

THG LLC

THE
CONCORD
GROUP

skylab



DES MOINES MARINA PHASE III WORK UPDATE

PRESENTATION TO:

DES MOINES CITY COUNCIL / September 26, 2019

THG / The Concord Group / Skylab

AGENDA

Review current status

Discuss RFQ process

Next steps

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Next steps

TIMELINE



PRIOR RECOMMENDATIONS

- Utilize Marina Steps as catalyst to incentivize private development
- Allow for use of existing shared parking for private development concepts
- Find interested private developer to partner with on design and development of steps and adjacent parcels
- Fill 'gap' to build Steps:
 - Public Private Partnership
 - Other

PRIOR “NEXT STEPS” STATUS

- ✓ Determine allowable uses - **DONE**
- ✓ Identify preferred development strategy (**DONE**) and potential partners (**ONGOING**)
- ✓ Design Marina Steps (refine costs, constructability) – **IN PROCESS (w/SKYLAB)**
- ✓ Prepare Requests for Qualifications (proactively work with users/tenants and developers) – **IN PROCESS (w/THG/TCG)**
- ✓ Draft sources and uses/finance plan - **IN PROCESS**
- ✓ Waterside analysis – **PHASE I DONE (WAGGONER)**
- ✓ Workplan timeline with assigned responsibilities - **IN PROCESS**

MARKET UPDATE

- Employment growth
- Home prices and rents
- Light rail
- Landmark
- Hotel developments
- Telecommuting/co-working trends

AGENDA

Review current status

Discuss RFQ process

Next steps

OVERVIEW

- RFQ overview
- Key assumptions
- Intended outcomes
- Timeline

RFQ OVERVIEW

RFQ = Request for Qualifications

- Target = developers, business owners
- Time commitment for developers = moderate
- Goals
 - Communicate the opportunity
 - Spark interest
 - Gauge interest
 - Review qualifications of interested parties
 - Engage with a group or groups that will continue discussions on the site

RFQ CONSIDERATIONS

- Target lists
- Clearly identifying the opportunity and the City's role
- Marina Steps design
- Key assumptions
- Selling the 'vision'
- Timing

RFQ TARGETS

Who?

- Developers
- Business owners
- Public partners

How?

- Outreach
- Tours
- Local/regional network
- Existing DM businesses

RFQ KEY ASSUMPTIONS

- **Parcel definitions** - Need to clearly define
- **Building heights**
- **Zoning and allowed uses**
 - Residential – not allowed
 - Commercial – allowed
- **Marina Steps**
- **City's role**
- **Parking/incentives**
 - Incorporated into Steps design
 - Existing surface lots

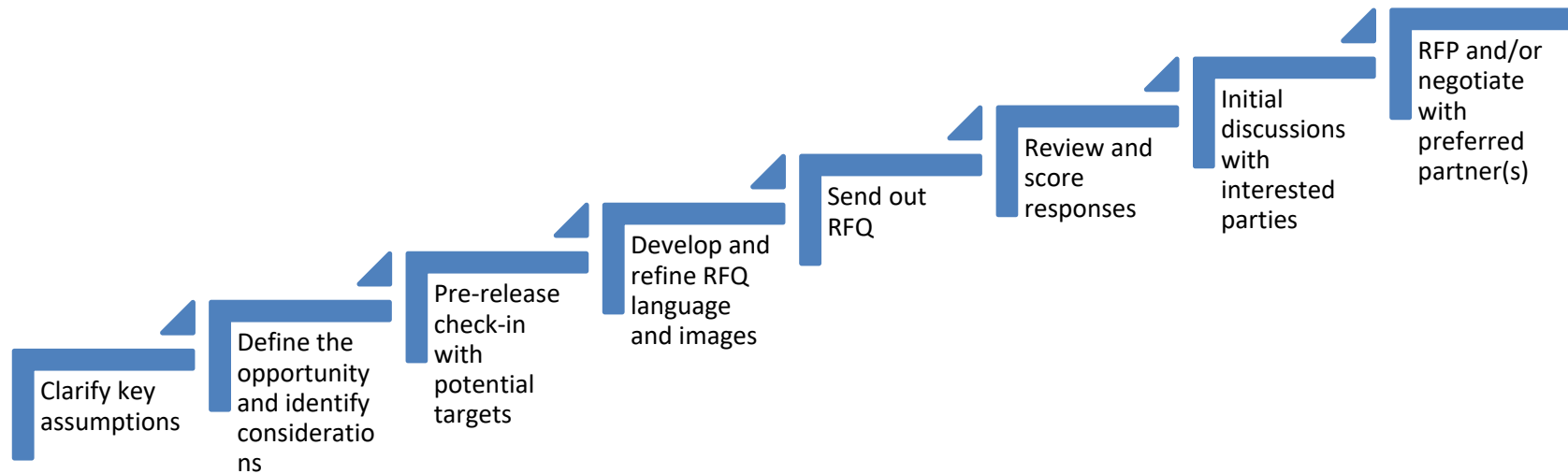
RFQ KEY ASSUMPTIONS

<u>Land Use</u>	<u>Allowed?</u>	<u>Notes</u>
Apartments	No	Potential for small amount as part of m/u project
Condos	No	Potential for small amount as part of m/u project
Retail	Yes	
Restaurants	Yes	
Hotel	Yes	
Office	Yes	Includes co-working, medical
Light industrial	Yes	Includes 'makers spaces', marina-oriented uses

RFQ “VISION”

- Marina Steps
- Connection to downtown
- Stormwater integration and sustainability
- Rooftop access
- Mixed-use
- Waterway improvements
- Farmers market
- Regional destination

RFQ TIMELINE



AGENDA

Review current status

Discuss RFQ process

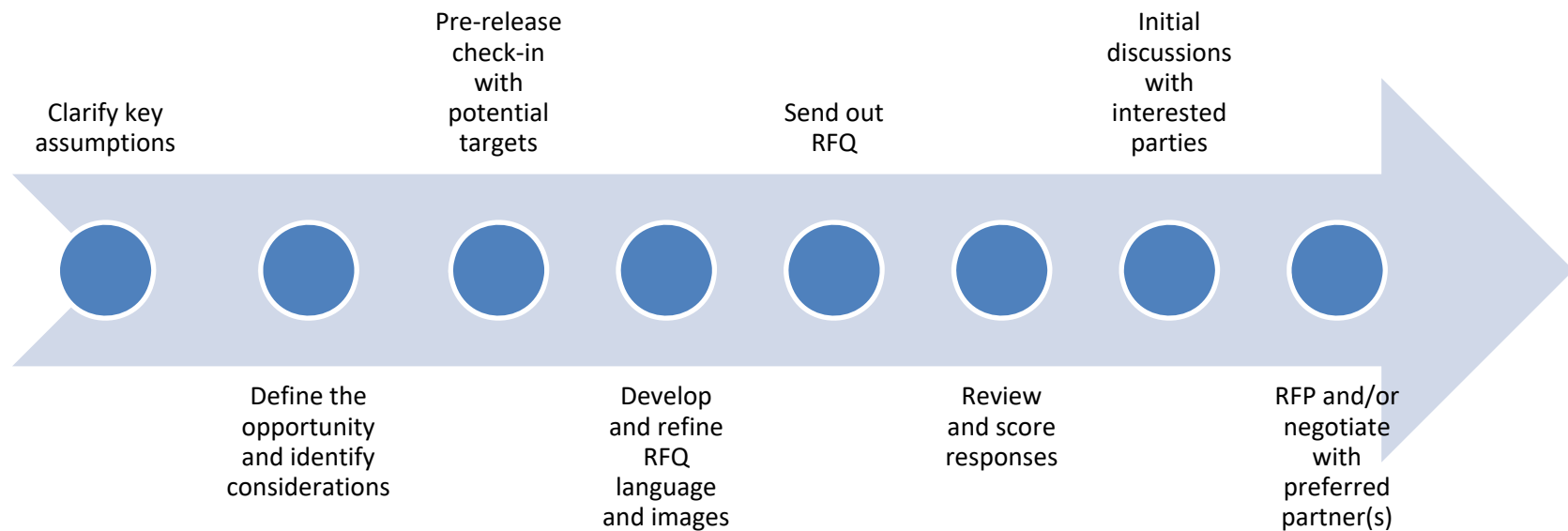
Next steps

NEXT STEPS

- Finalize core Marina Steps designs
- Clarify key assumptions
- Draft RFQ
- Determine timing for release
- Developer reach-out pre-release
- Soils analysis

OLD STUFF

RFQ TIMELINE



RFP OVERVIEW

- RFP = Request for Proposals
 - Target = developers, business owners
 - Time commitment for developers = significant
 - Can be utilized after RFQ process

