



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

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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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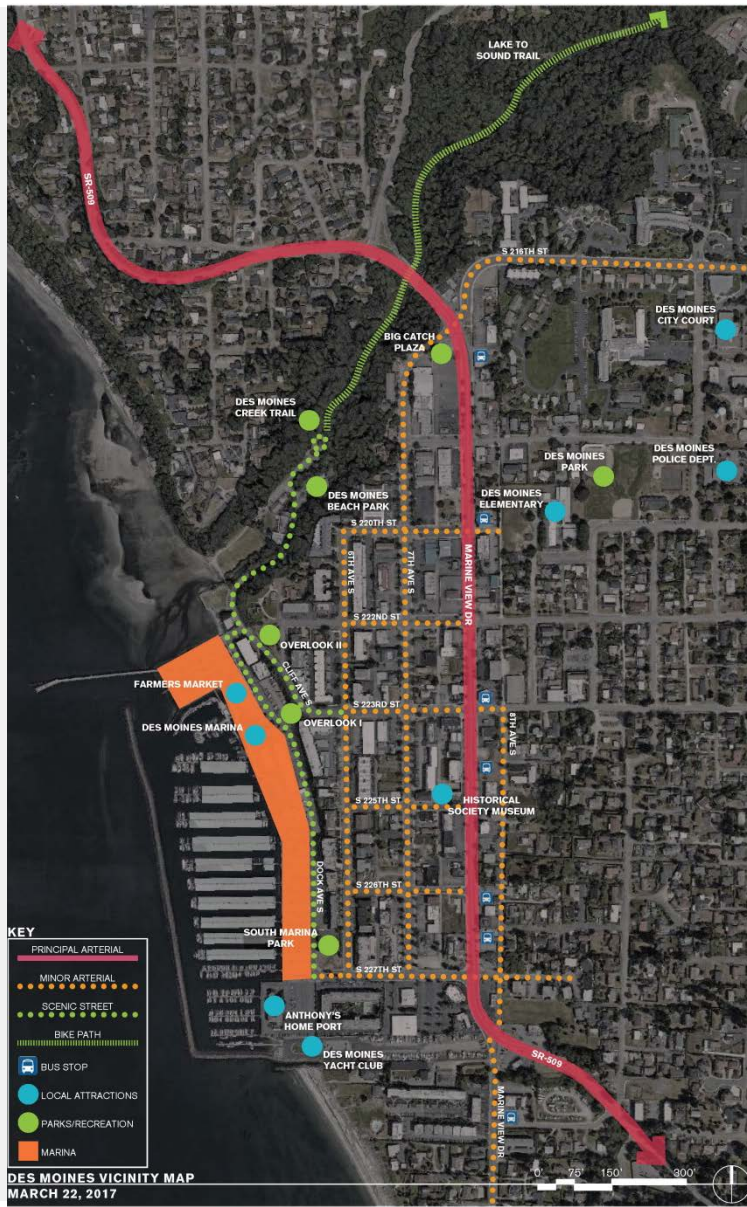
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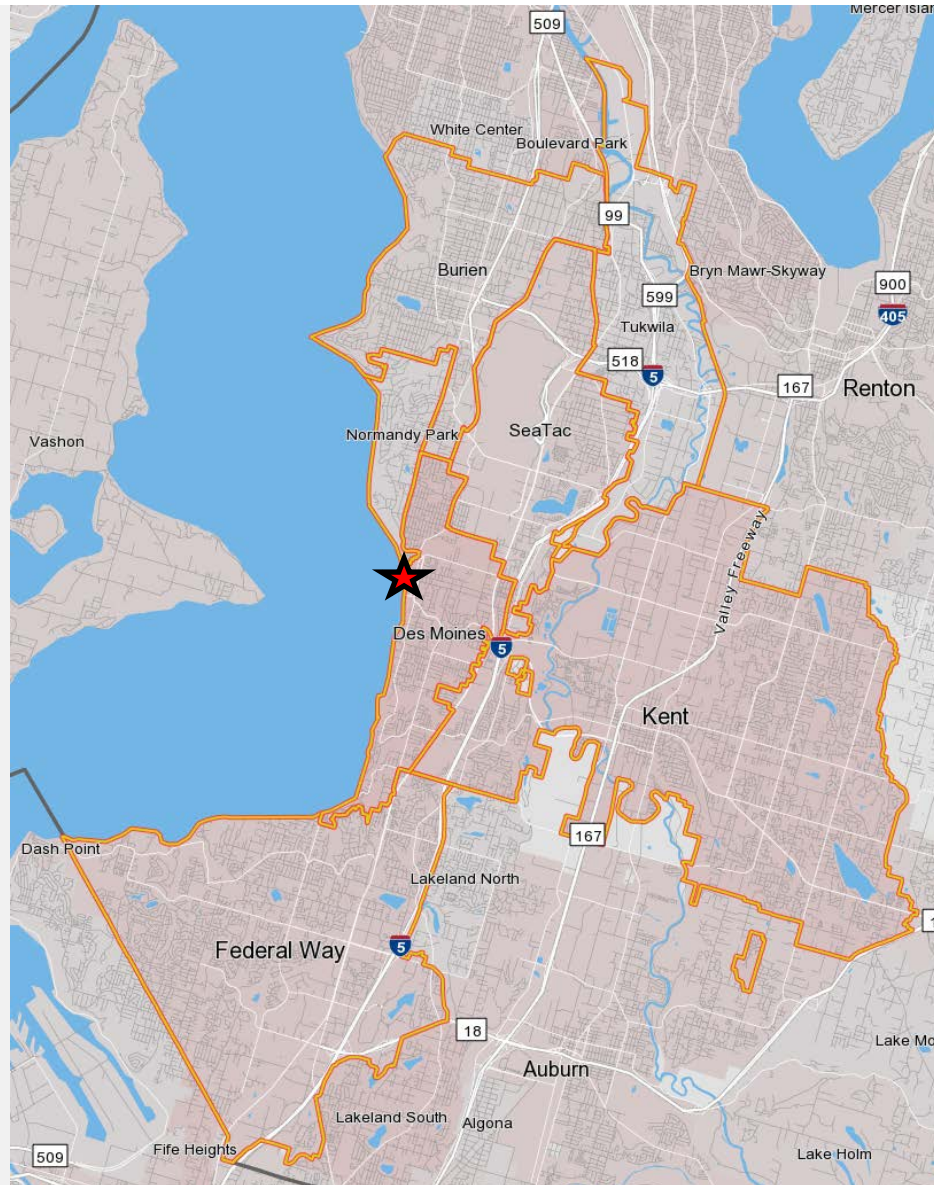
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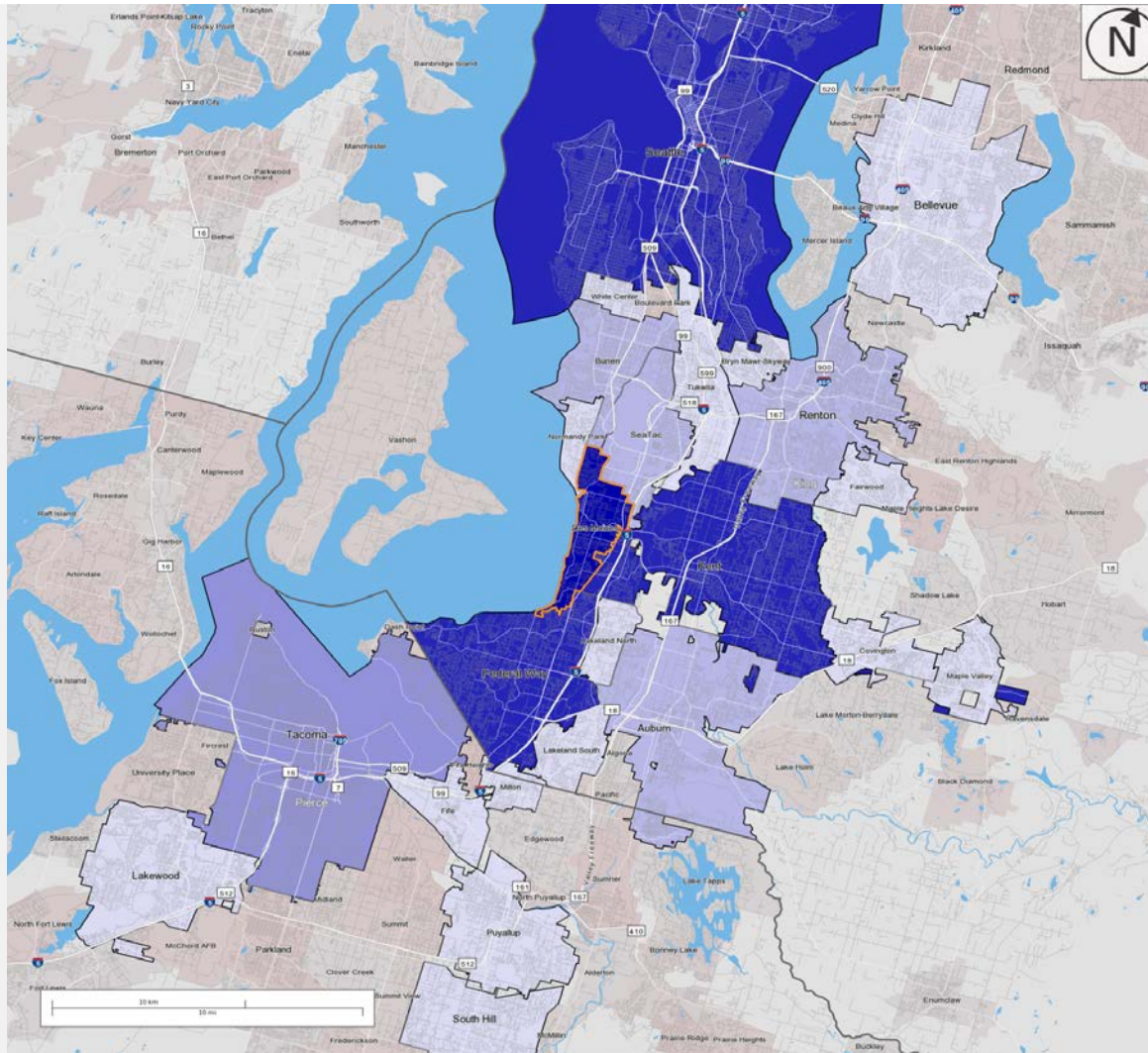
REGIONAL CONTEXT



