



# DES MOINES MARINA FEASIBILITY STUDY & DOWNTOWN PARKING ANALYSIS

**PRESENTATION TO:**

**DES MOINES CITY COUNCIL / MAY 18, 2017**

THG / CollinsWoerman / Embarcadero Hospitality Group / Rick Williams Parking

# 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

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# 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

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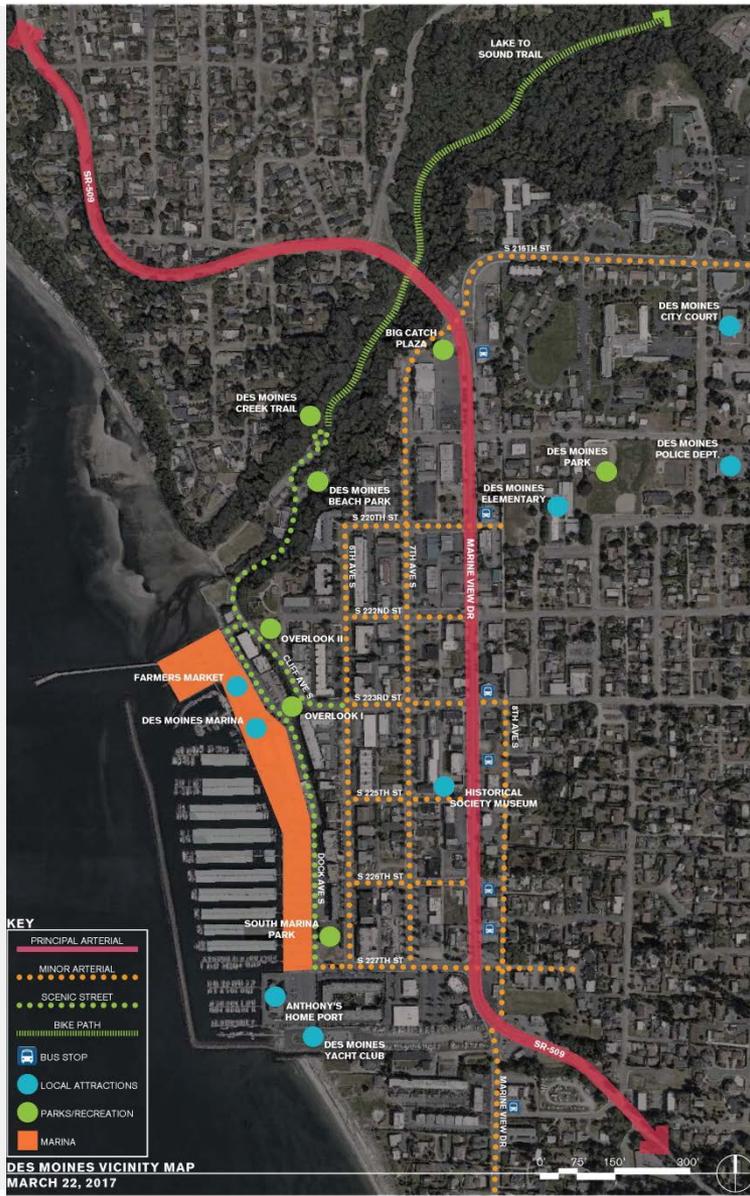
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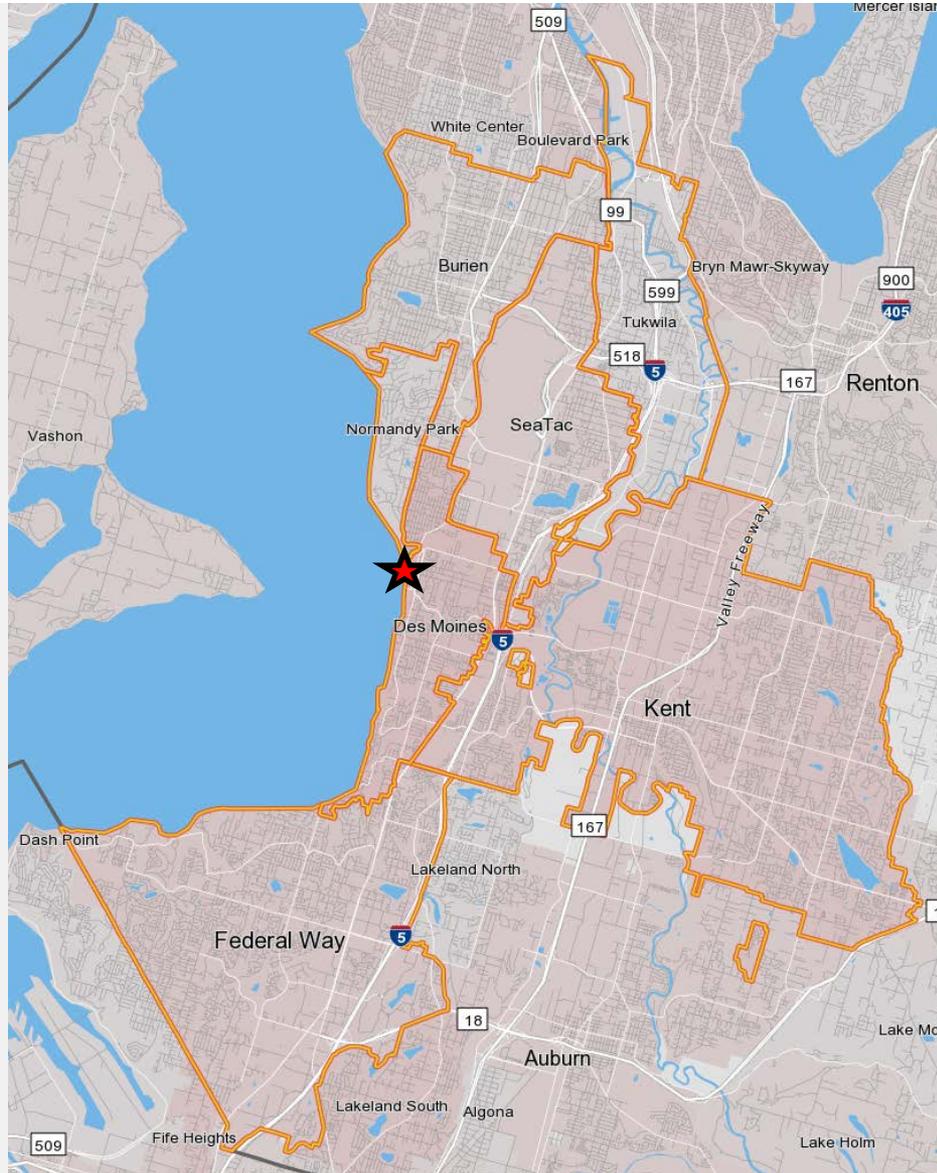
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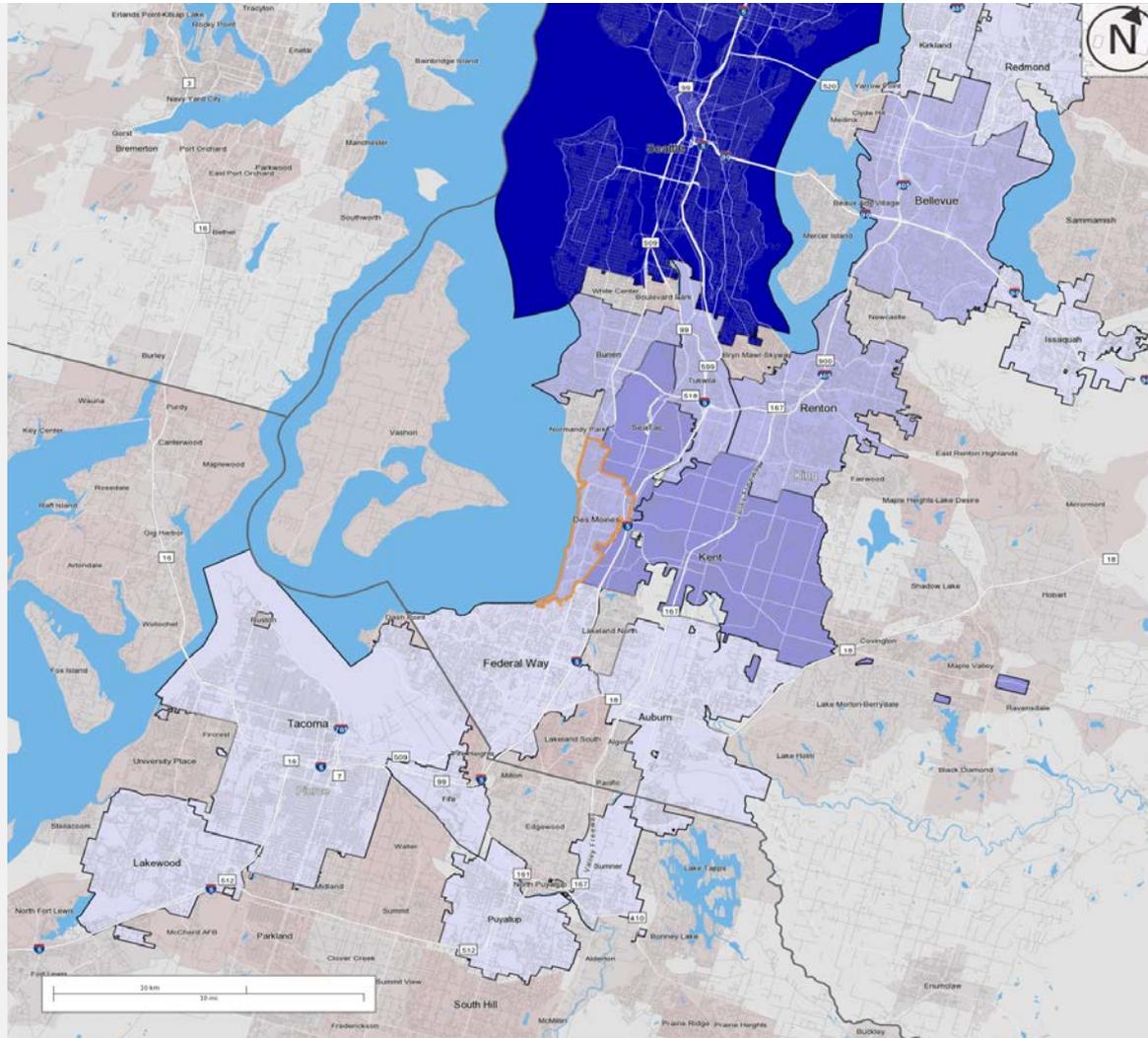
# REGIONAL CONTEXT