AGENDA

Team introduction and scope of work

Review key findings

Discuss development strategies

Next steps

Q&A/open discussion

OVERVIEW

PROJECT PARTNERSHIP

- Port of Seattle
- City of Des Moines

THE PROJECT TEAM

- THG
- The Concord Group
- Skylab

SCOPE OF WORK

- Update land use market analysis
- Develop concept plans for Marina Steps public amenity
- Financial feasibility analysis
- Identify strategy for Phase I development

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Team introduction and scope of work

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Q&A/open discussion

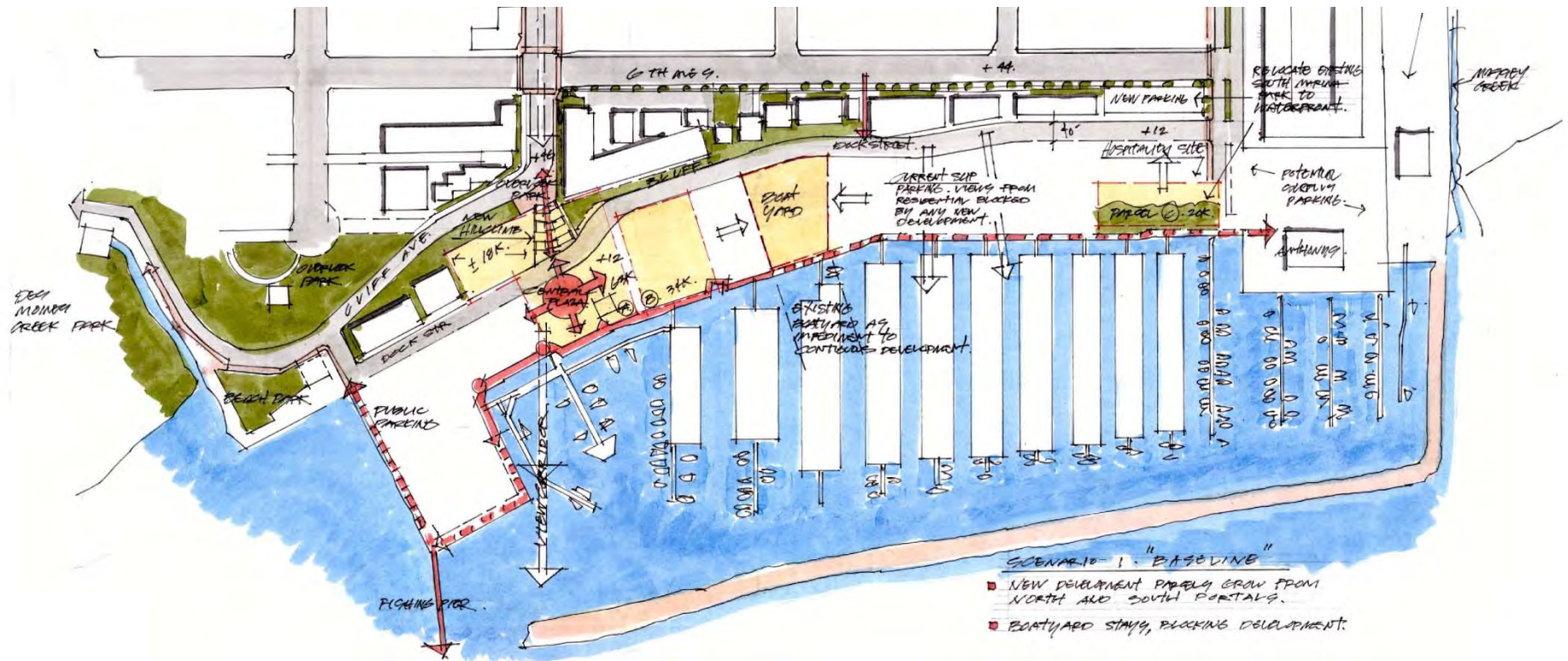
PHASE I WORK: KEY TAKEAWAYS

- Opportunity to develop various land uses given demand and supply trends, site location
 - Strong regional trends for residential and hotel
 - Tukwila hotel/apartments, SeaTac hotels
- Some constraints to development, including building height restriction (35') and minimizing impact on view corridors
- Potential to incorporate public amenities (i.e. Marina Steps, enhanced plaza) into development plans
 - Opportunity to enhance connectivity between Marina, downtown, Beach Park

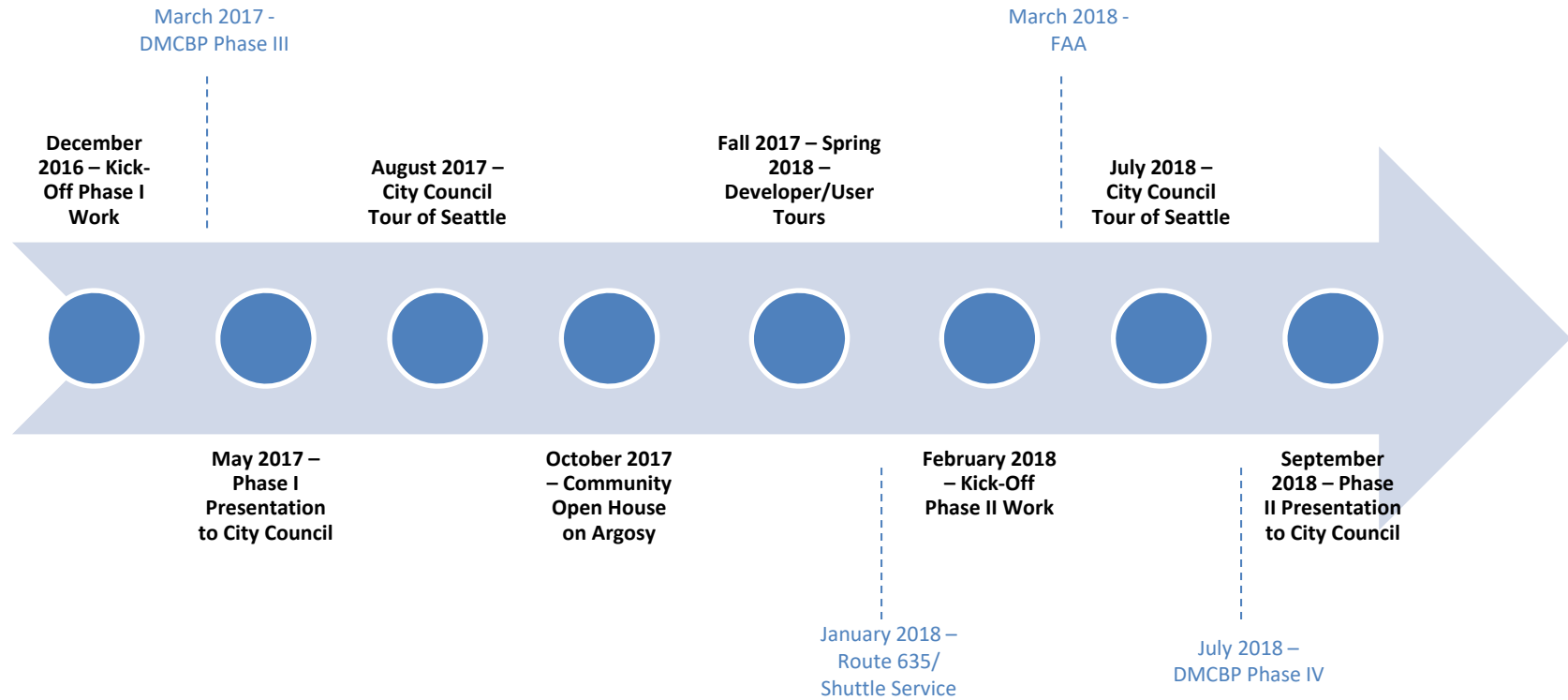
PHASE I WORK: DEVELOPMENT SCENARIOS

BASELINE	NORTH CONCENTRATION	MULTI-NODAL
<ul style="list-style-type: none">• Development concentrated in north, potential parcel on south end• Boatyard remains in current location• Up to 240,000 developable square feet	<ul style="list-style-type: none">• Development in contiguous zone entirely in north end• Boatyard moves to south end• Up to 240,000 developable square feet	<ul style="list-style-type: none">• Development concentrated on both ends• Boatyard remains in current location• Up to 330,000 developable square feet