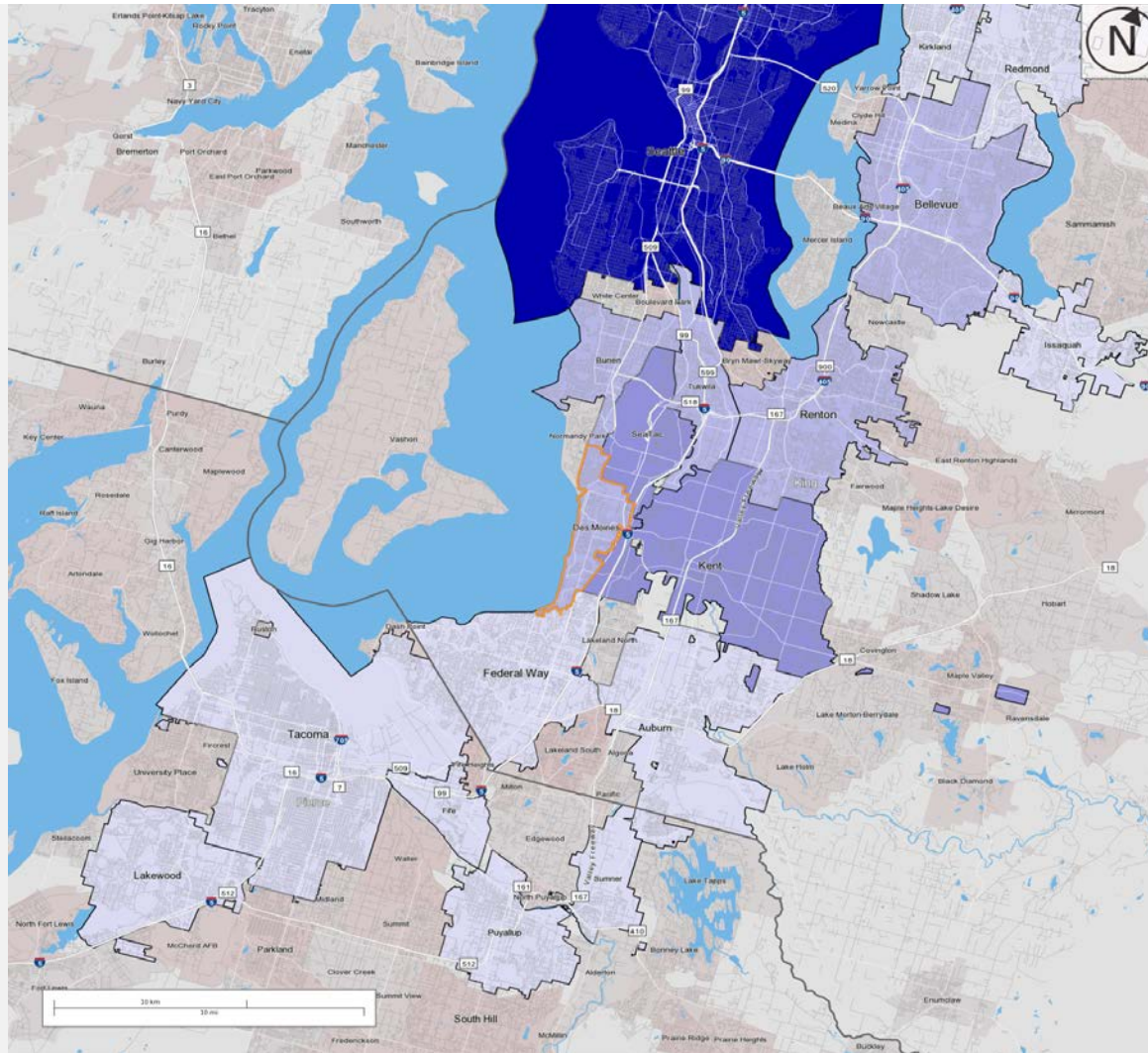
MARKET AREA



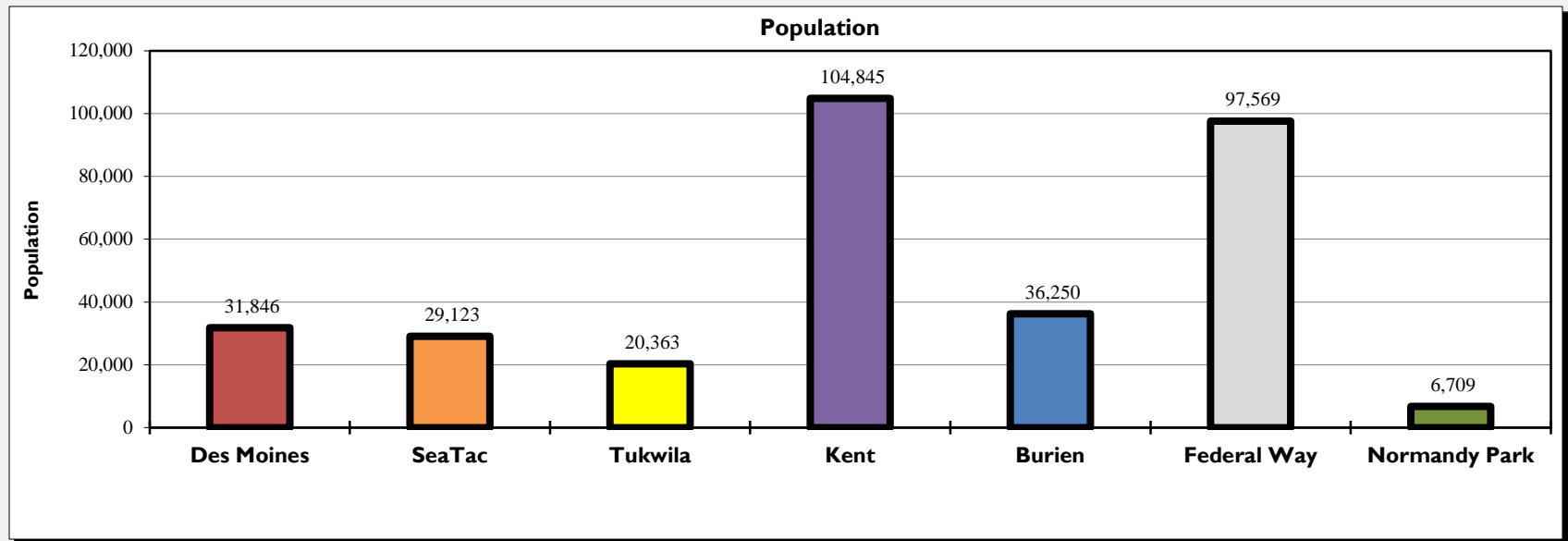
CURRENT: WHERE DES MOINES WORKERS LIVE



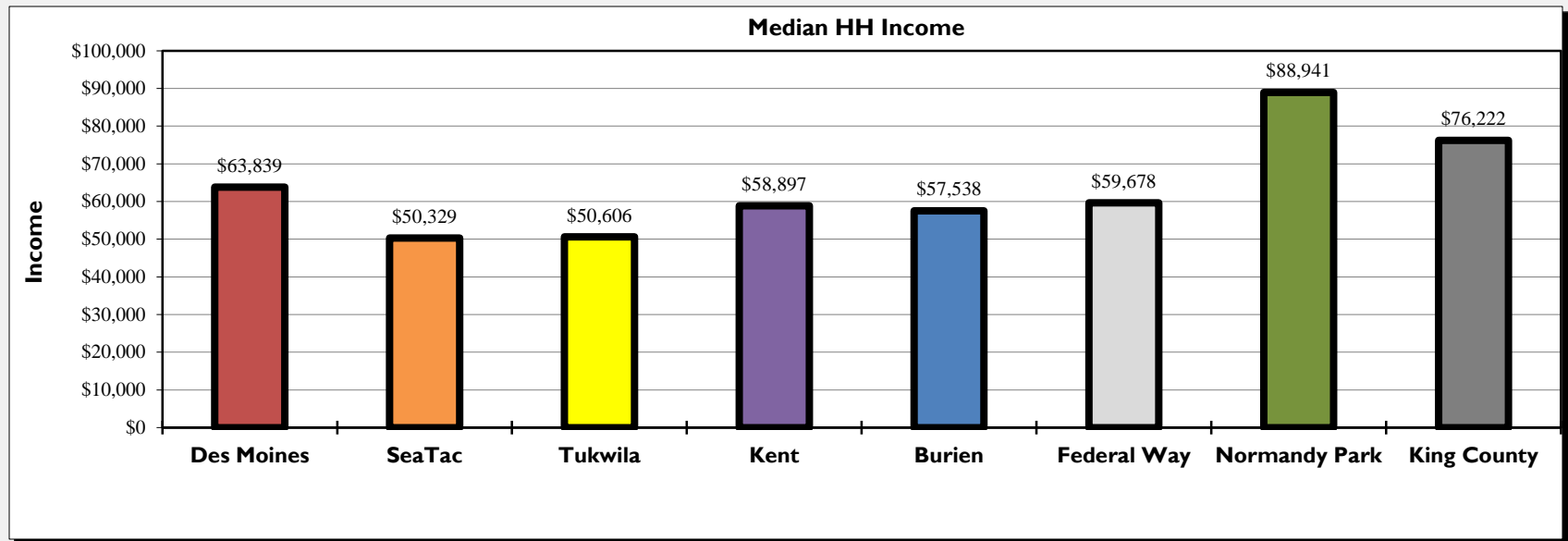
CURRENT: WHERE DES MOINES RESIDENTS WORK



