing a law degree. Paula was responsible for the financial pro-forma of this project.

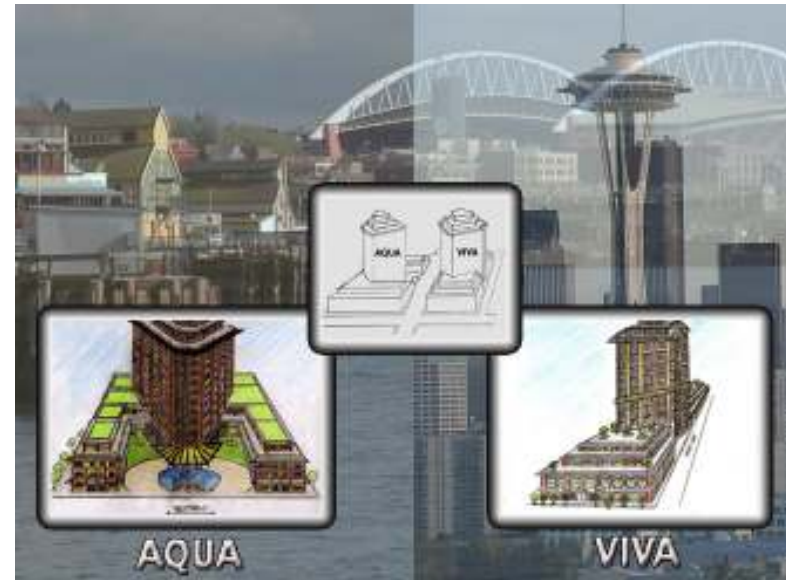
### **Ray Johnson – BCom Candidate (Real Estate, Grad 2006)**

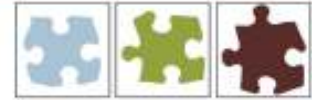
Ray is a fourth year student majoring in Real Estate who will begin his career in the field of mortgage finance. Ray was responsible for the zoning and site regulations for this project.



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## EXECUTIVE SUMMARY

### Development Site

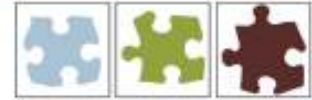
The development proposal area is comprised of two blocks in Seattle's Central Waterfront District, bordered by Alaskan Way, Spring and Seneca Streets and split by Western Ave. Located one block east of the water, this site enjoys unobstructed views of Elliot Bay. In addition, it is located just minutes away from the Central Business District, the cruise ship terminals, Pike Place Market, and Seattle's sports stadiums.

### Site Characteristics

- The west lot is a 35,233 square foot surface parking lot.
- The east lot is a four story structured parking garage (Watermark Garage), constructed in

1983, containing approximately 105,000 square feet, on a 25,565 square foot parcel.

- Both parcels are zoned Downtown Mixed Commercial with a 160 foot height limit. (DMC 160)
- The subject property is free of contamination.
- Alaskan Way Viaduct is removed effective immediately
- An easement from Harbor Properties restricts development over 60 feet +/- 10% in height on the East lot.
- The highway department view easement is removed when the viaduct and off-ramp are removed.
- Water table is approximately 10-12 feet below grade and soil is prone to liquefaction. Pilings are required. Bath-tubbing is necessary for construction below 10 feet.



Site Strengths	
<b>Location</b>	In the heart of Seattle's Waterfront and seconds from the downtown core
	Access to public transit
<b>Landscape</b>	Generous views of Elliot Bay Flat grade
<b>Cleanliness</b>	Free from contamination
<b>Future of the Waterfront</b>	Benefit from new Waterfront vision: promenade, east/west connectors, pearls

Site Challenges	
<b>Geotechnical</b>	Liquefaction zone requires piling for structure stability
	10-12 foot water table, increasing cost for underground parking
<b>Legal</b>	Harbor Properties easement on east lot limiting height to 66'
<b>Watermark Tenants</b>	<b>Tower</b> Must approach carefully, as a new development diminishes their views

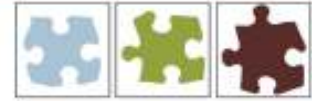
### Market Conditions

With increased demand to reside in the downtown area, along with strong residential and retail markets, a mixed-use development addresses the unfulfilled market need. The demand is partially fueled by business executives who want to cut commuting

distance, as well as positive net migration figures, and a strongly rebounding economy.

### Proposal

The Central Waterfront site will be transformed into a sustainable and luxurious mixed use community. Appropriately named "Aqua Viva" meaning "Water" and "Life," this vision brings together the historic



waterfront environment and the vibrancy of downtown Seattle.

High-end condominium units and upscale retail will be provided to address the growing demand in the business district for luxurious urban living.

The hotel creates a lively and livable community, offering conveniences and services for the tenants, which are unavailable in less urban settings.

#### Aqua

- 120 luxury boutique hotel suites in 4 low-rise floors with 8,500 square feet of exceptional amenities.
- 92 high-end condominiums in the 5-15<sup>th</sup> floors of the tower enjoy views of Elliot Bay and surrounding mountains.
- 4,325 square feet of high end retail space
- 6,000 square foot gourmet restaurant
- LEED Silver Rated Building

#### Viva

- 116 luxury residential condos on floors 5 to 15 with high end amenities and services
- 12,500 square foot Organic Urban Grocery, including office.
- 3,000 square feet of street level retail
- LEED Silver Rated Building

The vision promotes a successful, healthy lifestyle within a vibrant, active community. Residents and hotel guests will find balance between business, life, and tourism. “Aqua Viva” is a higher level of urban living.

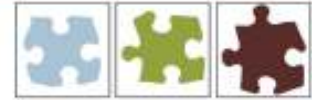






### Financial Summary

IRR (Unlevered)	12.86%
IRR (Levered)	32.15%
Land Residual Value	\$29,113,463
Soft Costs (excluding financing)	\$26,085,699
Hard Costs	\$130,428,495
Total Costs	\$169,035,330
Construction Loan Contribution	\$127,606,993
Mezzanine Loan Contribution	\$25,056,333
Equity Amount	\$20,000,000.00
Loan to Cost	75%
Cap Rate (Retail)	6.25%
Sale Price (Retail)	\$12,231,316
Rental Income per Room (Hotel)	\$30,113
Sales Price (Hotel)	\$46,515,600
Condo Sales	\$169,622,400



## THE NEW WATERFRONT

Note that this development proposal assumes that the Draft Central Waterfront Concept Plan as outlined by Seattle's Department of Planning and Development is carried to completion.

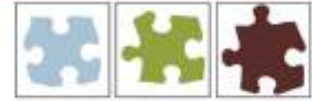
The key components of this plan affecting Prodigy's development include:

1. Removal of the Alaskan Way Viaduct
2. Transformation of the Viaduct area into a wide, pedestrian friendly promenade
3. Revamping Spring Avenue, creating a "green" street, promoting pedestrian traffic



Of these components, the first has been completed and is essential to the project's viability. The remaining two will greatly enhance Prodigy's project, however, non-performance would not preclude a successful development.





## LOCATION

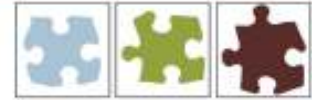
The subject site is situated in the heart of Seattle's Central Waterfront and minutes away from the Downtown Business District. Located one block east of the water, the site enjoys views of Elliot Bay and will benefit from its close proximity to the Alaskan Way Promenade.

The waterfront has changed from a dated highway to a "green", active pedestrian friendly area that residents and tourists alike can enjoy. With the viaduct removed, the waterfront is a destination bridged with the downtown, representing an opportunity for economic growth for the city and the region.



### Site Characteristics

The subject property consists of two parcels. The west parcel is a 35,233 square foot full block surface parking lot bounded by Spring Street, Seneca Street, Western Ave., and Alaskan Way. The east parcel is a 105,600 square foot four story parking garage, situated on a 25,565 square foot parcel bounded by Western Avenue, Spring Street, Seneca Street and Post Alley.



## NEIGHBORHOOD

Seattle's Central Business District, Pioneer Square, and the waterfront area surround the subject site and provide the character for the area.

### Central Business District

Seattle's Central Business District, just east of our site, provides first-class shopping destinations, arts, dining and international business activity. The downtown area employs nearly half of the employees within the entire City of Seattle.

### Pioneer Square

Pioneer Square, six blocks south, is one of Seattle's oldest districts, primarily composed of small business retail and office space. This area sees an estimated 4 million people annually and is also a center for night life in Seattle. A five minute drive from the proposed



development, this area will provide important attraction for the professionals our development targets.