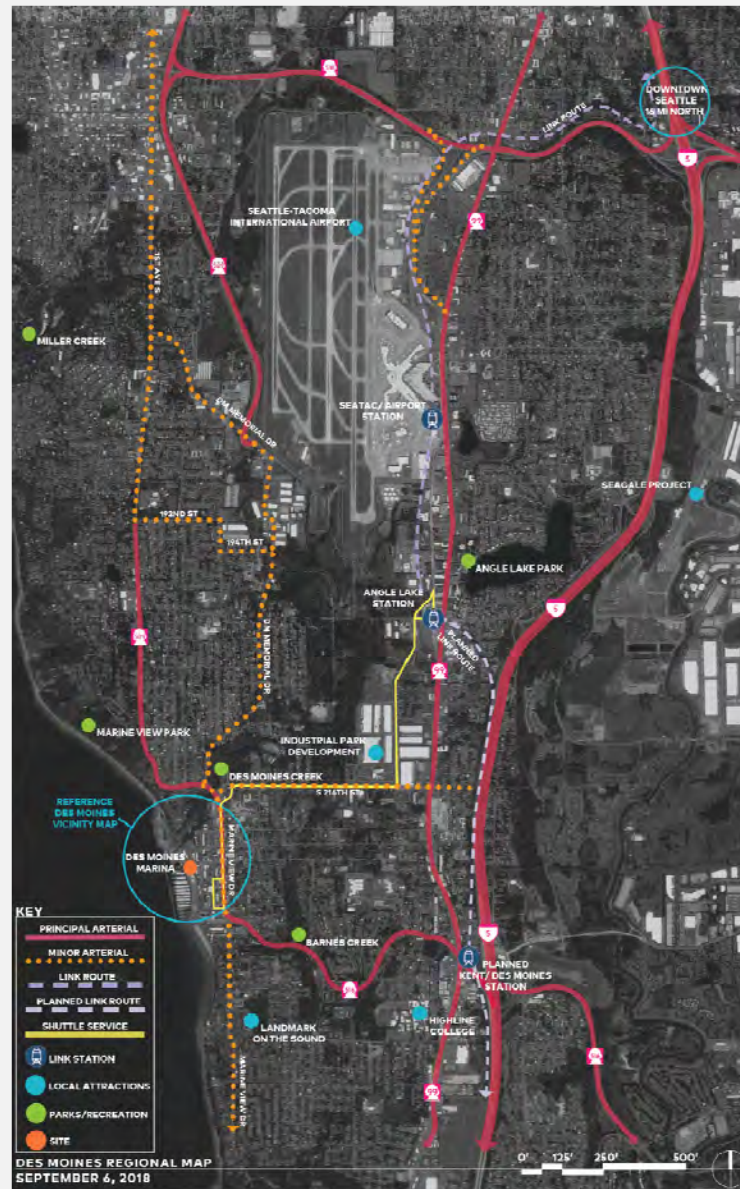
PHASE I WORK: BASELINE SCENARIO



PHASE I WORK: TIMELINE SINCE LAST MEETING



REGIONAL CONTEXT



KEY REGIONAL TRENDS

Significant development activity in the metro area

SEATTLE NEWS SEATTLE CONSTRUCTION NEWS

Seattle remains the crane capitol of the US

Seattle's been No. 1 for a minute

By Sarah Anne Lloyd | @sarahannelloyd | Jul 24, 2018, 11:15am PDT

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Oksana Perkins/Shutterstock

KEY REGIONAL TRENDS


One of the strongest housing markets in the country

[Business](#) | [Local News](#) | [Real Estate](#)

Seattle-area home-price growth from current boom has surpassed last decade's bubble

Originally published April 24, 2018 at 6:39 am | Updated May 8, 2018 at 2:30 pm



 **1 of 2** *Single-family home costs across the metro area grew 12.7 percent in February from the year before. Pictured here is the south end of Seattle's Beacon Hill neighborhood, looking toward downtown. (Steve Ringman/The Seattle Times)*

Single-family home prices in the Seattle metro area have grown faster than anywhere else in the country for the last year and a half, with no sign of slowing even though prices have been surging for six years.

KEY REGIONAL TRENDS

And one of the top real estate investment areas in the country

URBANLAND

INDUSTRY SECTORS

CAPITAL MARKETS

TRENDS

SUSTAINABILITY

DEVELOPMENT

PLANNING

Urban Land > Market Trends > Emerging Trends 2018: Seattle Is Top Market for Investment, Development

Emerging Trends 2018: Seattle Is Top Market for Investment, Development

By Leslie Braunstein
October 26, 2017

Text Size: **A A A**

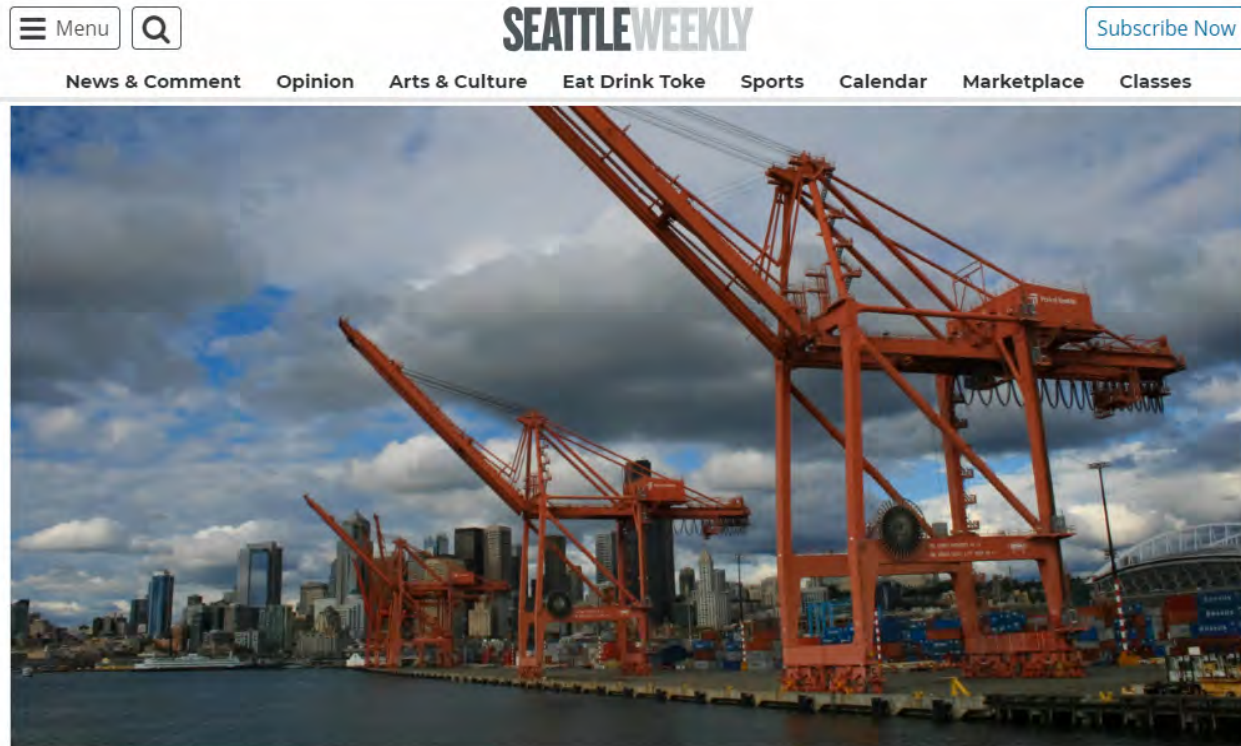
Print Email Share Facebook LinkedIn Twitter

U.S. Markets to Watch: Overall Real Estate Prospects

	Investment	Development		Investment	Development
1 Seattle (2, 1)	3.74	3.74	40 New York—other boroughs (43, 35)	3.29	3.14
2 Austin (3, 2)	3.69	3.61	41 Palm Beach (45, 36)	3.28	3.14
3 Salt Lake City (1, 10)	3.79	3.40	42 Chicago (35, 49)	3.04	3.03
4 Raleigh/Durham (4, 4)	3.65	3.56	43 Long Island (56, 33)	3.15	3.10
5 Dallas/Fort Worth (6, 5)	3.62	3.52	44 Columbus (53, 37)	3.21	3.13
6 Fort Lauderdale (16, 3)	3.54	3.57	45 Richmond (48, 41)	3.25	3.08
7 Los Angeles (8, 8)	3.81	3.43	46 New York—Manhattan (37, 55)	3.33	3.00
8 San Jose (11, 9)	3.60	3.43	47 Sacramento (42, 51)	3.28	3.01
9 Nashville (5, 13)	3.63	3.41	48 Washington, DC—MD suburbs (40, 56)	3.20	2.99
10 Boston (9, 14)	3.61	3.38	49 Birmingham (50, 42)	3.22	3.07
11 Miami (18, 6)	3.53	3.46	50 Westchester, NY/Fairfield, CT (46, 58)	3.26	2.94
12 Charlotte (12, 15)	3.59	3.37	51 Jacksonville (59, 45)	3.09	3.05
13 Portland, OR (7, 20)	3.62	3.33	52 Cape Coral/Fort Myers/Naples (60, 47)	3.07	3.05
14 Charleston (17, 12)	3.54	3.41	53 St. Louis (49, 65)	3.24	2.87

KEY REGIONAL TRENDS

Supported by one of the nation's fastest-growing economies



Cargo transportation was among the various regional industries driving wage and employment growth in King County. Photo via PxHere