# MARKET AREA

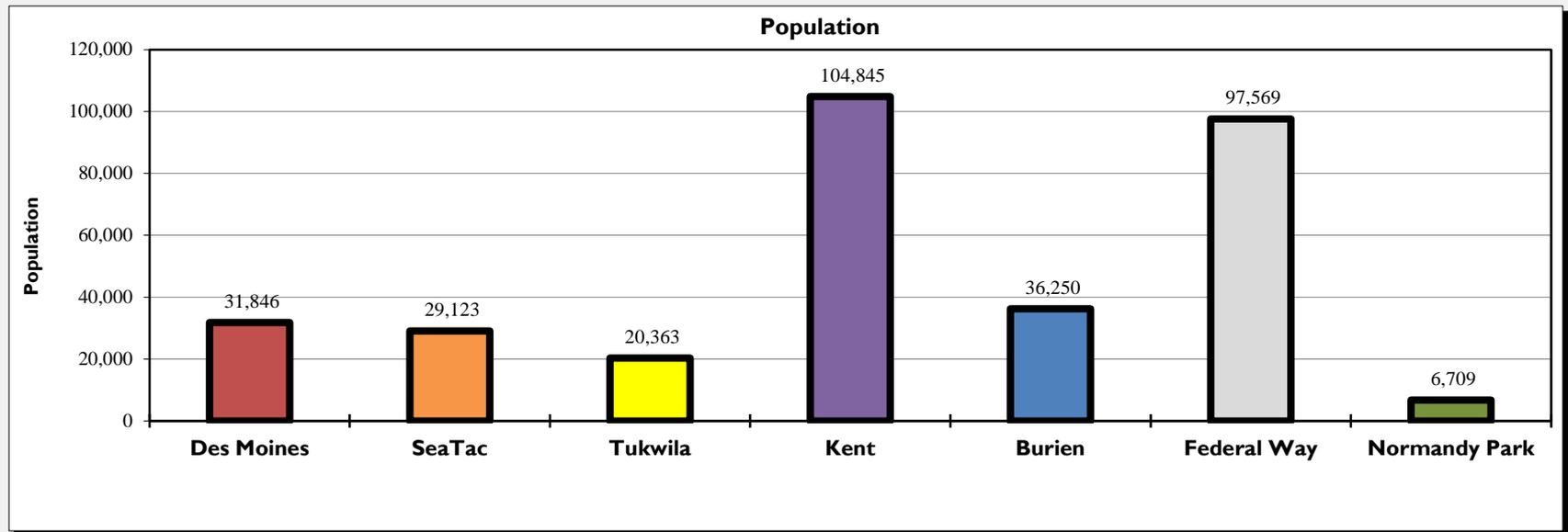


# CURRENT: WHERE DES MOINES RESIDENTS WORK

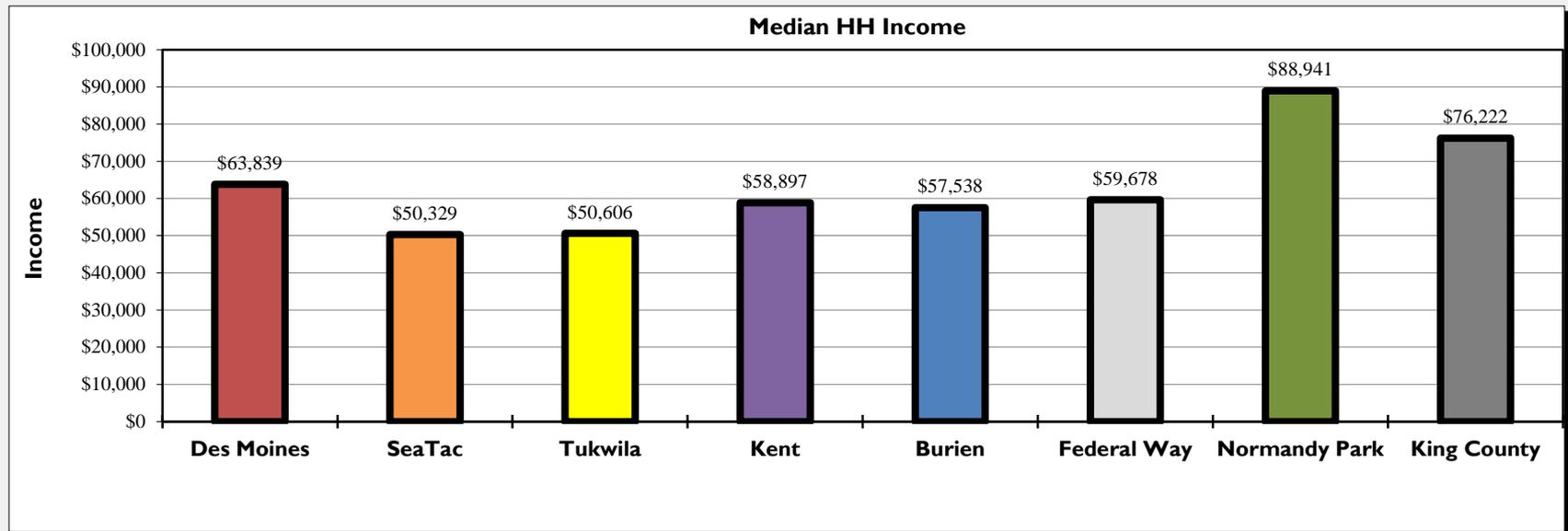




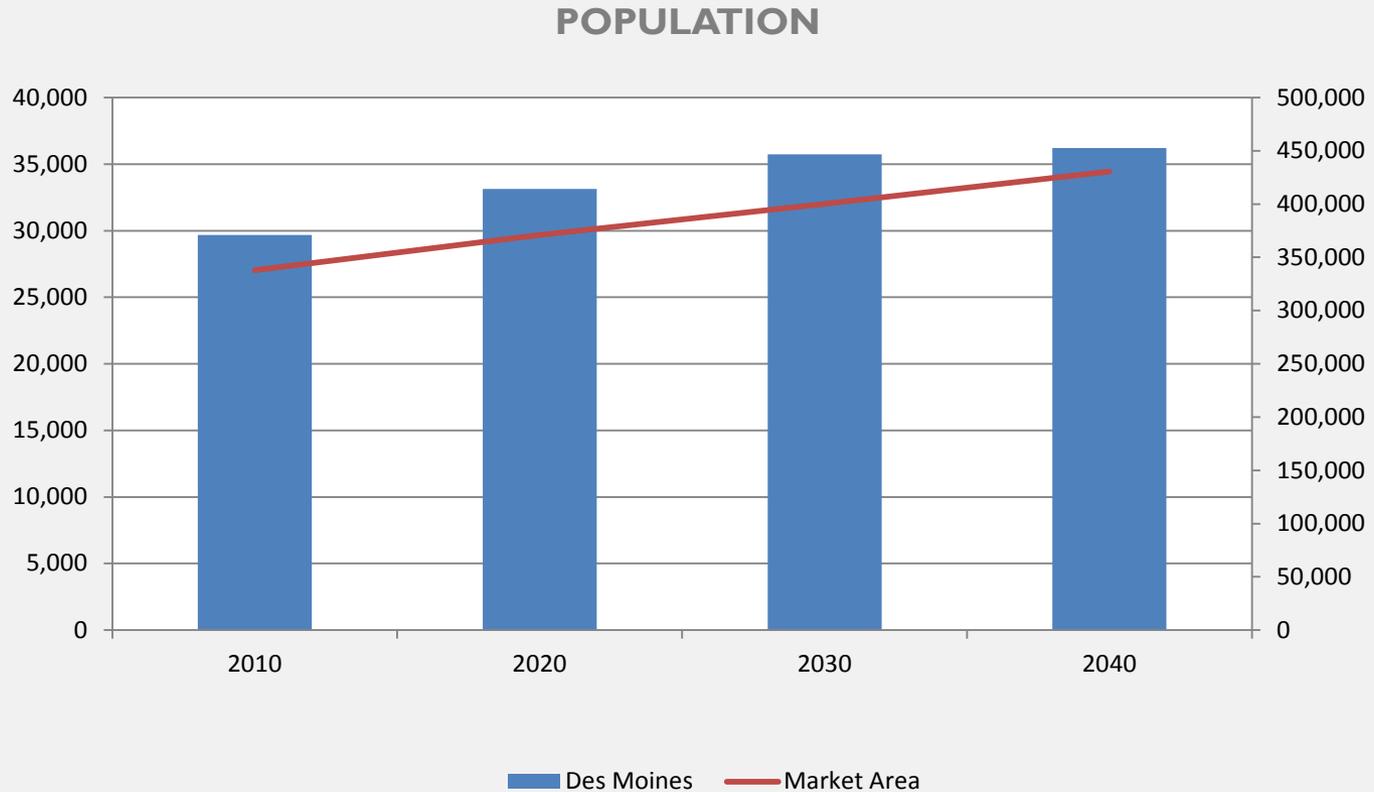
# CURRENT: DEMOGRAPHICS COMPARISON



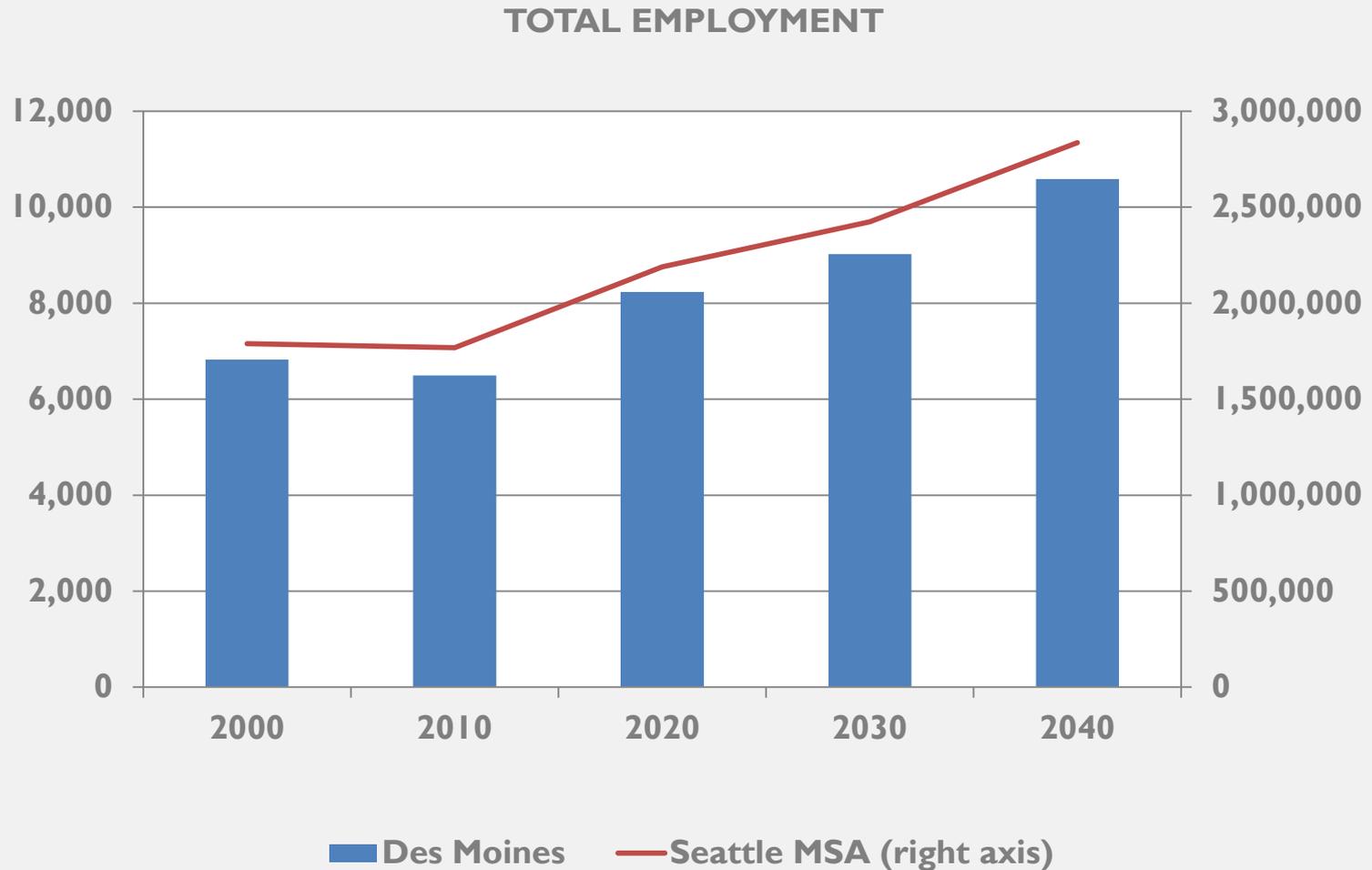
