

MEMORANDUM

From: Mike Hassenger, Principal
 Laura Lohman, Principal
 Amy Worthington, Partner

Date: July 1, 2010

Deliver to: Clint Pehrson, Executive Director
 University District Ecumenical Campus Coalition (UDECC)

Project: UDECC Feasibility Study

Subject: **Executive Summary - Sources & Uses Analysis**

Comments:

UDECC engaged Seneca Group (“Seneca”) in February 2010 to assist the organization in assessing the financial feasibility of the program and design developed for a site located at the northeast corner of 15th Avenue NE and NE 45th Street in the University District. Starting in 2008, the UDECC Building Committee worked with Olson Kundig Architects (OKA) to define the program and develop the design concept for the site selected for the feasibility analysis. Throughout late winter and early spring of 2010, Seneca assessed the market value of the existing real estate assets of the UDECC member congregation church properties by reviewing recent comparable sales transaction data. Once the initial program and design concept were developed, Seneca and Sellen Construction (“Sellen”) met with OKA to discuss the program, concept design and construction approach. Over the next few months, Sellen prepared a detailed construction cost estimate which Seneca reviewed and evaluated. Seneca incorporated Sellen’s work into a comprehensive total project budget which was developed to reflect both “hard” (construction) and “soft”(design, permitting project management and administrative) costs. After the initial cost estimating and project budgets were complete and presented to the UDECC Feasibility Committee by Seneca, the team (OKA, Sellen and Seneca) met several times to refine the design concept, construction approach and associated costs based on modified programming provided by UDECC in an effort to develop the most efficient, cost-effective program that would meet UDECC’s vision, mission and values.

Sources & Uses Methodology

To determine if a project is financially feasible there needs to be a balance between **Sources** (identifiable sources of funds to pay for the costs to develop a project, including real estate assets, cash, grants, contributions and debt) and **Uses** (the cost to develop a project, including land, design, permitting, construction, financing, project management and WSST). Once all Sources and Uses are identified and totaled, Uses are subtracted from Sources. If the Sources are equal to or greater than Uses, a project is deemed feasible at the preliminary phase of development. If Uses are greater than Sources, a project is considered infeasible.

If the initial evaluation suggests that a project is infeasible, there are several things that can be done in an attempt to make it feasible. One obvious, but often times the most challenging, approach is to identify more Sources to eliminate the shortfall between Sources and Uses. Other possible solutions are to reduce the scope of the program, modify the design, select a different quality of finish and/or explore other construction approaches. These approaches should reduce the cost to develop a project. Often times it is not one single approach, but rather a combination of all of these approaches, that must be employed to turn an infeasible project into a feasible one.

Assumptions

In order to complete the Sources & Uses Analysis, a number of assumptions need to be made because a feasibility study is done at the very initial phase of development when it is impossible to know everything about a project - the condition of the site, the time it will take to receive all the entitlements and permits necessary to construct the project, the actual cost to construct the project, the cost to finance the project, how long it will take to construct the project - that one knows upon completion of a project. Due to this impossibility, assumptions are made about all of these variables so one can determine whether or not a project "pencils".

The following is a list of assumptions the team made about UDECC's project to complete the feasibility study.

Entitlements/Permitting

- Rezone from NC2-40' to NC3-65' approved by City of Seattle;
- Alley vacation approved by City of Seattle;
- New alley approved by City of Seattle;
- No utility conflicts with alley vacation or new alley
- No appeals to the rezone, alley vacation or Master Use Permit (MUP) processes

Environmental/Geotechnical

- No environmental mitigation
- No hazardous materials
- No unique soils conditions

Program

- Total Program is approximately 190,000 GSF – 80,000 GSF new bldg, 90,000 GSF garage, 3,000 GSF campus ministry in UCUC building, 15,000 GSF Alumni House
- Approximately 1,000 SF of retail space at the corner of 15th Ave NE & NE 45th St
- Approximately 600 SF of retail space at level 1 in Alumni House

Furniture, Fixtures and Equipment (FF&E)

- FF&E (including pews) is excluded
- New or existing organ refurbishment and installation is excluded

Construction

- Type I construction
- Occupancy Q4 2014
- 24-month construction schedule to occupancy, including site prep, 16-month Sellen timeframe and move-in

Asset Transactions/Contributions

- 100% of sale proceeds dedicated to new site and facility

- Full participation by all 7 member congregations
- All sales completed within dedicated timeframe to ensure funds are available at the time construction is ready to commence
- UDECC acquires 2 dentists' properties north of the UCUC land
- UCUC contributes its land for the site
- UDECC acquires Alumni House from University of Washington
- 100% ownership by UDECC, no commercial condominiums except one dentist space at Alumni House

Financing

- No conventional debt
- All cash disposition of the Asset Sales in a single quarter.

