AGENDA

Team introduction and scope of work
Review results of development analysis
Discuss development strategies
Next steps
Q&A/open discussion
Review results of parking analysis
AGENDA

Team introduction and scope of work

Review results of development analysis

Discuss development strategies

Next steps

Q&A/open discussion

Review results of parking analysis
OVERVIEW

PROJECT PARTNERSHIP
- Port of Seattle
- City of Des Moines

THE PROJECT TEAM
- THG
- CollinsWoerman
- Embarcadero Hospitality Group
- Rick Williams Parking Consultants

SCOPE OF WORK
- Met with Mayor, City staff and key stakeholders
- Reviewed prior reports and plans
- Analyzed downtown parking demand and supply
- Assessed market opportunity for residential and commercial land uses at marina site
- Visited and assessed site’s development potential
- Created three development scenarios for marina site
- Performed preliminary financial analyses
AGENDA

Team introduction and scope of work

Review results of development analysis

Discuss development strategies

Next steps

Q&A/open discussion

Review results of parking analysis
REGIONAL CONTEXT
MARKET AREA
CURRENT: WHERE DES MOINES RESIDENTS WORK
CURRENT: WHERE DES MOINES WORKERS LIVE
CURRENT: DEMOGRAPHICS COMPARISON

<table>
<thead>
<tr>
<th>City</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Des Moines</td>
<td>31,846</td>
</tr>
<tr>
<td>SeaTac</td>
<td>29,123</td>
</tr>
<tr>
<td>Tukwila</td>
<td>20,363</td>
</tr>
<tr>
<td>Kent</td>
<td>104,845</td>
</tr>
<tr>
<td>Burien</td>
<td>36,250</td>
</tr>
<tr>
<td>Federal Way</td>
<td>97,569</td>
</tr>
<tr>
<td>Normandy Park</td>
<td>6,709</td>
</tr>
</tbody>
</table>
CURRENT: DEMOGRAPHICS COMPARISON

<table>
<thead>
<tr>
<th>City</th>
<th>Median HH Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Des Moines</td>
<td>$63,839</td>
</tr>
<tr>
<td>SeaTac</td>
<td>$50,329</td>
</tr>
<tr>
<td>Tukwila</td>
<td>$50,606</td>
</tr>
<tr>
<td>Kent</td>
<td>$58,897</td>
</tr>
<tr>
<td>Burien</td>
<td>$57,538</td>
</tr>
<tr>
<td>Federal Way</td>
<td>$59,678</td>
</tr>
<tr>
<td>Normandy Park</td>
<td>$88,941</td>
</tr>
<tr>
<td>King County</td>
<td>$76,222</td>
</tr>
</tbody>
</table>
PROJECTIONS: POPULATION

Des Moines
Market Area
PROJECTIONS: EMPLOYMENT

TOTAL EMPLOYMENT

- Des Moines
- Seattle MSA (right axis)
PROJECTIONS: EMPLOYMENT

TOTAL EMPLOYMENT

- Des Moines
- Des Moines (w/Biz Park)
- Seattle MSA (right axis)
REGIONAL DEMAND DRIVERS

High home prices in close-in areas
REGIONAL DEMAND DRIVERS

Strong economic trends continue:

March jobless rate drops

National, state and local unemployment levels continue to drop in March

- United States
- Washington
- Seattle-Bellevue-Everett


The Seattle Times
REGIONAL DEMAND DRIVERS

Strong tourism trends continue
LOCAL DEMAND DRIVERS

Des Moines Creek Business Park: >3,500 net new jobs
LOCAL DEMAND DRIVERS

Sound Transit: Angle Lake + future stations = development nodes
LOCAL DEMAND DRIVERS

Downtown Des Moines development action
## Market Analysis Summary

<table>
<thead>
<tr>
<th>Regional Trends (last 5 years)</th>
<th>Residential (Attached)</th>
<th>Commercial (Lease)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rental</td>
<td>For-Sale</td>
</tr>
<tr>
<td>Very Strong</td>
<td>Strong</td>
<td></td>
</tr>
</tbody>
</table>


| Key Demand Drivers | Employment growth; Millenial 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 |
MARKET ANALYSIS: RENTAL RESIDENTIAL