# CURRENT: DEMOGRAPHICS COMPARISON



# PROJECTIONS: POPULATION

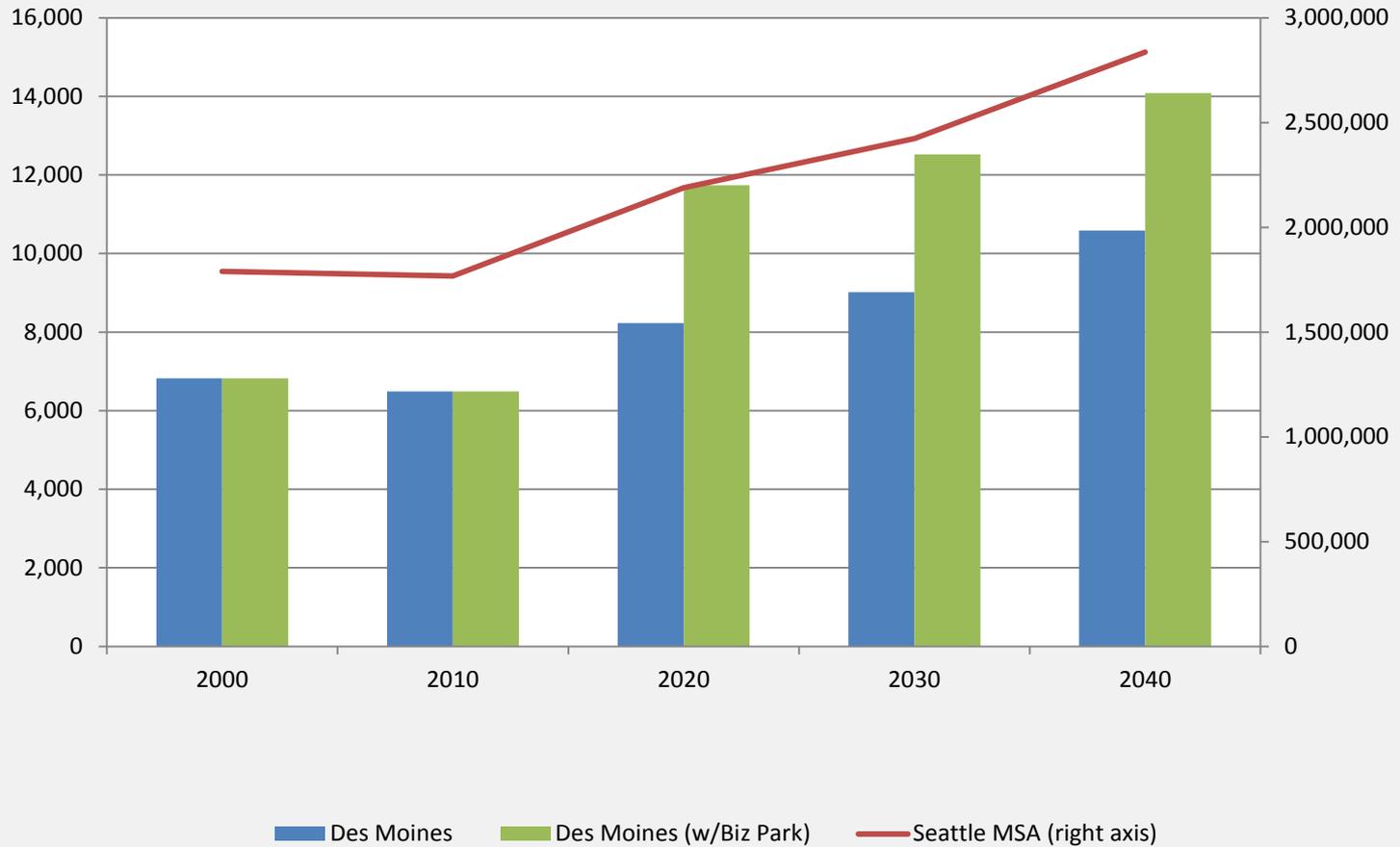


# PROJECTIONS: EMPLOYMENT



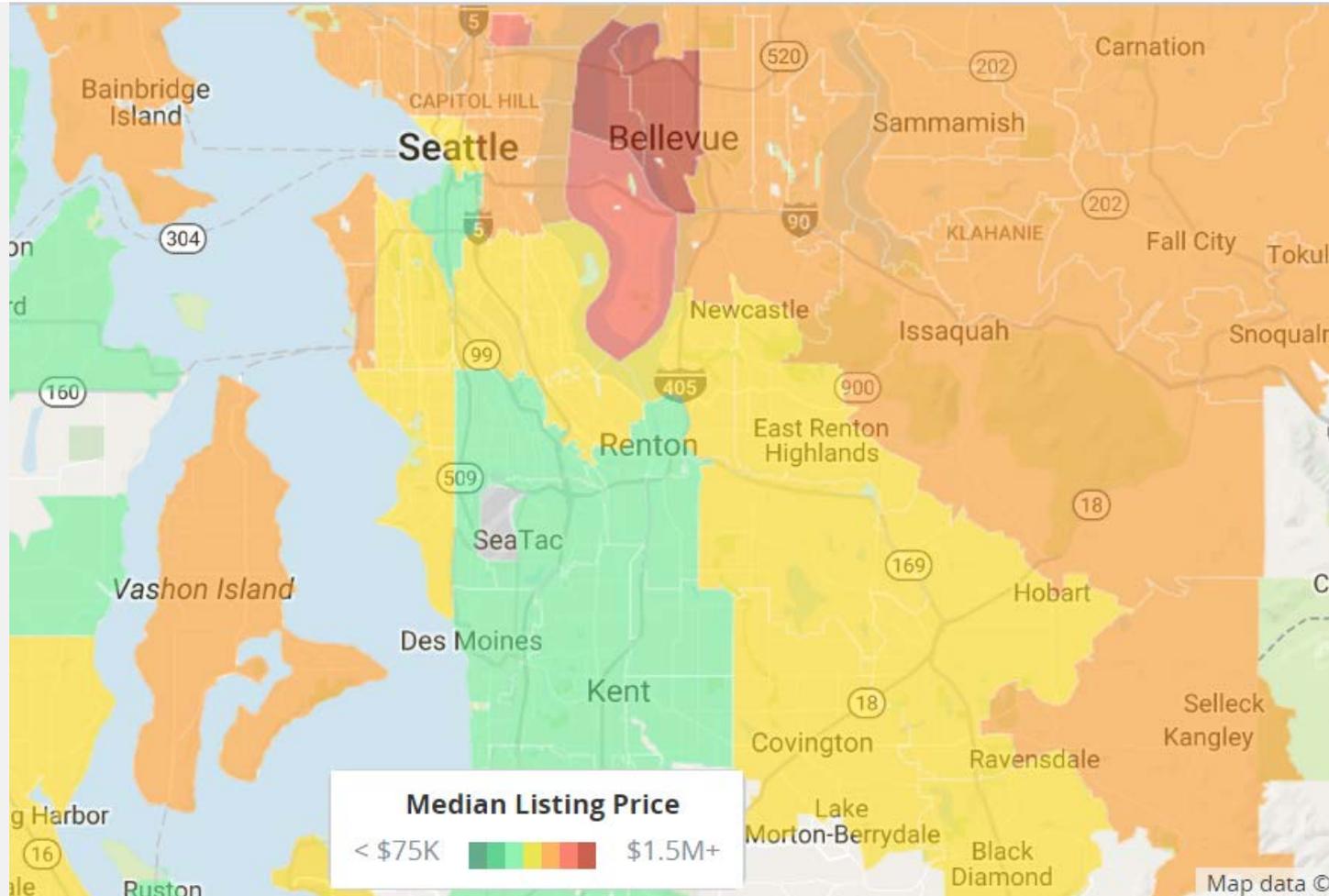