LABOR

King County Employment Continues to Rise

KEY REGIONAL TRENDS

Attracting more and more in-migration



Gene Balk / FYI Guy f | t

Seattle just one of 5 big metros last year that had more people move here than leave, census data show

Originally published March 26, 2018 at 6:00 am | Updated March 27, 2018 at 5:13 pm

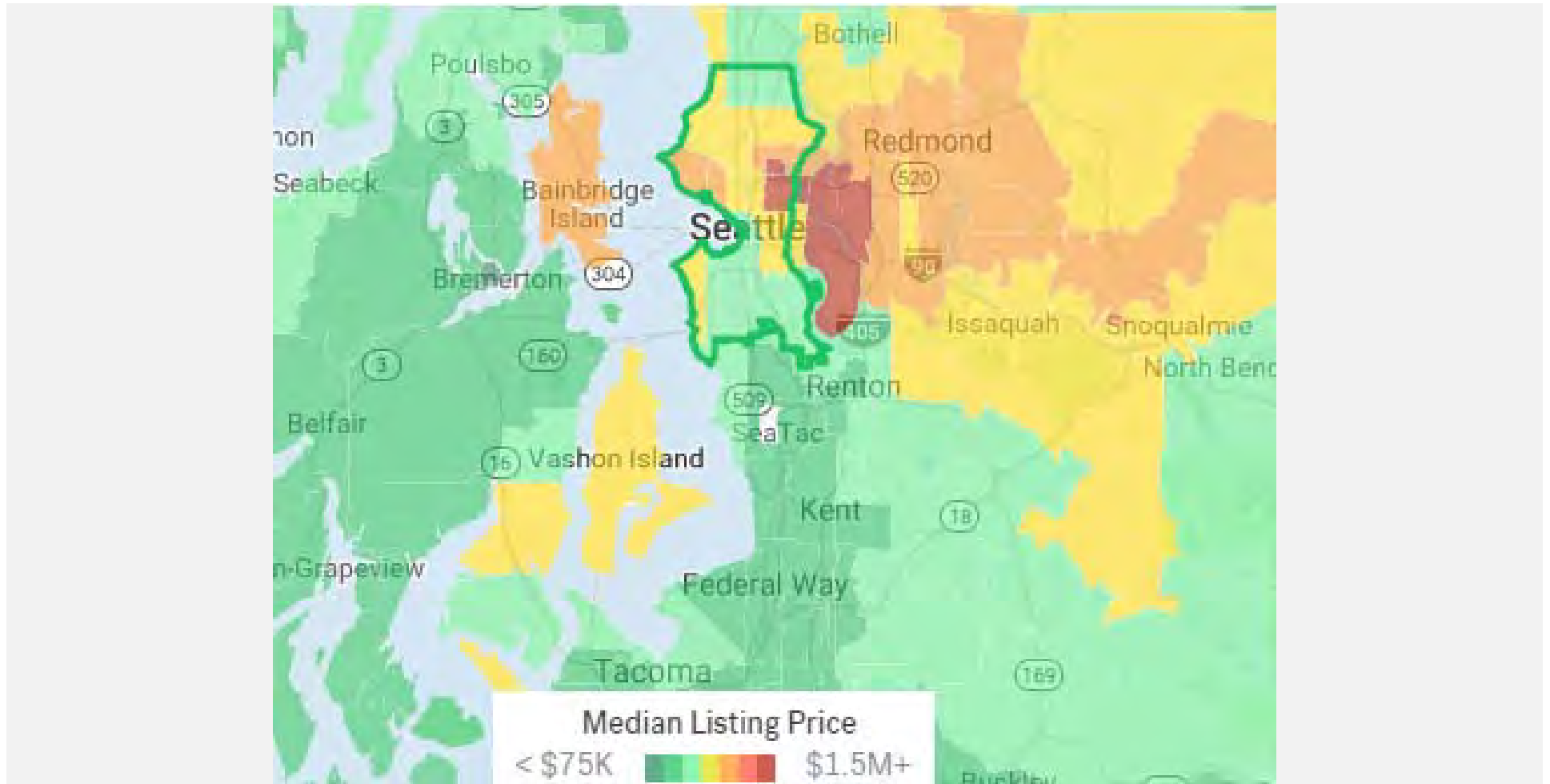


Growth in Seattle's South Lake Union, Amazon's corporate headquarters, has fueled a job and population boom here. (Erika Schultz / The Seattle Times)

Seattle is the only metro area outside of the Sunbelt that had more people move in from other parts of the country than move away. San Francisco was among the metros that carried a net loss of 24,000 domestic movers.

KEY REGIONAL TRENDS

South King County remains a value area in the metro

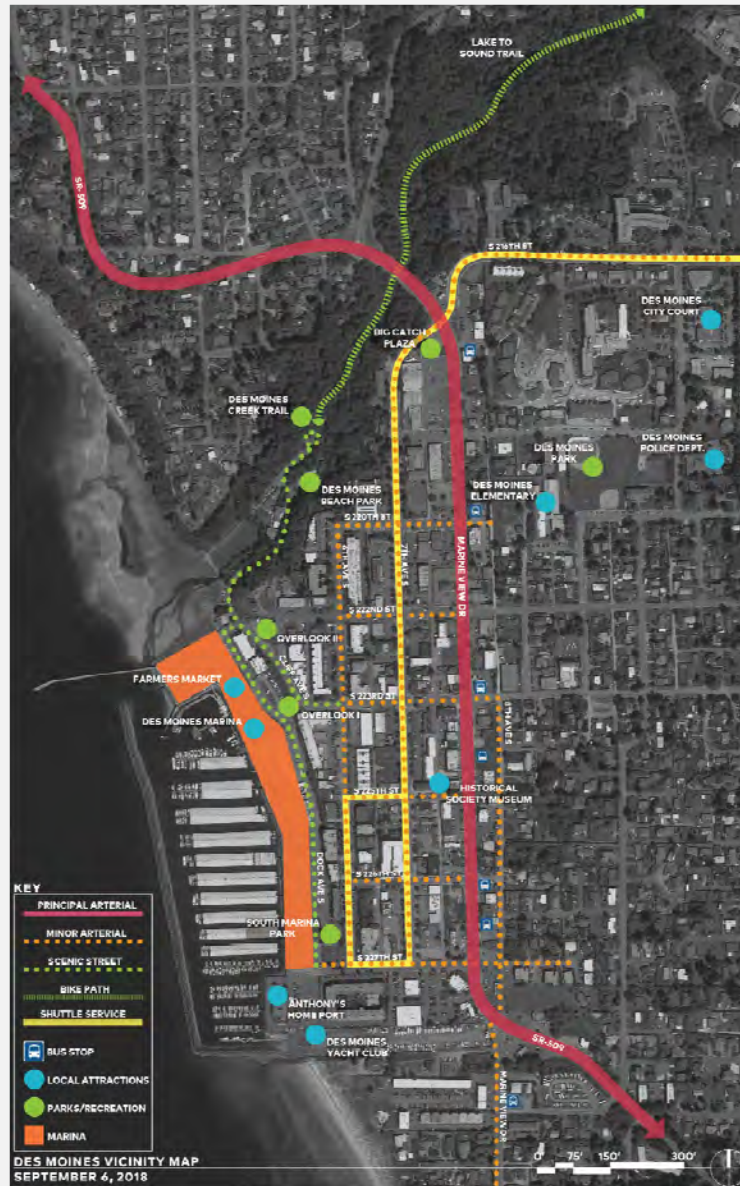


KEY REGIONAL TRENDS

With relatively good access to major employment nodes



LOCAL CONTEXT



KEY LOCAL TRENDS

DMCBP Phase IV fully leased – over net new 3,500-4,000 direct jobs expected



KEY LOCAL TRENDS

New shuttle service from Angle Lake to downtown

Route 635 Des Moines Community Shuttle

FARES

Regular Metro fares apply.
Peak times: 6 - 9 am and 3 - 6 pm.