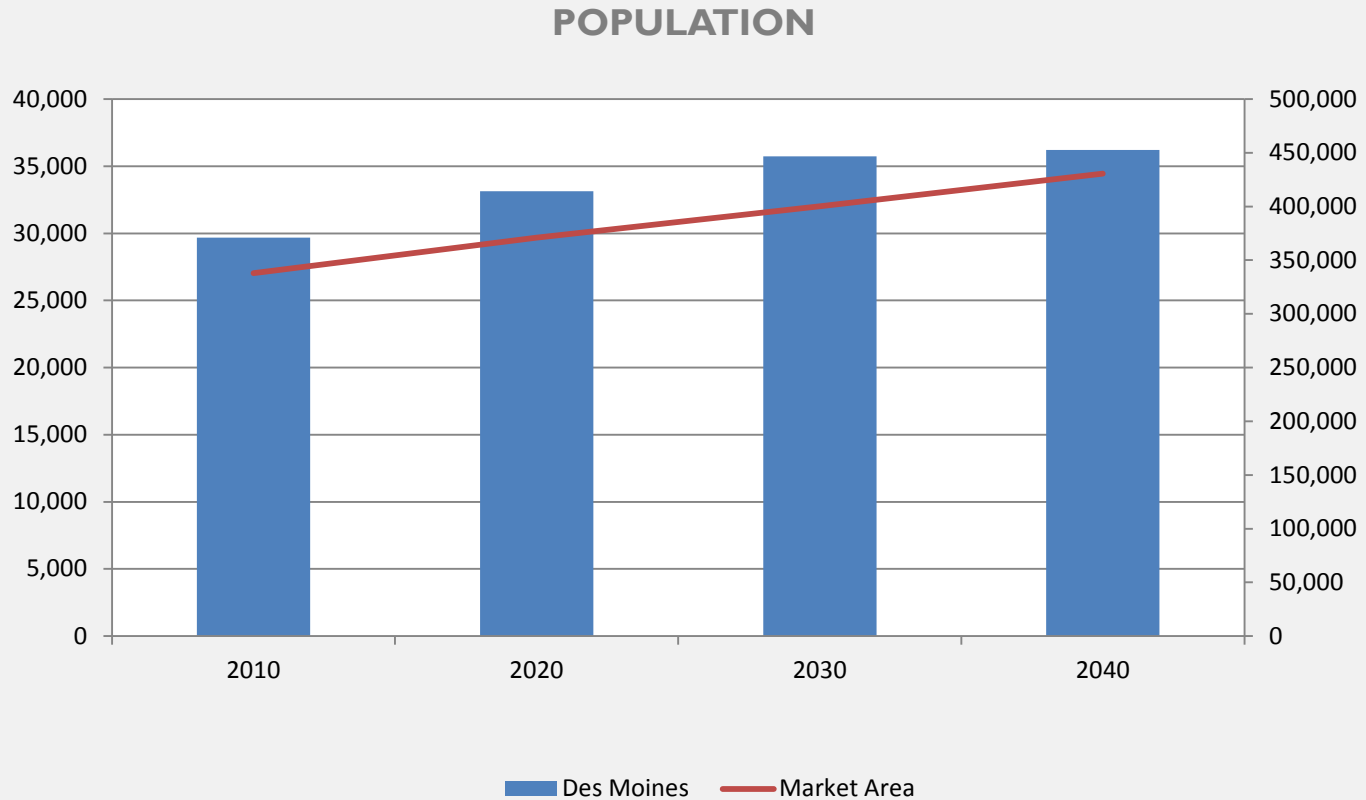
CURRENT: DEMOGRAPHICS COMPARISON



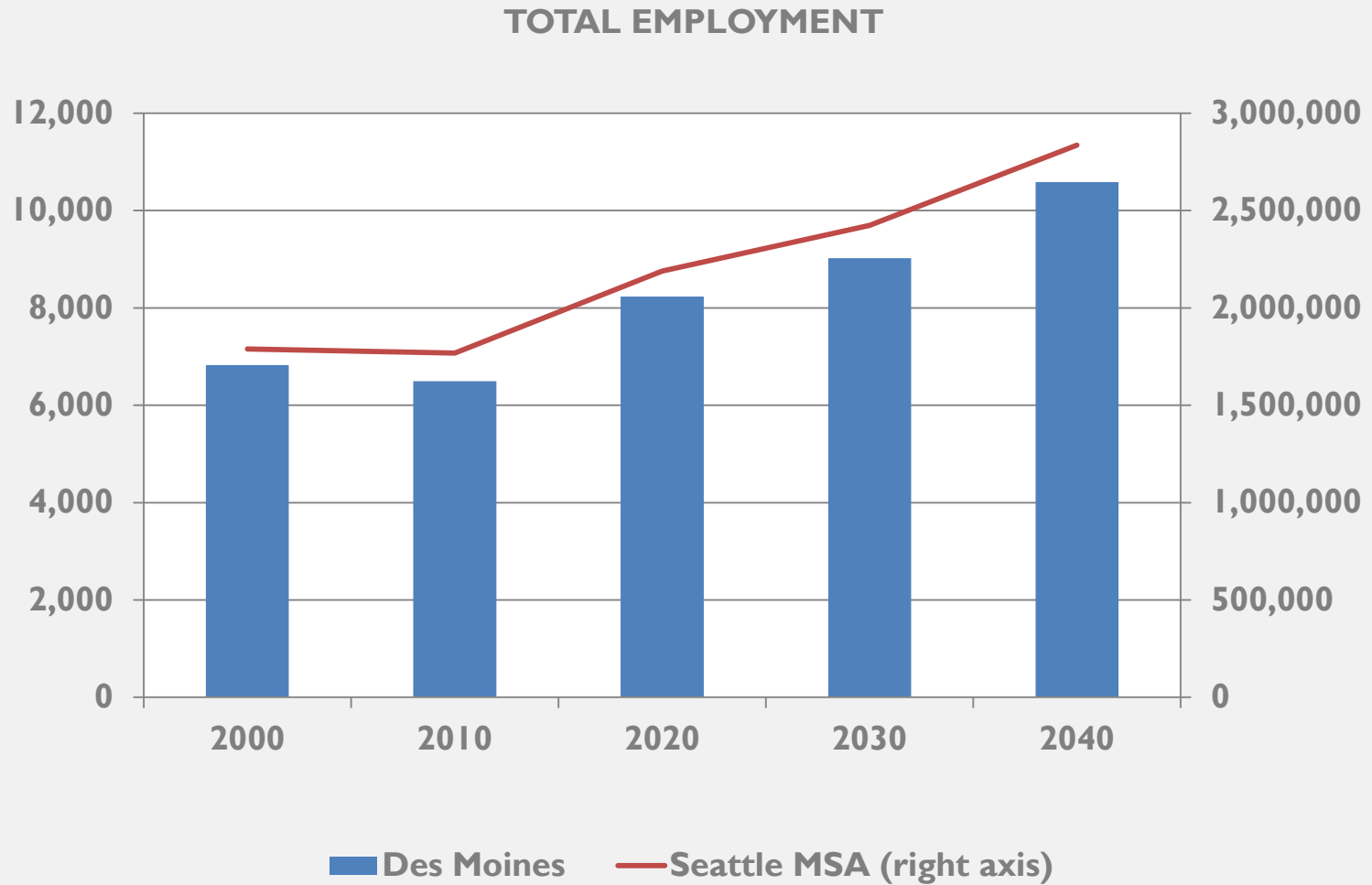
CURRENT: DEMOGRAPHICS COMPARISON



PROJECTIONS: POPULATION

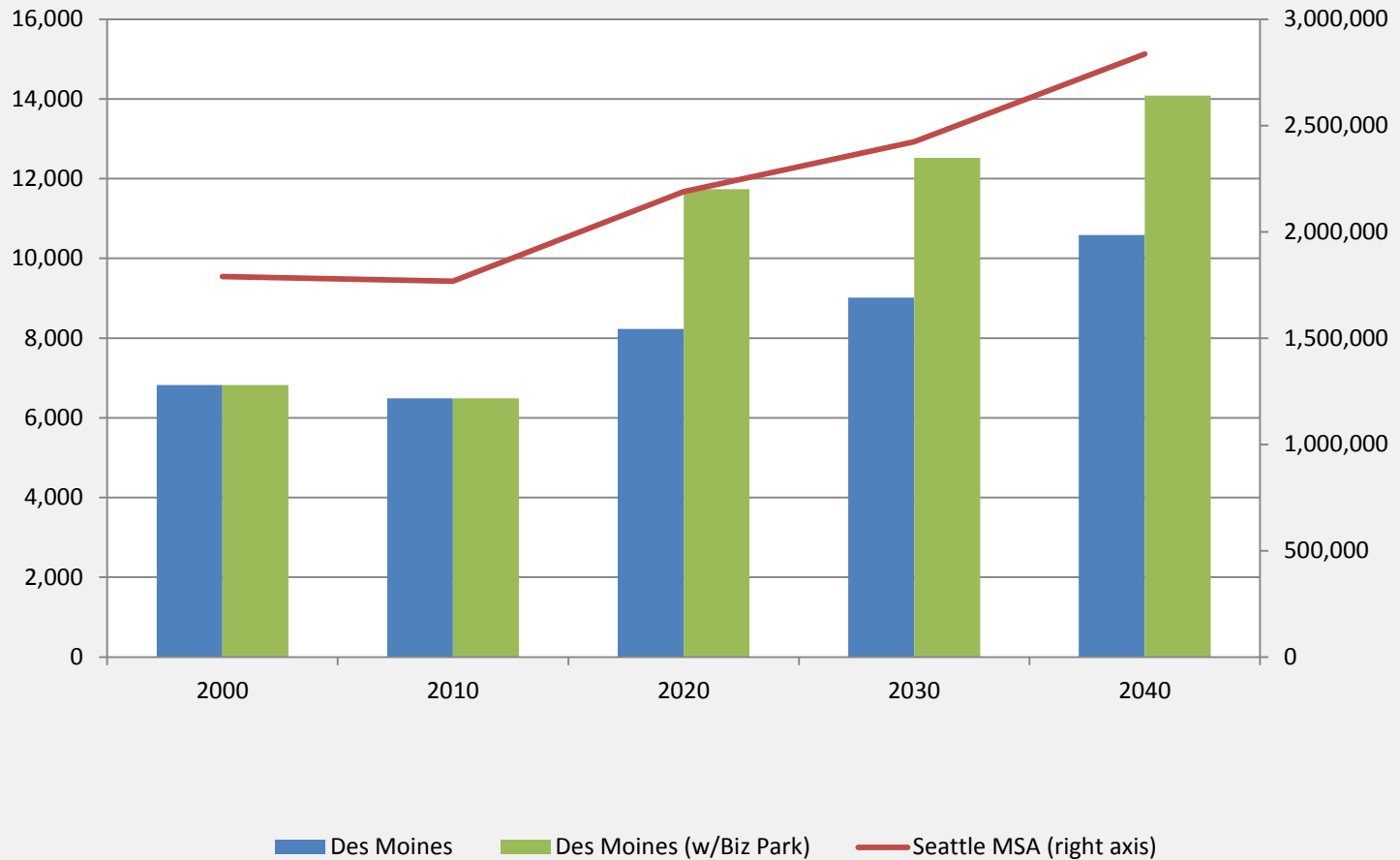


PROJECTIONS: EMPLOYMENT



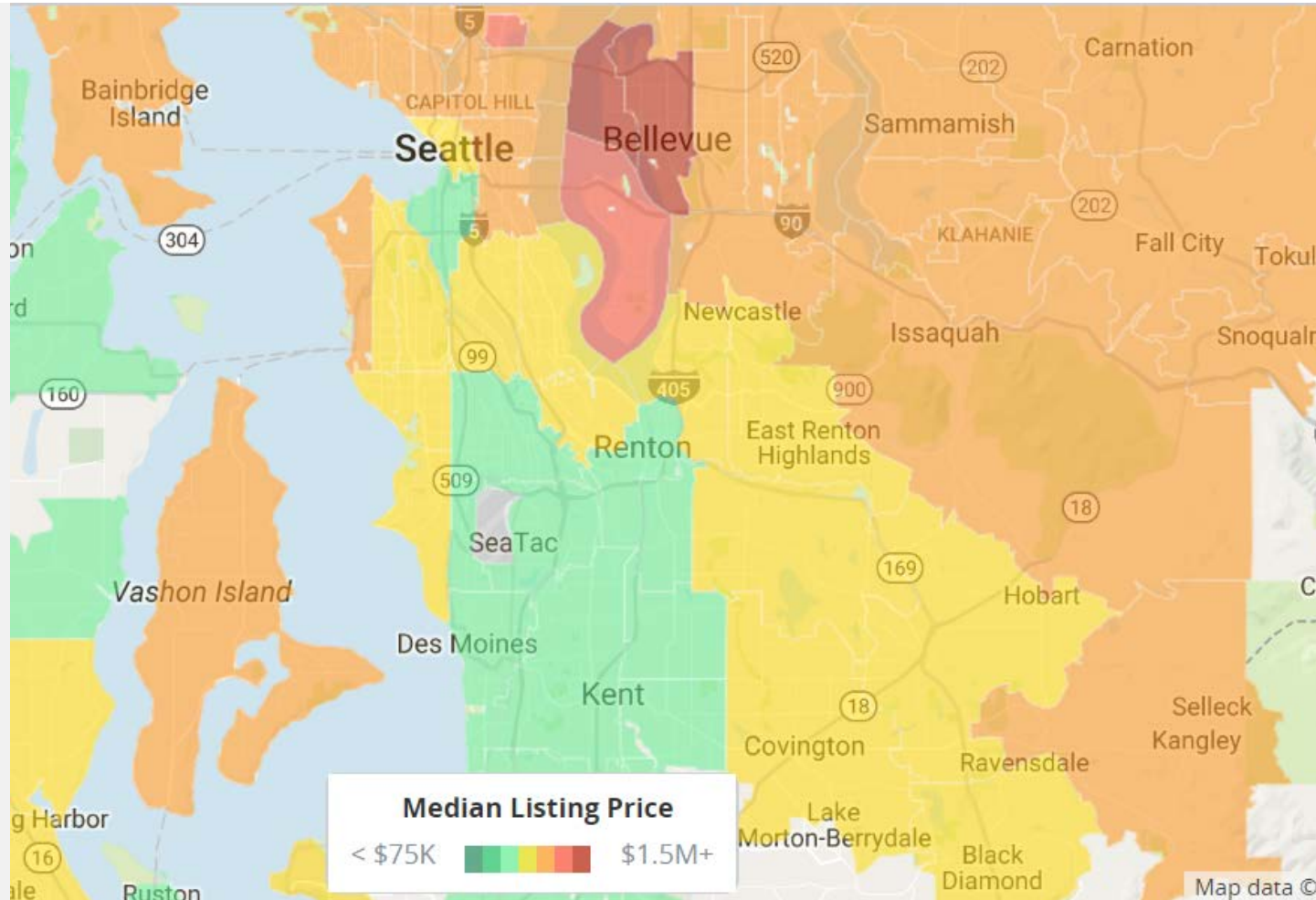
