

Tukwila South Project Multi-family Development Opportunity



Property Quick Facts

- **Owner:** Segale Properties, LLC
- **Location:** 18301 Southcenter Parkway, Tukwila, WA
- **Property:** 9.7 acres, located within the 208-acre Tukwila South Project
- **Present Site Condition:** Pad-ready
- **Zoning:** Tukwila South Overlay Zone
- **Transaction Type:** Ground Lease



Ground Lease Opportunity

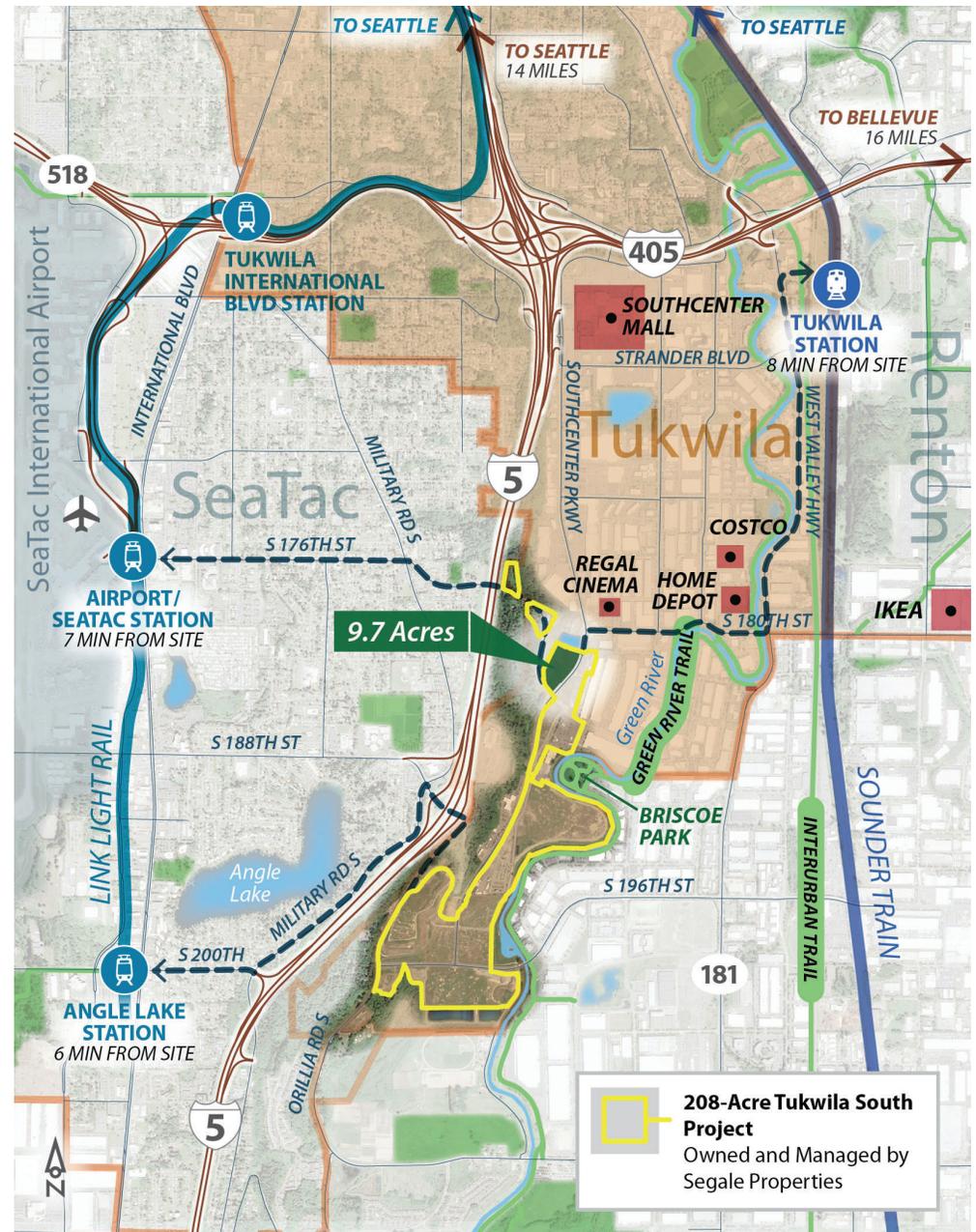
Property Overview

On behalf of Segale Properties, LLC ("Segale Properties"), Heartland is pleased to offer for ground lease a 9.72-acre, pad-ready development site (the "Property") located within the 208-acre Tukwila South Project (the "Project") owned and managed by Segale Properties. The preferred use of the Property is market rate multi-family or senior housing, but other uses may be considered. The Property is located in the City of Tukwila, adjacent to the cities of Kent and SeaTac, and is conveniently located in proximity to Interstate-5, SeaTac International Airport and Southcenter Mall. Development of the Property will be one of the initial phases of the Project, which is entitled for capacity to accommodate 10.3 