# PROJECTIONS: EMPLOYMENT

## TOTAL EMPLOYMENT



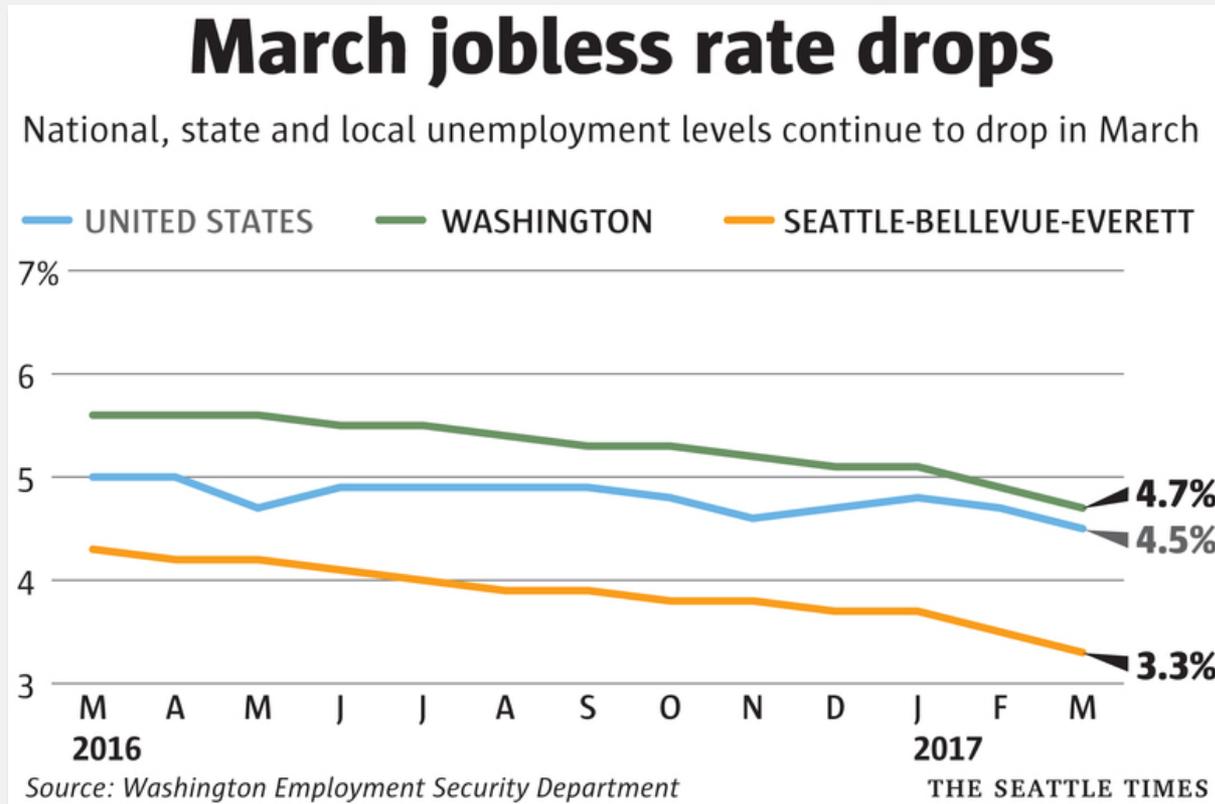
# REGIONAL DEMAND DRIVERS

High home prices in close-in areas



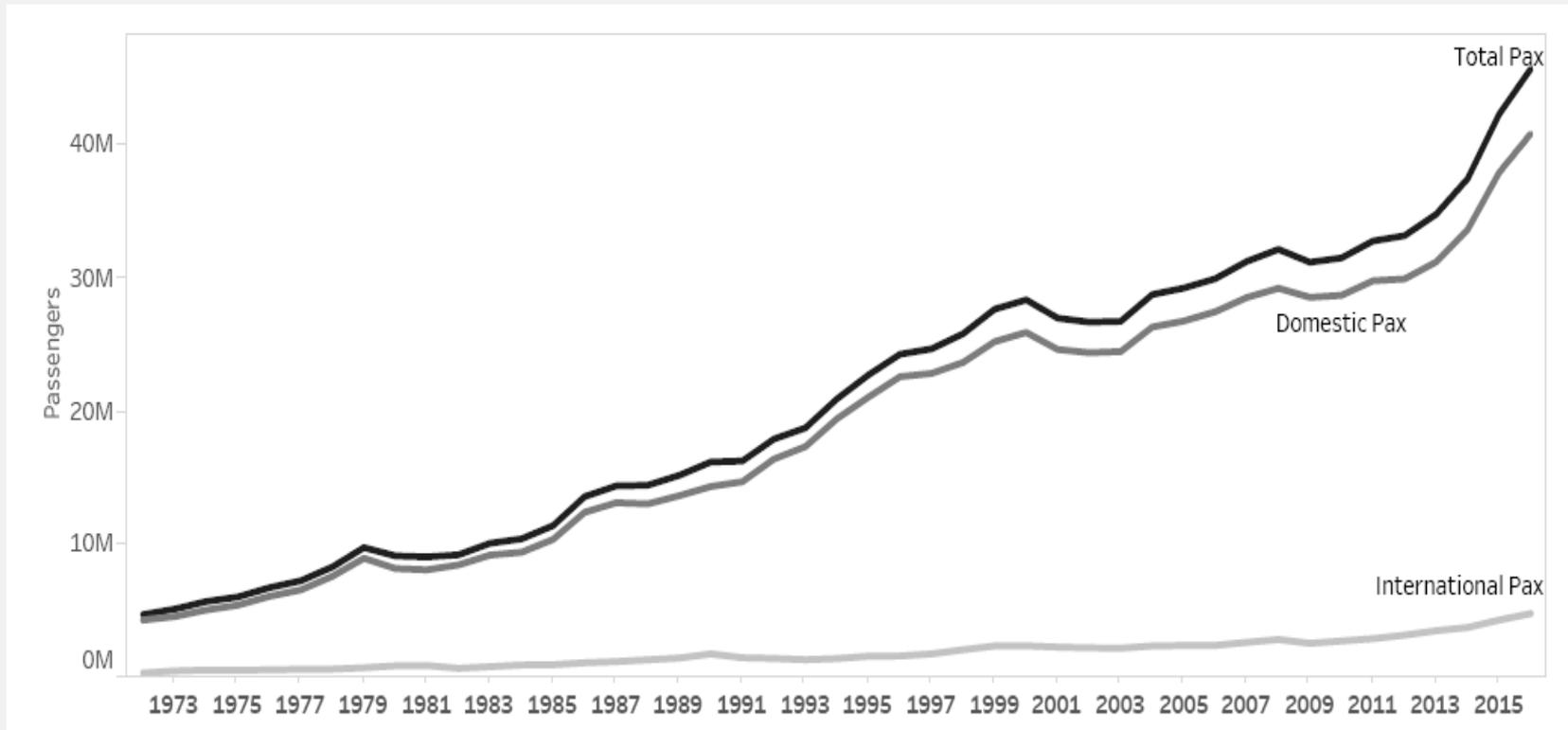
# REGIONAL DEMAND DRIVERS

Strong economic trends continue:



# REGIONAL DEMAND DRIVERS

Strong tourism trends continue



# LOCAL DEMAND DRIVERS

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



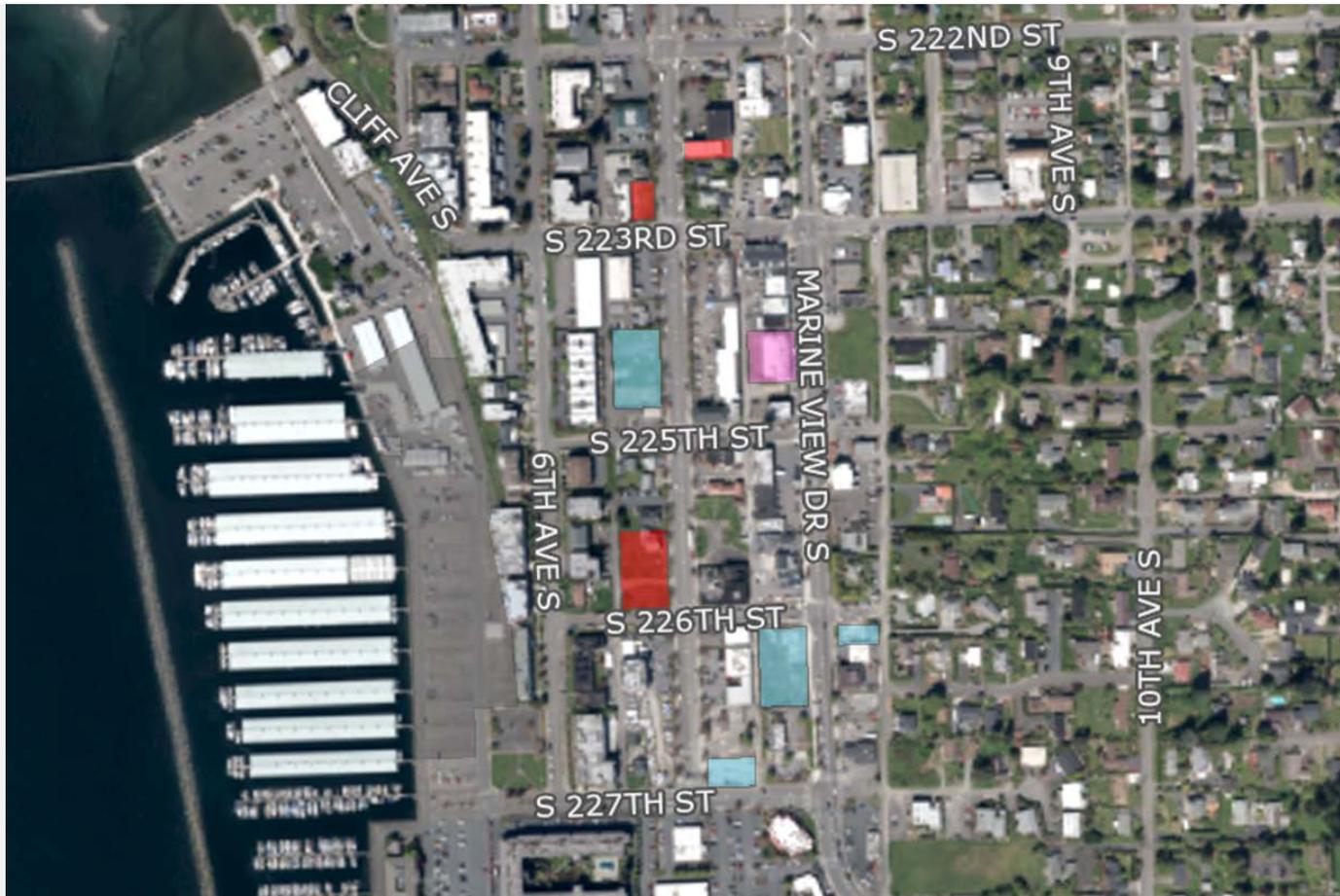
# LOCAL DEMAND DRIVERS

Sound Transit: Angle Lake + future stations = development nodes



# LOCAL DEMAND DRIVERS

Downtown Des Moines development action

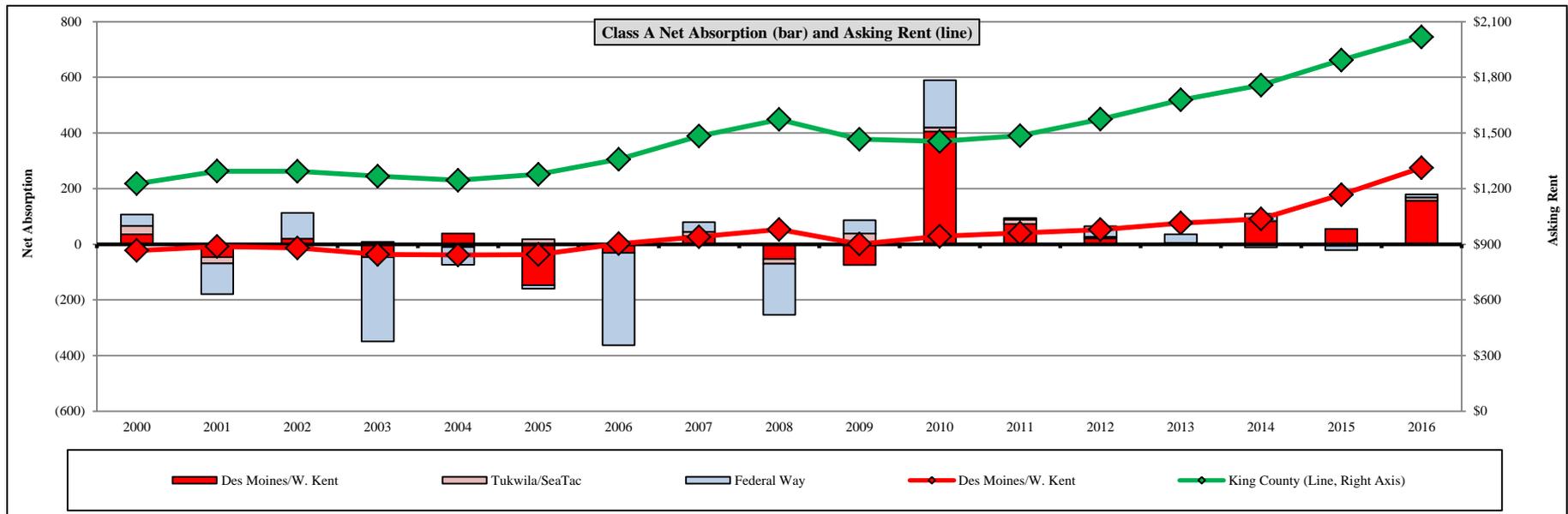


# MARKET ANALYSIS SUMMARY

	Residential (Attached)		Commercial (Lease)		
	Rental	For-Sale	Office	Retail	Hotel
<b>Regional Trends (last 5 years)</b>	Very Strong	Strong	Moderate	Moderate/Weak	Strong
<b>Des Moines Market (current supply)</b>	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
<b>Key Demand Drivers</b>	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
<b>Pipeline - Supply Forecast (future supply)</b>	Moderate supply	Minimal supply	Moderate supply, some large conceptual projects	Minimal supply, some large conceptual projects	Significant supply