- **Market Area:** occupancies >97%, annual rent growth = >6% past 5 years
- Few new projects in Market Area, none in Des Moines – rents have not justified development costs
- Significant pipeline in Market Area and Des Moines will boost Class A product
MARKET ANALYSIS: FOR-SALE RESIDENTIAL

- Home prices at or near pre-Recession peaks in Des Moines
- Des Moines home prices near top of Market Area but below Seattle area
- Condo/TH sales up past 3 years
- Very little condo/TH product in pipeline
MARKET ANALYSIS: OFFICE

- Market Area: Class A vacancy at 15-year low, Class B/C properties more modest vacancy declines past 5 years
- Rent growth of 1%-1.5% per year
- Significant deliveries in FAA building, some large conceptual projects in pipeline
MARKET ANALYSIS: RETAIL

- **Market Area:** Vacancy rates remain elevated since Recession
- Rent growth of 1%-1.5% per year
- Pipeline includes ground-floor space of mixed-use projects, some large conceptual projects
MARKET ANALYSIS: HOTEL

- **Market Area:** Occupancy rates generally strong, recent dip due to Four Points by Sheraton introduction (not yet stabilized)

- ADR growth since 2010 but still significant discount to downtown Seattle

- Significant supply in pipeline, almost all Upscale product
SITE ANALYSIS: MARINA

• Zoning

• SWOT analysis

• Constraints and assets
  o Water
  o Views
  o Parking
  o Boatyard
  o Access
  o Ground lease
SITE ANALYSIS: MARINA
SITE ANALYSIS: MARINA
# Development Potential by Land Use: Marina

<table>
<thead>
<tr>
<th>Site Potential</th>
<th>Residential (Attached)</th>
<th>Commercial (Lease)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Rental</strong></td>
<td><strong>For-Sale</strong></td>
</tr>
<tr>
<td></td>
<td>Strong</td>
<td>Strong</td>
</tr>
<tr>
<td>Likely Type</td>
<td>Flats</td>
<td>Condo (flats)</td>
</tr>
<tr>
<td></td>
<td>Mixed-Use</td>
<td>Townhome (2-3 story)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Live/Work</td>
</tr>
<tr>
<td>Rent/Sales Range</td>
<td>$2.00-$2.50/s.f. (mo.)</td>
<td>$450-$600/s.f.</td>
</tr>
</tbody>
</table>

### Financial Model - Key Assumptions

<table>
<thead>
<tr>
<th>Avg Rent/Price</th>
<th>$2.25/s.f. (mo.)</th>
<th>$525/s.f.</th>
<th>$25/s.f. MG (ann)</th>
<th>$25/s.f. NNN (ann)</th>
<th>$150/night (ADR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg Occupancy (stabilized)</td>
<td>95%</td>
<td>n/a</td>
<td>90%</td>
<td>90%</td>
<td>75%</td>
</tr>
<tr>
<td>Cap Rate</td>
<td>5.25%</td>
<td>n/a</td>
<td>6.00%</td>
<td>6.50%</td>
<td>7.50%</td>
</tr>
<tr>
<td>Total Construction Cost per Net S.F. (Hard, Soft, Finance)</td>
<td>$227</td>
<td>$319</td>
<td>$246</td>
<td>$214</td>
<td>$329</td>
</tr>
</tbody>
</table>

### Metrics

- Acceptable Developer Return?: Yes, Yes, Yes, Yes, Yes
- Positive Land Value?: Yes, Yes, Yes, Yes, Yes
AGENDA

Team introduction and scope of work
Review results of development analysis
Discuss development strategies
Next steps
Q&A/open discussion
Review results of parking analysis
ISSUES TO CONSIDER

• City’s goals
  o Public access
  o Working marina
  o Revenue-generating
  o Mix of uses
  o Human scale
  o Assets for the community
  o Destination location
ISSUES TO CONSIDER

• City’s goals
  o Public access
  o Working marina
  o Revenue-generating
  o Mix of uses
  o Human scale
  o Assets for the community
  o Destination location

• Market-based demand
  o Current vs future
ISSUES TO CONSIDER

• City’s goals
  o Public access
  o Working marina
  o Revenue-generating
  o Mix of uses
  o Human scale
  o Assets for the community
  o Destination location

