City of Lakewood: Focus on Economic Development

Andrew Neiditz, City Manager
Today’s Economic Development Briefing

- Review the factors that support Lakewood as a solid opportunity for development, investment & growth.
  - **Part 1**: Demographic stats & an overview of military growth and impacts on the City.
  - **Part 2**: Overview of City initiatives & incentives to improve the neighborhood and encourage redevelopment of Pacific Highway.
  - **Part 3**: Review recent City studies.
    - Neighborhood Planning.
    - Hotel Feasibility Study
City’s Approach to Economic Development

- Code Enforcement / Public Safety.
- Public Investment to Spur Private Development / Redevelopment.
- Establish Competitive Advantage in the Region.
- Active Business Retention & Recruitment program.
- Consistently communicate with the community & provide opportunity for public participation.
#1 - Lakewood Stats

Demographics
Major Employers
## City of Lakewood Demographics - 2010*

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>58,840 residents</td>
</tr>
<tr>
<td>Avg. Household Income</td>
<td>$56,447</td>
</tr>
<tr>
<td>Median Age</td>
<td>36.3 years</td>
</tr>
<tr>
<td>Median Home Price</td>
<td>$221,306</td>
</tr>
<tr>
<td>Average Home Price</td>
<td>$269,771</td>
</tr>
</tbody>
</table>

*Sources: OFM / ESRI*
Lakewood’s Largest Employers

- Joint Base Lewis McChord.
- Western State Hospital.
- DSHS at Western State Hospital.
- Pierce Transit.
- Veterans Hospital.
- St. Clare Hospital.
- Pierce College.
- Clover Park Technical College.
#2 – Lakewood’s Largest Employer
Joint Base Lewis McChord (JBLM)

Generating Market Demand for Local Products & Services

Growth, Impacts, & Opportunities
Lakewood’s Competitive Advantage
Joint Base Lewis McChord

Active Duty Personnel.
- 30,294 Army active duty personnel*
- 3,637 Air Force active duty personnel
  33,931 Total active duty personnel

Reservists.
- 2,805 Army
- 2,342 Air Force & National Guard at McChord
  5,147 Total

* July 2010 - 17,000 Army troops deployed to Iraq & Afghanistan
Lakewood’s Competitive Advantage
Joint Base Lewis McChord

- Additional Military-Associated Consumers.
  - 49,500 Family Members
  - 29,247 Military Retirees in Area
  - 78,747
Lakewood’s Competitive Advantage
Joint Base Lewis McChord

- $508 Million - Annual operating budget for joint base support services.
- Civilian Employees & Contractors.
  - 10,968 Army (JBLM & Yakima Training Ctr)
  - 4,316 Air Force
  - 15,284
Translating JBLM Impacts into Opportunity

- Lakewood Leadership
  - JBLM Task Force
  - Office of Economic Adjustment (OEA) Grant
  - WA State Economic Development Association
    - President Ellie Chambers-Grady, CEcD
#3 - City Initiatives & Incentives

Goals ~
Improve the Neighborhood
Encourage Redevelopment of Pacific Hwy
City Initiatives to Stimulate Redevelopment of Pacific Hwy

David Bugher
Assistant City Manager of Development/
Director of Community Development
Development / Redevelopment
City of Lakewood Opportunities

- City Promotes Development + Redevelopment.
- Funding studies, i.e. hotels.
- Organizational changes.
- Project management.
- Pacific Hwy.
- Lakewood Towne Center.
- Tillicum Neighborhood Plan.
- Springbrook Industrial Area.
- Proposed International District.

www.cityoflakewood.us
Pacific Hwy - A Diamond in the Making

Step 1: Proactive Code Enforcement.

A. Demolition of Blighted Buildings.
   - 3 motels.
   - 1 mobile home park.
   - 1 apartment complex.

B. Pending Action.
   - 1 motel closed & City encouraging demolition.
   - 3 motels being monitored with pending action.
C. Code Enforcement. (continued)

- Closed illegal chop shops & wrecking yards.
- Closed one of region’s most notorious strip clubs.
- Closed six businesses engaged in illegal activities.
- Criminal investigation of fraudulent real estate investment schemes and revocation of business licenses.
- Public nuisance abatement process underway to demolish an existing commercial business.
**Pacific Hwy - A Diamond in the Making**

Step 2: Funded/Rebuilt Major Infrastructure:
   Road realignment, paving, curb, gutter storm water, sidewalks, landscaping & lighting.