million square feet of mixed-use development and 25,000 jobs. Segale Properties seeks a developer who can recognize the near-term development opportunity and collaborate on implementing the vision for the Project over the long-term.

Location Highlights

Tukwila South has excellent access to multiple regional job centers and is just a short drive from multiple transit hubs. The site is:

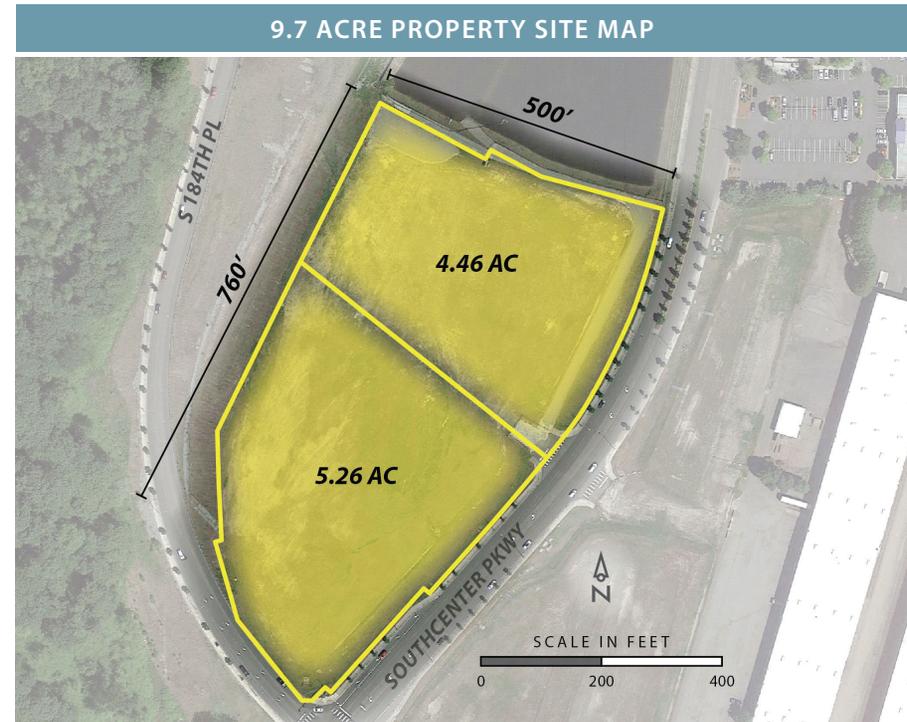
- Proximate to major highways, including Interstate-5, Interstate-405, State Route 167, and Highway 99.
- 10-min drive to SeaTac International Airport, 25-min drive to downtown Seattle, and 30-min drive to downtown Bellevue.
- Just 7-min drive to the SeaTac LINK light rail station and 8-min drive to the Tukwila Sounder train station, connecting riders to regional jobs and entertainment centers.
- Located within a mile of Southcenter, home to the Southcenter Mall, Regal Cinema, Costco, Home Depot, IKEA, and numerous other shopping, dining, entertainment, and retail options.
- Proximate to the 20-mile regional Green River Trail and Briscoe Park located directly across the river, with potential to connect via pedestrian bridge.