### Central Waterfront

The waterfront is a key driver of pedestrian traffic and tourism in Seattle. With the removal of the viaduct and



a vibrant new Official Community Plan, the Central Waterfront is in the midst of an exciting revitalization bringing new life to the area.

## ATTRACTIONS

Four high volume attractions in the waterfront area include:

- Pike Place Market
- Benaroya Hall
- Seattle Art Museum
- Sports Stadiums

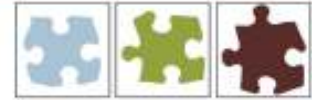
### Pike Place Market

Pike Place Market, situated two blocks north, is a premier farmers' market home to nearly 200 year-round commercial businesses. It is one of Washington's most frequently visited destinations and attracts 10 million visitors annually.



### Benaroya Hall

Benaroya Hall is a performance venue in Seattle, Washington, home to the Seattle Symphony. Opened in September of 1998, Benaroya quickly became noted for its technology-infused acoustics, now attracting more than 450,000 tourists annually.



### Seattle Art Museum

Beginning in 2006, the Seattle Art Museum will be expanding its 1991 location. The expanded building will offer four new floors with 70 percent more gallery space, an expanded museum store, and a new restaurant.

### Sports Stadiums

Qwest and Safeco Fields, situated 10 minutes south, are home to the Seattle's Seahawks and the Seattle Mariners. Their respective seating capacities are 67,000 and 46,641.

### Waterfront Pearls

Although not officially confirmed, Romano Guillermo, Director of Planning for Seattle, indicated that the string of pearls framework for activity hot spots has been selected over the bow-tie concept and linear concept visions for Seattle's waterfront.



The waterfront pearls represent a few thick and lively areas featuring a cluster of activities that extend east-west into the city. Each pearl is a catalyst for highly concentrated pedestrian traffic, connecting the downtown to the waterfront.





## Prodigy Developments

The Pike Place area has been designated as one of the five pearls, which includes the Seattle aquarium, hosting 716,000 visitors annually. Due to the construction of a new ferry terminal, Colman Dock & Pier 48, located two blocks south, has also been deemed a pearl.

### Cruise Ship Industry

Seattle's cruise ship industry has seen dramatic growth in recent years, resulting in a strong economic contribution to the region. It is expected that there will be close to 200 cruise ships entering Seattle's port, for a total of nearly 735,000 passengers during the upcoming cruise season, up from 75 vessels and 244,905 passengers in 2002.





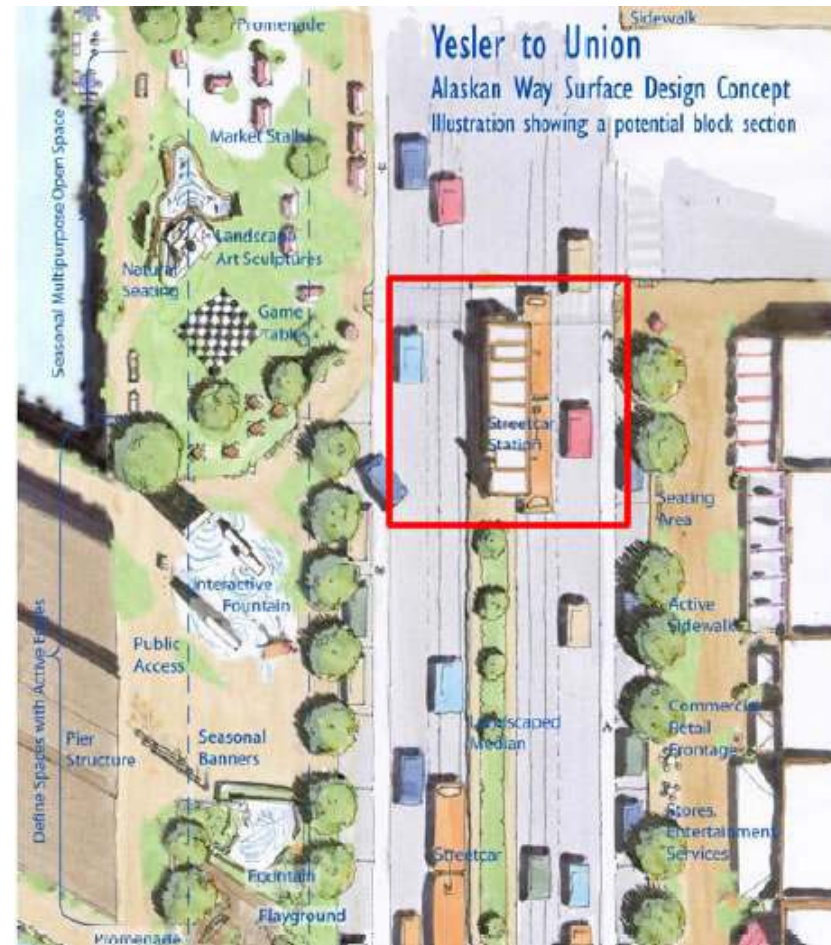


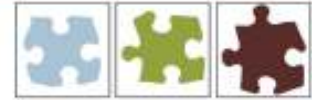
## PUBLIC TRANSIT

Located in an area with high quality transit access, this site allows for easy and concentrated pedestrian flow.

### Waterfront Trolley

The waterfront trolley will operate on the doorstep of our site, along the Alaskan Way Promenade. The City of Seattle is reintroducing the historic waterfront trolley to transport people from the International District near the stadiums to Olympic Sculpture Park with many stops in between.





### Link Light Rail

The Central Link light rail line is a critical piece in this region's long-term transportation network. It will provide a new congestion-free transportation corridor serving major population and employment centers. The initial Central Link light rail segment will be completed and operating by 2009. The future light rail project will travel along 3<sup>rd</sup> street and will have stops located within close proximity of our site. The exact location will be located between Seneca St. and University St. The light rail project further expands transportation options, and providing Aqua Viva an important link to Sea-Tac airport.

pedestrian traffic between the downtown and waterfront area.



### EAST-WEST CONNECTIONS

Spring Street, bordering both subject sites to the south, has been designated as a "green" street, giving priority to pedestrian circulation and open space over other transportation uses. This encourages



## REGULATORY ENVIRONMENT

### View Easement

The east lot currently has a view easement registered on title. It restricts this lot in its entirety, except for the 10 feet running along Post Ave, to a maximum building height of 66 feet.

### Zoning

Both parcels are located within the Commercial Core Urban Village. More specifically, both parcels are zoned Downtown Mixed Commercial 160 (DMC 160). This area is characterized by lower scale office, retail and commercial uses, mixed with housing, and associated services. DMC zoning allows for a maximum height 160 feet for all uses.

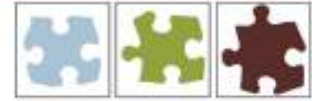
### Density Requirements

Current DMC zoning permits a base floor area ratio (FAR) of 5 up to a maximum FAR of 7. In order to qualify for a FAR above the base, a building might seek to achieve LEED certification to gain an additional 0.25 FAR; the remaining 1.75 FAR must be gained by providing public benefit features and non-market housing. Of this additional 1.75 FAR, 25% is to be gained through non-housing bonus and TDR options, while the remaining 75% must be gained through non-market housing options.

It is important to note that public amenities, ground-level retail along Spring St., and residential uses are not included in the calculation of FAR.

### View Corridor Setbacks

To protect the view of the water for the downtown, both Seneca Street and Spring Street are designated view corridors. The development will comply with



view corridor setbacks, ensuring that the maximum elevation along Spring St. and Seneca St. is no greater than 60 feet, and that this height is maintained for a distance of 40 feet from the property line.

**Prohibited Site Uses**

- Drive-in Businesses
- Outdoor Storage
- Adult Motion Picture Theatre
- Manufacturing Uses
- High-Impact Uses
- Principal use parking garage.

**Parking Commitment**

The site is required to maintain 50 parking stalls for the benefit of Watermark Tower.







## MARKET ANALYSIS

### Macro-environment

Seattle is turning the corner economically, unemployment has decreased, interest rates are low and capital is abundant, pushing down cap rates and driving up sales prices. Hiring is slated to continue,

further increasing employment numbers. Conway and Peterson forecast that employment will grow by 2.7% in 2006 and 2.4% in 2007.