• Market-based demand
  o Current vs future

• Site constraints and strengths
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
ISSUES TO CONSIDER

• City’s goals
  o Public access
  o Working marina
  o Revenue-generating
  o Mix of uses
  o Human scale
  o Assets for the community
  o Destination location

• Market-based demand
  o Current vs future

• Site constraints and strengths

• Phasing/timing

• Early phase successes
ISSUES TO CONSIDER

• City’s goals
  o Public access
  o Working marina
  o Revenue-generating
  o Mix of uses
  o Human scale
  o Assets for the community
  o Destination location

• Market-based demand
  o Current vs future

• Site constraints and strengths

• Phasing/timing

• Early phase successes

• Critical mass / activate
## Development Scenarios

<table>
<thead>
<tr>
<th>Baseline</th>
<th>North Concentration</th>
<th>Multi-Nodal</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Development concentrated in north, potential parcel on south end</td>
<td>• Development in contiguous zone entirely in north end</td>
<td>• Development concentrated on both ends</td>
</tr>
<tr>
<td>• Boatyard remains in current location</td>
<td>• Boatyard moves to south end</td>
<td>• Boatyard remains in current location</td>
</tr>
<tr>
<td>• Up to 240,000 developable square feet</td>
<td>• Up to 240,000 developable square feet</td>
<td>• Up to 330,000 developable square feet</td>
</tr>
</tbody>
</table>
SCENARIO #1: BASELINE
SCENARIO #1: BASELINE
SCENARIO #2: NORTH CONCENTRATION
SCENARIO #3: MULTI-NODAL
## Baseline Scenario: Development Concepts

<table>
<thead>
<tr>
<th>Commercial Focus</th>
<th>Mixed Concept</th>
<th>Residential Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Public amenities</td>
<td>• Public amenities</td>
<td>• Public amenities</td>
</tr>
<tr>
<td>• 25,000-50,000 s.f. commercial (retail/office)</td>
<td>• 15,000-30,000 s.f. commercial (retail/office)</td>
<td>• 5,000-10,000 s.f. commercial (retail/office)</td>
</tr>
<tr>
<td>• 85-150 hotel rooms</td>
<td>• 85-150 hotel rooms</td>
<td>• 85-150 hotel rooms</td>
</tr>
<tr>
<td>• 10-12 residential units</td>
<td>• 18-22 residential units</td>
<td>• 45-57 residential units</td>
</tr>
</tbody>
</table>
BASELINE SCENARIO: PUBLIC AMENITIES

- Hillclimb
- Boatyard remains in place
- South Marina Park relocated to waterfront
- Potential open space expansion
- Central plaza
BASELINE SCENARIO: COMMERCIAL FOCUS

- **10-12 condos**
  - Early phase

- **20,000-40,000 s.f. office/retail**
  - Later phase

- **5,000-10,000 s.f. retail/restaurant**
  - Early phase

- **85-150 hotel rooms**
  - Later phase
BASELINE SCENARIO: MIXED CONCEPT

- 10-12 condos
  - Early phase
- 85-150 hotel rooms
  - Later phase
- 15,000-30,000 s.f.
  - office/retail
  - Early phase
- 8-10 townhomes
  - Later phase
BASELINE SCENARIO: RESIDENTIAL FOCUS

- 10-12 condos
  Early phase

- 35-45 apartments and retail
  Early phase

- 85-150 hotel rooms
  Later phase
DEVELOPMENT EXAMPLES
AGENDA

Team introduction and scope of work
Review results of development analysis
Discuss development strategies

Next steps

Q&A/open discussion
Review results of parking analysis
NEXT STEPS

• City Council tour of development sites
• Clarify preferred development scenario and City’s strategy
• Community input
• Potential phase II of partnership
• Assess marina parking and impact on development
• Determine location and strategy for first phase of development
AGENDA

Team introduction and scope of work
Review results of development analysis
Discuss development strategies
Next steps
Q&A/open discussion
Review results of parking analysis
Q&A
AGENDA

Team introduction and scope of work
Review results of development analysis
Discuss development strategies
Next steps
Q&A/open discussion

Review results of parking analysis
PARKING ANALYSIS