Property Readiness

As part of the Tukwila South Project Development Agreement (“DA”) approved in 2009, Segale Properties and the City of Tukwila completed infrastructure improvements necessary to support the development of the Project, which enables a relatively simple and speedy entitlement and development process. Key attributes of the improvements include:

- **Environmental Impact Statements (EIS)** —Segale Properties has completed this process. New development will not need to go through the EIS process if it complies with the requirements of the approved master plan.
- **Streets & Utilities** —Full street improvements and all utilities have been completed for S 184th Place (former 178th Street), which borders the property on the south and west, and Southcenter Parkway, which borders the Property on the east. Utilities are available to all parcels.
- **Traffic** —Traffic studies are completed. The Project is limited to 10,300 new PM trips per the DA. New development will not need to perform additional traffic studies as long as it complies with existing zoning. Segale Properties can allocate to the Property as many trips as may be needed to meet market demand. Traffic impact fees are estimated to be \$712 per dwelling unit, relatively modest compared to other suburban jurisdictions in King County.
- **Stormwater** —A regional storm water detention system has been constructed by Segale Properties serving the entire Project. As such, no on-site detention will be needed to be developed, and no upfront fees will be charged to a developer to connect to the regional system. The system will be operated by the Owner’s Association, with costs passed through to ground lessees on a prorata basis.
- **Open Space** —No on-site open space is required by the City on this Property. Segale Properties will be interested in respondents’ approach to open space. The City of Tukwila charges a parks impact fee of \$2,325 per multi-family dwelling unit.



Zoning/Entitlements

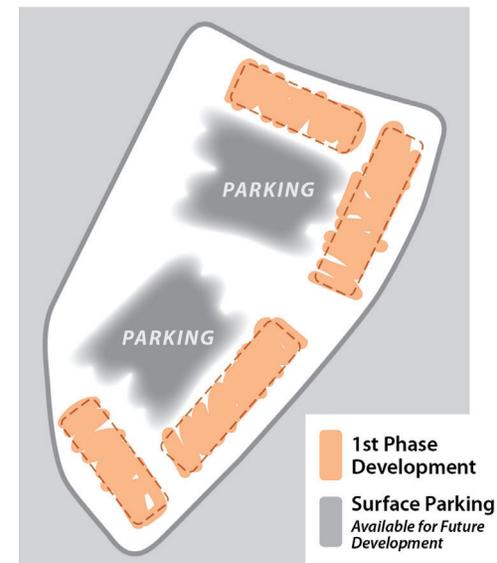
The Property is located in the Tukwila South Overlay (“TSO”) zone. Development requirements are regulated by Tukwila Municipal Code Title 18 and the Tukwila South Project Development Agreement executed between Segale Properties (formerly La Pianta, LLC) and the City of Tukwila in 2009. The Project as a whole is limited to 10.3 million square feet of development capacity. Segale Properties will allocate buildable capacity to the Property as needed to support the highest and best use. The Property allows for a great deal of regulatory flexibility. Currently, there is no FAR limitation, density limitations, lot coverage limits, or setback requirements. Basic Development Standards for residential uses will be established by Segale Properties, in conjunction with lessee, and the City of Tukwila, as required by TSO Zoning. Site uses, capacity and some requirements include the following:

<p>Allowable Uses:</p>	<ul style="list-style-type: none"> • Multi-family • Office • Research and Development (Flex-Tech) • Retail • Hospitality/Hotel • Sports and Entertainment • Healthcare • Manufacturing* (light, no noxious uses allowed) <p><i>*Warehouse and logistics uses are not permitted, other than as an accessory use</i></p>
<p>Development Capacity:</p>	<p>The TSO permits 10.3 million square feet of new building floor area, which translates to an FAR of approximately 1.2 or a residential density of approximately 50 dwelling units per acre across the Project.</p>
<p>Parking:</p>	<p>REQUIREMENTS: 2 stalls for each unit up to 3BD. 1 additional space for every 2 bedrooms in excess of 3 bedrooms in a unit.</p> <p>REDUCTION: A portion of the off-street parking requirement could be waived based on a parking demand study commission by developer.</p>

A Phased Development Concept

Segale Properties seeks a team that can optimize the development of the Property under current market conditions, while developing the Property in a way that allows for additional density as the submarket grows and the Project is built out over the long term. Depending on the proposed scale and density, respondents are encouraged to present an approach to phase the property development, which may entail redevelopment of parking lots or development above parking garages over time. Segale Properties assumes that development capacity necessary to build later phases would be sold or leased to the selected developer in the future when conditions warrant.