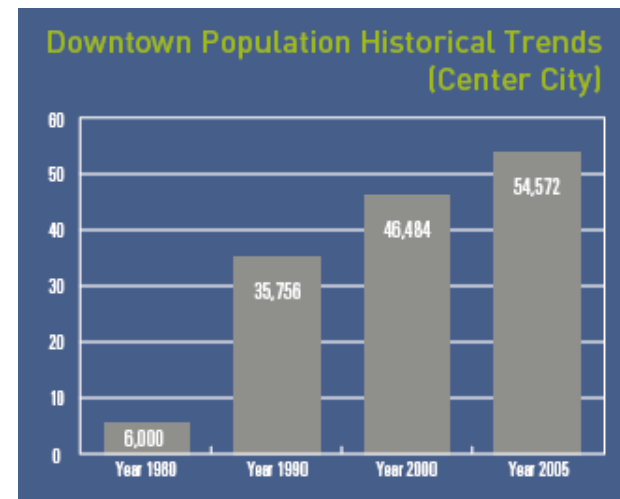
### Micro-environment

“The Puget Sound region continued its positive economic growth in 2005 adding a total of 50,600 new jobs in the four-county region over the year and dropping the unemployment rate to 5.3% in the month of December.” - CB Richard Ellis

### Demographics

There was an estimated 54,572 residents in downtown Seattle in 2005. The downtown area is the city's fastest growing neighborhood, achieving an average growth rate of 65.3% over the last 15 years.

This growth is expected to continue as the city's permitting style and incentives to create residential improvements continue to make the downtown area







more densely inhabited. As more units become available and neighborhoods become thriving communities, greater numbers of people are calling the downtown area home. This move lowers their driving time, reduces the stress of traffic, and increases personal time for physical fitness. Seattle prides itself on its existing parks and open space and is determined to increase green space, sustainability and livability. The inhabitants of this city are some of the most educated and fittest in the nation.

### Major Employers

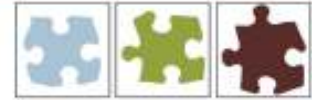
Boeing, Microsoft, and the University of Washington are Seattle's top employers. Seattle's economy is related to their success.

- Boeing has exhibited strong cash flows in the last few years, which have almost doubled between 2004 and 2005. Over the same period, net operating income increased by 37%.

- Microsoft continues to achieve strong and stable sales figures, which are crucial for the software behemoth and the prosperity of its employees.



- The University of Washington is less susceptible to market aberrations and provides stability in good times and bad. UW employs over 21,000 people.



Along with the continued success of the three major companies, Seattle's business affairs are generally on the upswing after suffering from the dot-com bust and 9/11's dampening effect on the aerospace industry.

### Retail Market

Retail Vacancy in the Puget Sound region remains constricted at 2.63%. There is no retail currently available on the downtown waterfront. Though this vacancy rate is difficult for retailers attempting to enter the market, it is a positive for developers who are placing new product on the market. The existing absorption rates show how easily new product is engaged by tenant leases. It is one of the hottest retail markets in the nation for the next three years, according to a recent study by the Marcus and Milichap Real Estate Investment Brokerage Company.

Driving Forces for Retail Rents include:

- Strengthening Seattle Economy
- Decreasing Unemployment
- Increasing urban residential density
- Increasing Tourism

Retail Market Stats	Change from Last		
	Current	Year	6 months
<b>Vacancy</b>	2.63%	Up	Up
<b>Lease Rates</b>	\$21.29	Up	Up
<b>Total Absorption</b>	375K	Down	Up
<b>Under Construction</b>	499K	Down	Down

Source: CB Richard Ellis

### Residential Market

The Seattle apartment market continues to perform well. Vacancy is decreasing, rents are up, and sales volume has exceeded expectations. Good economic



news in the region is drawing investors from the rest of the nation.

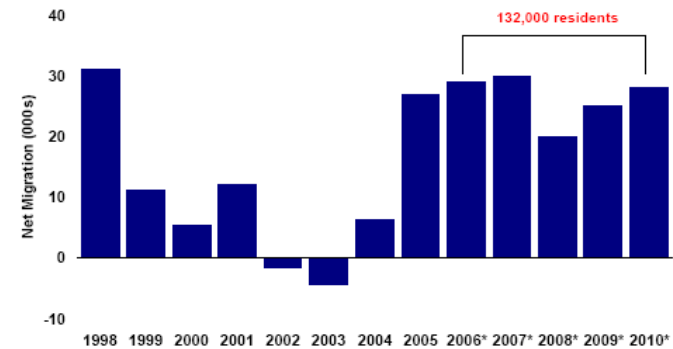
This trend is in its infancy with significant growth in demand for condominiums in and around the downtown core. The vacancy rates are predicted to fall further as the new supply of units cannot keep pace with demand.

Affordability often becomes a concern as prices rise, but because Seattle area wages are rising faster than sales prices, affordability has been kept in check.

Driving Forces for Multi Family Sales include:

- Low interest Rates
- Immigration
- Unemployment rate decreases
- Abundant investment capital
- Increasing trend to Urban living

### Total Net Migration to Seattle Positive Again – A Significant Contributor to Growth

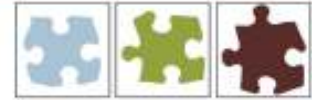


Sources: Marcus & Millichap Research Services, Census Bureau

Marcus & Millichap

### Office Market

High vacancy rates compared to other regions have to fallen to 13.24 % as the Seattle office market strengthens. This is due mostly to office absorption on the eastside of Seattle. The average class A asking lease rate for office space in Seattle is \$23.46, slightly



higher than last year. 2.2 Million square feet of office space was absorbed by the regional market in 2005.

	Net Rentable Area	Total Vacancy Rate (%)	Total Absorption (SF)	Under Construction (SF)
Seattle CBD	18,645,453	13.24%	9,371	900,000
Waterfront	2,430,733	18.11%	-3,713	-
Pioneer Square	3,451,790	12.59%	-107,457	-

### Hotel Market

#### **Demand**

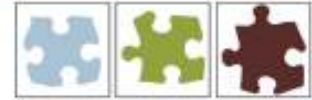
The demand for hotel space has increased over the past few years. The increase in demand can largely be attributed to the growth in tourism in Seattle, namely the cruise ship industry. Tourism is thriving again after a difficult period resulting from the events of 9/11 and the SARS outbreak. Business investment is now increasing and consumer confidence is

growing. Further, the Port of Seattle is the 20<sup>th</sup> largest port in the world and brings in many tourists to this cruise destination.

See a detailed analysis of Revpar, Occupancy, Daily Rates in Appendix 3.

#### **Supply**

Critical to forecasting hotel developments is that groups of them tend to be constructed in clusters, which is occurring within the Seattle Hotel market. Strong market data currently supports the construction of hotels. A strong economy, increased tourism, existing hotel values approaching replacement costs, and an underrepresented hotel market make the hotel development very attractive.



## Trends

The surge in downtown hotel-condominium developments includes Olive 8, Madison Tower, the Pan Pacific Hotel at 2200 Westlake, as well as the condos at the Four Seasons. All plan to offer urban living along with hotel-caliber amenities and services. In fact, condominiums attached to high-end hotels are selling at a 25% premium than regular condos, according to Thomas Callahan, a hotel analyst for PFK Consulting in San Francisco.

This trend is supported by the fact that 50 and 60 year olds are attracted to a transitional lifestyle, and are shedding their home-owner responsibilities in order to take comfort in the array of services available in hotel-condo environment.

## Future Supply:

YEAR	Hotel Rooms
2005	0
2006	520
2007	565
2008	0

## Driving Forces of Hotel Supply Include:

- Underrepresented hotel market
- Existing properties are at or near replacement costs
- Rebounding tourism industry

## Hotel Risks:

- The crucial unknown is whether the market will absorb all the new projects
- A supply glut could precipitate selling at prices below replacement cost





### Industrial

Market outlook is strong in the industrial market. Much of the current construction in this area is expected to be leased before completion. However, due to the subject property's waterfront location, low lease rates, and a lack of public benefit given our context, industrial construction is unwarranted here.