<table>
<thead>
<tr>
<th>Phase</th>
<th>Description</th>
<th>Cost</th>
<th>Year</th>
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</thead>
<tbody>
<tr>
<td>I</td>
<td>108th Street to RR Overpass</td>
<td>$1.6</td>
<td>2006</td>
</tr>
<tr>
<td>II</td>
<td>RR Overpass-47th Bridgeport</td>
<td>$2.4</td>
<td>2008</td>
</tr>
<tr>
<td>III</td>
<td>SR512 to 108th</td>
<td>$2.4</td>
<td>2008</td>
</tr>
<tr>
<td>IV</td>
<td>Bridgeport to Gravelly Lake</td>
<td>$4.3</td>
<td>2010</td>
</tr>
</tbody>
</table>

$10.7 million
City of Lakewood
Pacific Hwy
Improvements

BEFORE

Pacific Hwy at Bridgeport looking North

AFTER

Pacific Hwy near Fire Station looking South
Pacific Hwy - A Diamond in the Making

- Step 3: Addressing Additional Issues.
  - Amending sign code for freeway advertising.
  - OEA Planning Assistance Grant relating to Potential Military Impacts & Community Response.
  - Point Defiance Rail Bypass.
Pacific Hwy - A Diamond in the Making

Sound Transit Lakewood Station on Pacific Hwy

- $32.9 million.
- Sound Transit, City of Lakewood, Federal Transit Administration, and WSDOT.
- Parking Garage - 627 stalls.
- Bus service began September 21, 2008.
- Sound Transit coordinated station project with City of Lakewood’s Phase I Pacific Hwy street improvements.
- $135 million estimated to rebuild tracks between Tacoma and Lakewood.
Recent Pacific Hwy Developments

- Sound Transit & Fire Stations.
- Lakewood Ford.
- La Quinta Inn & Suites.
- Candlewood Suites.
## Public Investment Spurs Private Development

### PACIFIC HWY VALUATION

**2000 - 2010**

<table>
<thead>
<tr>
<th>TYPE</th>
<th># OF PERMITS</th>
<th>VALUATION</th>
<th>FEES COLLECTED</th>
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<tbody>
<tr>
<td>Commercial New Structure</td>
<td>28</td>
<td>$37,150,298.42</td>
<td>$265,898.70</td>
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<tr>
<td>Commercial Remodel</td>
<td>90</td>
<td>$1,435,734.00</td>
<td>$49,055.40</td>
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<tr>
<td>Commercial Repair</td>
<td>44</td>
<td>$686,153.80</td>
<td>$14,901.61</td>
</tr>
<tr>
<td>Commercial Addition</td>
<td>21</td>
<td>$577,577.41</td>
<td>$14,209.69</td>
</tr>
<tr>
<td>Commercial, Window Replacement</td>
<td>1</td>
<td>$4,300.00</td>
<td>$226.61</td>
</tr>
<tr>
<td>Commercial ReRoof</td>
<td>3</td>
<td>$13,000.00</td>
<td>$382.00</td>
</tr>
<tr>
<td>Commercial Demolition</td>
<td>35</td>
<td>$326,260.00</td>
<td>$7,181.28</td>
</tr>
<tr>
<td>Commercial Mechanical*</td>
<td>81</td>
<td>-</td>
<td>$25,098.19</td>
</tr>
<tr>
<td>Commercial Plumbing*</td>
<td>71</td>
<td>-</td>
<td>$24,296.17</td>
</tr>
<tr>
<td>Commercial Signage (Wall, Pole &amp; Monument)</td>
<td>155</td>
<td>$434,789.61</td>
<td>$19,522.37</td>
</tr>
<tr>
<td>TOTAL:</td>
<td></td>
<td>$40,628,113.24</td>
<td>$420,772.02</td>
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</tbody>
</table>

- Itemized permit fees / No valuation
#4 - Assessing Pacific Hwy Redevelopment

J.J. McCament & Raelene Rogers
McCament & Rogers LLC
- Belay Architecture
- HVS, San Francisco
Pacific Hwy
Neighborhood Planning

Lyn Messenger, AIA
Belay Architecture
Pacific Hwy Neighborhood Planning Exercise

- Infrastructure & Zoning Code ‘Reality Check’.

- Creative look at Compatible Neighborhood Uses.
  - Office.
  - Hotel.
  - Mixed use: office, retail, specialty grocery, housing, day care, etc.

- Selected For-Sale Properties on Pacific Hwy for Analysis. (October 2009)
Pacific Highway
Neighborhood Planning Exercise
Site A: Merit Construction - 10520 Pacific Hwy
Site B: Candlewood Suites – 10620 Pacific Hwy
Site C: 11435 Pacific Hwy
Contact: Keith Swartz, Better Properties

Zoned TOC

Primary Permitted Use:
Food Stores (Levels 1/2 - up to 80,000 gsf) and
Multi-family Dwelling (Levels 2/3 - 7 or more attached units)
Site D: 11725 Pacific Hwy SW
Contact: Dave Sheean, GVA KMS
Site F: 12507 Pacific Hwy
Contact: Mike Hickey

Zoned C-1
Primary Permitted Use:
Professional Offices (Level 1 - 10,000 gsf max.)