PROJECTIONS: EMPLOYMENT

TOTAL EMPLOYMENT



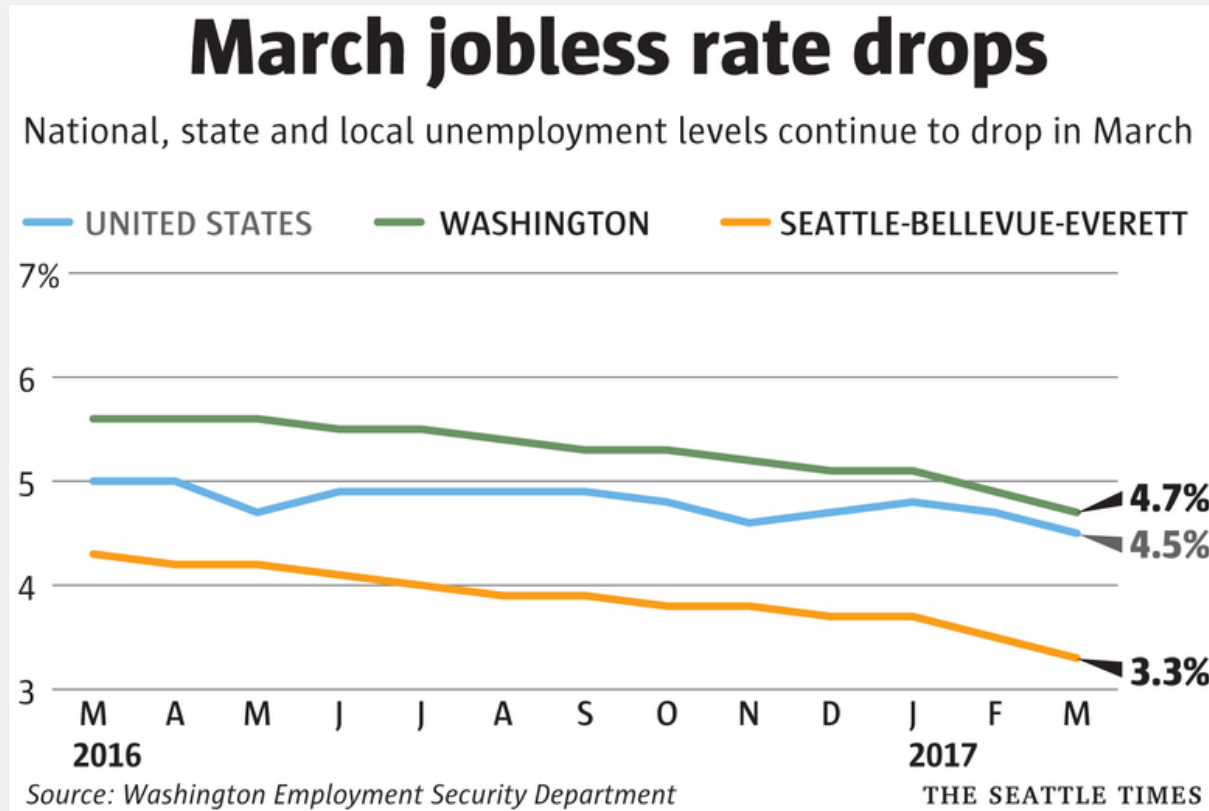
REGIONAL DEMAND DRIVERS

High home prices in close-in areas



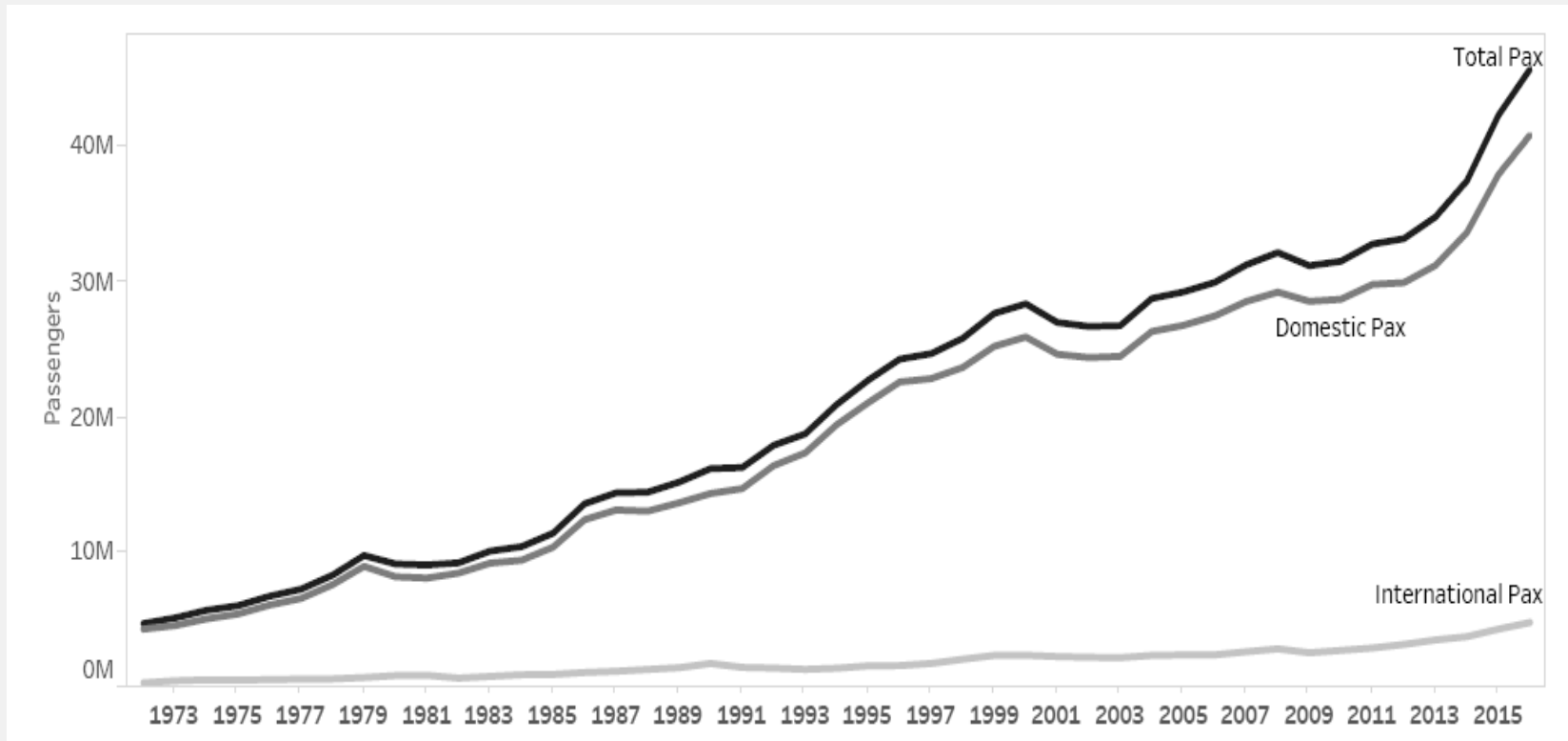
REGIONAL DEMAND DRIVERS

Strong economic trends continue:



REGIONAL DEMAND DRIVERS

Strong tourism trends continue



LOCAL DEMAND DRIVERS

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



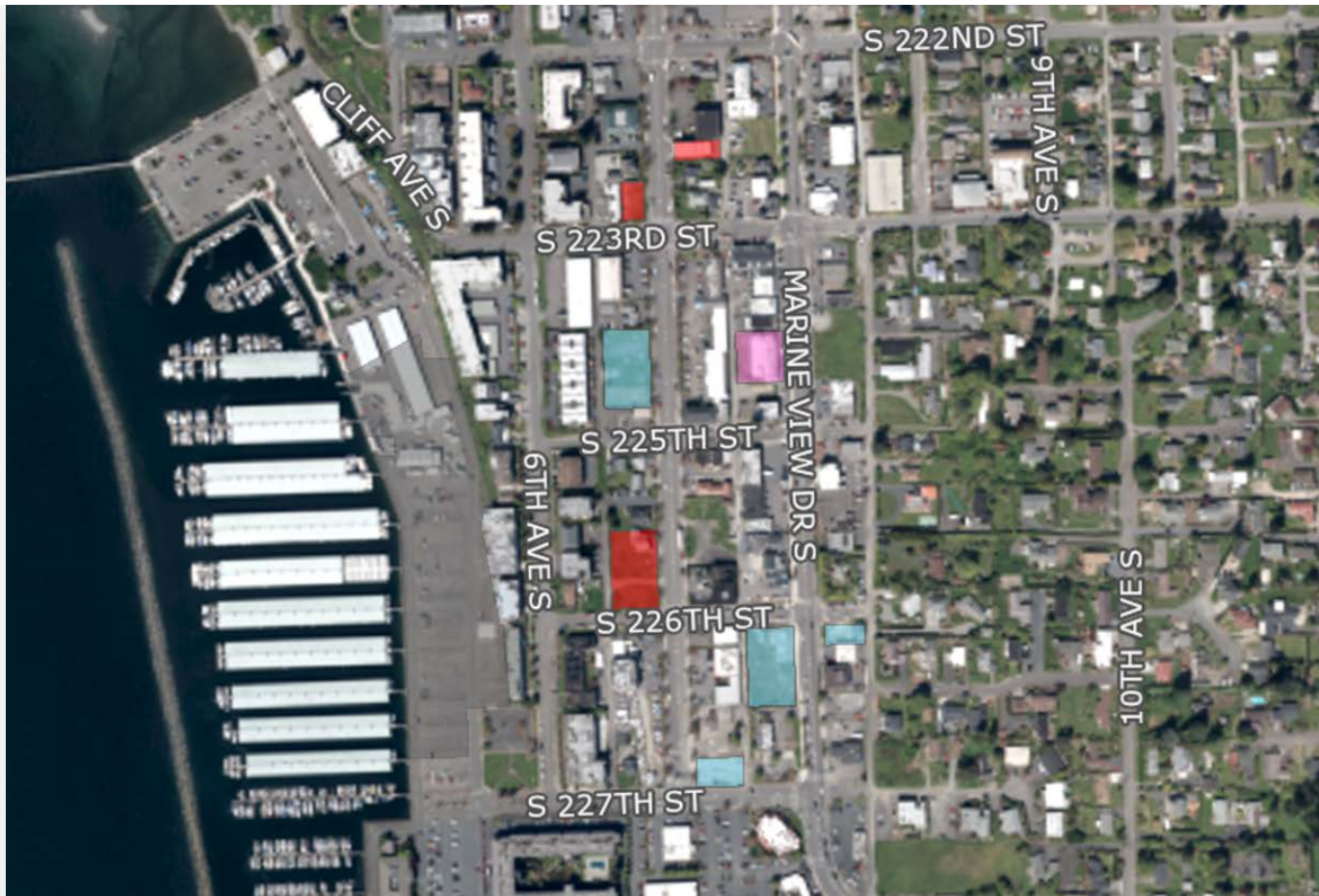
LOCAL DEMAND DRIVERS

Sound Transit: Angle Lake + future stations = development nodes



LOCAL DEMAND DRIVERS

Downtown Des Moines development action

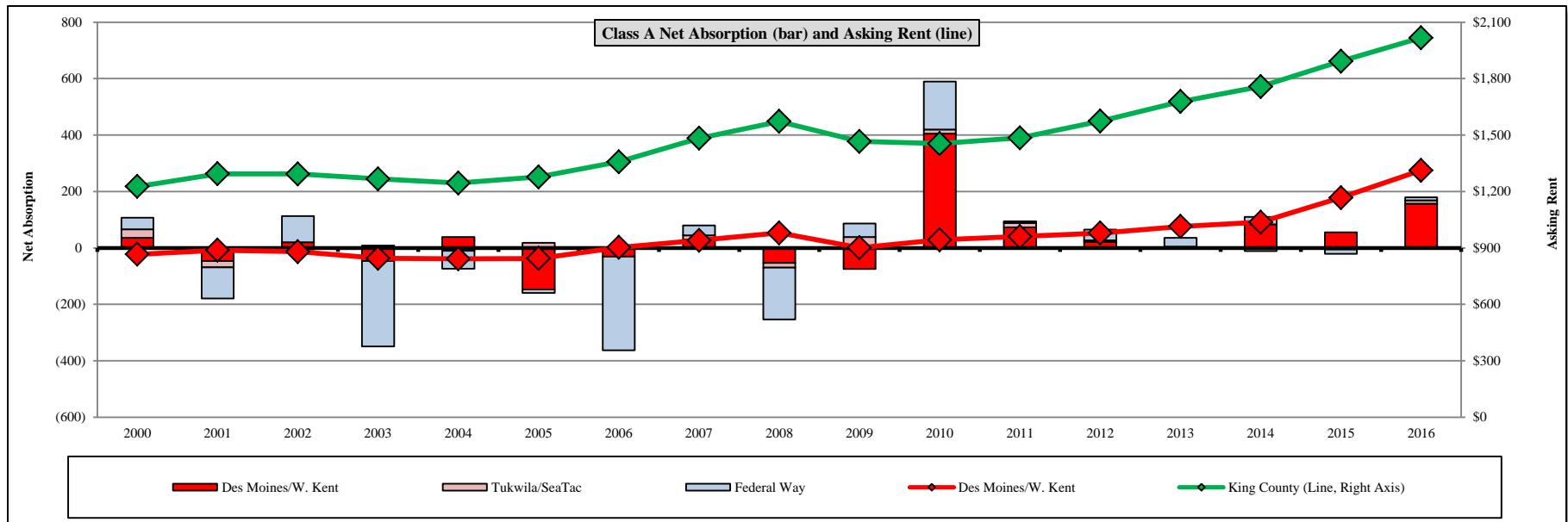


MARKET ANALYSIS SUMMARY

	Residential (Attached)		Commercial (Lease)		
	Rental	For-Sale	Office	Retail	Hotel
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

