

The Stitch is a centrally located revitalized community that will become the beating heart of downtown Seattle. A place for people to live, work and play, The Stitch will provide connectivity to an underutilized area of Seattle, with a focus on sustainably repurposing existing structures to serve the area and its residents in an equitable manner.

PHASING DEVELOPMENT

Due to the complex nature of the project, The Stitch is being planned and constructed from 2024 to 2031, with final sell-out of Phase III expected by 2032. There are several moments in time where development schedules will overlap – it is expected that they will be at different points in the development process when this occurs (pre-development, demolition, construction, and close-out periods).

PHASE I (2024-2026)

Phase I consists of three buildings constructed over three years. All of the buildings in this phase will be preserved and repurposed to lower the ecological footprint and reimagine the area. There will be 270 Affordable Residential units totaling 187,750 SF (42%) and 366 Marketable Residential units totaling 257,450 SF (58%). There will be a total of 351,159 SF of commercial space: 226,469 SF of Retail (64%) and 124,690 SF of Office (36%).

PHASE II (2026-2029)

Phase II consists of two buildings constructed over four years. Goat Hill uses the existing parking as the base for a new building, while The Argyle represents new construction. There will be 135 Affordable Residential units totaling 87,500 SF (30%) and 290 Marketable Residential units totaling 206,750 SF (70%). There will be 41,820 SF of commercial space, all of which is Retail.

PHASE III (2027-2031)

Phase III consists of two buildings constructed over five years. Hawk's Nest is the largest building (new construction) in the Stitch, with an associated longer construction period, while The Yesler will be preserved and repurposed. There will be 325 Affordable Residential units totaling 272,250 SF (44%) and 430 Marketable Residential units totaling 340,500 SF (56%). There will be 86,777 SF of commercial space, all of which is Retail.

PHASING SUMMARY

Overall, The Stitch projects to be a 7-building development that will be constructed from 2024-2031. Of the 7 buildings, 5 will be preserved in some manner, reflecting the development's commitment to sustainability. Across the 7 buildings, there will be 1,816 Residential units available for rent and sale, of which 730 units (40%) will be designated for affordable housing. Specifically, The Stitch's affordable housing component is geared towards a 'workforce' population, eligible for those having an income at 80% of the area's median income. There will also be 479,756 SF of commercial space in the form of Retail and Office to create a true 18-hour community.

King County will be compensated on the existing structures based solely on their land value (\$45 million per acre). Given the significant work that will be needed to repurpose the preserved buildings, we have placed no value on them in terms of purchase price consideration. Currently, only \$2,059,869 is required in gap funding to achieve a minimum development profit of 30% on all buildings, but the overall project is expected to return a healthy 42% development profit overall. To make the economic terms feasible, we request that King County participate in the project in the form of debt financing, with a 5.25% interest-only loan that represents a 100 basis point spread to the 10-year U.S. Treasury Rate. We believe that King County will be amenable to this debt structure given the significant amount of affordable housing the community will provide to the county.

Total Project Costs are projected to be \$1,187,078,618, with anticipated proceeds of \$1,682,356,821 for a Return on Cost of 42% overall and 2.16x Equity Multiple. The development will be funded at 55% debt (at a 5.25% interest rate) and 40% developer's equity. The Unleveraged IRR and Leveraged IRR for The Stitch is at 16.5% and 21.6%, respectively.