Sources

For this analysis, Sources are made up of a combination of net sale proceeds from the sale of eight UDECC member congregation church properties, the sale of a condominium interest in Alumni House to one of the dentists, a land contribution by UCUC, and a cash contribution by MCCS. The majority of the Sources [85%], are attributable to the sale of the real estate assets currently held by five of the congregations.

The value attributable to the asset sales is based on the sales approach to property valuation, which is one of three standard approaches used to value real estate and is the most applicable approach to adopt for these facilities given their current use and the highest and best use of the properties. Seneca used recent sales transactions in the University District (Sales Approach) coupled with its knowledge and experience working on other University District projects over the past several years to determine the value for the properties.

Additionally, Seneca analyzed the values from both a land perspective and a building perspective to determine if the highest and best use was redevelopment of the site (land value) or as-is with the existing improvements (building value).

The Sources of Funds table attached to the executive summary shows the gross asset value for the properties. After determining the gross asset value, it was assumed that there would be a cost for the disposition of all of the properties equal to approximately 5% of the gross asset value. As the table indicates, the resulting Net Cash From Asset Sales is \$28.6 million.

The Other Sources listed in the table equal \$5.1 million. The Other Sources are comprised of a land contribution by UCUC, a cash contribution by MCCS and the proceeds from the sale of a condominium interest in Alumni House to one of the dentists.

As is illustrated on the Sources of Funds table, the total sources currently identified equal approximately \$33.7 million.

Uses

To complete the Uses side of the equation, Seneca created a preliminary total project budget to identify all the costs associated with developing UDECC's project. The project budget is organized into a few major categories - land, design, permitting, shell & core construction, interiors/FF&E, sales tax, financing, development management, and an owner's contingency.

The majority of project costs, roughly two-thirds, comes in the form of “hard” costs (shell & core construction plus interiors but not furniture, fixtures or equipment). Sellen was included on the team to create a detailed estimate of the construction costs for UDECC’s conceptual design and program. For this project, the hard costs total \$42.8 million. A copy of Sellen’s detailed Conceptual Cost Model, Conceptual Estimate Qualifications & Assumptions, and Conceptual Estimate Owner’s Responsibility Matrix is attached to this executive summary for your review. Additionally, the Project Cost Estimate is attached to the executive summary for your review. It allocates the costs between the new building, the garage, the student ministry housed at UCUC, and Alumni House.

The other (roughly, one-third) project costs are in the form of “soft” costs, which are made up of the other non-construction items listed above. The estimated soft costs and land for this project were estimated at a total of \$22.2 million, or 34%.

Seneca developed a Preliminary Total Project Budget for the UDECC project, incorporating Sellen’s construction cost estimate and making assumptions for the other costs based upon our own experience with similar developments and market-based industry metric. At this stage of analysis, the estimated Total Uses equal approximately \$65 million.

Result

Subtracting the Total Uses from the Total Sources results in a shortfall of \$31.3 million. Without substantial amendments to project scope, identification of additional sources, or both, the project is infeasible. Despite this result, it is not unusual for a project to be considered infeasible after the initial round of analysis. This is where the work really begins. This feasibility study only explored a build scenario. Two other options - buy or lease - could be explored and tested. Additionally, the approaches discussed in the Sources & Uses Methodology section could be undertaken for the build scenario to redefine the project in such a way that it is feasible. The timeline graphic attached to the executive summary aligns the six phases of the development process and Sources & Uses cash flow timelines for the project. This graphic illustrates the points in time along the development process when the Sources and Uses are needed, which highlights the fact that the entire \$65 million is not needed at the beginning of the process. Rather, the amount of Sources and Uses ebb and flow with the various phases throughout the development process. Some phases are more capital intensive than others, with the construction phase being the most capital-intensive phase of the process.

UDECC @ 45th & 15th
VERY PRELIMINARY FINANCIAL ANALYSIS
SOURCES OF FUNDS
AMOUNTS IN \$1,000's of 2012 DOLLARS
June 1, 2010

ASSET SALES

GROSS ASSET VALUE		\$30,100
- TRANSACTION COSTS	5.0%	(\$1,505)
= NET CASH FROM ASSET SALES		\$28,595

OTHER SOURCES

MCCS		200
Dentist Condo Sale		400
UCUCC Land Contribution		4,500
TOTAL OTHER SOURCES		5,100

