

DEVELOPMENT PROPOSAL FOR THE SUZUKI PROPERTY

CITY OF BAINBRIDGE ISLAND, WASHINGTON

November 30, 2015



AKA





November 30, 2015

Kathy Cook
Community Development Director
City of Bainbridge Island
280 Madison Avenue North
Bainbridge Island, WA 98110

Re: Development Proposal – City of Bainbridge Island

Dear Ms. Cook,

Our design and development team is pleased to present our initial vision for the development of the Suzuki property, as requested in the request for proposals issued by your department. We understand that this is a special property, with deep significance to the community, and as such, requires a non-traditional development approach.

We believe that our proposed approach not only provides a return on the city's investment in the property, but also a unique vision for an affordable and sustainable housing project. Our proposal combines a small development footprint that will be largely invisible from the adjacent roads; highly sustainable, affordable housing that encourages a car-free lifestyle, and a dedication of the majority of the site area back to the city or school district for interpretive use in support of the three schools within walking distance of the site.

A summary of our proposal follows. Please do not hesitate to contact us if you have any questions, or if you would like to schedule a presentation.

Sincerely,
Housing Kitsap
AKA Investors
Blue Architecture

By Robert Guyt, Principal, LEED AP
Blue Architecture

Attachments: Proposal Package

executive summary:

Our team, consisting of Housing Kitsap, AKA Investors and blue architecture is proposing a development solution that we believe is uniquely suited to the needs of the community, the city, and the site itself. Our proposal is to develop a small percentage of the property at the center of the site for permanent affordable housing, while leaving the trees and pond around the perimeter untouched. We propose to dedicate back the treed area (refer to the site plan) to the city or school district for interpretive use. Our team is proposing to provide a structure in support of that function as a part of our proposal, and we have had conversations with both IslandWood and Harrison Medical Center regarding operation of the site for both interpretive and wellness uses. Further improvement of the existing trail system is also proposed.

A very sustainable approach is proposed, including net-zero buildings using sustainable technologies (LEED Certification is planned), including solar panels, and schemes that range from completely car-free to those with limited parking for residents and guests. The schemes include a "zip car" lot for resident use, with a solar array for recharging of electric vehicles. Fire access is provided in all schemes, but the goal is to provide a cutting edge sustainable community for those that would prefer to live without a car. The central green connects to walking and bike paths leading to nearby schools and transit, and provides a sunny recreational core to the development.

Housing Kitsap and AKA Investors have a strong track record in affordable housing development and management, and have the resources available to execute this proposal immediately.

Summary of Proposal:

| | |
|----------------------|-----------------------------|
| Land Purchase Price: | \$2,600,000 |
| Units Proposed: | 60 affordable units |
| Site Area Developed: | 4.75 ac. (35% of site area) |



Development site plan:



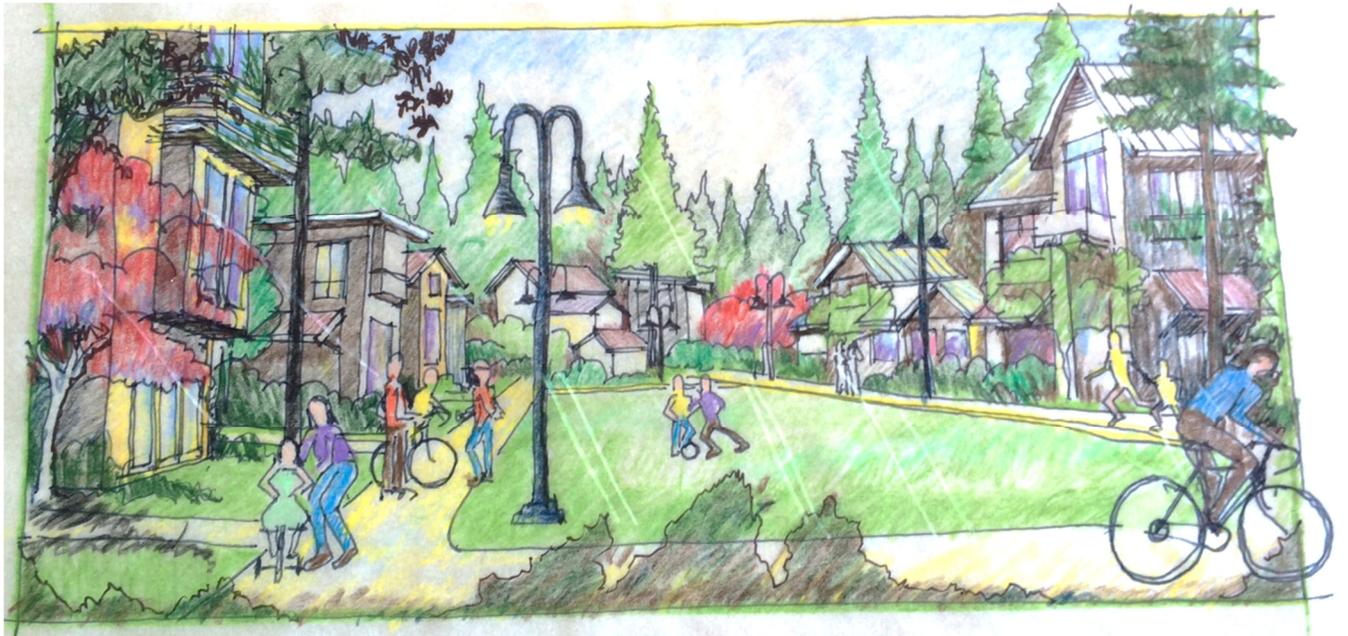
Development narrative:

Our team, consisting of Housing Kitsap, AKA Investors and blue architecture will form an LLC if selected to move forward with the project.

AKA Investors, LLC has fostered several business relationships with private capital investors throughout the last eight years. This business network provides access to several million dollars in capital for short-term and development funding. Over the last four years, AKA Investors, LLC has also developed a very strong working relationship with Pacific Crest Savings Bank, a small local lender based out of Lynnwood, WA. Pacific Crest Savings is currently financing several projects for the company. Between its business banking relationships and its network of capital investors, the company has the means to finance a project of this size and scope.

A summary of our proposed schedule, team member qualifications and experience, and a project financial summary follow in this packet.

A proposed vignette of the project is below:



Board of Commissioners

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Val Tollefson, *Vice chair*
Becky Erickson
Robert Gelder
Ed Wolfe
Tim Matthes

Executive Director

Stuart Grogan



345 6th Street, Suite 100
Bremerton, WA 98337-1891

Phone (360) 535.6100
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November 20, 2015

To the City Council of the City of Bainbridge Island

Housing Kitsap is excited to participate in this response to your Request for Proposals for the development of the Suzuki property.

With rising rents and unprecedented occupancy rates, the need for affordable housing in Kitsap County is critical. The City of Bainbridge Island's Housing Needs Assessment from December, 2014 further documents that need on the island. One particular statistic from that study, that 40% of renter households are rent burdened, meaning they pay more than 30% of their income for housing, is indicative of a serious problem. That very few, new affordable housing units have been added to the housing stock in the last 10 years makes the community opportunity represented by the Suzuki property crucial to helping address the need for more housing options.

Housing Kitsap is a long time developer, owner and manager of affordable housing throughout the County including 92 units in three buildings in the City of Bainbridge Island, a portfolio of over 900 units, and an annual budget of over \$13 million dollars.

As the co-developer and subsequent manager of this project, Housing Kitsap is committed to its success. We will be involved and lead every aspect of this project starting with the community outreach process to permitting through to ground breaking and the grand opening. As a provider and manager of affordable housing for over 30 years, our focus is always on preserving affordable housing. This, and the fact that we only work in this jurisdiction, we are committed this projects success long after the first residents have begun to live there.

We believe that affordable housing is a critical need in this community and we believe that the team assembled in this proposal is the right team to deliver a sustainable, innovative response to that need. We look forward to working with you and would be happy to respond to any comments or questions you may have.