## BENEFITS TO STAKEHOLDERS

### Neighbours

- Sustainable design respects the environment
- Car co-op decreases traffic
- Modern construction with heritage look melds the new development seamlessly with the surrounding area

### Public

- Construction of a complementary trolley stop adds a landmark and public amenity to the Waterfront promenade
- Non-market Housing donation helps mitigate stratification of urban development

### Businesses

- Local retailers are afforded support from residential tenants and hotel traffic

### City

- A design that supplements the east to west connections envisioned in the Draft Waterfront Concept Plan

### Investors

- A generous return with moderate to high risk



## THE DEVELOPMENT PROPOSAL

### Project Overview

Seattle's newest proposed development, Aqua Viva, is a vibrant, sustainable community on Seattle's Central Waterfront. Named "Aqua" meaning "Water" and "Viva" meaning "Life," Aqua Viva brings together all the components of a great, urban, mixed-use development, truly connecting the downtown with the waterfront.

The two proposed towers meld seamlessly into the surrounding environment. The hotel and residential mix enhances the sense of public place and illuminates the neighbourhood with activity. The movement of shoppers, guests, and door attendants complement ground floor entrances, creating a liveable, 24/7 community.

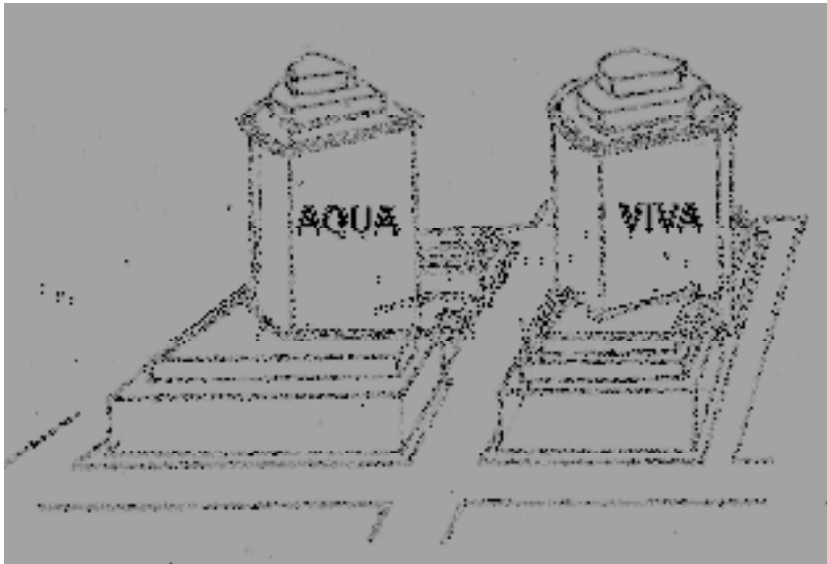
The retail tenant mix and organic urban grocery will provide every convenience within Aqua Viva. The majority of the retail faces Spring, Seneca, and Alaskan Way, capturing the area's concentrated pedestrian flow. The grocery tenant is placed on the north east corner of the back lot to facilitate heavy loading and to anchor the Seneca retail options. The grocery will service the residents of Aqua Viva as well as those in the surrounding neighbourhood.

The design of the towers maximizes the views of residents in each building and preserves view corridors of surrounding buildings.

Entrances to Aqua Viva flow from Western Ave., creating a focal point and uniting the towers. Although the development will bring many new residents to the area, vehicular traffic will not significantly increase from the previous use of the



properties, as the total number of proposed parking stalls is less than the prior capacity.

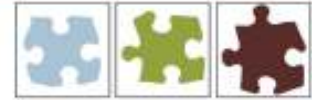


Residents of both towers are provided with at least one parking stall per unit, with 11 of the most luxurious suites allocated two stalls.

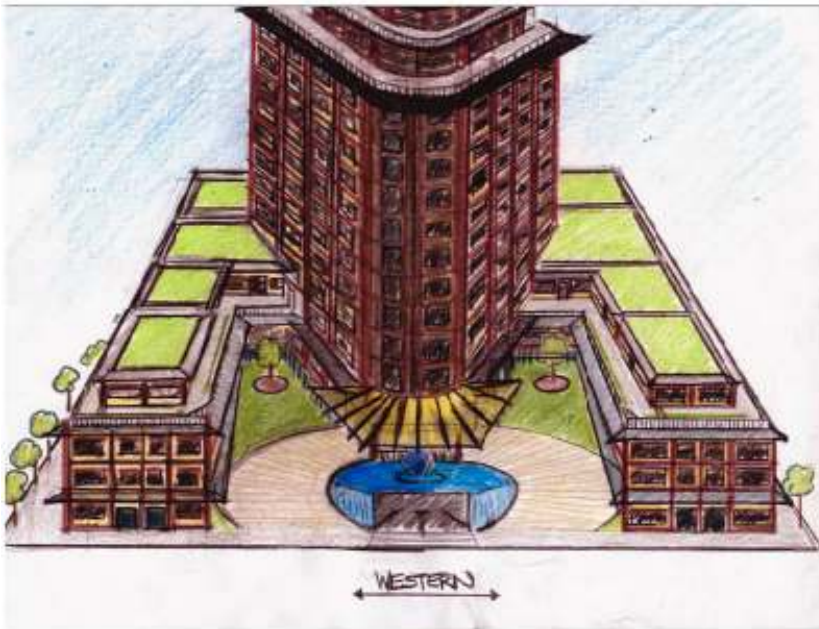
### AQUA

Aqua is a luxury boutique hotel of 120 suites, crowned with 92 high-end condominiums. The 15 storey tower enjoys views of Elliot Bay and the surrounding mountains. Because no further high-rise developments are possible west of the subject site, the location of the tower ensures that views will be preserved into the future. Aqua Tower's entrance is raised above a hidden surface parking area, masked by street-front retail and is adorned with a water feature. The driveway entrance leads into an elegant, two-storey hotel lobby, shared by the residents of Aqua. Condominium residents will have an exclusive elevator, ensuring privacy.

Aqua integrates its hotel services with the condominium homes, allowing the residents to take advantage of exclusive luxuries usually reserved for hotel guests. The combination of residents and guests creates a sense of community and liveliness. The



hotel attracts a continuous flow of new consumers, bolstering revenues for the retail tenants and restaurant.



### Aqua Hotel

Aqua Hotel is a luxurious 120 unit, 53,300 square foot boutique hotel servicing the executive community,

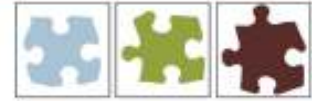
tourists and cruise ship visitors wishing to stay in the heart of the Seattle waterfront. 8,500 square feet of amenities and services on the second floor are available to both to residents and hotel guests.

Amenities include:

- Same day dry cleaning and pressing
- Fitness room
- Valet parking
- Yoga studio and athletic club
- Wireless internet access
- Concierge staff
- In room massage and spa services upon request
- Housekeeping, turn down service, and more.

### Retail

A welcoming, classic street-front atmosphere is created with the retail design slated for this development. The 4,325 square foot ground floor



retail will open onto an expansive green street to the south, as well as the Alaskan Promenade and Seneca Street. As a major east to west connector, the retail shops on Spring Street will drive consumer traffic in the area.



### Restaurant/Bar

Prodigy Developments envisions a two-level restaurant, located on the north west corner of the west facing lot. With street access, the 4,000 square

foot bottom floor will be an after work hotspot with chic interiors, enticing pedestrians on the Alaskan Promenade with a lively, inviting atmosphere and open patio with views of the water. The 2,000 square foot, second storey dining room is designed to complement the hotel. Its gourmet chefs service the guests and residents and can be booked for catering 24 hours in advance.

### Residential

The residents of Aqua Tower will benefit from a prime location, unobstructed waterfront views, and upscale amenities. This 108,400 square foot space is comprised of 92 luxury condominium units of exquisite proportions in both a low-rise and high-rise tower structure. While the hotel guests provide a sense of liveliness and activity, the residents in Aqua offer a feeling of community for business and leisure





travelers who have chosen Seattle as their destination.

The floor layout is as follows:

- 2<sup>nd</sup> to 4<sup>th</sup> Floor Low-rise Hotel lining Spring Street, Alaskan Way and Seneca Street.
- 5<sup>th</sup> to 12<sup>th</sup> Floor High-rise Condominiums
- 14<sup>th</sup> and 15<sup>th</sup> Floor Sub-Penthouse Suites
- 16<sup>th</sup> Floor Penthouse Suites
- 5% of Residential units constructed according to universal design principals

Prodigy Development's vision is to develop a vibrant sense of place and a desirable urban community within the Central Waterfront. Green roofs are strategically placed as the building effectively controls storm-water runoff and provides an aesthetic benefit to residents. Geothermal heating will both heat and cool the space within the building.