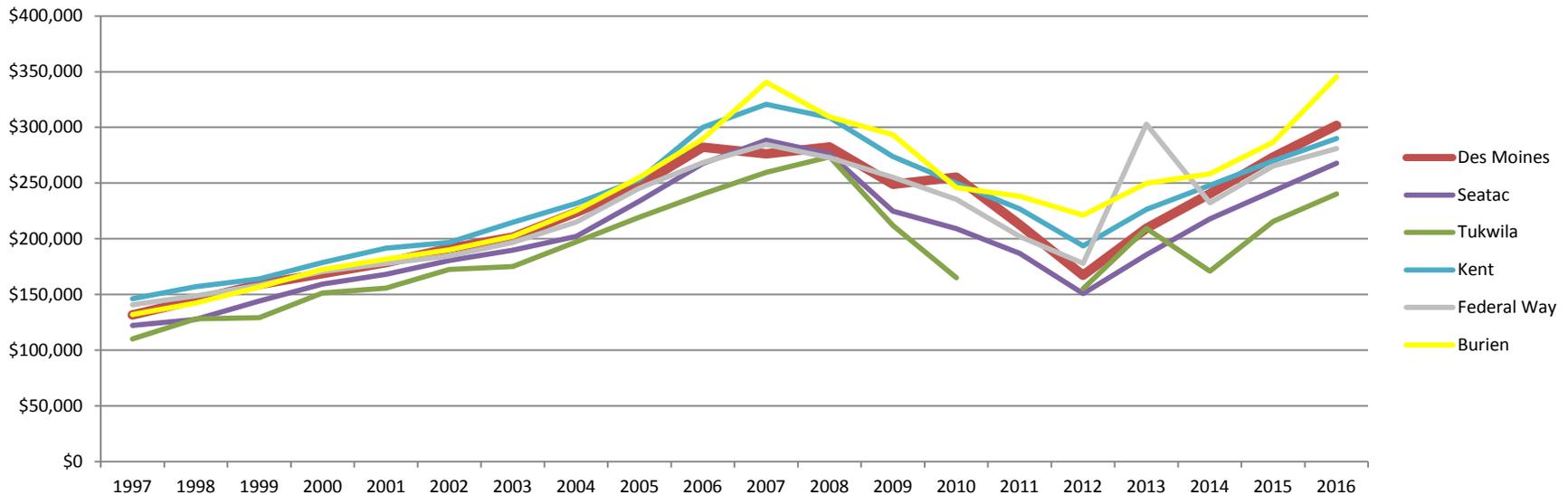
# MARKET ANALYSIS: RENTAL RESIDENTIAL

- **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



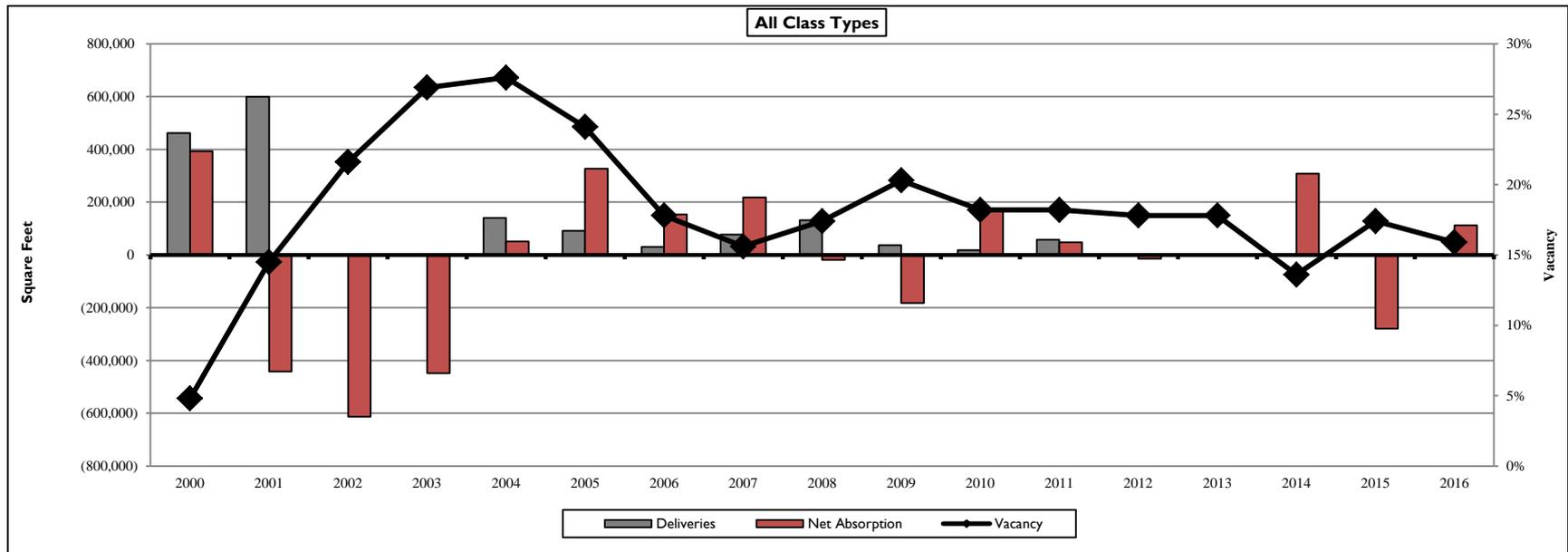
# MARKET ANALYSIS: FOR-SALE RESIDENTIAL

- 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



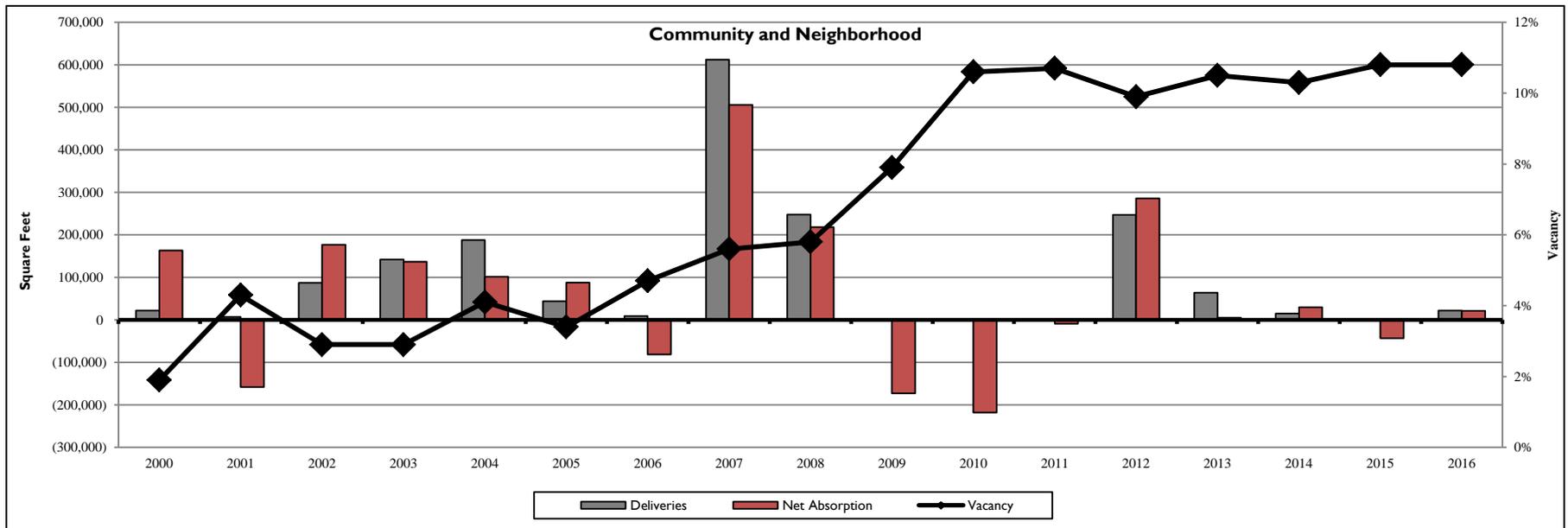
# MARKET ANALYSIS: OFFICE

- **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



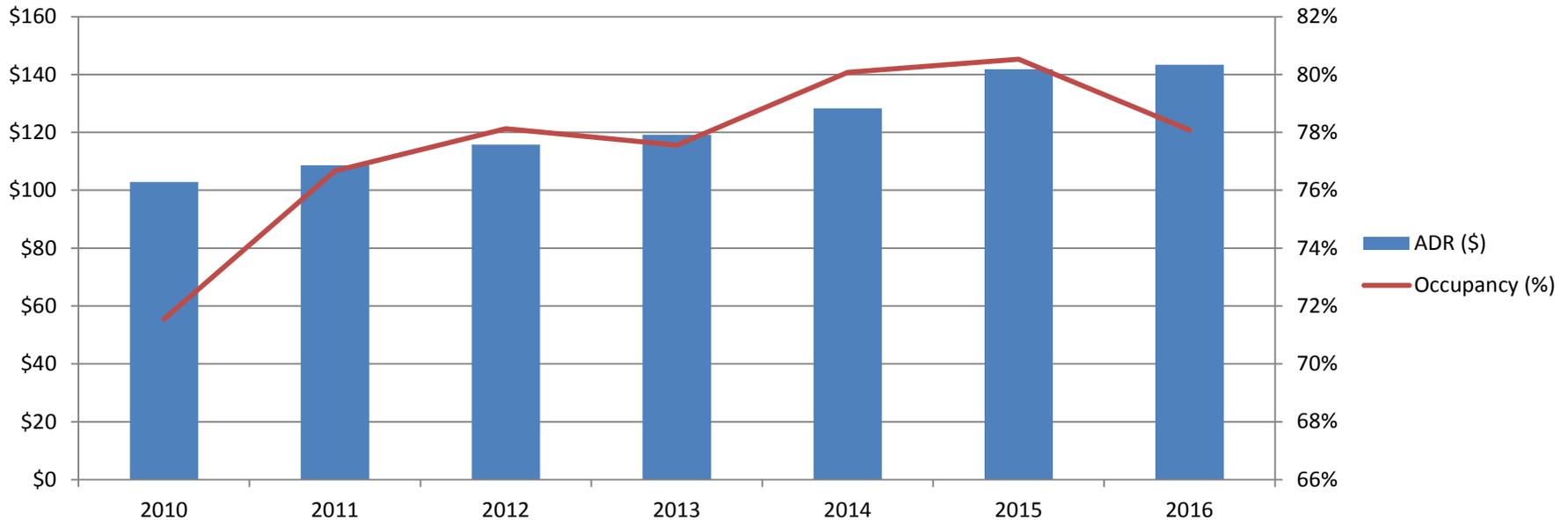
# MARKET ANALYSIS: RETAIL

- **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
  - Water
  - Views
  - Parking
  - Boatyard
  - Access
  - Ground lease

# SITE ANALYSIS: MARINA



# SITE ANALYSIS: MARINA



# DEVELOPMENT POTENTIAL BY LAND USE: MARINA

	Residential (Attached)		Commercial (Lease)		
	Rental	For-Sale	Office	Retail	Hotel
<b>Site Potential</b>	Strong	Strong	Moderate	Moderate	Moderate
<b>Likely Type</b>	Flats Mixed-Use	Condo (flats) Townhome (2-3 story) Live/Work	Finance/insurance/ real estate (FIRE) Professional services Medical	Boat-oriented shop Restaurant Coffee Destination	Extended stay Boutique
<b>Rent/Sales Range</b>	\$2.00-\$2.50/s.f. (mo.)	\$450-\$600/s.f.	\$20-\$30/s.f. MG (ann)	\$20-\$30/s.f. NNN (ann)	\$140-\$160/night (ADR)
<b><u>Financial Model - Key Assumptions</u></b>					
Avg Rent/Price	\$2.25/s.f. (mo.)	\$525/s.f.	\$25/s.f. MG (ann)	\$25/s.f. NNN (ann)	\$150/night (ADR)
Avg Occupancy (stabilized)	95%	n/a	90%	90%	75%
Cap Rate	5.25%	n/a	6.00%	6.50%	7.50%
Total Construction Cost per Net S.F. (Hard, Soft, Finance)	\$227	\$319	\$246	\$214	\$329
<b><u>Metrics</u></b>					
Acceptable Developer Return?	Yes	Yes	Yes	Yes	Yes
Positive Land Value?	Yes	Yes	Yes	Yes	Yes

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

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- Phasing/timing
- Early phase successes

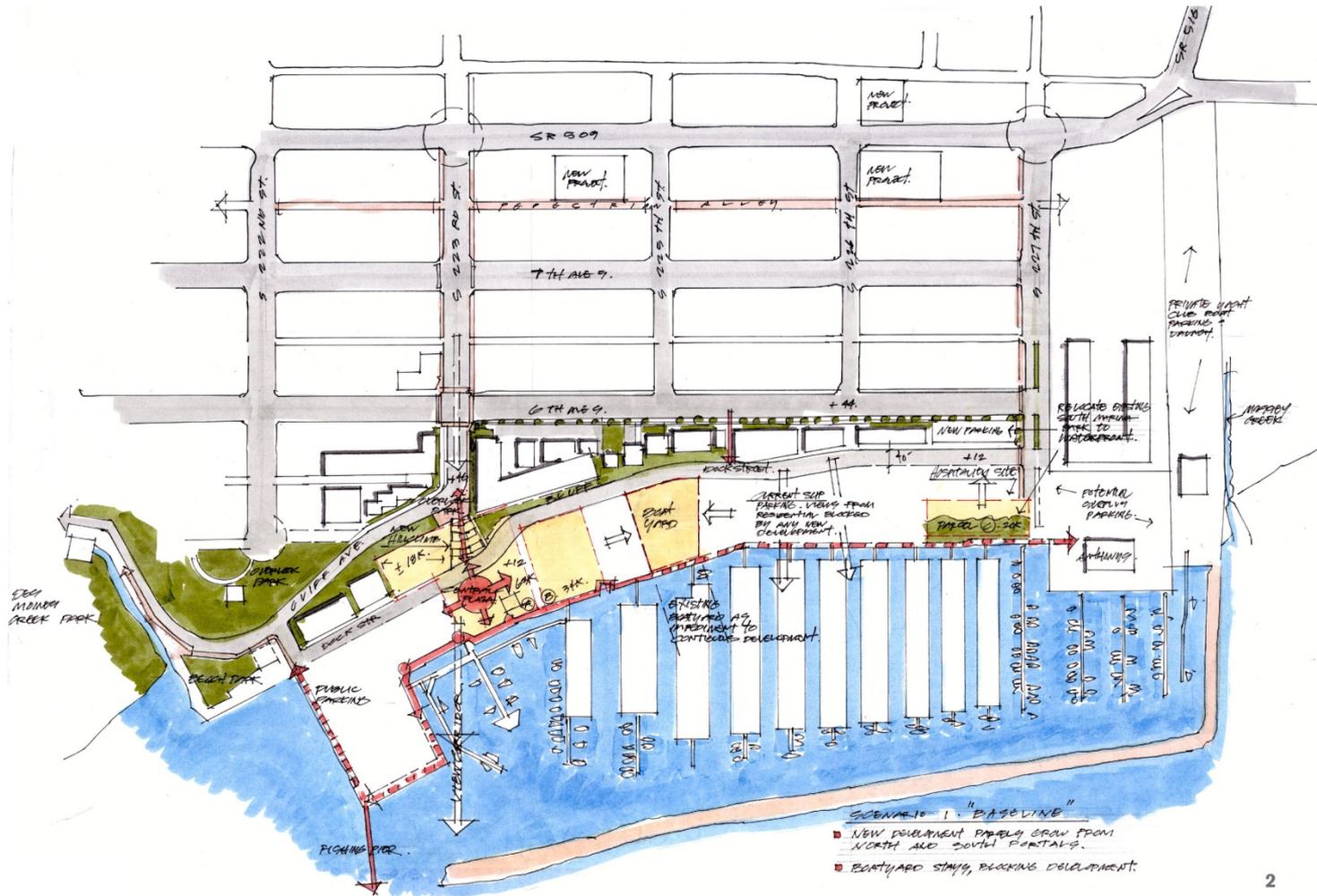
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- Phasing/timing
- Early phase successes
- Critical mass / activate