TOTAL SOURCES

33,695

UDECC @ 45th & 15th
VERY PRELIMINARY FINANCIAL ANALYSIS
PROJECT COST ESTIMATE
AMOUNTS IN \$1,000's of 2012 DOLLARS
July 1, 2010

PROJECT	COST DATA	NEW BUILDING					NEW BLDG + GARAGE	GARAGE	NEW BLDG + GARAGE	BLDG + GARAGE COST \$/BLDG GSF	BLDG + GARAGE COST \$/BLDG USF	UCUCC Student Ministry	ALUMNI HOUSE Human Svcs	TOTALS	Notes
		Human Svcs	Worship + Music	Fellowship	Educ + Library	Admin + Nursery									
USF [PROGRAM VARIATION "E"]	75.00 % of GSF	12,900	17,190	13,860	4,950	9,720	58,620				2,000	11,550	72,170		
GSF		17,200	22,920	18,480	6,600	12,960	78,160	89.250	167,410		2,667	15,400	96,227		
% of Total New Building GSF (Excl. Garage)		22.0%	29.3%	23.6%	8.4%	16.6%	100.0%	208 Stalls							
% of Total New Building GSF (Incl. Garage)		10.3%	13.7%	11.0%	3.9%	7.7%	46.7%	53.3%	100.0%						
S&C Cost Allocation Adj.		1.00	1.50	1.25	1.00	1.00									
LAND															
Land - Alley Acquisition	100						0	100	100	\$1.28/GSF	\$1.71/USF	0	0	100	Discuss value per SF-Land with Amy & Mike
Land - Dentists Offices	1,800	180	250	200	70	140	840	960	1,800	\$23.02/GSF	\$30.70/USF	0	0	1,800	Alloc. Per % of New Bldg GSF (Incl. Garage)
Land - UCUC	4,500	460	620	500	180	350	2,110	2,400	4,510	\$57.70/GSF	\$76.94/USF	0	0	4,510	Alloc. Per % of New Bldg GSF (Incl. Garage)
Land - Alumni House	2,000						0	0	0	\$0.00/GSF	\$0.00/USF	0	2,000	2,000	
LAND SUBTOTAL		\$640	\$870	\$700	\$250	\$490	2,950	\$3,460	6,410	\$82.01/GSF	\$109.34/USF	\$0	\$2,000	8,410	
		\$37/GSF	\$38/GSF	\$38/GSF	\$38/GSF	\$38/GSF	\$38/GSF	\$16,633/stall							
DESIGN															
Architect - Alley Vacation/Rezone Support	100						0	100	100	\$1.28/GSF	\$1.71/USF	0	0	100	
A & E - % of Constr. Cost (excl WSST)		10.0%	15.0%	10.0%	8.0%	8.0%	11.6%	8.0%	10.7%			10.0%	12.0%		
A & E - Basic Services		550	1,840	810	170	330	3,700	770	4,470	\$57.19/GSF	\$76.25/USF	20	110	4,600	
DESIGN SUBTOTAL		\$550	\$1,840	\$810	\$170	\$330	3,700	\$870	4,570	\$58.47/GSF	\$77.96/USF	\$20	\$110	4,700	
		\$32/GSF	\$80/GSF	\$44/GSF	\$26/GSF	\$25/GSF	\$47/GSF	\$4,183/stall							
PERMITTING															
MUP	300		300				300		300	\$3.84/GSF	\$5.12/USF	0	0	300	Design included in A&E - Basic Services above.
Rezone/Alley Vacation	100						0	100	100	\$1.28/GSF	\$1.71/USF	0	0	100	
Land Use Legal	100	50	10	10	10	10	90	10	100	\$1.28/GSF	\$1.71/USF	0	0	100	
Building Permit	2.0% of Constr. Costs		120				120	60	180	\$2.30/GSF	\$3.07/USF	10	10	200	
PERMITTING SUBTOTAL		\$50	\$430	\$10	\$10	\$10	510	\$170	680	\$8.70/GSF	\$11.60/USF	10	10	700	
		\$3/GSF	\$19/GSF	\$1/GSF	\$2/GSF	\$1/GSF	\$7/GSF	\$817/stall							
SHELL & CORE CONSTRUCTION															
SELLEN															
Site Work	Alloc. Per Bldg. GSF	10.3%	13.7%	11.0%	3.9%	7.7%	46.7%	53.3%	100.0%						
	\$954	100	130	110	40	70	450	510	960	\$12.28/GSF	\$16.38/USF	0	0	960	Per Sellen cost estimate dated 6/1/2010.
New Building Shell & Core	Wtd. per Alloc. Adj.	18%	36%	25%	7%	14%	100%	0%							