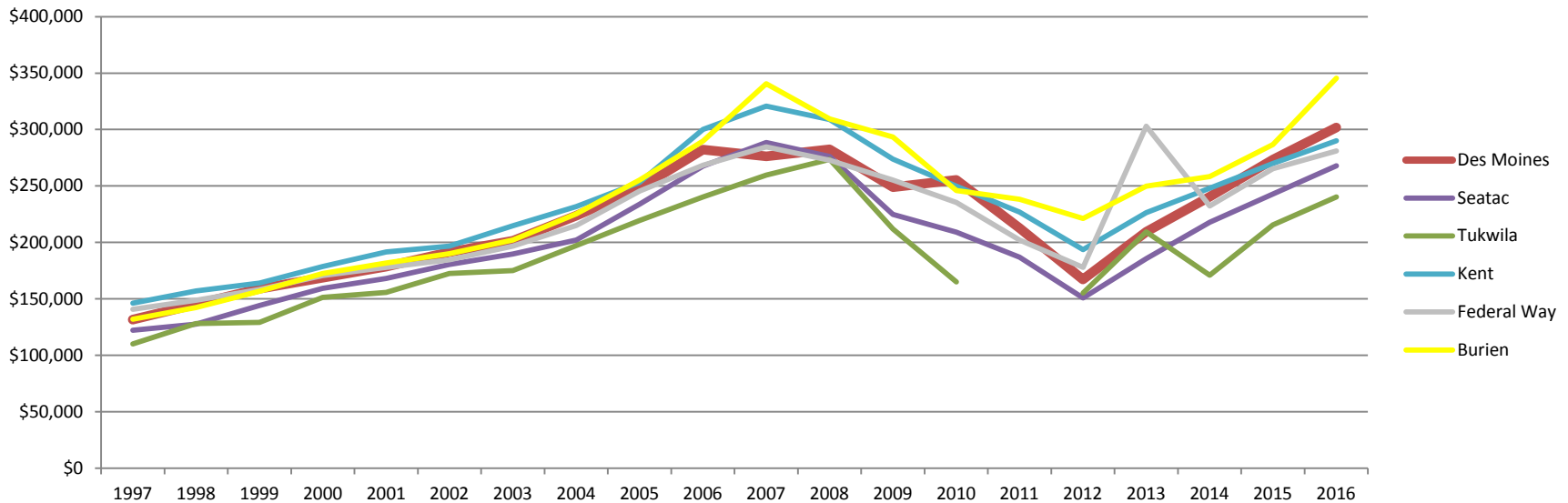
MARKET ANALYSIS: RENTAL RESIDENTIAL

- **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



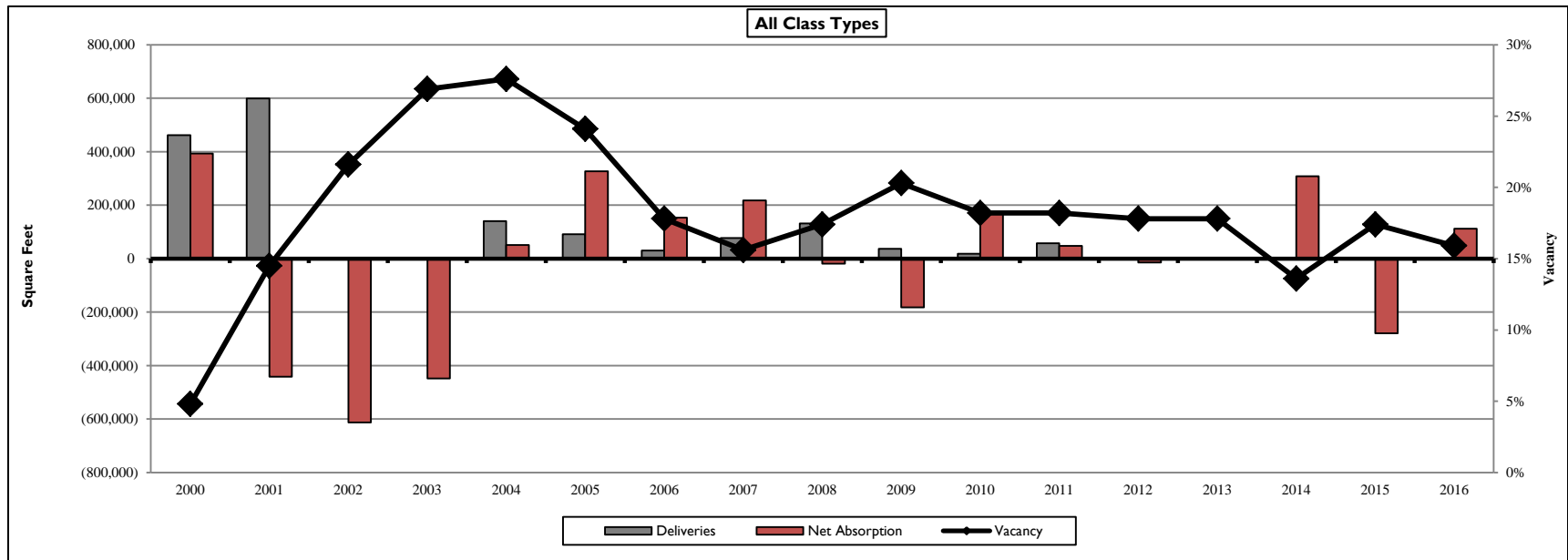
MARKET ANALYSIS: FOR-SALE RESIDENTIAL

- 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



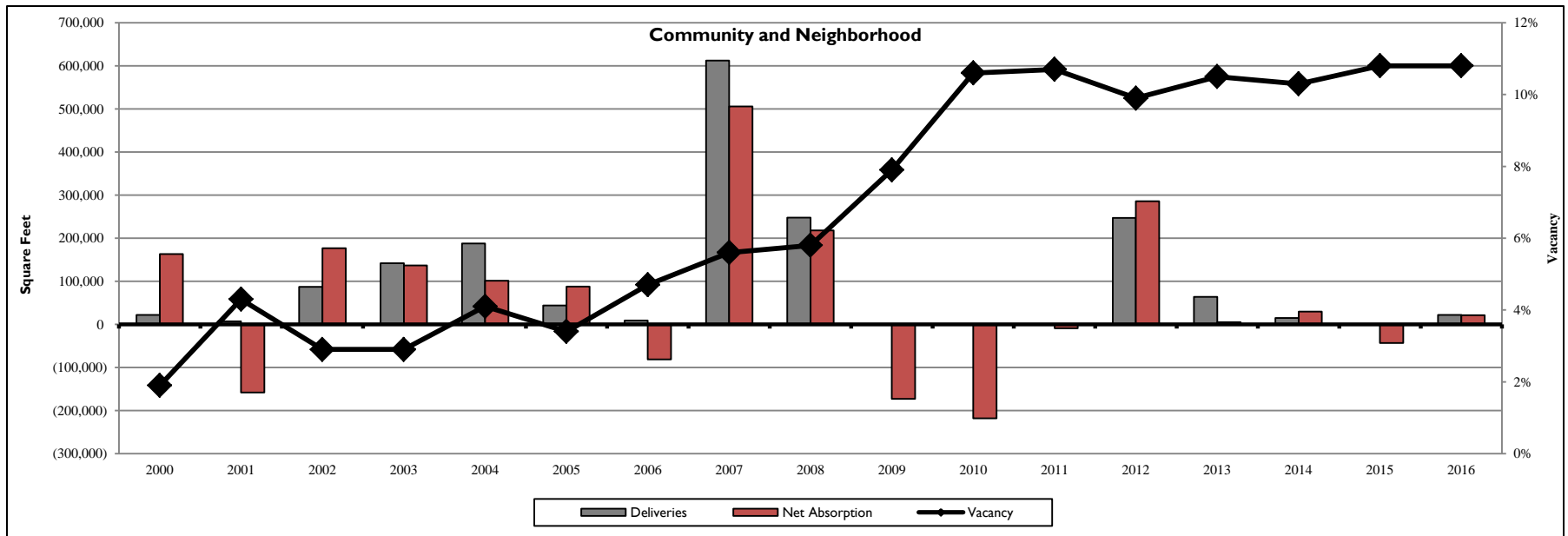
MARKET ANALYSIS: OFFICE

- **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



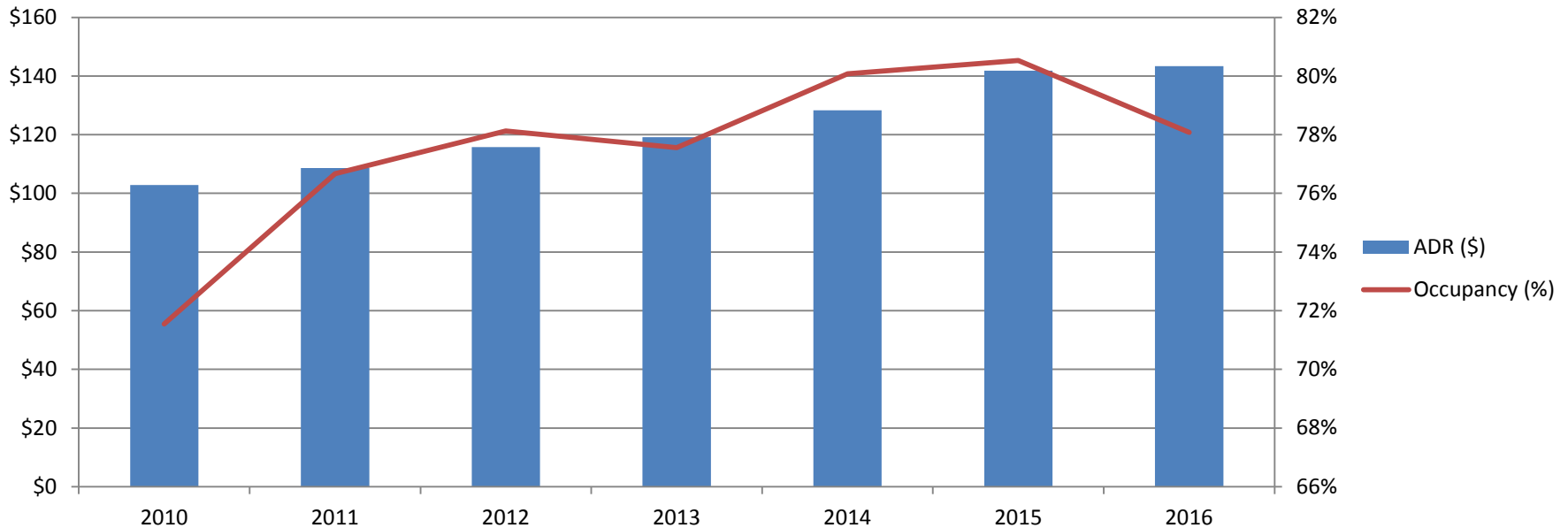
MARKET ANALYSIS: RETAIL

- **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



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DEVELOPMENT POTENTIAL BY LAND USE: MARINA

	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	Boat-oriented shop Restaurant Coffee Destination	Extended stay Boutique
Rent/Sales Range	\$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)
<u>Financial Model - Key Assumptions</u>					
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
<u>Metrics</u>					
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

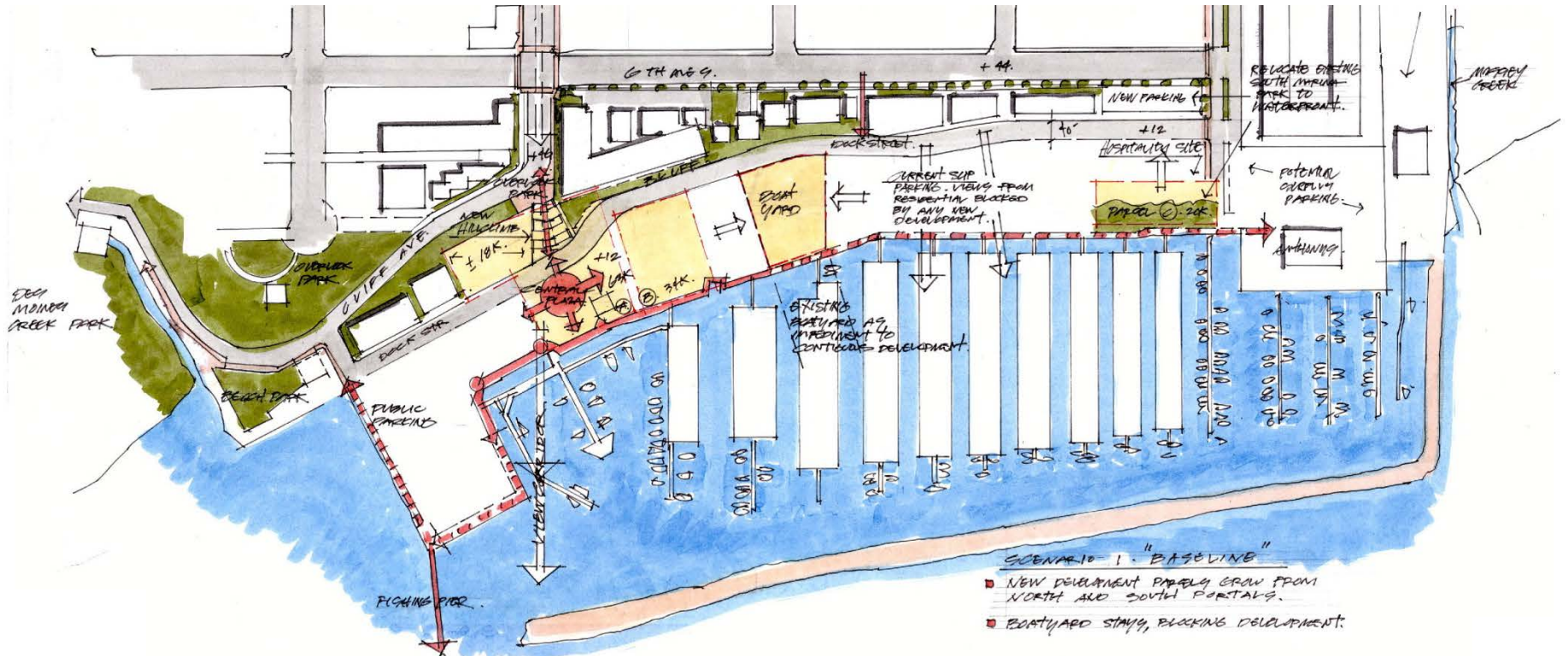
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- Phasing/timing
- Early phase successes
- Critical mass / activate

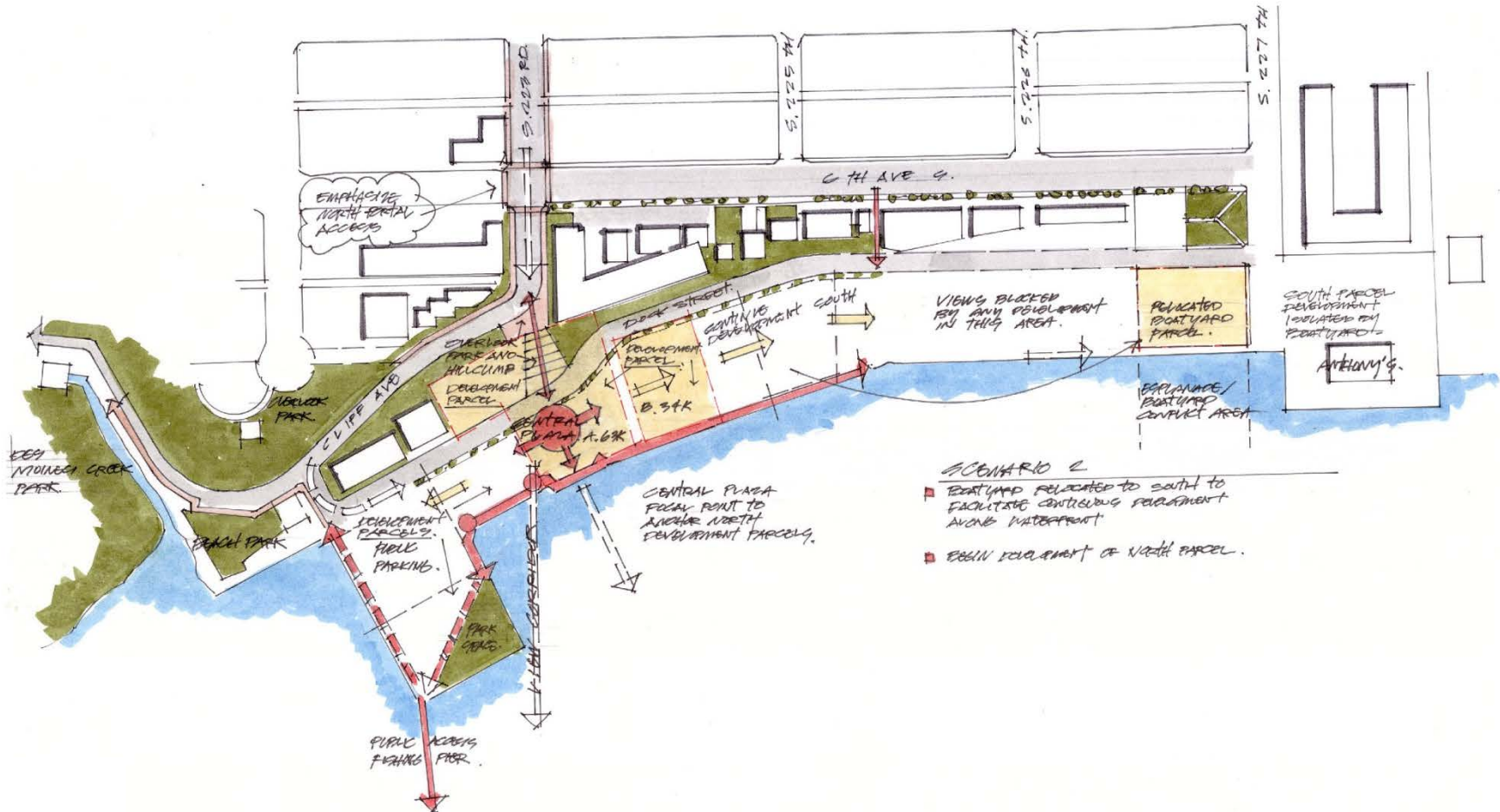
DEVELOPMENT SCENARIOS

BASELINE	NORTH CONCENTRATION	MULTI-NODAL
<ul style="list-style-type: none">• 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

