



2nd Annual NAIOP Real Estate Challenge Winter 2005

I: Project Description

The 2005 NAIOP Real Estate Challenge is a competition among the University of Washington, the University of British Columbia in Vancouver, and Portland State University. The Challenge is sponsored by professionals in the real estate and development community and is supported by the respective local chapters of the NAIOP (National Association of Industrial and Office Properties). The competitive teams will have an opportunity to interact with industry professionals as they create a development proposal for a real-world project. The proposals will be judged by a panel that will represent a potential joint venture capital partner and the public sector land owners.

The Challenge will culminate in a formal presentation before an audience of NAIOP members, university representatives, a judging panel of industry and public leaders, and friends. It is designed to create a win-win situation that helps bridge the gap between the industry and academic communities and better prepare students for successful real estate careers. The winning team and each of the schools will be awarded an honorarium for their performance and participation.

The objective of the challenge is to select the team that best formulates a development/investment strategy that incorporates the following considerations:

- Demonstrates an understanding of market conditions in Seattle and the relevant trade area, specifically the Pioneer Square and South Downtown (SODO) submarkets.
- Reflects the zoning, land uses, and other neighborhood factors that exist or can be reasonably anticipated for the property. This includes prevailing regulatory constraints, entitlement processes and local community interests along with existing legal agreements/stipulations. Changes to zoning are allowed, but probability of success must be convincingly demonstrated.
- Continues the revitalization of the area by stimulating and expanding the economic base of the South Downtown Neighborhood, the City of Seattle, and the Puget Sound Region.
- Achieves appropriate risk-adjusted returns to key parties and contains sufficient financial information to convince investors of the economic viability of the proposal while taking into account public participation. Materials should include design, costs, target tenants, marketing strategies, time frames and other information necessary to convince the judges to approve and invest in the proposed project.
- Optimizes value to the owner/developer of the property and to the public sector who may maintain a long-term position in the project.

II. Site Overview

The site consists of 6.5(+/-) acre site known as the “North Lot” at Qwest Field in Seattle’s SODO District. More specifically, the site:

- Consists of two adjoining parcels under different ownerships totaling approximately 6.5 acres. The Subject Property is generally flat and rectangular in shape.
- The northern half (+/-) of the site is owned by King County and the southern half is owned by the Washington State Public Stadium Authority (PSA) and managed under a long-term ground lease by First and Goal; the lease or an abstract will be provided to teams.
- The property is currently used for parking and staging associated with Qwest Field and the Stadium Exhibition Center to the south.
- Qwest Field, the Stadium Exhibition Center and Safeco Field are located to the south of the Subject Property, King Street Station (Amtrak, Sounder Commuter Rail and a future monorail station) is located directly north, Occidental Avenue and the Florentine Condominiums is located directly west, the renovated Union Station development and the southern portal of the bus (future light rail) tunnel are directly east of the site across Fourth Avenue South.

III. Project Assumptions

To provide a consistent set of parameters for the teams, the following assumptions should be incorporated in the analysis. If teams deviate from these assumptions, they should make a compelling case that will convince the judges they are realistic expectations.

- The Subject Property is free of contamination.
- The soil conditions on the Subject Property may require pilings for certain projects; specifications and cost estimations will be provided.
- By state law the PSA portion of the site can only be developed for uses that are “related” to the stadium or exhibition center.
- Currently the PSA portion of the site is used periodically throughout the year for staging (trucks equipment, 24 hour operations) Exhibition Center events. The site also accommodates approximately 1,000 parking stalls for events at Qwest Field and the Exhibition Center. Teams should assume these requirements will have to be satisfied or somehow accommodated in conjunction with their proposals.
- Financing assumptions will be provided to the teams.
- It is assumed the public sector will not provide additional investment/infrastructure support.

IV. Investment Parameters

There are three players in the project: the developer, an institutional joint venture capital partner you want to invest in the project, and the government as land owner. In general, teams should take the position they are trying to convince an institutional joint venture capital partner to invest in the public/private project. The following investment criteria should be addressed:

- The institutional investor will focus on unleveraged returns with a hurdle rate commensurate with risk and assumed holding period.
- Risk tolerance: institutional investor willing to accept moderate risk covering financial, construction, market, political and other risk exposures.
- The public sector seeks to maximize land value subject to achieving public goals including at least 100 market-rate housing units and furthering the revitalization of the area.

V. Project Resources

In general, teams will be provided with local mentor contacts to assist them in understanding the site, neighborhood and market factors that affect their proposed uses. NAIOP and sponsors will provide some initial information on the site, consisting of maps, property information, environmental reports and demographic/economic data. Additionally, the students are encouraged to use their resources and local NAIOP Chapters to acquire additional information as necessary for their unique solutions. The project kick-off will include a site visit, with a presentation by the sponsors and NAIOP members to answer questions and provide a level playing field for all teams.

VI. Judging Criteria/Project Evaluation

The Challenge will culminate in the judging of the proposals by a panel of real estate professionals and public officials. The judges will represent the interests of three perspectives: the institutional investor, King County/PSA, and the developer. The judges will be drawn from a variety of real estate disciplines (e.g., architects, planners, developers, contractors, consultants, public officials) and will ask questions accordingly. The submissions should be in the form of a project proposal, with appropriate documentation and collateral materials to support the recommendations (e.g., pro-forma, design, costs, tenant profiles, marketing strategy, time frame, risk management). The RFP submissions and presentations will be judged on the professionalism. In addition to looking at the “overall package and solution” from the perspective of the investor, the panel will look at the following criteria although they will not be equally weighted:

Feasibility	Political Palatability & Public Responsibility
Marketability	Infrastructure Adequacy and Utilization
Financial Viability	Compatibility with Surrounding Uses
Physical Feasibility	Creativity
Resource Utilization	Sustainability