A conceptual phasing plan is depicted below.

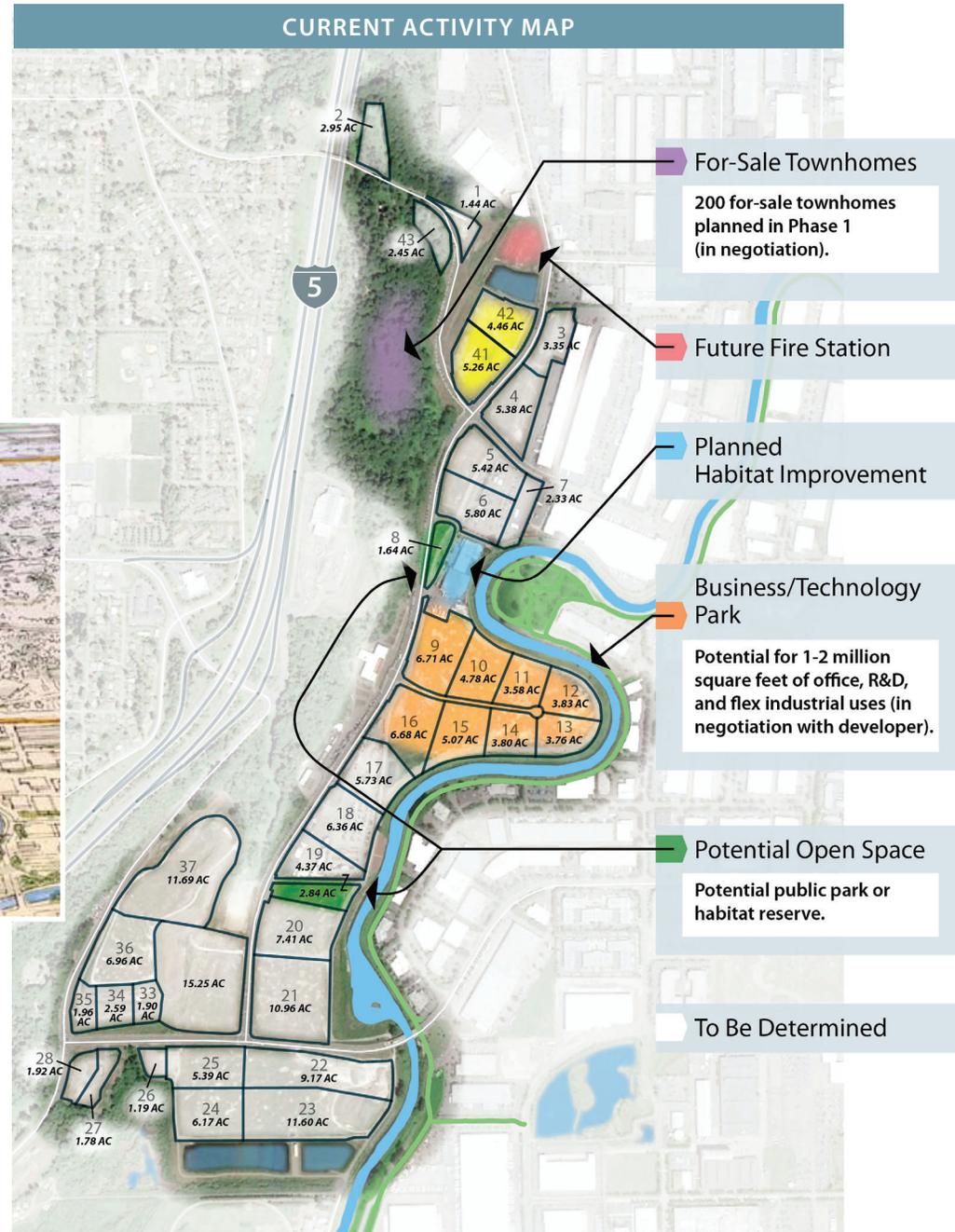


Tukwila South Project Vision

In 2009, Segale Properties worked with CollinsWoerman to develop a master plan for the Project, which was envisioned to transition into a memorable regional destination that can compete nationally and internationally for employers, goods and services in 25 to 30 years. Initial value created by early development efforts will allow infill development in future cycles that will increase density and continue building value for the property over time. The Project is envisioned to comprise of pedestrian-oriented and transit-supported districts that allow for mixed uses, including housing, offices, flex-tech space, retail, hotels, etc, while integrate to the natural environment on site.