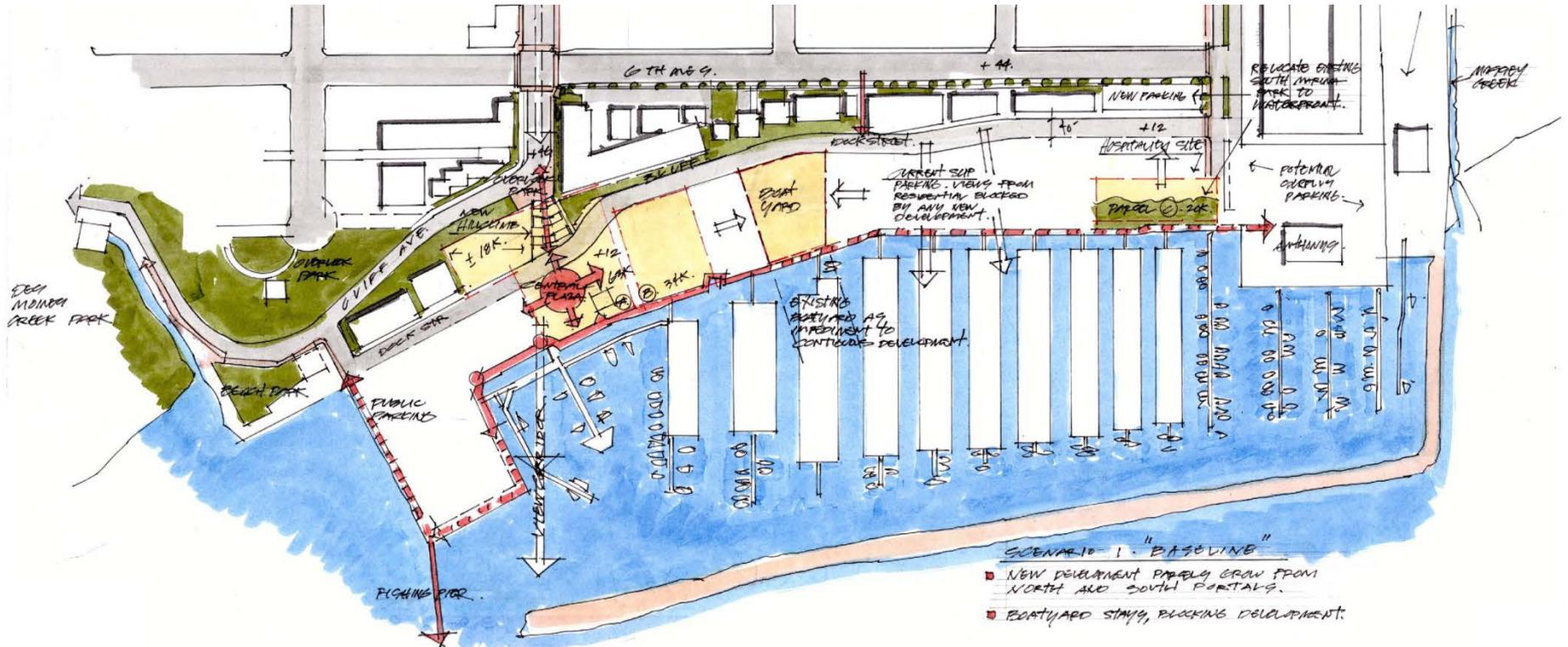
# DEVELOPMENT SCENARIOS

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

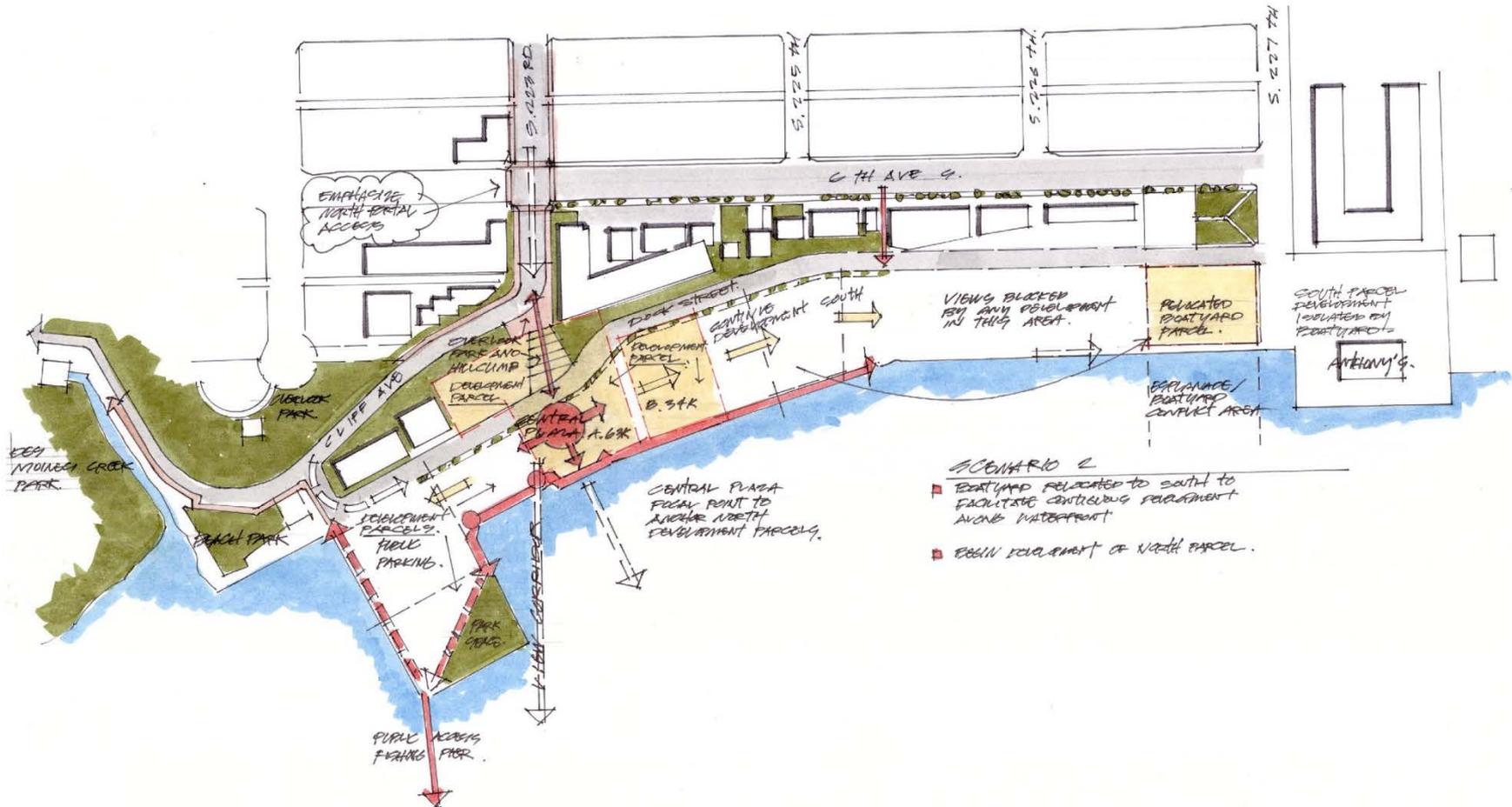
# SCENARIO #1: BASELINE



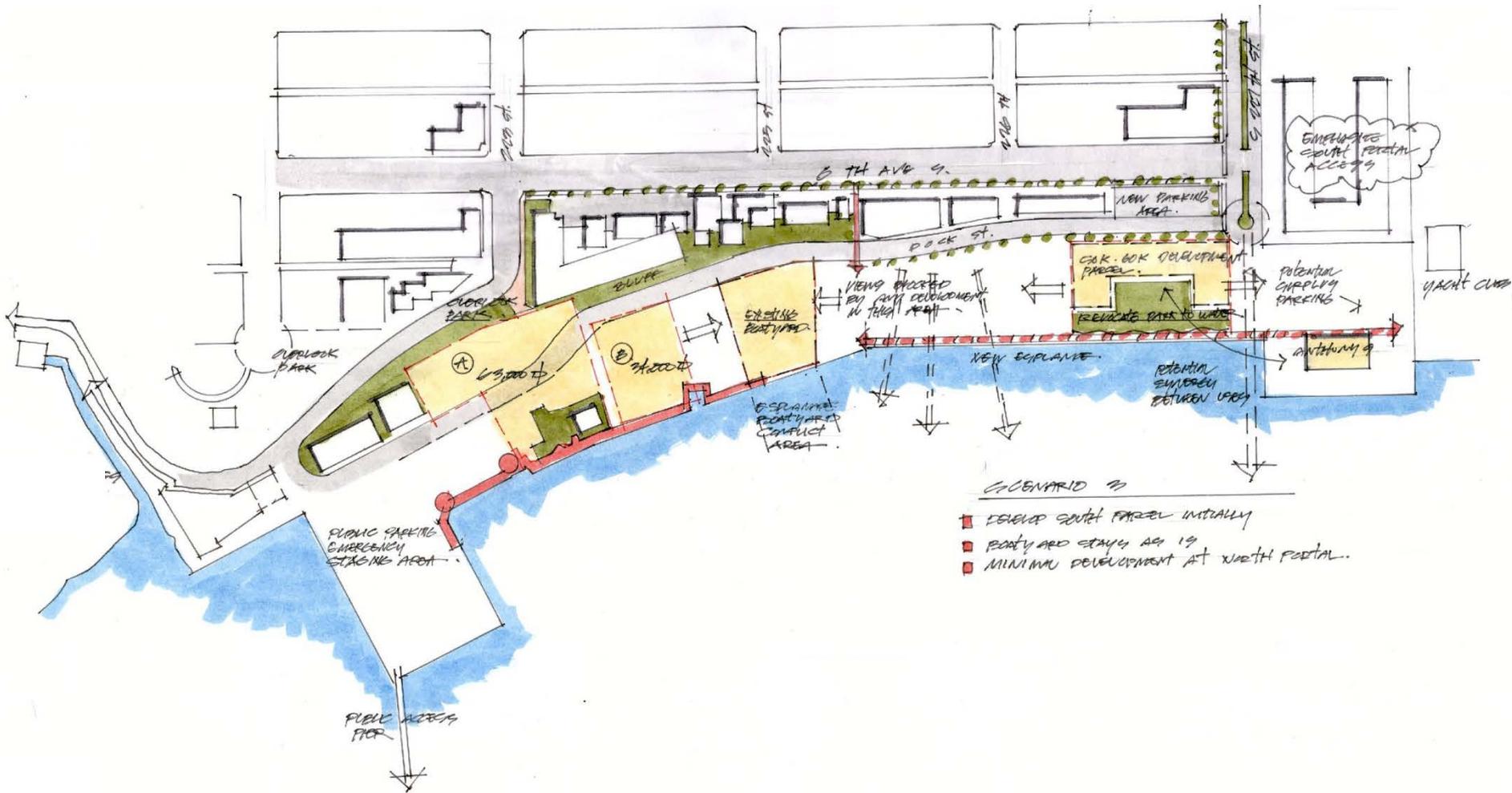
# SCENARIO #1: BASELINE



# SCENARIO #2: NORTH CONCENTRATION



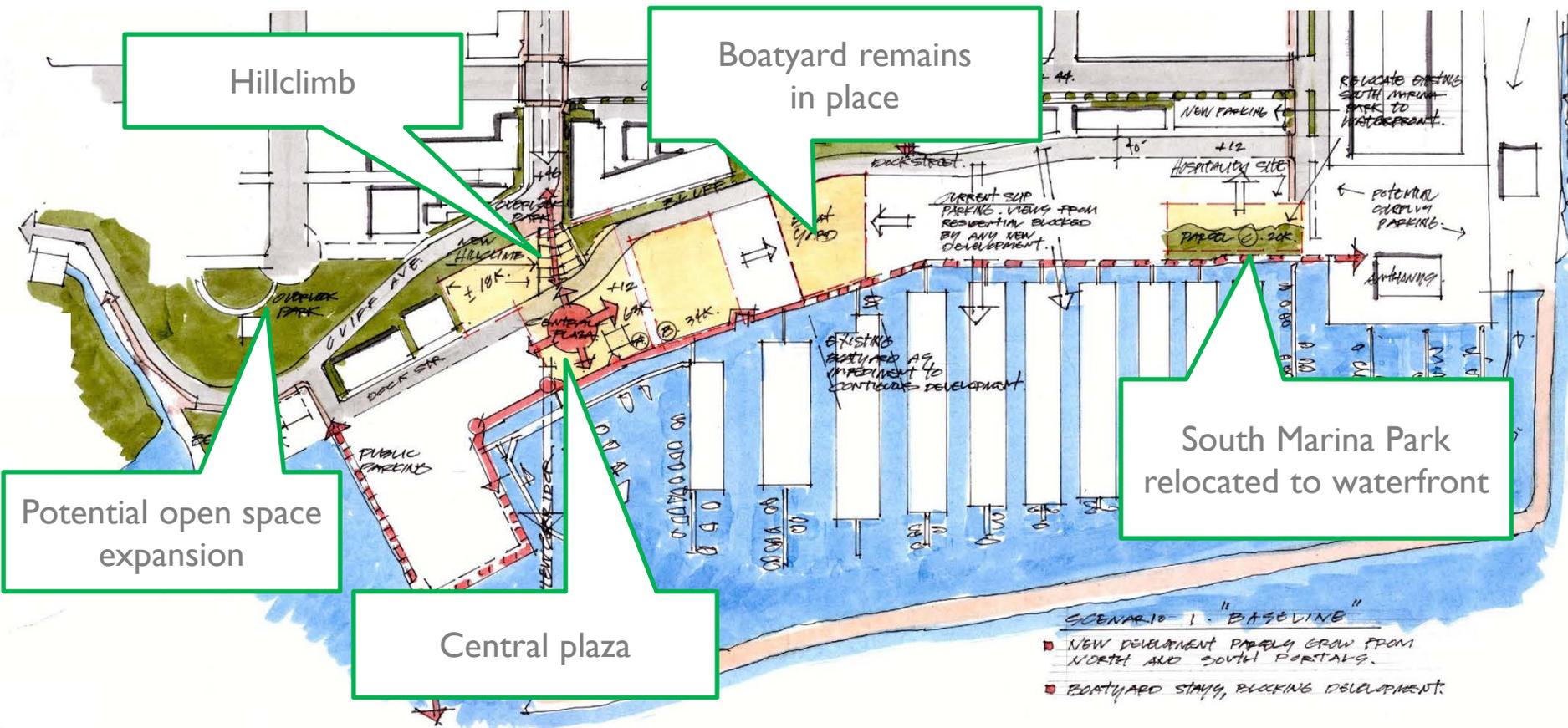
# SCENARIO #3: MULTI-NODAL



# BASELINE SCENARIO: DEVELOPMENT CONCEPTS

COMMERCIAL FOCUS	MIXED CONCEPT	RESIDENTIAL FOCUS
<ul style="list-style-type: none"><li>• Public amenities</li><li>• 25,000-50,000 s.f. commercial (retail/office)</li><li>• 85-150 hotel rooms</li><li>• 10-12 residential units</li></ul>	<ul style="list-style-type: none"><li>• Public amenities</li><li>• 15,000-30,000 s.f. commercial (retail/office)</li><li>• 85-150 hotel