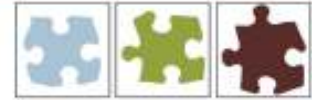
### Parking

Two levels of parking are provided within Aqua Tower. One level is below grade and retail units mask a surface level parking lot, for a combined 177 parking stalls. The allocation of stalls is as follows:

- 102 to Aqua residents
- 30 to the Aqua hotel
- 20 to Viva residents
- 12 available for tenant purchase
- 10 preferred stalls for Car Co-op

### VIVA

Situated one block east of Aqua, Viva features 200,000 square feet of luxury living in a 15 story tower. It benefits from some of the same magnificent views afforded to its sister development, and its crescent shaped exterior, which faces the water,



## Prodigy Developments



allowing the majority of Viva residents to see beyond the tower in front and through to Elliott Bay.

The development will benefit from the busy hotel and residential community in Aqua as well as some of that building's amenities. Viva will also have its own set of high quality amenities such as a gym, yoga centre, meeting rooms, hot tub, steam rooms, sauna, and social area.

The tenant profile that fits this community is an upper scale merchant that would appeal to business travelers and cruise vacationers, as well as the tenants within Aqua and Viva.



### Retail

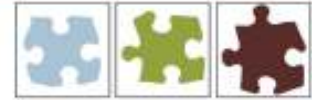
3,000 square feet of retail on the ground floor serves the neighbourhood, residents, tourists and business travellers. This section of the retail complements and extends the east-west connection that is vital for Seattle's burgeoning green streets.

### Grocery

The grocery tenant that is ideal for this space is a Wild Oats brand that can accommodate a boutique-type area of 10,450 square feet with a 2,000 square foot office. The loading dock is strategically placed on the dead end section of Seneca and has room for a dry storage area. Wild Oats is an organic foods market that is an ideal fit for this location, as its goods are increasingly in demand with the modern, high income demographic. A grocery such as this is currently unavailable within this area and will be frequented by residents as well as neighbouring apartment buildings.

### Residential

Spanning the 15 floors above the ground floor retail is 131,660 square feet of condominiums ranging in size from 885 to 4,500 square feet. These 116 condominiums enjoy sustainable living features such



as geothermal heating and cooling, car co-op, and green roofs also incorporating Universal Design Principles for complete accessibility.

### **Parking**

Two levels of below grade parking and four surface level stalls are planned. The total number of stalls is 143. The allocation of stalls is:

- 50 for the Watermark Tower
- 96 to Viva Tower

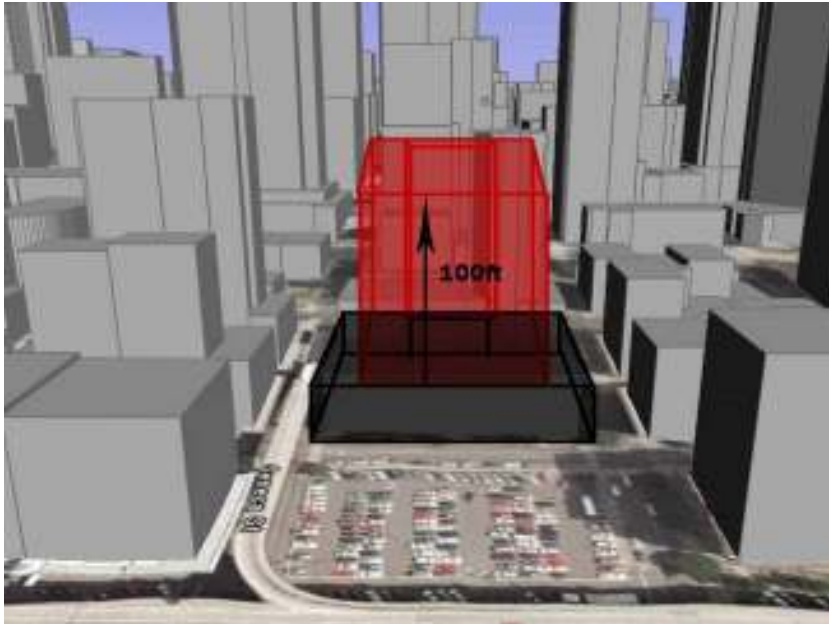
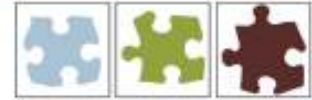
Due to the high cost of underground parking caused by several geotechnical issues, Prodigy Developments has made efforts to reduce parking requirements and creatively design a parking structure that offers the best use for home-buyers and tenants as well as the optimal financial return.

A \$15 million benefit can be realized by providing adequate parking to the optimal number of

condominium units. Therefore, \$217,000 per stall would be the maximum allowable price for the second underground level. At an estimated cost of \$70,000 per stall, the second level of parking is feasible.

### **Value of Easement**

The proposal for the east lot depends on successfully negotiating the purchase of a height easement owned by Harbor Properties. Harbor Properties, which developed the neighboring Harbor Steps, retained this easement when it sold the subject property. Through discussion with the owner of the easement, it was made clear that the interest is being retained for investment purposes and some degree of site control.



Prodigy would be willing to pay up to \$9.5M to purchase the easement from Harbor Properties. Beyond this value, the most economically viable use of the east lot is to retain the revenue producing parking garage.





## MARKETING STRATEGY

### Condominiums

The target market for the condominium units within the Aqua Hotel and Viva Towers consists of well-educated, urban professionals looking to create more time and pleasure in their days. These individuals and couples are part of the growing trend of migration towards downtown living, valuing vibrant communities and a plethora of amenities.

This setting is also ideal for the couples looking to downsize as their kids leave home, as well as buyers who no longer wish to drive an hour to work and are looking for amenities and services unavailable in suburban single-family dwellings.

The grocery store within the residential building provides a large, onsite, organically-stocked fridge and deli, the spa pampers and heals, and the fitness

amenities are an oasis for healthy living. The condominiums will benefit from all the services and amenities provided by the hotel, which is especially attractive to the extremely busy executive, with both room service and catering for meetings and social events.

### Hotel

Located in one of the most scenic locations within Downtown Seattle, Aqua Hotel provides unparalleled views of Elliot Bay and the Olympic Mountains. Whether our guests are looking for privacy or exciting holiday in Seattle, the Aqua Hotel will cater to their every need.

This Hotel will be one of the most luxurious new hotels on the Seattle market. The lobby will incorporate a trendy restaurant and bar, establishing the hotel as “the” place to stay, dine, or socialize.





**Comparables**

**Hotel/Condominiums Sales Comparables**

**Aqua**

- 2200 Westlake
- Four Seasons Hotel and Towers
- Hotel 1000/Madison Tower
- Olive 8

**Condominiums Sales Comparables**

**Viva**

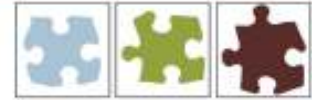
- Seventh Avenue at Westlake
- The Parc
- The Cosmopolitan
- Cristalla

Direct  
Comps

COMPARABLE DEVELOPMENTS	AVERAGE PRICE	AVERAGE AREA	AVERAGE \$PSF
Listings Studio	\$315,000	533	\$591
Re-Sales One Bedroom	\$348,600	664	\$526
Listings One Bedroom	\$489,000	731	\$652
Re-Sales One Bedroom Den	\$426,950	710	\$603
Listings One Bedroom Den	\$495,125	740	\$650
Sales One Bedroom	\$606,525	1,157	\$517
Listings Two Bedroom	\$1,059,713	1,418	\$735
Listings Three Bedroom	\$626,920	1,105	\$421

The data used in the summary that follows (See Appendix 3 for a complete analysis) details includes the direct comparables listed above as well as units that are up to 24 years old.

This age spread skews the overall average downwards, while the sales of building that are new or nearly completed are well above the average. (The Four seasons is earning up to \$2,100 per square foot



on the upper floors. The Madison tower is earning an overall average of \$825 per square foot.)

### **Retail**

The majority of retail space provided by Aqua and Viva is situated along Spring Street, and is poised to take advantage of the increased pedestrian traffic that is encouraged. The Alaskan Way Promenade will also be an important thoroughfare, and retailers would do well to capture some of the revenue that this generates.

In addition to cash flows from tourist activity along the waterfront, cruise ship passengers and stadium goers, an additional steady stream of consumers is provided by Aqua and Viva.

### **Place**

The Central Waterfront, complemented by the downtown core of Seattle to the east, and the thriving

Pioneer Square to the South, is about the experience a renewal of design and community.