Adults (19 and older) Off Peak	\$2.50
Adults (19 and older) Peak	\$2.75
ORCA Lift Fare,* all times	\$1.50
Youth (6-18 yrs), all times	\$1.50
RRFP cardholders (registered seniors, Medicare, disabled), all times	\$1.00
Children (thru age 5), all times	Four may ride free with person paying adult fare

*Income qualified

TO Des Moines Marina District

Angle Lake Station	24th Ave S S 216th St	7th Ave S S 226th St
5:21	5:24	5:29
5:41	5:44	5:49
5:56	5:59	6:04
6:11	6:14	6:20
6:26	6:29	6:35
6:41	6:44	6:50
6:56	6:59	7:05
7:12	7:15	7:22
7:28	7:31	7:38
7:49	7:52	7:59
8:05	8:08	8:14
8:22	8:25	8:31
8:37	8:40	8:46
8:52	8:55	9:01
2:30	2:33	2:40
2:45	2:48	2:55
3:00	3:03	3:10
3:15	3:18	3:25
3:30	3:33	3:40
3:46	3:49	3:57
4:01	4:04	4:12
4:19	4:22	4:30
4:38	4:41	4:49
4:56	4:59	5:07
5:11	5:14	5:22
5:29	5:32	5:40
5:43	5:46	5:54
6:00	6:03	6:10
6:15	6:18	6:25
6:29	6:32	6:39
6:44	6:47	6:54

TO Angle Lake Station

7th Ave S S 226th St	24th Ave S S 216th St	Angle Lake Station
5:29	5:36	5:41
5:49	5:57	6:02
6:04	6:12	6:17
6:20	6:29	6:34
6:35	6:44	6:49
6:50	6:59	7:04
7:05	7:15	7:20
7:22	7:32	7:37
7:38	7:48	7:53
7:59	8:09	8:14
8:14	8:22	8:27
8:31	8:39	8:44
8:46	8:54	8:59
9:01	9:09	9:14
2:12	2:20	2:25
2:27	2:35	2:40
2:40	2:48	2:53
2:55	3:03	3:08
3:10	3:18	3:23
3:25	3:34	3:39
3:40	3:49	3:54
3:57	4:06	4:11
4:12	4:21	4:26
4:30	4:39	4:44
4:49	4:58	5:03
5:07	5:16	5:21
5:22	5:30	5:35
5:40	5:48	5:53
5:54	6:02	6:07
6:10	6:18	6:23
6:25	6:32	6:37
6:39	6:46	6:51

AM - Lighter Type PM - Darker Type
Shaded areas on schedules indicate peak hour trips.

HOW TO PAY

Upon boarding, pay your fare with the regional ORCA card. Get your ORCA card online at orcacard.com, by phone at 1-888-988-6722 (ORCA) or WA Relay: 711 (1-888-889-6368), at ticket vending machines in Sounder and Link rail stations, or at one of the transit agency customer service offices. The ORCA Web site also provides information on how to use the card, as well as locations at which they can be reloaded with a new pass or additional cash.

TRIP PLANNING

Use Metro's online Puget Sound Trip Planner desktop, generic mobile or Android or iOS apps to plan trips on scheduled transit service in King, Pierce and Snohomish counties. Trip Planner results include details about transit stops, routes and schedules. Trip planner itineraries do not include unplanned service disruptions or reroutes caused by weather, emergencies, traffic, events or construction.

Visit: kingcounty.gov/tripplanner



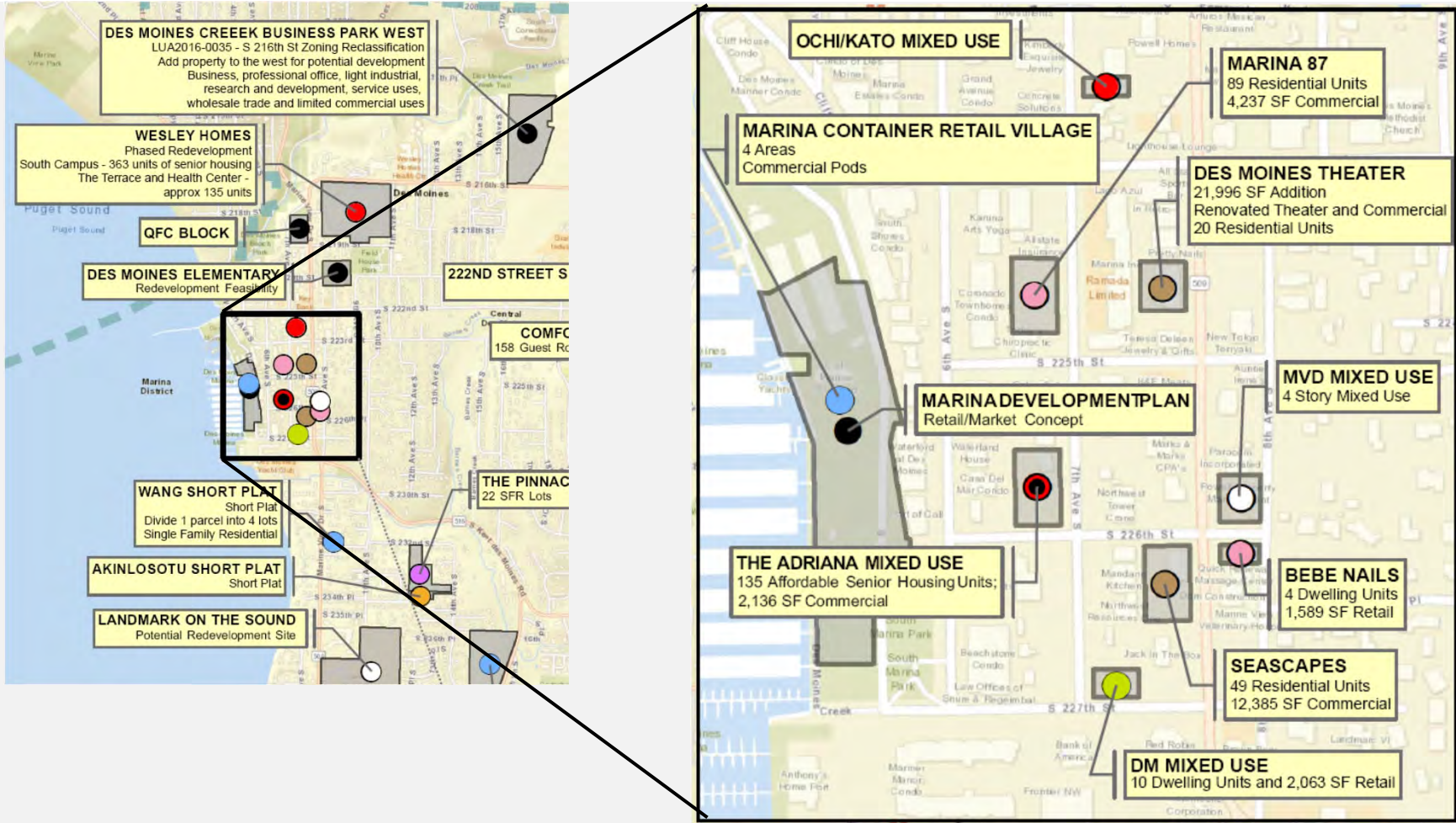
KEY LOCAL TRENDS

Potential redevelopment of Landmark on the Sound



KEY LOCAL TRENDS

And development activity in and around downtown



COMMUNITY INPUT

- October 2017 Open House – 200+ attendees
- Support for various uses on Marina floor, especially an all-weather market, casual dining, and brew pub
- Interest for development clustered around north end of Marina/Harbormaster House
- Followed up with tours with City Council



DEVELOPER INPUT

- Toured 12+ developers around City and Marina
- Public connector such as the Marina Steps would be catalyst to interest private developers
- Readily available interest for residential development (as function of regional market demand)
- Potential interest from hotel developer looking at new small-scale 'inn' concept
- Potential interest from brewpub
- Potential interest from mixed-use developers

MARKET ANALYSIS SUMMARY

	Residential (Attached)		Commercial (Lease)		
	Rental	For-Sale	Office	Retail	Hotel
Regional Trends (last 5 years)	Very Strong	Strong	Moderate	Moderate/Weak	Strong
Des Moines Market (current supply)	Dated product, mostly 1970s/1980s vintage	Dated product, mostly 1970s/1980s vintage	Dated product, small tenants	Dated product, small centers	Mostly dated product, new Sheraton
Key Demand Drivers	Employment growth; Millennial and empty nester preferences; amenities	Pent-up demand, especially from move-down/empty nesters; site-specific opportunities	Office-using employment growth; executive preferences	Household and income growth; consumer preferences	Employment growth; leisure trends; airport traffic; visibility
Pipeline - Supply Forecast (future supply)	Moderate supply	Minimal supply	Moderate supply, some large conceptual projects	Minimal supply, some large conceptual projects	Significant supply

SITE OPPORTUNITIES

- Water
- Views
- Parking options
- Large parcel, contiguous City ownership
- Proximity to downtown, Beach Park