	\$21,692	3,960	7,910	5,320	1,520	2,980	21,690	0	21,690	\$277.51/GSF	\$370.01/USF	0	0	21,690	Per Sellen cost estimate dated 6/1/2010. Rounded to tie to Sellen's numbers.
Parking Garage		0%	0%	0%	0%	0%	0%	100%							
	\$8,021	0	0	0	0	0	0	8,020	8,020	\$102.61/GSF	\$136.81/USF	0	0	8,020	Per Sellen cost estimate dated 6/1/2010.
Design Development Contingency	5.0% of Constr. Costs	200	400	270	80	150	1,100	430	1,530	\$19.58/GSF	\$26.10/USF	0	0	1,530	
Contractor's Contingency	2.0% of Constr. Costs	80	160	110	30	60	440	170	610	\$7.80/GSF	\$10.41/USF	0	0	610	
General Contractor Fee, Taxes, Insurance	4.0% of Constr. Costs	160	320	220	60	120	880	340	1,220	\$15.61/GSF	\$20.81/USF	0	0	1,220	
Escalation - Assumes 2012 Start	2.5% of Constr. Costs	100	200	140	40	80	560	210	770	\$9.85/GSF	\$13.14/USF	0	0	770	
SHELL & CORE SUBTOTAL	Excludes WSST	4,600	9,120	6,170	1,770	3,460	25,120	9,680	34,800	\$445.24/GSF	\$593.65/USF	0	0	34,800	
		\$267/GSF	\$398/GSF	\$334/GSF	\$268/GSF	\$267/GSF	\$321/GSF	\$46,538/stall							
INTERIORS/FF&E															
SELLEN															
Interior Improvements		\$60/USF	\$160/USF	\$121/USF	\$60/USF	\$60/USF	\$104/GSF				\$75/USF	\$70/USF			Rounded to tie to Sellen's numbers.
	\$6,047	770	2,750	1,680	300	580	6,080	0	6,080	\$77.79/GSF	\$103.72/USF	150	\$810	7,040	Per Sellen cost estimate dated 6/1/2010.
Design Development Contingency	5.0% of Constr. Costs	40	140	80	20	30	310	0	310	\$3.97/GSF	\$5.29/USF	10	40	360	
Contractor's Contingency	2.0% of Constr. Costs	20	60	30	10	10	130	0	130	\$1.66/GSF	\$2.22/USF	0	20	150	
General Contractor Fees, Taxes, Insurance	4.0% of Constr. Costs	30	110	70	10	20	240	0	240	\$3.07/GSF	\$4.09/USF	10	30	280	
Escalation - Assumes 2012 Start	2.5% of Constr. Costs	20	70	40	10	10	150	0	150	\$1.92/GSF	\$2.56/USF	0	20	170	
FF&E - Common Areas	0.0% of Constr. Costs	0	0	0	0	0	0	0	0	\$0.00/GSF	\$0.00/USF	0	0	0	
FF&E - Sanctuaries	0.0% of Constr. Costs	0	0	0	0	0	0	0	0	\$0.00/GSF	\$0.00/USF	0	0	0	Where are costs to refurbish organs?
INTERIORS/FF&E SUBTOTAL	Excludes WSST	880	3,130	1,900	350	650	6,910	0	6,910	\$88.41/GSF	\$117.88/USF	170	920	8,000	
		\$51/GSF	\$137/GSF	\$103/GSF	\$53/GSF	\$50/GSF	\$88/GSF	\$0/stall							
TOTAL CONSTRUCTION [B4 WSST]															
	SELLEN	5,480	12,250	8,070	2,120	4,110	32,030	9,680	41,710	\$533.65/GSF	\$711.53/USF	170	920	42,800	Per Sellen cost estimate dated 6/1/2010.
		\$319/GSF	\$534/GSF	\$437/GSF	\$321/GSF	\$317/GSF	\$410/GSF	\$46,538/stall							
WSST	9.5% of Constr. Costs	440	870	590	170	330	2,400	920	3,320	\$42.48/GSF	\$56.64/USF	0	0	3,320	
FINANCING															
Financing Fees	Alloc. Per Σ S&C + TI Cost	12.80%	28.62%	18.86%	4.95%	9.60%	74.84%	22.62%	97.45%		0.40%	2.15%	100%	1.00% of Total Other Sources	
	1.0% of Ttl Oth Sources	40	90	60	20	30	240	70	310	\$3.97/GSF	\$5.29/USF	0	10	320	
Construction Interest/Carry Cost		0								\$0.00/GSF	\$0.00/USF	0	0	0	See Interest calc on Sources & Uses page.