Sincerely

Stuart Grogan

Stuart Grogan
Executive Director, Housing Kitsap
345 6th Street, Suite 100
Bremerton, WA
98337-1891

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STUART GROGAN

Executive Director

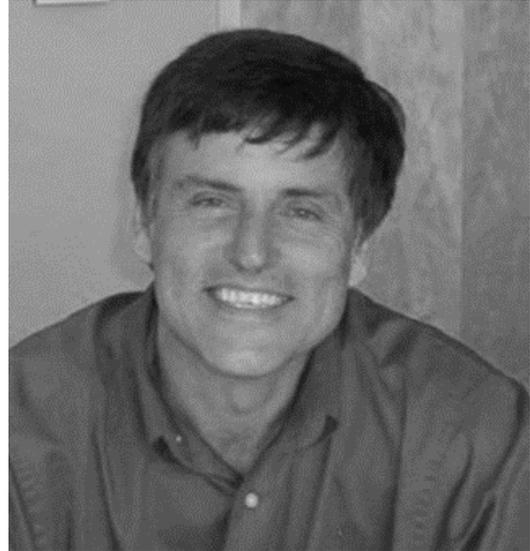
Areas of Expertise

Affordable Housing
Project Management
Project Funding
Construction Management

Education

University of Wisconsin - Madison
Master of City and Regional Planning

Beloit College
Bachelor of Anthropology



Background

Stuart Grogan joined the Kitsap County Consolidated Housing Authority (KCCHA), also known as Housing Kitsap (HK), as the Executive Director on December 8, 2014, after a nationwide search.

Stuart has worked in housing and local government for over 25 years. He was most recently the Director of Real Estate Development, and a Project Manager prior to that, at the Housing Authority of the City of Boulder (BHP) in Colorado. At BHP, he was responsible for finding projects, testing feasibility, overseeing planning and entitlements, managing construction, and coordinating the conversion to management of new affordable housing communities.

While in Boulder, Stuart worked on the Foothills and Holiday neighborhoods and the Broadway and High Mar apartments. Most recently, he worked with the community on the Lee Hill apartments, Boulder's first Housing First based community for the chronically homeless. Prior to that, Stuart served as a senior zoning official for the City of Boulder in the Planning Department.

Stuart earned a Master's degree in Urban and Regional Planning from the University of Wisconsin - Madison and holds a Bachelor's in Anthropology from Beloit College in Wisconsin.

Stuart is a former Peace Corps volunteer, serving for almost five years in both western and southern Africa.

BOB GUYT

ARCHITECT, LEED AP®

PROJECT DESIGNER

Areas of Expertise

Housing Design
Sustainable Architecture
Site Design
Renovation and Adaptive Re-use
Sustainable Technology

Education

Bachelor of Architecture –
California Polytechnic State University – San Luis Obispo



Approach

Creating a new housing community is all about creating an identity. What is the personality of the surrounding context, and how can the design enhance it? What design concepts will resonate with both potential residents, as well as the surrounding population? Is there a way to keep the best aspects of the undeveloped site, while creating an amazing residential environment? The design approach for a great community isn't based on a formula, but on ideas. A cookie-cutter approach to housing may be safe and predictable, but is rarely the best way to enhance the environment or the community.

Process

Every design tells a story. The story is a tool for creating an integrated place that resonates with people, that draws them in, and makes a collection of building materials into a home. It blends architecture, site design, interiors and graphics into something that is well beyond the sum of their parts, but is never style for style's sake. Rather, the story is a unifying idea that brings consistency and depth to all aspects of the design, and against which all decisions are tested. We work with you to develop a story that is uniquely yours -- strategically crafted to match your vision and core values, creating an experience that is welcoming, inviting, and a place that people call home.

Background

Bob has over 25 years of architectural and interior design experience and has been a lead design architect on numerous award-winning projects across the nation, with credits including housing, hotels, retail, and the Olympic Village for the 2002 Winter Games. He is licensed to practice architecture in Washington and California.

MATT KING

ARCHITECT, WSSHE, LEED AP BD+C®

PROJECT MANAGER

Areas of Expertise

Project Management
Sustainable Development
Adaptive Re-Use
Multifamily Housing

Education

Bachelor of Arts in English
East Carolina University

Approach

A project exists, in a way, long before the first conversations, before the first meetings are attended, and before the first shovel breaks the ground. They begin as an idea, and when a person comes in contact with that idea, they influence it. From this intangible concept we seek to create something that can be touched, provide shelter, enable us to work, to play, to live. As design professionals we are charged with developing this idea, providing momentum, excitement and flesh to something that may have started as nothing more than a desire.