The Property is one of three in the Tukwila South portfolio that are planned for near-term development, as noted in the map at right. This will be the first for-rent multi-family product developed in Tukwila South. Segale Properties will involve the selected multi-family developer in decisions relating to planning and coordination of amenities across the portfolio.



Market & Demographics

Demographics

- Over 94,000 people work, while only 63,600 people live within the 3-mile radius of the site, demonstrating a strong potential resident base.
- Almost 4,900 businesses are located within 3 miles from the site. Major employers (150+ employees) are mostly concentrated in aerospace, healthcare, and food products manufacturing sectors.

	1-MILE	3-MILE	5-MILE
Total Businesses	724	4,899	10,890
Total Employees	13,161	94,162	171,993
White Collar %	67%	53%	56%
Population	3,537	63,642	281,634
Median Age	40.7	35.1	37.2
Median Household Income	\$79,634	\$56,505	\$62,388

SOURCE: ESRI Business Analytics

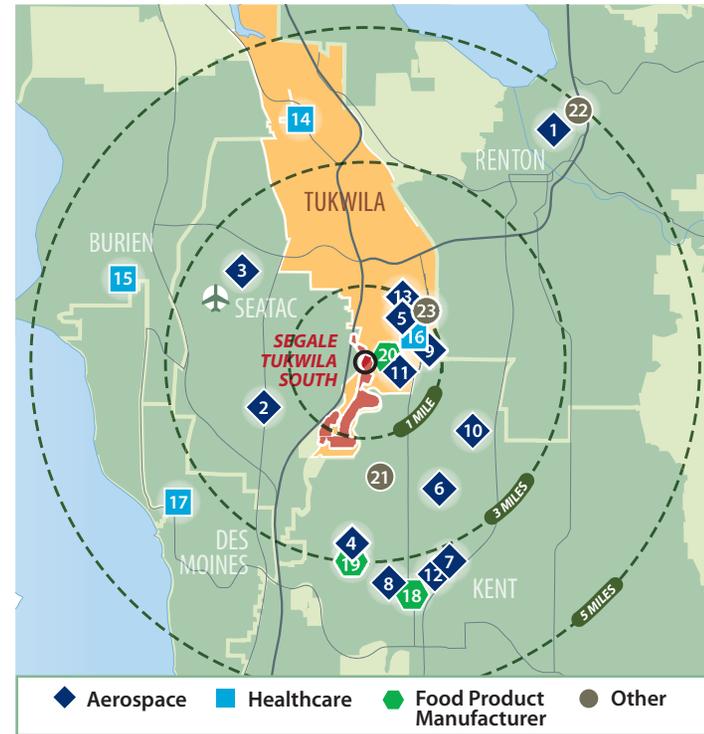
Multi-family Market History

SOURCE: CoStar. Mid-rise apartments built after 2010 in South Sound markets, including Tukwila, SeaTac, Renton and Kent.

- Rents for mid-rise new construction apartments have been growing since 2010 with an average annual growth rate of 3.9%.
- One-bedroom rent ranges from \$2.12-2.45 per sf; studio rent ranges from \$2.27-3.07 per sf.
- Current vacancy is around 5.1%