Administrative Use:
Professional Offices (Level 3 - over 30,000 gsf)
Bottom Line – Site Planning Analysis

- City’s Zoning Code accommodates mid- and high-density commercial / office / retail / hospitality / mixed use redevelopment on Pacific Hwy.

- There are sufficiently large sites available to accommodate desired redevelopment; however, assemblage may be required.

- City incentives include TOC zoning and EB5 designation for Pacific Hwy.

- Public dollars have been invested in meaningful infrastructure improvements that can be expected to attract private dollars.
Pacific Hwy
Hotel Feasibility Analysis

HVS Consulting & Valuation Services
San Francisco
Pacific Hwy Hotel Feasibility Analysis

- HVS, San Francisco.
- Phased Analysis.
  - Phase I - Market Research.
  - Phase II - Ten-Year Forecast of Income / Expense and Feasibility Analysis.
HVS Study Objectives

- Phase I.
  - Determine market feasibility for a new hotel property on Pacific Hwy between SR512 and Gravelly Lake Drive. If feasible …

- Phase II.
  - Identify regional competitors.
  - Recommend hotel product.
  - Calculate proforma for recommended product.
HVS Recommendation

- Mid-rate extended-stay or limited service hotel on Pacific Hwy between SR512 and Bridgeport Way is financially feasible.
  - Strong national affiliation.
  - Professionally managed.
  - Sufficiently capitalized.
Market Area Analysis

- Population.
- Per Capita Personal Income.
- W&P Wealth Index.
- Total Retail Sales.
- Pierce County Major Employers.
- Office Space Stats.
- Greater Tacoma Convention & Trade Center, Tacoma Dome, Museums.
- Airport Stats and Traffic Counts.
Demand Generators

- Military Demand. (primary source)
  - Military Personnel on Orders.
  - Government Subcontractors.

- I-5 Demand.
  - Tourists.
  - Business Travel.
Defining the Competitive Market

Competitive Property Criteria …

1. Within 5-mile driving distance of Pacific Hwy.
2. Quality accommodations due to recent construction or renovation.
3. Affiliated with strong national brand.
4. Located adjacent to Interstate 5.
Lakewood Competitors

Within 5-miles, affiliated with strong national brands, I-5 visibility

Lakewood.
- La Quinta Inn & Suites – Pac Hwy/Bridgeport.

Hosmer & I-5.
- Hampton Inn Suites.
- Holiday Inn Express.
- Red Lion Hotel.

Extended Stay.
- Extended Stay America – Tacoma Mall.
- Crossland Suites – Hosmer.
- Candlewood Suites – Lacey.
## Proposed New Supply in Market
### Announcements as of December-2009

<table>
<thead>
<tr>
<th>Property</th>
<th># of Rooms</th>
<th>Opening</th>
</tr>
</thead>
<tbody>
<tr>
<td>Candlewood Suites, Pacific Hwy</td>
<td>80</td>
<td>Summer 2010</td>
</tr>
<tr>
<td>Holiday Inn Express, UWT</td>
<td>160</td>
<td>Summer 2011</td>
</tr>
<tr>
<td>Residence Inn, Foss Waterway</td>
<td>96</td>
<td>Winter 2012</td>
</tr>
<tr>
<td>Fairfield Inn &amp; Suites, Puyallup</td>
<td>110</td>
<td>Fall 2011</td>
</tr>
<tr>
<td>Proposed Hotel, Pacific Hwy</td>
<td>120</td>
<td>Fall 2011</td>
</tr>
<tr>
<td></td>
<td><strong>569</strong></td>
<td></td>
</tr>
</tbody>
</table>
HVS Site Criteria for Proposed Hotel

✓ Critical mass of retail support in proximity to site -
  Other quality lodging, restaurants, convenience stores, gas stations, etc.

✓ Sufficient size for hotel, surface parking, etc.
  120 room suburban hotel = 1.5 – 2 acres.

✓ Ease of access & proximity to I-5.

✓ High degree of visibility from I-5.
HVS Assessment of Neighborhood

Pacific Hwy – Southern Portion
Gravelly Lake Drive to Bridgeport Way

- Older structures nearing end of economic life.
- Primarily military surplus retail, gun shops, adult bookstores, payday advance/consignment stores, self-storage rentals.
- Premature for hotel development.
- City of Lakewood infrastructure, selected private investment, and continued military growth will lead redevelopment for this stretch of Pacific Hwy.
HVS Assessment of Neighborhood

Pacific Hwy Northern Section
Bridgeport to SR-512 Interchange Area

- Sizzlers, Subway, Wendy’s, Ivar’s Seafood, Denny’s, 7-Eleven, 7-6 Service Station.