Process

Developing a project is satisfying for me because the process is never static. I invite everyone involved to continuously rethink, revise and improve on the project's status and nature. That stated, there are constants essential for a project to achieve greatness. Collaboration, when all parties are willing to listen and to earnestly consider ideas from each other, allows for the best outcome.

Raising buildings out the ground requires a concerted and passionate effort from owner, design professionals and builder -- with each trusting and listening to the other.

Background

Matt has 20 years of combined experience working as a builder, designer and project manager. A career that can be traced through the building of financial institutions, restaurants, commercial and retail structures, has transformed into leading healthcare and community project management and design. With an understanding of the design process from big idea to grand opening, Matt has managed all phases of both renovation and new construction projects.



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MISSION

Housing Kitsap manages preserves and builds safe affordable housing serving individuals, families and communities throughout Kitsap County.

WHO WE ARE

The Kitsap County Consolidated Housing Authority, dba, Housing Kitsap (HK) is a public body, organized under the Housing Authorities Law of the State of Washington (RCW 35.82.300). HK was created in 1982 becoming the first joint city-county housing authority in the state. HK's area of operation includes all of Kitsap County except the City of Bremerton.



The Board of Commissioners of HK is comprised of the three Kitsap County Commissioners, the Mayors of the cities of Poulsbo, Bainbridge Island, and Port Orchard, and a Resident representative.

HK owns and manages just over 900 units of affordable housing for low and moderate income households in 22 projects and serving over 2,000 people.



Liberty Bay

HK has an operating budget of over \$13 million annually.

OUR VALUES

In HK's recently adopted Strategic Plan, we are committed to five goals:

1. Improving operations to increase efficiency, increase revenue, and reduce costs to meet all our debt and compliance obligations
2. Focus on the core mission to insure diverse affordable housing throughout the County
3. Enhance and expand advocacy efforts
4. Invest, expand and improve organizational effectiveness
5. Expand services, partnerships and programs for all residents

OUR PROGRAMS

HK offers housing under a variety of programs. For example, we own and manage 136 units of federally supported Public Housing. These sites are available for individuals and families, typically with very low incomes, housing that insures they will have to pay no more than 30% of their income for housing.

Over 750 units are available to a mix of backgrounds and incomes ranging from less than 30% of the area median income (AMI) to nearly market rates. These projects were developed using low income housing tax credits, tax exempt bonds, multifamily loans from the Department of Rural Development, project based Housing Choice vouchers, grants from the Department Commerce's Housing Trust Fund, Kitsap County, and conventional construction and permanent financing.



of

HK has been developing homes in the Mutual Self-Help Housing Program in the Western Region which includes 11 states plus the Western Pacific. Along with HK, three other regions nationwide, was recently awarded "A Helping Hand in Rural America". Since 1982, HK has partnered with USDA to operate this program which provides the low income households affordable homeownership opportunities in Kitsap County and has provided over 850 affordable homes.



Participants work together in groups of 8 to 10 building each other homes and contributing approximately 1,200 hours of labor.

Homeownership opportunities have been available since 1982 in Kingston, Poulsbo, Port Orchard and in the City of Bainbridge Island.

Project Name:
 Print Date:
 Version Date
 Developer:

Suzuki (City of Bainbridge Island)
 November 21, 2015
 9% LIHTC
 HK / Blue Architecture / AK Development

Summary

Budget: sources and uses

| Sources | | |
|---|----------------------|----------------------|
| LIHTC | | |
| First perm loan | \$ | 2,846,515 |
| HTF | \$ | 800,000 |
| Local | \$ | - |
| Deferred Developer Fee | \$ | 1,000,000 |
| Tax Credit Equity | \$ | 6,953,932 |
| Non-LIHTC | | |
| Second perm loan | \$ | 2,790,109 |
| Private equity | \$ | 1,100,000 |
| Private equity (land) | \$ | 700,000 |
| | | |
| Total Sources | | \$ 16,190,557 |
| Uses | | |
| Land | \$ | 2,600,000 |
| Site Work | \$ | 1,000,000 |
| Construction interim costs | \$ | 375,000 |
| Building (units, garages, common areas) | \$ | 7,196,250 |
| Professional Fees | \$ | 750,000 |
| Permanent Financing | \$ | 100,000 |
| Soft Costs | \$ | 100,000 |
| Syndication | \$ | 16,540 |
| Developer Fee | \$ | 2,000,000 |
| Project Reserves | \$ | 302,766 |
| Contingency | \$ | 1,750,000 |
| | | |
| Total Uses | | \$ 16,190,556 |
| Sources less Uses | surplus (gap) | \$ 0 |