Major Employers

	COMPANY	# OF EMPLOYEES	SUB-SECTOR
AEROSPACE			
1	Boeing	35,344	Aircraft Manufacturer
2	Alaska Airlines HQ	9,190	Airlines Company
3	Menzies Aviation	912	Aviation Service
4	Exotic Metals Forming Co.	724	Aviation Parts Manufacturer
5	Red Dot Corporation	405	International HVAC Manufacturer/Distributor
6	Blue Origin	350	Aerospace Company
7	Protective Coatings, Inc.	277	Full-service Coating/Finishing
8	Flow International Corp	255	Waterjet Cutting for Manufacturing
9	Hartung Agalite Glass Co.	250	International Glass Manufacturer/Distributor
10	Hexcel Corporation	250	Composite Materials Manufacturer
11	Rainier Industries Ltd	210	Fabrication Manufacturer
12	Mikron Industries Inc	185	Metal/Hardware Manufacturer
13	Fatigue Technology	173	Cold Expansion Technology/Manufacturer



	COMPANY	# OF EMPLOYEES	SUB-SECTOR
HEALTHCARE			
14	Kaiser Permanente	1,702	Administration/Operations Campus
15	Highline Medical Center	1,092	Hospital
16	Costco Optical	616	Optometry
17	Wesley Homes	450	Senior Living/Home Care Community
FOOD PRODUCT MANUFACTURER			
18	Oberto Sausage Companies	355	Meat Snacks Manufacturer
19	Sysco Food Services	350	Food Products Supplier
20	Continental Mills Inc	207	Food Manufacturing
OTHER			
21	Amazon Fulfillment Center	2,596	eCommerce warehouse
22	PACCAR	1,123	Heavy Vehicle Manufacturer
23	Harnish Group Inc	334	Construction Equipment Rental/Distribution

Note: Business located within the City of Tukwila are highlighted.

Transaction Process

Site Tours

Property tours can be arranged. Please call one of the Heartland team members below for scheduling.

Non Disclosure Agreement

All prospective Ground Lessees must execute the Non Disclosure Agreement (“NDA”) which can be accessed via the [OFFERING WEBSITE](#).

Offers

Letters of Intent (“LOIs”) must be submitted by or before **March 29th, 2019 at 5:00PM PST**. LOIs can be submitted via email to the Heartland team members listed below. LOIs should include:

- Key Ground Lease Terms
 - Feasibility period
 - Earnest money deposit
 - Commencement contingencies
 - Lease/rent commencement date
 - Initial lease term and any extension options
 - Annual rent
 - Escalations: frequency, formula
 - Revaluations: frequency, formula
 - Deposit/completion guarantee during construction
 - Commissions
- Brief summary of relevant project experience and planned A&E team member
- Basic site plan and/or concept diagram for proposed project

Due Diligence Documents

Heartland is available to respond to questions regarding the Property and will provide information as available and as appropriate. The electronic data room can be accessed via the [OFFERING WEBSITE](#). Available documents include:

- Regulatory
- Site/Environmental
- Zoning/Planning
- Other

Transaction Team Contact Information

H E A R T L A N D

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Disclaimers

Segale Properties, LLC (the "Ground Lessor") has engaged Heartland, LLC, ("Heartland") as the Ground Lessor's real estate broker on an exclusive basis in connection with the ground lease of the Property. Any commission paid to a broker representing a Ground Lessee will be paid by that Ground Lessee. No finder's fees, commissions, expenses, or other compensation will be paid by Heartland or Ground Lessor to agents, consultants, advisors, or other intermediaries or any interested party.

The Ground Lessor expressly reserves the right, at its sole discretion, to reject any or all expressions of interest or offers to lease all or any portion of the Property in response to this Offering Memorandum ("OM"), and/or to terminate discussions with any potential Ground Lessee at any time with or without notice. The Ground Lessor shall have no legal commitment or obligation to any potential Ground Lessee reviewing this OM or making an offer to ground lease all or a portion of the Property unless and until a written agreement which defines the legally enforceable rights and obligations of the parties concerning the ground lease of the Property have been fully approved, executed, and delivered by the Ground Lessor and Ground Lessee and any conditions precedent to the Ground Lessor's obligations therein have been satisfied or waived.

Neither the Ground Lessor nor Heartland represent or warrant the accuracy or completeness of any information contained in this OM or any information that may be provided in the future. Nothing contained in this OM should be construed as a representation by any person as to the future possibilities or suitability of the Property for the potential Ground Lessee's intended use. Potential Ground Lessee should conduct their own due diligence and rely solely on their own investigation in order to determine the suitability of the Property for its intended use.