Aqua Viva is a timely development as it will arrive just as the Alaskan Way Promenade, the east-west connectors, and expanded green streets begin to reinvigorate this special part of Seattle. This project seeks to align with this vision and contribute to the waterfront community.

### **Phasing**

Phase One will commence immediately with design and permitting of the west lot, Aqua. This phase is less risky because of the shallower parkade and freedom from the height easement. We expect this phase to take 8 months for permitting and an additional 16 months for construction to occupancy.

Phase Two will commence on the eastern lot, Viva, eight months prior to the occupancy of Aqua. The



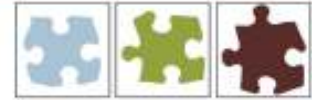
## Prodigy Developments

delay in the phasing will allow more time to proceed with the pending negotiations to purchase the height-restricting easement.

In addition, more information will be known about the geotechnical conditions of the site and any problems which may arise as a result of the deeper parkade on Viva's site.

Design and permitting is expected to be completed as Aqua finishes construction. Construction will begin immediately thereafter. The general contractors can seamlessly shift to the next phase. It will also allow for the Watermark Tower parking commitment to be temporarily shifted to Aqua while Viva is constructed.





## TENANT PROPOSAL

### Aqua

Aqua's ground floor is comprised of 4,325 square feet of retail space plus 4,000 square feet of restaurant space, and an addition 2,000 square feet on the second floor allocated to the restaurant.

To enhance the vision of high-end living, the retail space will be marketed to boutique fashion and art tenants. Because the retail is only 30 feet deep, these tenants will be ideal for the space.

### **Ground Floor Retail Possibilities**

### Viva

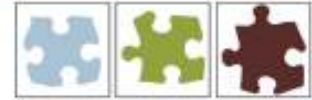
Viva features 17,150 square feet of retail space available for allocation. The retail space will be comprised of a 10,450 gourmet grocery tenant, as well as 6,700 square feet of retail space.

### **Gourmet Grocery Tenant**

The grocery store will be situated on the corner of Seneca St. and Western Ave. Wild Oats has expressed interest in occupying the space, and requested that 8,500 sq. ft. be reversed for the actual grocery store, and 2,000 sq. ft. for offices on the second floor. This type of grocery is a good fit because it benefits the residences of Aqua Viva in addition to the surrounding towers.

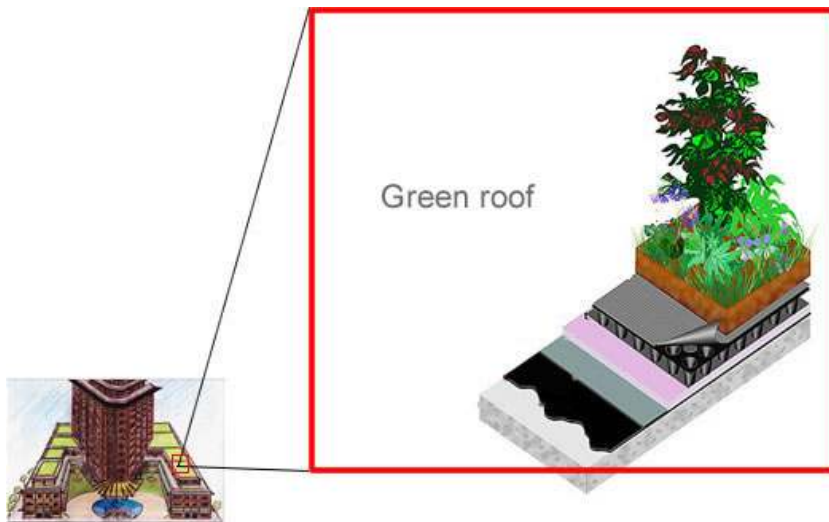
## SUSTAINABILITY

Sustainable construction practices and green features yield livable environments that improve quality of life for inhabitants and reduce the environmental impact of the development. Sustainable buildings generally use less energy, have lower operating costs, and have less impact on the surrounding environment and neighboring tenants.



Key green components of our buildings include:

- Geo-thermal heating and cooling
- Use of low-emitting materials for such things as carpets and paints
- Storm water control from green roofs
- Car co-op program and bicycle storage



Furthermore, our building will achieve a LEED Silver designation, capturing 35 of the potential 69 points from the LEED-NC checklist. These features will not only be attractive to potential retailers, hotel guests, and condominium owners, but will help our development integrate seamlessly with Seattle's new waterfront.

## EXIT STRATEGY

### Residential

The most significant risk inherent in selling the residential portion of Aqua and Viva at a profit is the rising construction costs. If too many units are pre-sold, construction costs may rise before completion to such a degree that the unit price results in a loss. However, if too few are sold, cash flows become a problem prior to construction completion.

To minimize risk, an optimal 30% of units will be pre-sold.





### Hotel

Managing a hotel is a specialized endeavor and should not be left to the developer or owners of Aqua Viva, due to a lack of management experience. As such, the hotel will be sold as soon as possible. The planned hotel for Viva is a boutique venture that caters to higher end clientele. A private investor is most likely to purchase the hotel rather than a bigger hotel chain or a REIT. This option will be pursued immediately upon embarking on construction of Viva.

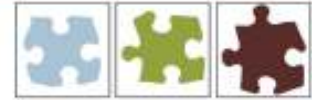
### Retail

The retail space is relatively small, but is poised to earn significant returns for a smaller purchaser. A private investor looking for a consistent performing asset is the most likely candidate to purchase this space.

### FINANCIAL ANALYSIS

Our proposed development encompasses the land acquisition to the sale of the hotel, retail and condominium units. Resulting from discussions with developers regarding our project and its risk level, the appropriate expectation of return on total revenue is 25%. This is used to calculate the residual land value. The assumptions for the project is as follows:

- Retail lease up time is 12 months
- Condominium pre-sale are 30% occurring 1 year prior to construction completion. Pre-sales are limited to mitigate construction cost risk. The projected sales time of the condominium units are conservative as interest rates are expected to rise.
- Retail will be sold after stabilization of income; the property should be fully rented after one year of completion.



- The hotel will be sold after completion. Potential buyers will be approached upon commencement of construction of the Aqua hotel and residential tower.
- For the financing structure, three different types of loans will be obtained. The primary construction loan will be divided between the two phases in order to match cash outflows. A mezzanine loan is needed to make up the difference between equity and the construction loan. A permanent loan will be taken after completion of each phase to reduce the cost of capital for the entire project.

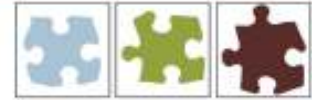
The construction loan and mezzanine loan are repaid using the proceeds from the permanent (inventory) loan and revenues received from presales. The project will be held for eight years from the time of land acquisition until terminal sale of condominiums, retail, and hotel.