UDECC @ 45th & 15th
VERY PRELIMINARY FINANCIAL ANALYSIS
PROJECT COST ESTIMATE
AMOUNTS IN \$1,000's of 2012 DOLLARS
July 1, 2010

PROJECT	COST DATA	NEW BUILDING						GARAGE	NEW BLDG + GARAGE	BLDG + GARAGE COST \$/BLDG GSF	BLDG + GARAGE COST \$/BLDG USF	UCUCC Student Ministry	ALUMNI HOUSE Human Svcs	TOTALS	Notes
		Human Svcs	Worship + Music	Fellow-ship	Educ + Library	Admin + Nursery	NEW BLDG TOTAL								
Other Financing Cost	0								\$0.00/GSF	\$0.00/USF	0	0	0		
FINANCING SUBTOTAL	0	40	90	60	20	30	240	70	310	\$3.97/GSF	\$5.29/USF	0	10	320	
DEVELOPMENT MANAGEMENT															
Development Management Fee	Alloc. Per Σ S&C + TI Cost	12.80%	28.62%	18.86%	4.95%	9.60%	74.84%	22.62%	97.45%			0.40%	2.15%	100%	
Developer Reimbursables	3.00% of Proj. Cost Excl. Land	210	480	310	80	160	1,240	380	1,620	\$20.73/GSF	\$27.64/USF	10	40	1,670	
DEVELOPMENT MGMT SUBTOTAL	250	30	70	50	10	20	180	60	240	\$3.07/GSF	\$4.09/USF	0	10	250	
OTHER															
Taxes and Insurance														0	
Utility Company Charges														0	
TI Allowance														0	
Retail Leasing Commissions														0	
Brokerage Fees - Transactions														0	
Project (Owner's) Contingency	Alloc. Per Σ S&C & TI	12.80%	28.62%	18.86%	4.95%	9.60%	74.84%	22.62%	97.45%			0.40%	2.15%	100%	
OTHER SUBTOTAL	5.00% of Proj. Cost Excl. Land	360	800	520	140	270	2,090	630	2,720	\$34.80/GSF	\$46.40/USF	10	60	2,790	
TOTAL PRELIM PROJECT BUDGET		\$7,800	\$17,700	\$11,120	\$2,970	\$5,750	\$45,340	\$16,240	\$61,580	\$787.87/GSF	\$1,050.49/USF	\$220	\$3,160	64,960	
\$/USF		\$605/GSF	\$1,030/GSF	\$802/GSF	\$600/GSF	\$592/GSF	\$773/GSF		\$1,050/GSF						
\$/GSF		\$453/GSF	\$772/GSF	\$602/GSF	\$450/GSF	\$444/GSF	\$580/GSF	\$78,075/stall	\$788/GSF						

\$33,695 See Asset Sales calculations
\$30,325 Plug to balance Total Budget

UDECC @ 45th & 15th
VERY PRELIMINARY FINANCIAL ANALYSIS
TIMELINE AND SOURCES & USES
 AMOUNTS IN \$1,000's of 2012 DOLLARS
 July 1, 2010

DATA	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	Totals							
TIMELINE																											
Feasibility																											
Decision/Strategy/Fundraising																											
Design / CA																											
Permitting																											
Construction																											
Asset Sales																											
SOURCES																											
Predevelopment	NIC																										
Sources: Asset Sales												28,595									28,595						
Sources: Other Known												5,100									5,100						
Sources: Other	0	10	10	490	490	140	240	240	240	1,473	1,603	(18,057)	6,908	6,908	6,908	6,908	9,782	3,507	3,467	31,265							
TOTAL SOURCES	0	10	10	490	490	140	240	240	240	1,473	1,603	15,638	6,908	6,908	6,908	6,908	9,782	3,507	3,467	64,960							
USES																											
Feasibility	See Dev. Budget																										
Land	NIC																										
Design				470	470	20	20	20	20	1,253	1,253	8,410	147	147	147	147	147	147	147	147	8,410						
Permitting						100	100	100	100	100	200										700						
S&C Construction												5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	34,800					
TI Construction																	2,667	2,667	2,667	2,667	2,667	2,667	2,667	2,667	2,667	2,667	8,000
WSST	0	0	0	0	0	0	0	0	0	0	0	450	450	450	450	450	450	450	450	3,320							
Financing	Excludes Interest																										
Dev. Mgt.			10	10	20	20	20	20	20	20	50	225	225	225	225	225	225	225	200	160	1,920						
Other							100	100	100	100	100	286	286	286	286	286	286	286	286	286	2,790						
TOTAL USES	0	10	10	490	490	140	240	240	240	1,473	1,603	15,638	6,908	6,908	6,908	6,908	9,782	3,507	3,467	64,960							