rooms</li><li>• 18-22 residential units</li></ul>	<ul style="list-style-type: none"><li>• Public amenities</li><li>• 5,000-10,000 s.f. commercial (retail/office)</li><li>• 85-150 hotel rooms</li><li>• 45-57 residential units</li></ul>

# BASELINE SCENARIO: PUBLIC AMENITIES

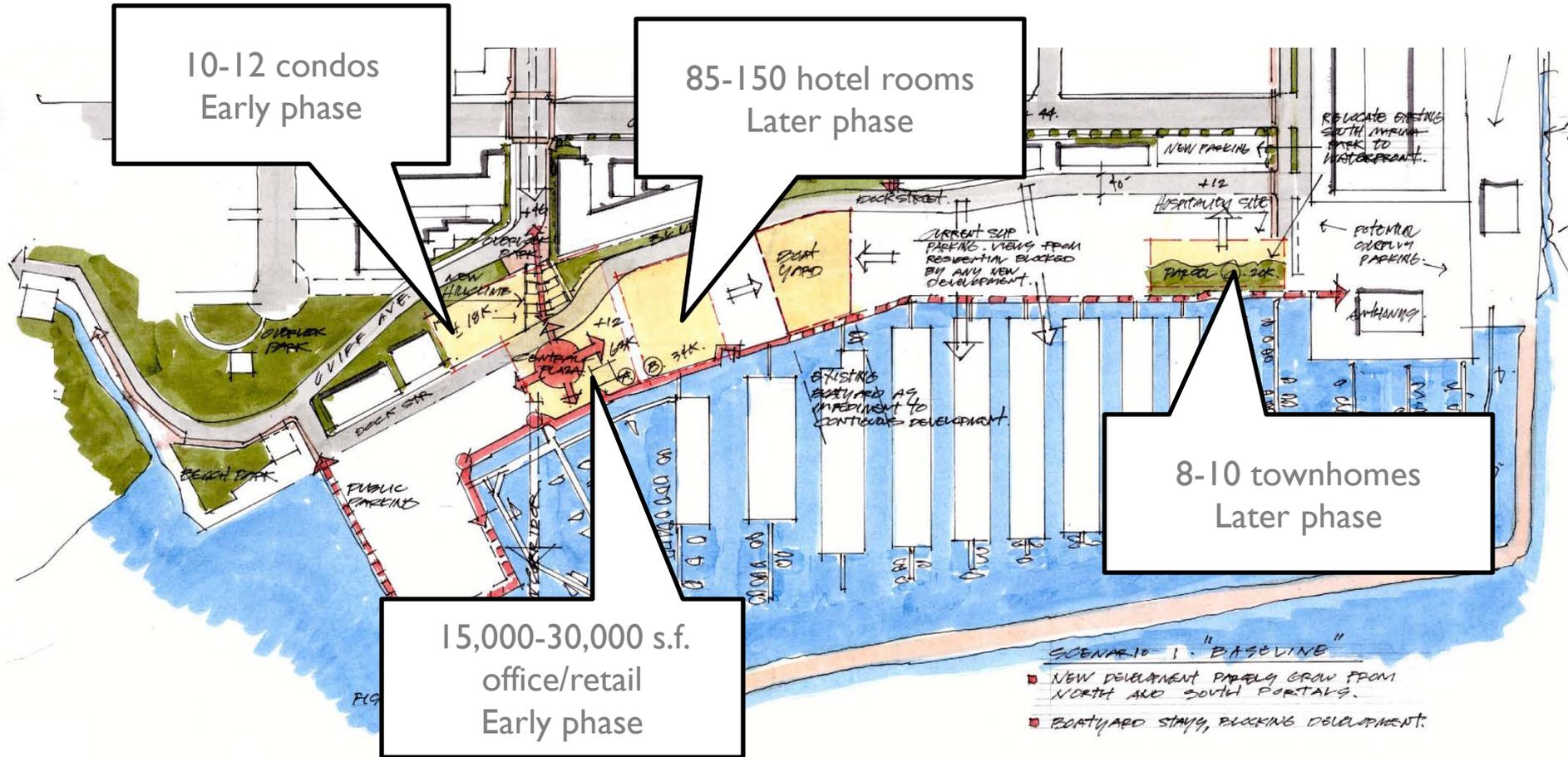


SCENARIO 1 - "BASELINE"

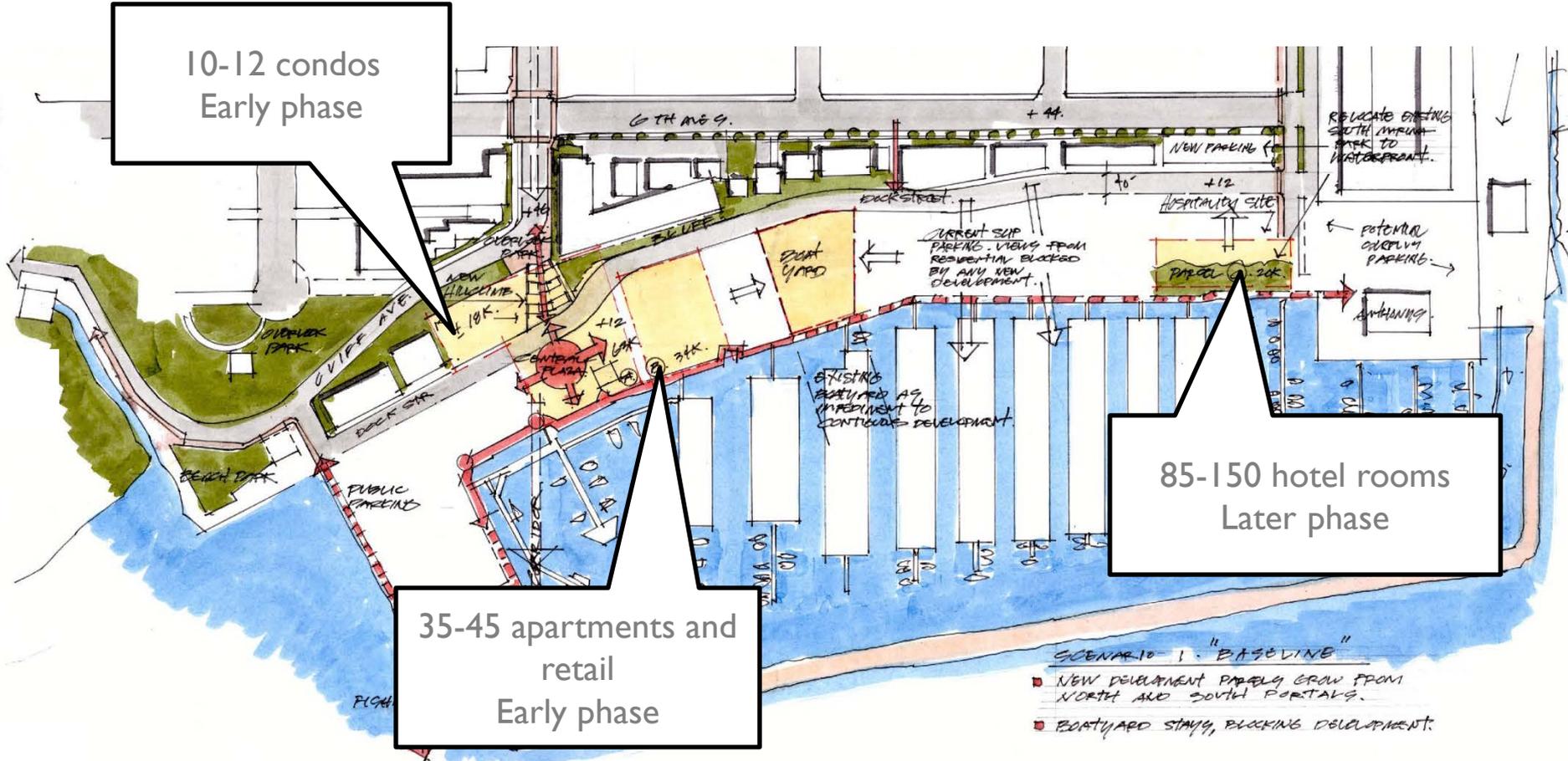
- NEW DEVELOPMENT PARCELS GROW FROM NORTH AND SOUTH PORTALS.
- BOATYARD STAYS, BLOCKING DEVELOPMENT.



# BASELINE SCENARIO: MIXED CONCEPT



# BASELINE SCENARIO: RESIDENTIAL FOCUS



# DEVELOPMENT EXAMPLES



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# 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

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# PARKING ANALYSIS