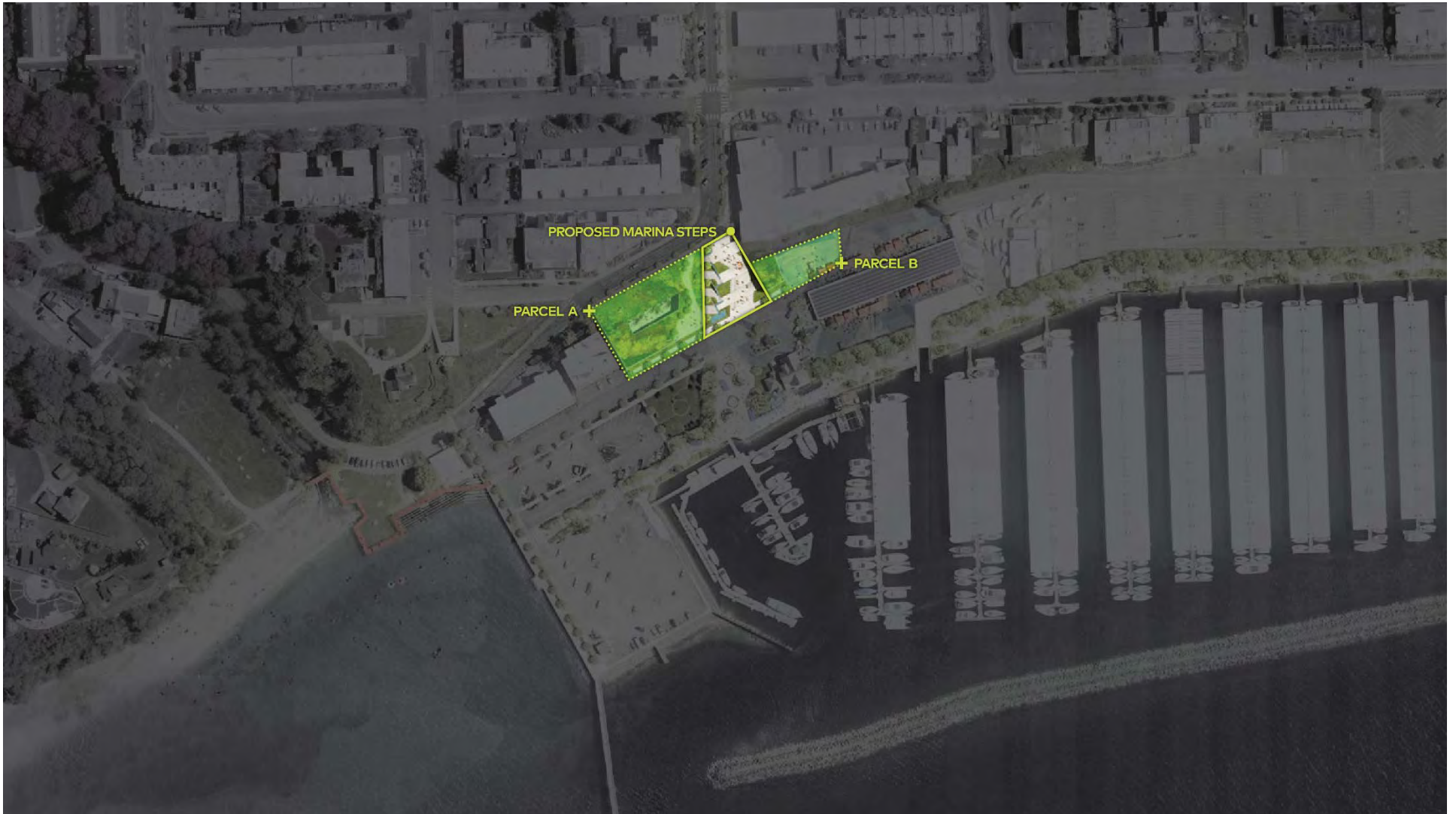
SITE ANALYSIS: MARINA



POTENTIAL PUBLIC AMENITIES



POTENTIAL PUBLIC AMENITIES: MARINA STEPS



POTENTIAL PUBLIC AMENITIES: MARINA STEPS

Why build the Steps?

- ✓ Connects waterfront with Downtown
- ✓ Public amenity
- ✓ Attracts locals and tourists
- ✓ Catalyst for private investment and development
- ✓ Could be integrated with other community-desired aspects, such as food/beverage options with unique location, Marina parking

POTENTIAL PUBLIC AMENITIES: MARINA STEPS

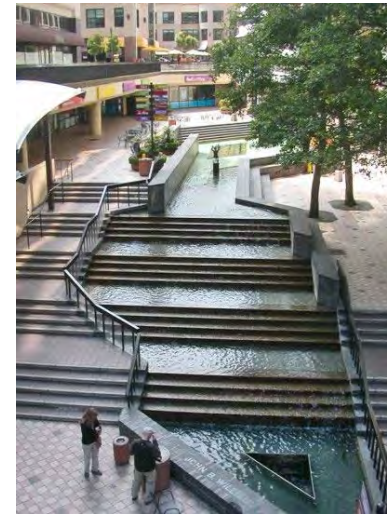
Potential Design

- Team worked through various designs in consultation with City staff
- Chose design that could be built as a stand-alone amenity or be integrated with simultaneous private development
- Worked with Geotech and cost estimator consultants to understand foundation requirements and costs

POTENTIAL PUBLIC AMENITIES: MARINA STEPS



POTENTIAL PUBLIC AMENITIES: MARINA STEPS



POTENTIAL PUBLIC AMENITIES: ROOF GARDENS



AGENDA

Team introduction and scope of work

Review key findings

Discuss development strategies

Next steps

Q&A/open discussion

ISSUES TO CONSIDER

- City's goals
 - Public access
 - Working marina
 - Revenue-generating
 - Mix of uses
 - Human scale
 - Assets for the community
 - Destination location
- Market-based demand
 - Current vs future
- Site constraints and strengths
- Phasing/timing
- Early phase successes
- Critical mass / activate

DEVELOPMENT STRATEGY

- Create vision
- Identify early-phase focus
- Determine how to best leverage City assets
- Parking strategy and other elements that can help catalyze private development
- Identify tenants and partners

DEVELOPMENT: EARLY-PHASE OPPORTUNITY



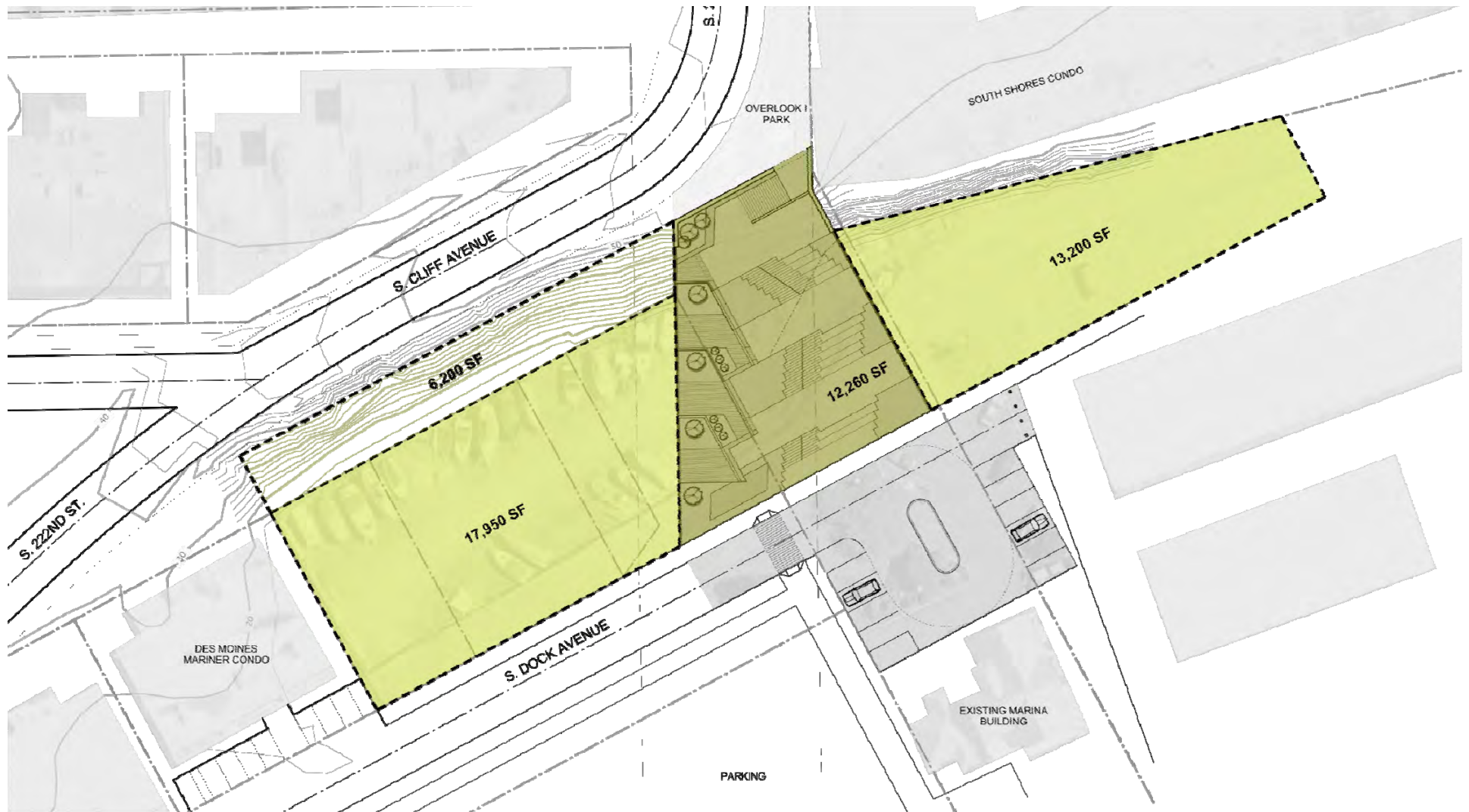
DEVELOPMENT: MARINA STEPS

- Engaged cost estimator
- Cost estimates (assume 30% soft costs on hard costs):
 - Option 1 – without elevator: \$2.5 - \$3.0 million
 - Option 2 – with elevator: \$3.5 - \$4.1 million