# Prodigy Developments

## APPENDIX 1: FINANCIAL PRO-FORMA

PRO-FORMA ANALYSIS		1	2	3	4	5	6	7	8
Base Case Financial Analysis									
Aqua Viva Projected Cash Flows									
<b>PHASE 1 (Aqua Development)</b>									
<b>Revenues</b>									
Condo Sales		\$2,982,067.23		\$48,309,489.11	\$23,188,554.77	\$18,782,729.36	\$20,285,347.71		
Brokerage Fee (Residential)		(\$1,491,033.61)		(\$1,073,544.20)	(\$1,159,427.74)	(\$939,136.47)	(\$1,014,267.39)		
Hotel Sale (Cap Rate at 8% Cap Sale)				\$46,515,600.00					
Brokerage Fee (Hotel)				(\$2,325,780.00)					
<b>Development Costs</b>									
Land Acquisition		(\$26,436,767.40)							
Site Preparation		(\$240,721.50)							
Hard Costs		(\$18,565,296.02)	(\$58,125,513.31)	(\$10,099,307.94)					
Soft Costs		(\$3,368,700.42)	(\$10,108,101.25)	(\$1,684,350.21)					
<b>Total Phase Cost</b>		<b>(\$48,631,504.34)</b>	<b>(\$69,722,648.17)</b>	<b>(\$15,182,982.35)</b>	<b>(\$1,159,427.74)</b>	<b>(\$939,136.47)</b>			
<b>Total Phase Revenue</b>		<b>\$2,982,067.23</b>		<b>\$4,825,059.11</b>	<b>\$23,188,554.77</b>	<b>\$18,782,729.36</b>	<b>\$20,285,347.71</b>		
<b>Total Phase Unlevered Cash flows</b>		<b>(\$48,631,505.34)</b>	<b>(\$66,740,589.94)</b>	<b>\$79,642,106.76</b>	<b>\$22,029,127.03</b>	<b>\$17,843,592.90</b>			
<b>PHASE 2 (Viva Development)</b>									
<b>Revenue</b>									
Condo Sales (net brokerage fee)					3,444,798.86	55,805,741.55	26,786,755.95	21,697,272.32	23433054.1
Brokerage Fee (Residential)					(\$172,239.94)	(\$2,790,287.08)	(\$1,339,337.00)	(\$1,084,863.62)	(\$1,171,652.71)
<b>Development Costs</b>									
Site Preparation				(\$2,094,743.75)					
Hard Costs				(\$29,189,764.22)	(\$24,327,583.36)				
Soft Costs		(\$4,367,601.39)		(\$3,494,001.11)					
<b>Total Phase Cost</b>		<b>(\$4,367,601.39)</b>	<b>(\$34,758,589.08)</b>	<b>(\$24,499,823.30)</b>	<b>(\$2,790,287.08)</b>				
<b>Total Phase Revenue</b>					<b>\$3,444,798.86</b>	<b>\$55,805,741.55</b>	<b>\$26,786,755.95</b>	<b>\$21,697,272.32</b>	<b>\$23,433,054.10</b>
<b>Total Phase Unlevered Cash flows</b>		<b>(\$4,367,601.39)</b>	<b>(\$34,758,589.08)</b>	<b>(\$21,055,024.44)</b>	<b>\$53,015,454.48</b>	<b>\$25,447,418.15</b>	<b>\$20,612,408.70</b>	<b>\$22,261,401.40</b>	
<b>RETAIL</b>									
<b>Recovery</b>									
Stabilized NOI				\$125,385.82	\$617,931.34	\$764,457.25			
Retail Sale (Cap rate of Sale 6.25%)						\$12,231,316.03			
Brokerage Fee (Retail)						(\$611,565.80)			
<b>FINANCING</b>									
<b>Financing</b>									
Developers Equity		\$20,000,000.00							
Mezzanine			\$25,056,333.76						
Construction									
Loan Contribution		\$3,575,171.58	\$74,090,249.58	\$49,941,571.43	\$0.00		(\$39,715,561.35)		
Interest			(\$5,297,452.84)	(\$4,961,091.93)	(\$1,388,237.25)	\$0.00			
Loan Repaid			(\$2,982,067.23)	(\$94,950,474.92)	(\$19,415,995.65)				
OSB		\$3,575,171.58	\$69,385,901.07	\$19,415,995.65	\$0.00				
Permanent Financing									
Loan Contribution				\$55,305,830.91	\$29,148,520.63				
Payment					(\$4,310,511.90)	(\$6,582,334.65)	(\$6,582,334.65)	(\$6,582,334.65)	(\$6,582,334.65)
Loan Repaid									(\$77,064,234.18)
Reinvestment of Cash Flows to Pay off Future Debts				(\$50,344,738.99)	(\$5,625,899.78)	(\$89,825,589.51)	\$20,850,477.88		\$123,504,308.08
<b>Total Project Unlevered Cash Flows</b>		<b>(\$48,631,505.34)</b>	<b>(\$71,106,182.33)</b>	<b>\$45,008,903.49</b>	<b>\$1,582,033.93</b>	<b>\$83,243,254.85</b>	<b>\$25,447,418.15</b>	<b>\$20,612,408.70</b>	<b>\$22,261,401.40</b>
12.86%									
<b>Total Project Levered Cash Flows</b>		<b>(\$20,000,000.00)</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$14,030,074.05</b>	<b>\$75,283,807.95</b>
24.50%									



## Prodigy Developments

### **RECOVERY**

#### Condominiums

Gross Revenue		Square Footage	Price/ sq. ft.
Aqua	85,221,400.00	108,400.00	\$786.18
Viva	84,401,000.00	131,660.00	\$641.05

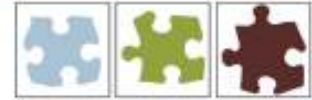
**Net Revenue Returned to Proforma 169,622,400.00**

#### Hotel Space

Hotel Value Room	
Revenue Per Night	\$275.00
Less Vacancy	(\$82.50)
Less Operating Expenses	(\$110.00)
Annual Income per Room	\$30,112.50

Cap Rate	8.00%
Sale Price per Room	\$376,406.25
Sale Price of Hotel (excluding Restaurant)	\$45,168,750.00
Capitalized Value of Restaurant	\$ 1,346,850.00

**Hotel Return to Proforma 46,515,600.00**



Prodigy Developments

Retail Space

**Aqua**

Retail 4325

**Viva**

Grocery Store 10450

Retail 3000

Lease up Time 12 months

Brokerage Fee 5.00%

Cap Rate @ Terminal Sale (on stabilized NOI) 6.25%

Operating Expense \$9 per sq. ft.

Tenant Improvements \$6 per sq. ft.

Vacancy Rate 3.00%

Bad Debt Allowance 1.50%

Anchor Tenant Discount \$17.00

Terminal Sale in Project Term 5 years

**Retail Return to Proforma 12,231,316.00**

**FINANCING ASSUMPTIONS**

Equity

Developers Equity 20,000,000

Mezzanine

Total Loan Amount 25,056,334

Interest Rate 9.65%

Phase One Phase Two Total

Construction Loan

Total Loan Amount 82,659,885 52509116 135,169,001

LTC 75% 75%

Interest Rate 7.15% 7.30%

Inventory Loan

Total Loan Amount 55,305,831 29148521 84,454,352

Interest Rate 6.65% 6.75%





**LAND RESIDUAL VALUE**

PV of Revenue	\$212,334,473.72
Pave of Costs	(\$132,442,598.17)
Expected Developer's Profit	(\$53,083,618.43)
<b>Residual Land Value (Both Lots)</b>	<b>26,808,257.12</b>

<u>Weighted Average Cost of Capital</u>	Phase 1	
Cost of Construction Loan		7.25%
Cost of Equity		25%
Cost of Mezzanine Loan		6.70%
Construction Loan		75.00%
Equity		11.00%
Mezzanine		13.90%
Weighted Average Cost of Capital		9.49%

**Easement Value**

Value of the Parkade

NOI	\$397,770.00
Applied cap rate	9%
Estimated Value of the Watermark Garage	\$4,419,666.67

PV of Revenue	\$69,849,523.00
PV of Costs	(\$48,729,818.00)
Expected Developer's Profit	(\$6,984,952.30)
Residual Land Price	(\$7,149,800.00)
Opportunity Cost of the Parkade	(\$4,419,666.67)
Max Price of Easement	\$2,565,286.03

**Break Even Price For The Easement**

\$9,550,238.00

**Maximum Price We Would Be Willing To Pay For The Easement**

\$2,565,286.00

\*assuming that we require at absolute minimum a 10% return on revenues on the project



# Prodigy Developments

## *Sensitivity*

### Downside Sensitivity

Condo Sales Price Decrease	Base Case	6.00%	4.00%	2.00%
Unlevered IRR	12.86%	9.74%	6.66%	3.60%
Construction Cost Increase	Base Case	5.00%	10.00%	15.00%
Unlevered IRR	12.86%	12.19%	7.79%	3.42%
Cost of Below Grade Parking Increase	Base Case	90,000 per stall	110,000 per stall	130,000 per stall
Unlevered IRR	12.86%	12.47%	12.09%	11.72%
Retail Cap Rate Increase	Base Case	7.00%	8.00%	9.00%
Unlevered IRR	12.86%	12.60%	12.34%	12.14%
Hotel Cap Rate Increase	Base Case	9.00%	10.00%	11.00%
Unlevered IRR	12.86%	11.61%	10.63%	9.84%
Hotel Revenue per Night Decrease	Base Case	\$225.00	\$175.00	\$125.00
Unlevered IRR	12.86%	10.89%	8.97%	7.12%
Hotel Vacancy Increase	Base Case	35.00%	40.00%	45.00%
Unlevered IRR	12.86%	11.05%	9.29%	7.58%
Soft Costs as % of Hard Costs Increase	Base Case	25.00%	30.00%	35.00%
Unlevered IRR	12.86%	11.24%	9.71%	8.26%
Interest Rate Increase	Base Case	1.00%	2.00%	3.00%
Unlevered IRR	12.86%	12.86%	12.86%	12.86%
Levered IRR	32.15%	31.33%	30.62%	29.87%



## Downside Risk Sensitivity Analysis

### Condo Sales Price Decrease

- A decrease in condo sales price negatively affects the project returns, and can quickly cause a project to become unfeasible. However, condominium sales growth is currently 14% annually, while the project conservatively accounts for growth at 8%. Comparables justify the existing price points.