- Strip centers with ethnic restaurants.

- Additional visitor services can reasonably be expected to be developed in near future.
  - Candlewood Suites is open!
HVS Recommendation

- Mid-rate extended-stay or limited service hotel on Pacific Hwy between SR512 and Bridgeport Way is financially feasible.
  - Strong national affiliation.
  - Professionally managed.
  - Sufficiently capitalized.
Recommended Hotel Profile

- Wood frame with stucco or brick exterior.
- 120 Rooms.
  - 300 sq. ft. studios up to 700+ sq. ft. 2-bedroom ADA compliant suites.
  - Kitchenette or full kitchen.
  - Pullout sofa bed.
  - Separate sleeping area.
  - Spacious work area.
Hotel Profile (continued)

- Small meeting room.
- Complimentary breakfast area.
- Exercise amenities: indoor pool, whirlpool, exercise room.
- Guest laundry room.
## Development Budget

<table>
<thead>
<tr>
<th>Component</th>
<th>Total/Mil</th>
<th>Per Room</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>$7.80</td>
<td>$65,000</td>
<td>70%</td>
</tr>
<tr>
<td>Soft Costs</td>
<td>$1.20</td>
<td>$10,000</td>
<td>11%</td>
</tr>
<tr>
<td>FF&amp;E</td>
<td>$1.68</td>
<td>$14,000</td>
<td>15%</td>
</tr>
<tr>
<td>Pre-Opening/Wkg Cap</td>
<td>$ .42</td>
<td>$ 3,500</td>
<td>4%</td>
</tr>
<tr>
<td>Dev Costs</td>
<td>$11.10</td>
<td>$92,500</td>
<td></td>
</tr>
<tr>
<td>Land Acquisition*</td>
<td>$ 1.20</td>
<td>$10,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$12.30</td>
<td>$102,500</td>
<td></td>
</tr>
</tbody>
</table>

*2 acres @13.50/sq. ft.
Operational Assumptions

- Subject property …
  - Professionally managed by hotel management company.
  - Management fees of 3% of total revenues.
  - Franchise agreement with a major brand and typical fee of 6.5% of rooms revenue including royalty, marketing assessment fee, and reservation fee.
  - Stabilized Occupancy Rate: 76% in year 3 vs. Estimated Market-Wide Occupancy of 68%.
In a Nutshell . . .

- 120-room extended stay or limited service hotel.
- Affiliated with national hotel brand.
- Professionally managed.
- $12.3 million development budget.
- Mortgage: 25 yrs, 7.3%-9.3% interest rate.
- LTV Ratio: 50%.
- 22.5% IRR over 10-year operation.
HVS Feasibility Analysis

Take it to the Bank …

Lakewood Competitors - Operating Performance
Detailed Forecast of Income and Expense.
- Ten-Year Forecast of Income and Expense.
- Cash Flows.
- Net Present Value.
  Equity Contribution & Internal Rate of Return.
  - 50% equity ($6.1 million) = 22.5 IRR over 10-years.
In Closing …

Review of Lakewood’s Competitive Advantage

Lakewood’s Economic Development Department Supports Business Retention & Expansion
#5 – Reviewing the Basics…

Ellie Chambers-Grady, CEcD
Economic Development Manager
Site Location Checklist

Lakewood Establishes Competitive Advantage.

- Operating Costs.
- Operating Conditions.
- Quality of Life.
Lakewood’s Competitive Advantage
Location & Access

- Location, Location, Location.
  - Adjacent to I-5 & JBLM.
  - 32 miles from Sea-Tac.
  - 13 miles from Port of Tacoma.
  - 24 miles from Olympia, state capital.

- Transportation Corridor Access.
  - Exit #128 - 84th Street Northbound.
  - Exit #127 - SR-512.
  - Exit #125 - Bridgeport Way.
  - Exit #124 - Gravelly Lake Drive.
  - Exit #123 - Thorne Lane Road. (Tillicum North)
  - Exit #122 - Berkeley Avenue. (Tillicum South)
Competitive Advantage: Demand & Educated Workforce

- 9,000+ non-Dept of Defense civilian contractors associated with Joint Base Lewis-McChord that utilize local services.
- Pierce College & Clover Park Technical College train & support an educated workforce.
Competitive Advantage: Operating & Development Costs

- B&O Tax – No.
- Development Impact Fees – No.
- Infrastructural Development Costs – No.
- EB5 Program – Yes.
Designated EB5 Area in Lakewood
Competitive Advantage: Quality of Life

- Wide variety of homes available.
  - Executive to affordable.
- Recreation.
  - Notable golf courses, boating, Fort Steilacoom Park, Lakewood Library, places of worship.
- Shopping and entertainment.
- Home of the famous House of Donuts!
Lakewood is Open for Business!