DEVELOPMENT: EARLY-PHASE OPPORTUNITY

- Marina Steps creates opportunity for private development parcels to north and south of stairs
 - North parcel (A) – 18,000 s.f. (with potential to increase if go into right of way)
 - South parcel (B) – 13,000 s.f. (with potential to increase southwards)
- At 2.5 FAR, up to 78,000 s.f. of developable space
 - Up to 35' tall, wouldn't block existing views
 - Could be integrated into design/development of Steps

DEVELOPMENT: EARLY-PHASE OPPORTUNITY



DEVELOPMENT STRATEGIES

SELL SPECIFIC PARCEL

- Marina includes +/-29 acres, possible sale of no more than 1-2 acres
 - First phase opportunity is currently boat storage
- Likely to attract most developer interest
- Sales proceeds can help pay for Marina Steps and/or other public amenities

GROUND LEASE LAND

- Likely to reduce developer interest
- More common for some land uses (i.e. hotel)
- Many different options, can get complicated
- Payments can help to offset debt costs for public amenities

PUBLIC-PRIVATE PARTNERSHIP

- Won't interest all developers
- Can take many different forms, can get complicated
- City brings land, regulatory authority, and bonding capacity, private developers bring their expertise in getting things financed and built

DEVELOPMENT POTENTIAL BY LAND USE

	Residential (Attached)		Commercial (Lease)		
	Rental	For-Sale	Office	Retail	Hotel
Site Potential	Strong	Strong	Moderate	Moderate	Moderate
Likely Type	Flats Mixed-Use	Condo (flats) Townhome (2-3 story) Live/Work	Finance/insurance/ real estate (FIRE) Professional services Medical Co-working	Boat-oriented shop Restaurant Coffee Destination	Extended stay Boutique
Rent/Sales Range	\$2.25-\$2.50/s.f. (mo.)	\$450-\$600/s.f.	\$20-\$30/s.f. NNN (ann)	\$20-\$30/s.f. NNN (ann)	\$140-\$160/night (ADR)
<u>Financial Model - Key Assumptions</u>					
Avg Rent/Price	\$2.25/s.f. (mo.)	\$525/s.f.	\$25/s.f. NNN (ann)	\$25/s.f. NNN (ann)	\$150/night (ADR)
Avg Occupancy (stabilized)	95%	n/a	90%	90%	70%
Cap Rate	5.00%	n/a	6.00%	6.50%	7.00%
Total Construction Cost per Net S.F. (Hard, Soft, Finance)	\$292	\$325	\$258	\$219	\$379
Density/FAR	70.0	40.0	2.5	0.7	100.0

DEVELOPMENT STRATEGY: SELL SPECIFIC PARCEL

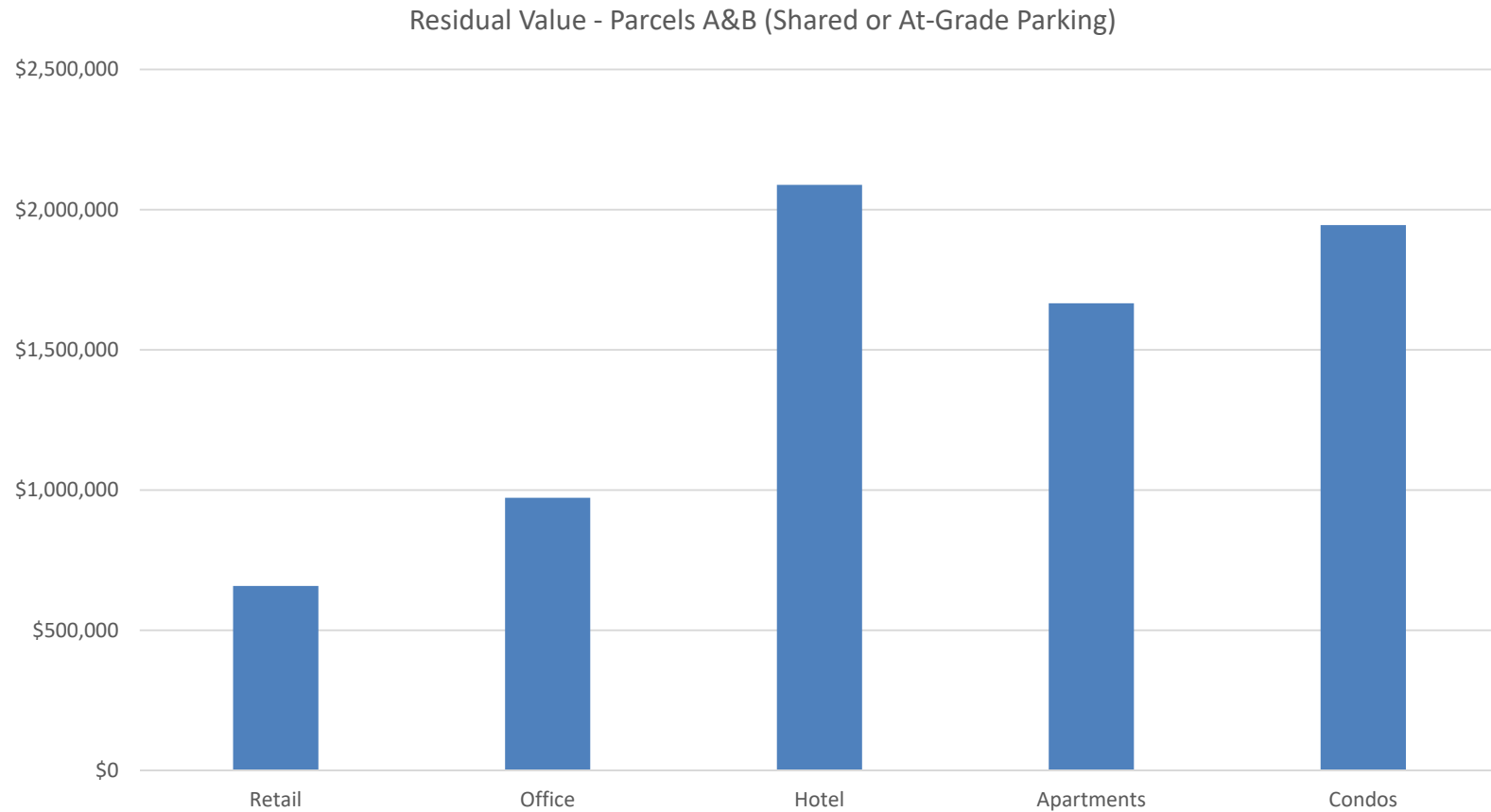
Values depend on many factors, including:

- Land use and resulting lease/sales values
- Development capacity based on zoning and other constraints
- Construction costs
- Parking
- Investor interest
- Market norms and trends

DEVELOPMENT STRATEGY: SELL SPECIFIC PARCEL

- Depending on resulting densities, land uses under consideration projected to yield between \$900,000 – \$2.9 million per acre
- Highest values for hotel and residential uses
- Land values highly sensitive to assumptions
- Parking is significant component – these values assume either shared parking with Marina or at-grade/tuck-under parking
 - Below-grade or other structured parking would introduce significant cost increase and resulting lower land values (and potentially negative land values)
- At 0.72 acres for 2 parcels next to stairs = potential combined land value of between \$660,000 and \$2.1 million

DEVELOPMENT STRATEGY: SELL SPECIFIC PARCEL



DEVELOPMENT STRATEGY: GROUND LEASE LAND

- Ground leases not common for many development deals
 - Most commonly associated with hotel development
- Developers and their capital partners will typically want long timeframes (i.e. 99 years)
- Leases don't typically begin until revenue earned (and often ramped up in initial phase)
- Need to consider time value of money (i.e. discount future payments)

DEVELOPMENT STRATEGY: GROUND LEASE LAND

- Ground leases can be determined on basis of:
 - % of determined/appraised land value
 - % of revenue
 - Other fixed rent amount or hybrid method
- At 5% of land value and discount rate of 6%, would take approximately 30 years to equal current sales values

DEVELOPMENT STRATEGY: PUBLIC-PRIVATE PARTNERSHIP

- Opportunity to leverage City assets and capabilities with private-sector development expertise
- Can take many different forms
- Can include modest or incremental incentives