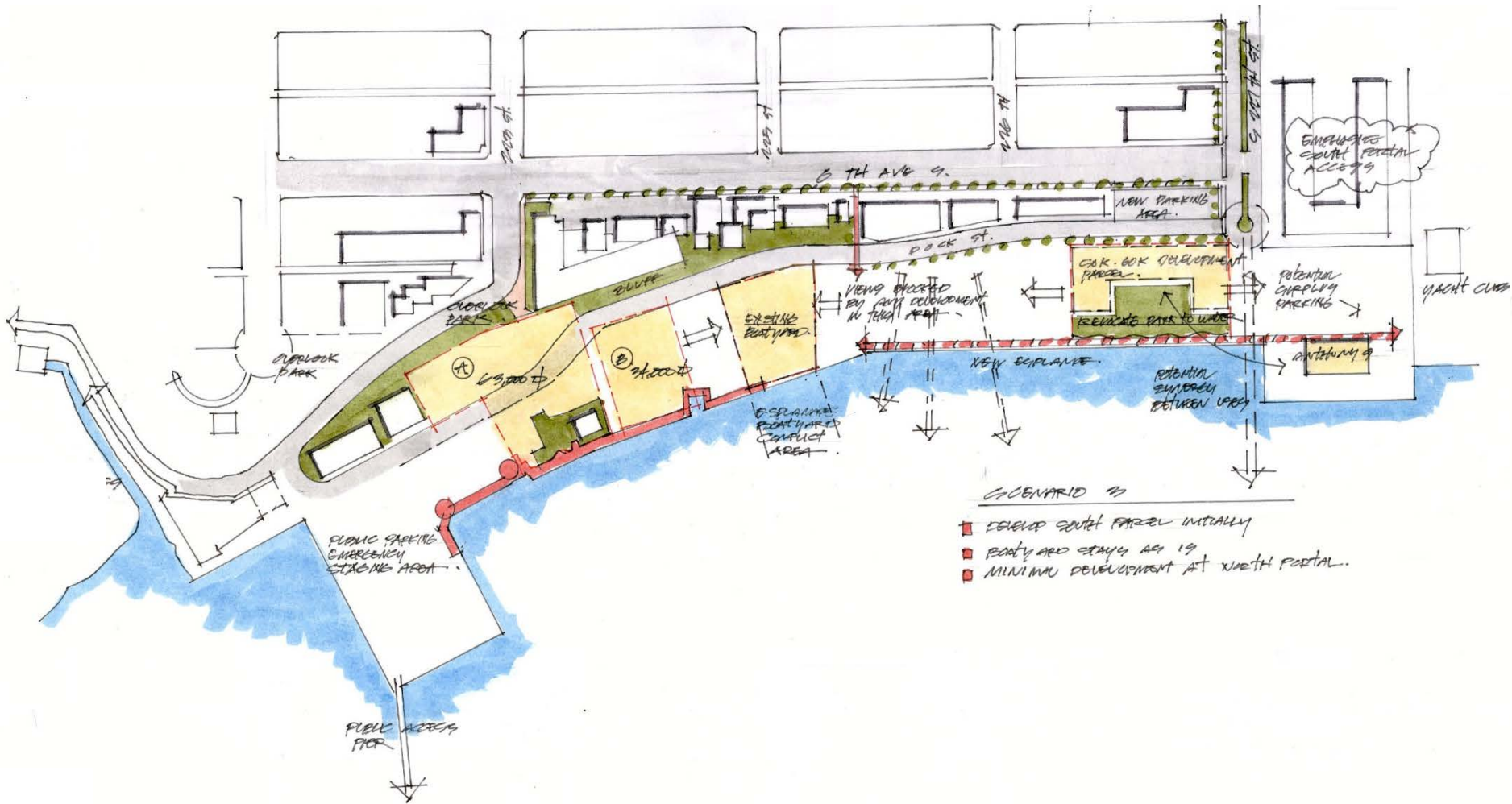
SCENARIO #1: BASELINE



SCENARIO #2: NORTH CONCENTRATION



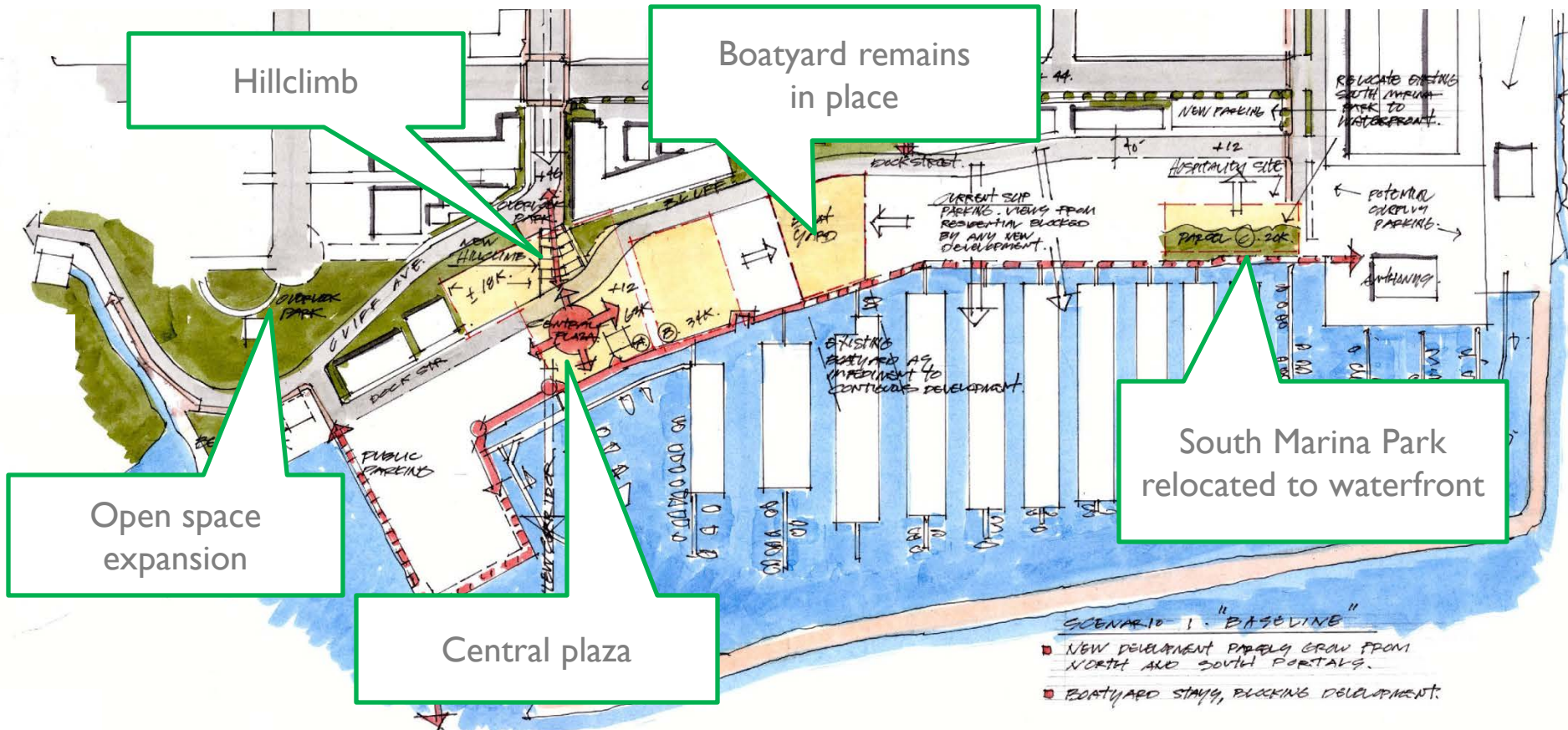
SCENARIO #3: MULTI-NODAL



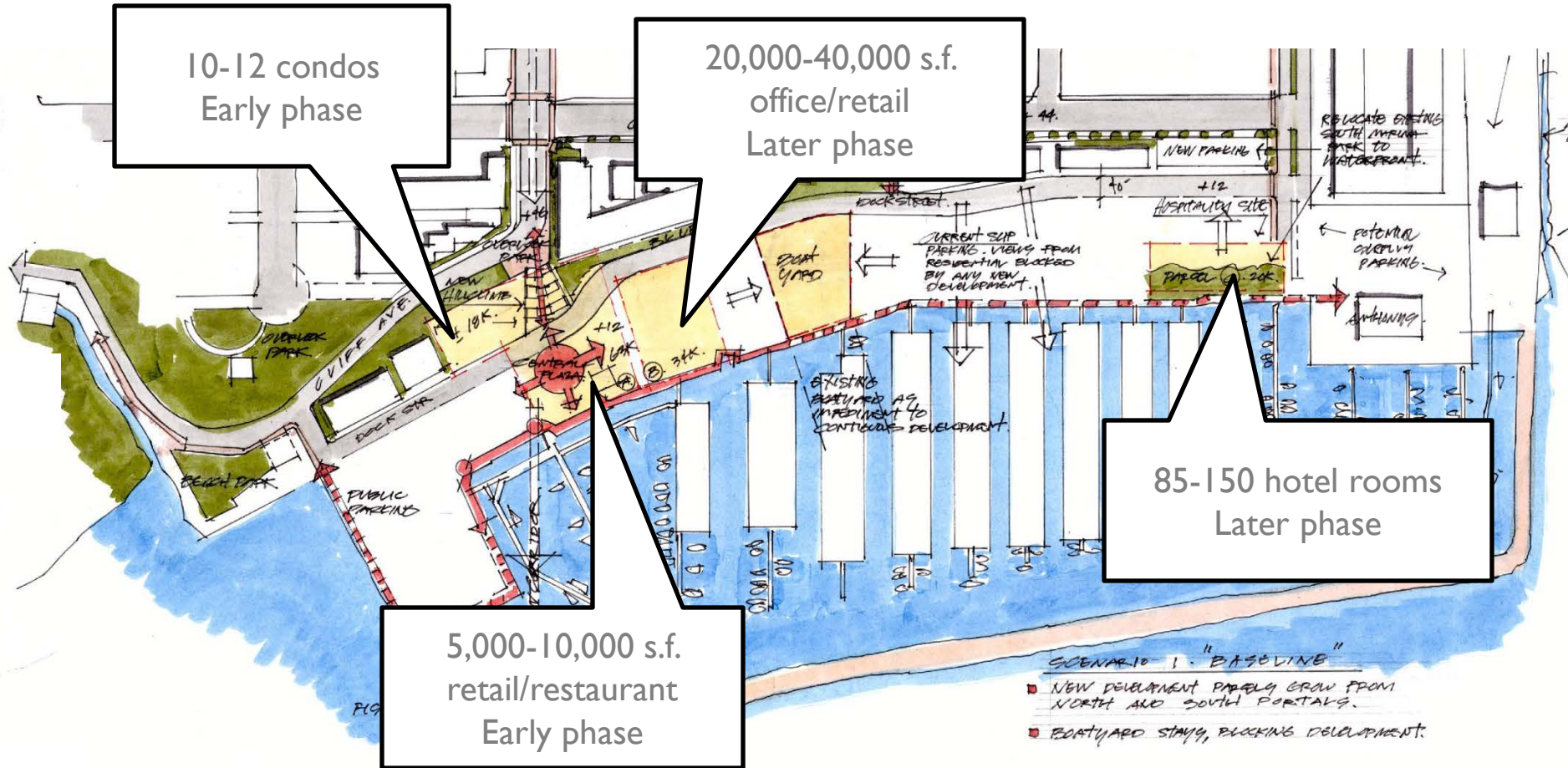
BASELINE SCENARIO: DEVELOPMENT CONCEPTS

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

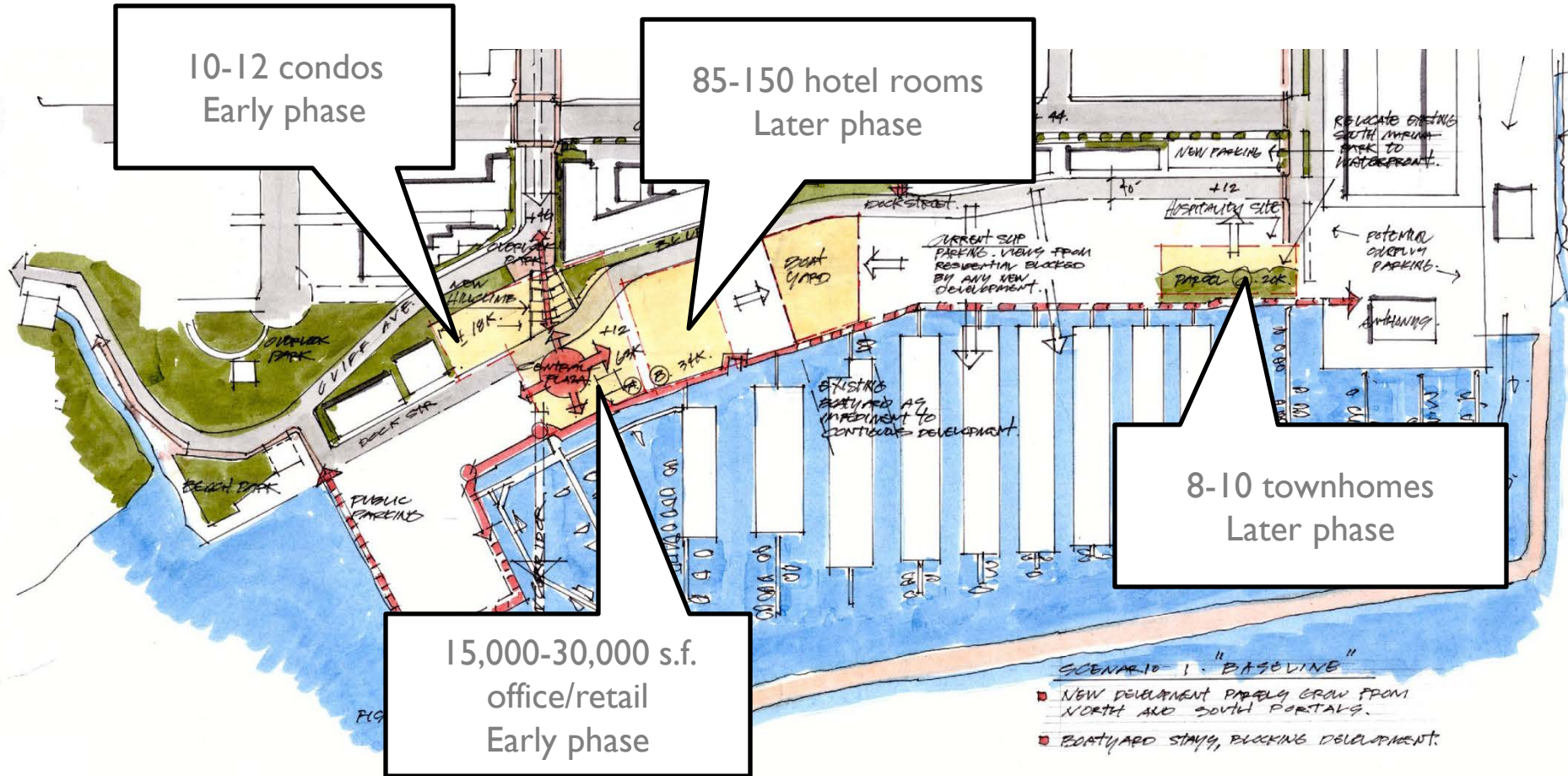
BASELINE SCENARIO: PUBLIC AMENITIES



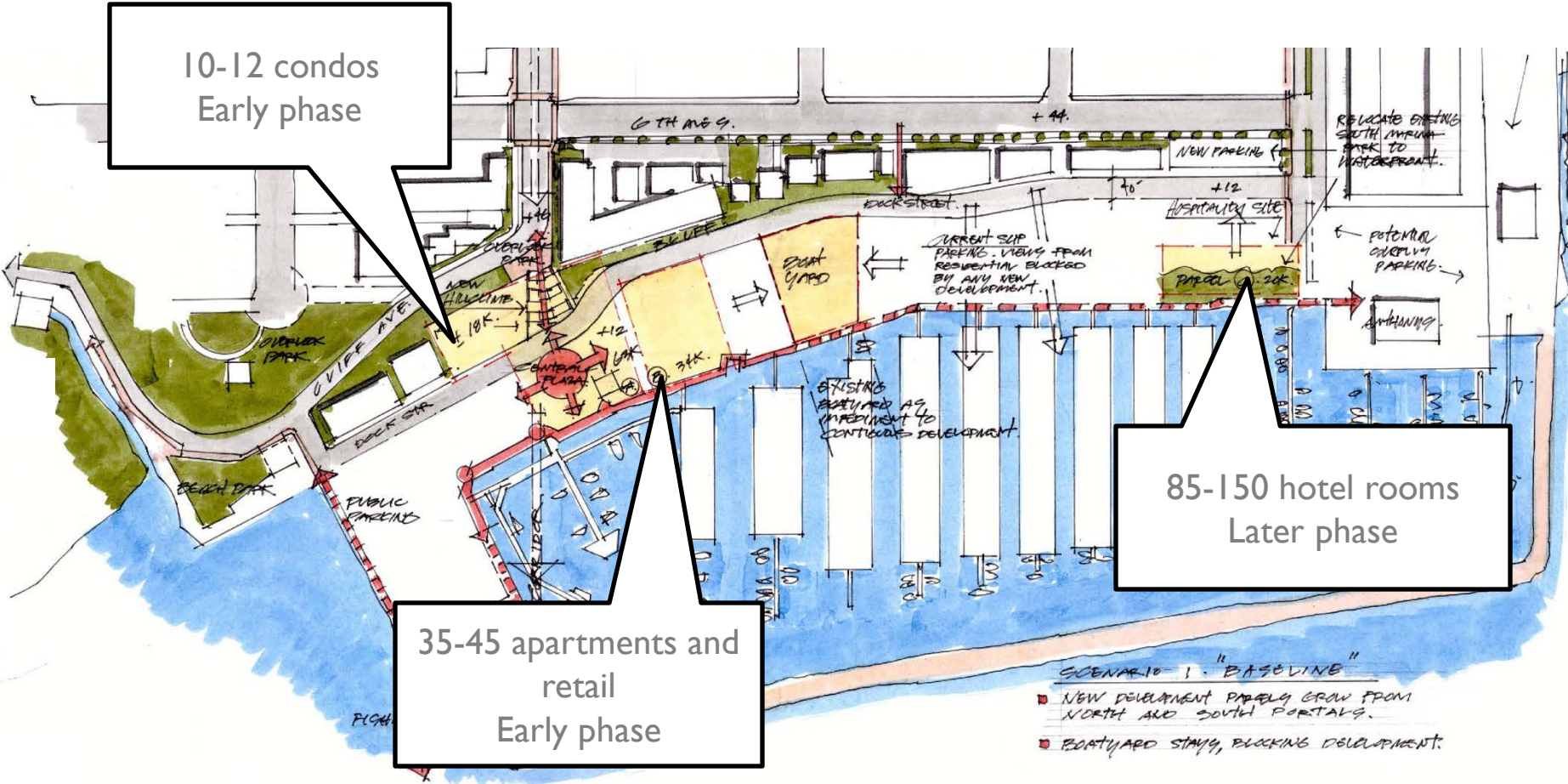
BASELINE SCENARIO: COMMERCIAL FOCUS