| ASSUMPTIONS AND MULTIPLIERS | LIHTC | non-LIHTC |
|------------------------------------|--------------|------------------|
| Net Operating Income (NOI) | \$ 235,515 | \$ 230,848 |
| Expenses | | |
| PUPA with Rep Reserves | \$ 3,600 | \$ 2,500 |
| Replacement Reserves, per unit | \$ 300 | \$ 300 |
| Annual Debt Service | \$ 204,796 | \$ 200,737 |
| Total Cash Flow (Yr 1) | \$ 37,781 | \$ 34,138 |
| DCR (Yr 1) | 1.18 | 1.17 |
| Total Cash Flow (Yr 16) | \$ 89,484 | \$ 102,582 |
| DCR (Yr 16) | 1.44 | 1.51 |
| Annual Income Multiplier | 2% | 2% |
| Annual Expense Multiplier | 3% | 3% |
| Vacancy Rate | 5% | 5% |
| Permanent Mortgage Interest Rate | 6.00% | 6.00% |
| Price per \$ of Tax Credit | \$ 0.95 | |
| Total dev cost per sqft | | \$389.24 |
| Total dev cost per unit | | \$311,234 |

AKA Investments Project List

2008

- SFR Remodel Carmel, CA \$1.5 million value
- SFR Remodel Fife, WA \$350k value
- SFR Remodel Gig Harbor, WA \$300k value
- Condo Remodel Kirkland, WA \$200k value

2009

- SFR Remodel Seattle, WA \$400k value
- SFR Remodel Seattle, WA \$300k value

2010

- SFR Remodel Seattle, WA \$450k value
- SFR Remodel Seattle, WA \$300k value
- Commercial Investment Oklahoma City, OK \$100k value

2011

- SFR Remodel Monterey, CA \$2 million value
- SFR Remodel Seattle, WA \$250k value
- SFR Remodel Seattle, WA \$650k value
- SFR Remodel Seattle, WA \$600k value
- Duplex Remodel Seattle, WA \$400k value
- SFR Remodel Seattle, WA \$350k value

2012

- SFR New Construction Seattle, WA \$1.2 million value
- SFR New Construction Seattle, WA \$1 million value
- SFR Remodel Seattle, WA \$500k value
- SFR Remodel Seattle, WA \$450k value
- SFR New Construction Seattle, WA \$800k value
- SFR Remodel Seattle, WA \$300k value

2013

- SFR Remodel Seattle, WA \$650k value
- SFR New Construction Seattle, WA \$1.2 million value
- SFR New Construction Seattle, WA \$1 million value
- SFR Remodel Seattle, WA \$350k value



AKA Investors, LLC
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2014

- SFR Remodel Seattle, WA \$450k value
- Multi-family Remodel Everett, WA \$650k value
- SFR New Construction Seattle, WA \$1.5 million value
- SFR Remodel Renton, WA \$650k value
- SFR Remodel Seattle, WA \$550k value
- SFR New Construction Seattle, WA \$1.1 million value
- SFR New Construction Seattle, WA \$2.5 million value
- SFR Remodel Seattle, WA \$550k value

2015

- Multi-family New Construction Seattle, WA \$2.5 million value
- Car Wash Remodel Lynnwood, WA \$850k value
- SFR Remodel Seattle, WA \$750k value
- SFR New Construction Seattle, WA \$1.2 million value
- SFR New Construction Seattle, WA \$1.5 million value
- Multi-family New Construction Seattle, WA \$7 million value
- SFR Remodel Seattle, WA \$400k value
- SFR Remodel Seattle, WA \$600k value

AKA



architecture | interiors