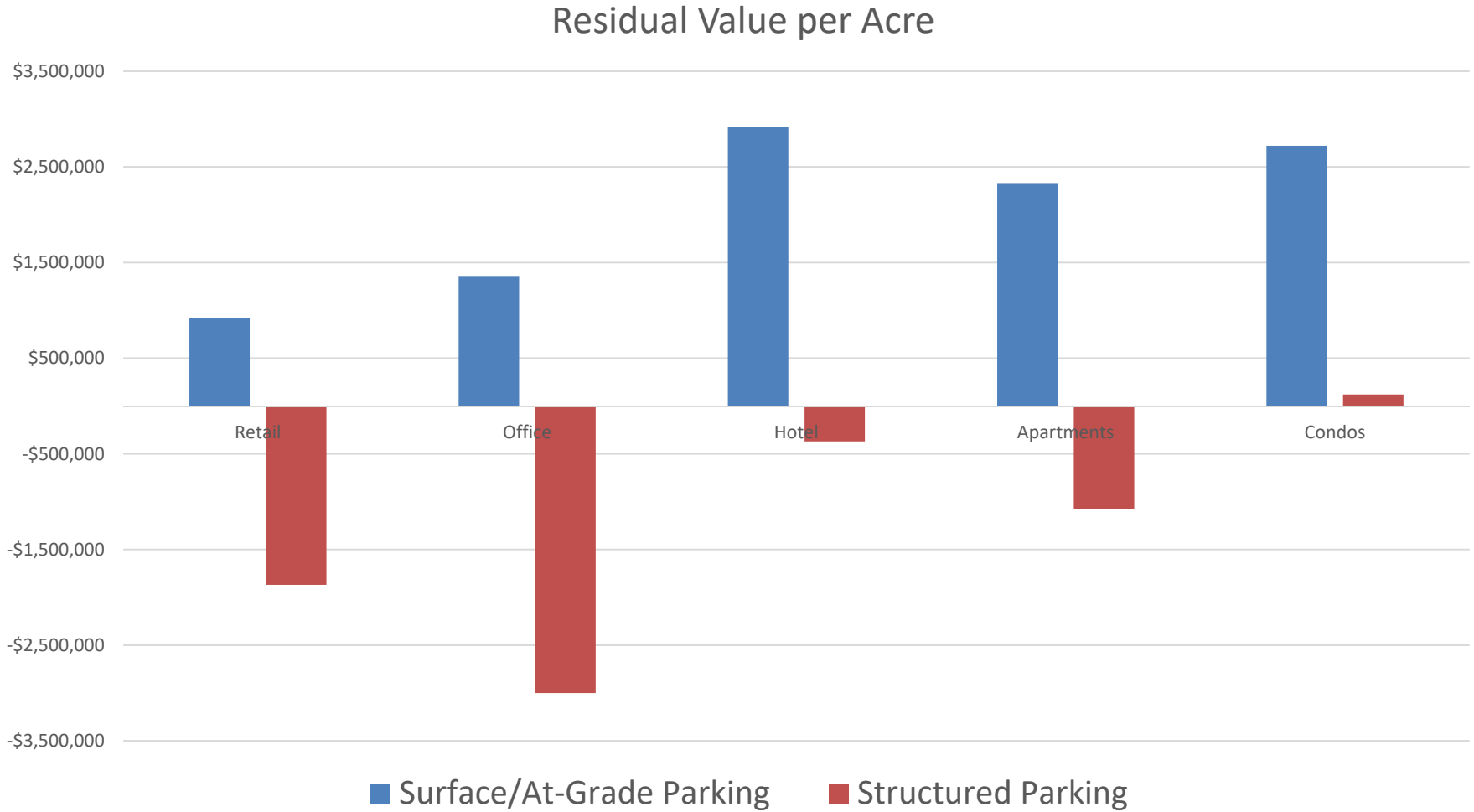
Example: City provides land, private developer builds Marina Steps and adjacent private development

- City gets public amenity potentially at reduced out-of-pocket cost
- Developer gets control of larger site and ability to better integrate uses and leverage development costs

DEVELOPMENT: PARKING STRATEGY

- No existing parking spaces taken out for siting early-phase development
- Utilize existing surface parking to help incentivize early-phase development
- Parking costs can kill development deals – typical cost per stall is ~\$30,000 for above-ground and ~\$50,000 for below-grade
- Parking on small sites can also leave too little leasable/saleable space left over
- Look into integrating parking into Marina Steps development
- Potential to build structured parking later on as Marina is developed
- Financial partners often will require developers to have dedicated parking – they don't want their investments to be under-parked

DEVELOPMENT: PARKING STRATEGY



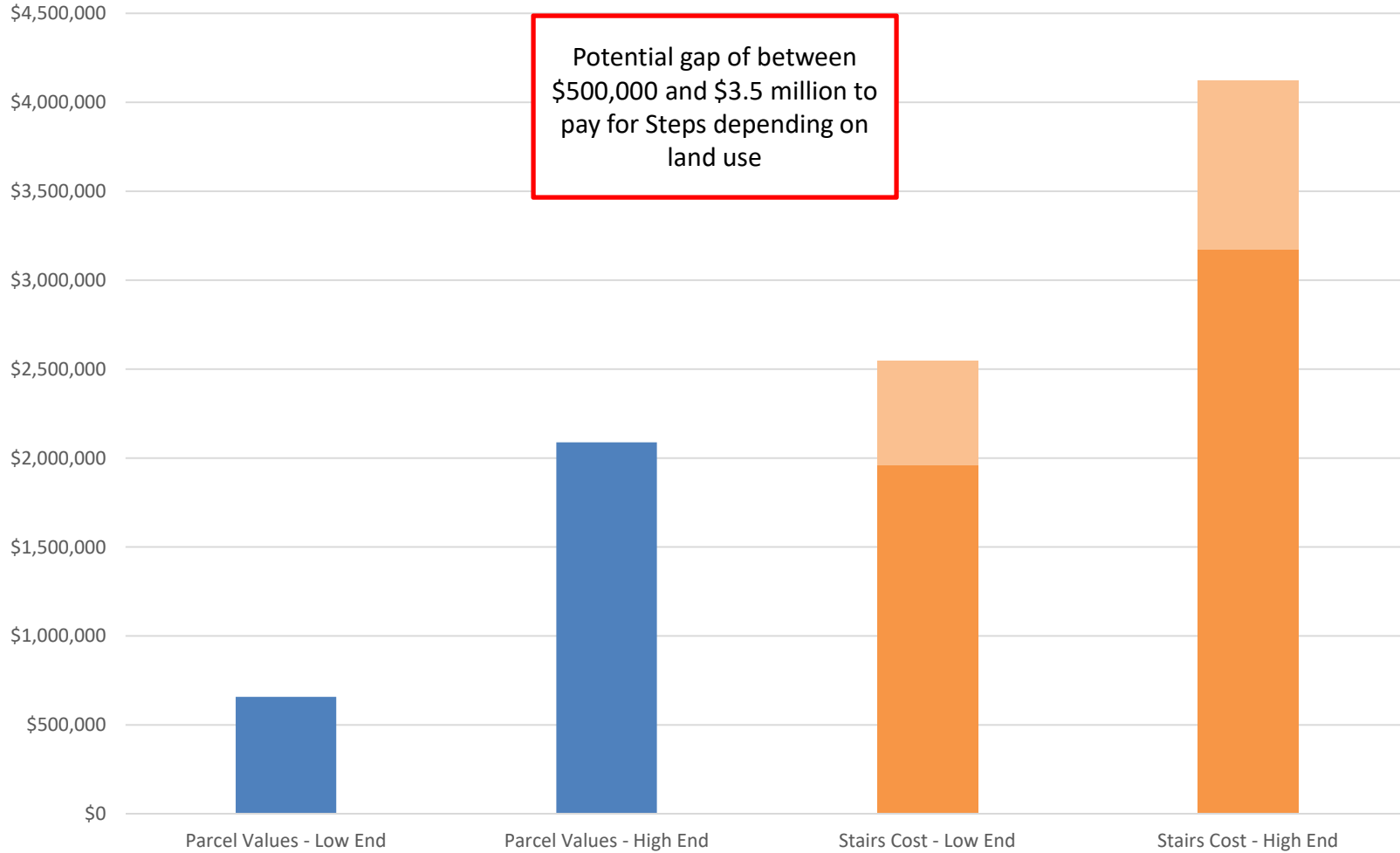
DEVELOPMENT: PARKING STRATEGY



DEVELOPMENT: IDENTIFY TENANTS AND PARTNERS

- Office users (i.e. GSA, Port, co-working)
- Brewpub
- Hotel/Inn developer

DEVELOPMENT STRATEGY: FINANCIAL



AGENDA

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Q&A