BASELINE SCENARIO: MIXED CONCEPT



BASELINE SCENARIO: RESIDENTIAL FOCUS



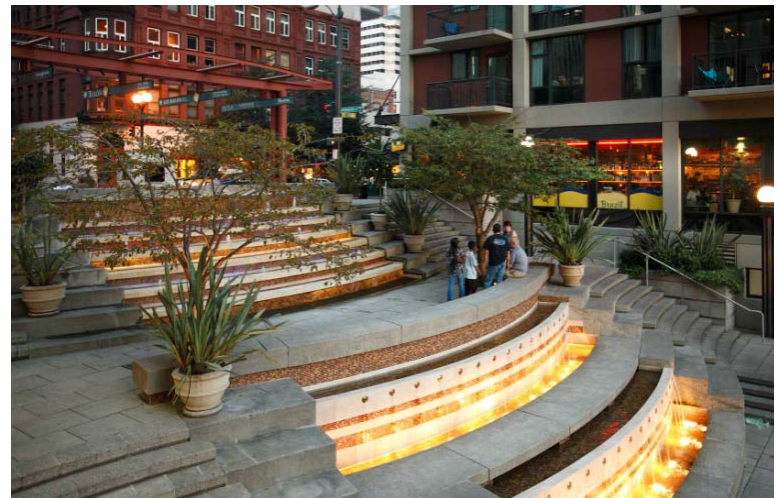
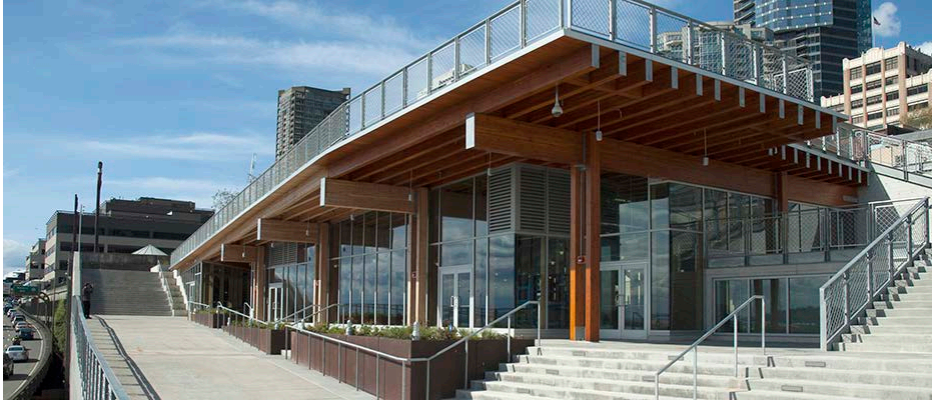
10-12 condos
Early phase

35-45 apartments and
retail
Early phase

85-150 hotel rooms
Later phase

- SCENARIO 1 - "BASELINE"
- NEW DEVELOPMENT PRIMARILY GROW FROM NORTH AND SOUTH PORTALS.
 - BOATYARD STAYS, BLOCKING DEVELOPMENT.

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