### Construction Cost Increase

- Construction costs increases have a marginal impact on the project, especially since it is believed the worst case scenario would be an increase of 10%.

### Cost of Below Grade Parking Increase

- Surprisingly, a rise in parking cost has a minimal impact on project returns.

### Retail Cap Rate Increase

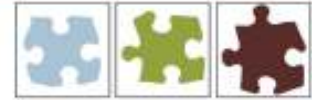
- Due to the fact that retail space accounts for a small amount of the total project, an increase in the retail cap rate minimally impacts the project.

### Hotel Cap Rate Increase

- Due to the size of the hotel and project income streams that are projected for the hotel, an increase in the hotel cap rate adversely affects on the project.

### Hotel Revenue per night Decrease

- The hotel accounts for a large income stream; therefore a decrease in hotel revenue has a large negative impact on the project.



### Increased Hotel Vacancy

- An increase in hotel vacancy creates significant negative impacts on the project.

### Soft Cost as a Percentage of Hard Costs Increase

- Soft cost account for 20% of hard cost; thus variances have a negative impact on project returns.

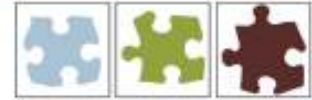
### Interest Rate Increase

- Higher interest rates increase financing costs resulting in higher returns. Due to the prompt repayment of loans, only marginal decreases in returns occur.

### Upside Sensitivity

#### Upside Sensitivity

Condo psf Sales Price Increase	Base Case	9.00%	10.00%	11.00%
Unlevered IRR	12.86%	14.42%	15.99%	17.57%
Retail Cap Rate Decrease	Base Case	6.00%	5.75%	5.50%
Unlevered IRR	12.86%	12.95%	13.06%	13.17%
Hotel Cap Rate Decrease	Based Case	7.75%	7.50%	7.25%
Unlevered IRR	12.86%	13.22%	13.62%	14.04%
Hotel Revenue per Night Increase	Base Case	\$300.00	\$325.00	\$350.00
Unlevered IRR	12.86%	13.86%	14.89%	15.92%
Hotel Vacancy Decrease	Base Case	25.00%	20.00%	15.00%
Unlevered IRR	12.86%	14.71%	16.62%	18.58%
Soft Costs as % of Hard Costs Decrease	Base Case	18.00%	16.00%	14.00%
Unlevered IRR	12.86%	13.52%	14.21%	14.91%
Interest Rate Decrease	Base Case	-0.50%	-1.00%	-1.50%
Unlevered IRR	12.86%	12.86%	12.86%	12.86%
Levered IRR	32.15%	32.15%	32.64%	32.88%



### Upside Risk Sensitivity Analysis

#### Condo Sales Price Increase

Due to the large income streams projected from condominiums sales, an increase in condo sales price has a positive impact on projected returns, and can quickly make a project highly lucrative.

#### Retail Cap Rate Decrease

Retail accounts for a small amount portion of the overall project, thus decreases in retail cap rate minimally impact the project.

#### Hotel Cap Rate Decrease

Due to the size of the hotel, and projected income streams, an increase in hotel cap rate has an adverse effect on the project.

#### Hotel Revenue per night Increase

An increase in revenue per night creates significant positive impacts on the project's return.

#### Hotel Vacancy Rate Decrease

The vacancy rate directly affects the net operating income of the hotel; thus a decrease in hotel vacancy will increase project returns significantly.



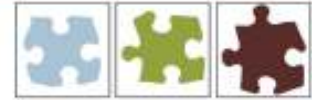


#### Soft Cost as a Percentage of Hard Costs Decrease

Soft cost accounts for 20% of hard cost; thus variances have large positive impacts on project returns.

#### Interest Rate Decrease

Lower interest rates reduce financing costs resulting in higher returns. Due to the prompt repayment of loans only marginal increases in returns occur.



## APPENDIX 2: GEOTECHNICAL

There are several geotechnical issues surrounding the site. Concerning factors include the high water table and liquefaction.

The groundwater (GW) under the west lot is 10-12 feet below ground surface (BGS). The new viaduct tunnel will not dewater the site. It is designed for hydrostatic pressure and the tunnel may actually cause a buildup of the groundwater east of it. Thus, a practical limit for commercial construction is about 2 stories BGS which is about 10 feet below the GW table. The costs below 2 stories are exponential and unfeasible. The most cost-effective way to compensate for the buoyancy of the below GW structure is to pour a thinner structural floor mat (12 to 18 inches) and tie it down with grouted anchors to resist buoyancy forces. Good waterproofing of the walls is required.

The other issue is liquefaction. The soils beneath the subject site are liquefiable and will settle and can move laterally if allowed. The tunnel should significantly reduce liquefaction-induced lateral spreading but settlement will still be an issue.

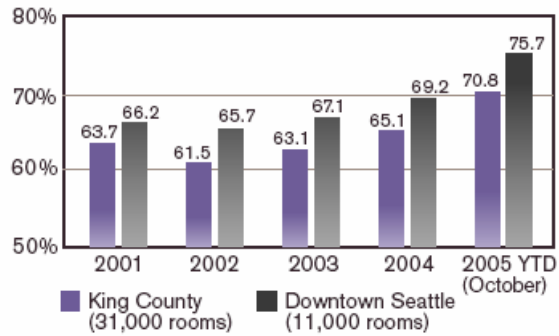
Supporting the building with piles is the most cost effective way to resist liquefaction-induced settlement. For our low rise structures, augercast piles are embedded 10 feet into the good ground at depth (100 ton capacity). The tower will require higher capacity piles such as drilled piers (400 to 800 tons each).



## APPENDIX 3: HOTEL ANALYSIS

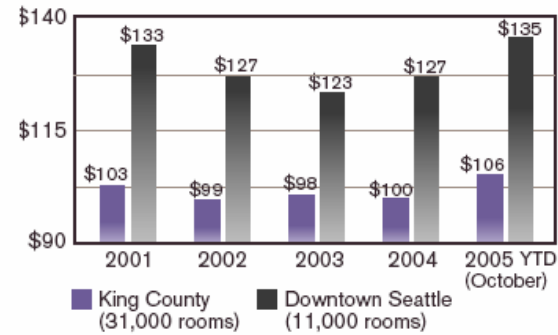
### Hotel Occupancy Percentage

Source: Smith Travel Research



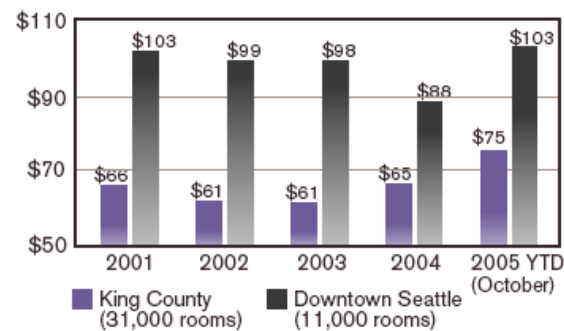
### Hotel Average Daily Rates

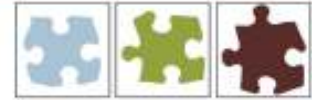
Source: Smith Travel Research



### Hotel Revenue Per Available Room (RevPAR)

Source: Smith Travel Research





## APPENDIX 3: REFERENCES

Gordon Clowers – City of Seattle, Planning & Development Specialist  
Guillermo Romano – City of Seattle, Director Planning and Development  
Robert Scully – City of Seattle, Land Use Planner  
Dennis Meier – City of Seattle, Senior Urban Design Planner  
Paul Keely - First American Title Insurance Company, Commercial Sales  
Tom Parsons – Opus Northwest LLC, Developer  
Mark Ludtka – Callison, Site Planner  
Chris Burdet – Colliers International, Hotel Specialist  
John Sabey – Sabey Corporation, Construction Costs  
Denny Onslow – Harbor Properties, Easement  
Connie Wing – Pacific Real Estate Partners, Broker  
Daniel Mageau - GeoEngineers, Inc., P.Eng  
Kevin Hanvy (LEED)  
JT Horner – Intervest, Loan Officer  
Michael Flanigan – City of Vancouver, Deputy Director  
Cameron Kemp – Omicron Building Solutions, Engineer

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