

# Pac Hwy Redevelopment

June 18, 2010



# Lakewood Welcomes Development

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Andrew Neiditz, City Manager



# City Initiatives ~ Pac Hwy

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David Bugher  
Assistant City Manager

Ellie Chambers-Grady  
Economic Development Manager





Lakewood Towne Center, 5721 Main St SW, Lakewood, OR

Pac Hwy



3625 ft

Imagery Date: Nov 9, 2007

47°09'11.09"N 122°30'13.60"W elev 268 ft

# *Pac Hwy – A Diamond in the Making*

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## Step 1: Proactive Code Enforcement

### □ Demolition of Blighted Buildings

- 3 motels
- 1 mobile home park
- 1 apartment complex

### □ Pending Action

- 1 motel closed & City encouraging demolition
- 3 motels being monitored with pending action



# *Pac Hwy – A Diamond in the Making*

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## Step 1: Positive Code Enforcement *cont.*

- ❑ Closed illegal chop shops & wrecking yards
- ❑ Closed one of region's most notorious strip clubs
- ❑ Closed 6 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



# *Pac Hwy – A Diamond in the Making*

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

Phase I	108 <sup>th</sup> Street to RR Overpass	\$1.6	2006
Phase II	RR Overpass-47 <sup>th</sup> -Bridgeport	\$2.4	2008
Phase III	SR512 to 108 <sup>th</sup>	\$2.4	2008
Phase IV	Bridgeport to Gravelly Lake	<u>\$4.3</u>	2010
			\$10.7 million



## *Before & After*

### *Pac Hwy Improvements*



# *Pac Hwy – A Diamond in the Making*

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- Step 3: Addressing Additional Issues
  - Amending sign code for freeway advertising
  - OEA Planning Assistance Grant
  - Point Defiance Rail Bypass



# *Pac Hwy – A Diamond in the Making*

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## ***Sound Transit Lakewood Station on Pac Hwy***



- \$32.9 million
- Sound Transit, City of Lakewood, Federal Transit Administration, & WSDOT
- Parking Garage – 627 stalls
- Bus service began Sept. 21, 2008
- Sound Transit coordinated station project with City of Lakewood's Phase I Pac Hwy street improvements
- \$135 million estimated to rebuild tracks between Tacoma & Lakewood

# Assessing Pac Hwy Redevelopment

J.J. McCament & Raelene Rogers  
McCament & Rogers LLC

- Belay Architecture
- HVS, San Francisco



# Pac Hwy Neighborhood Planning

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Lyn Messenger, AIA  
Belay Architecture



# *Pac Hwy*

## *Neighborhood Planning Exercise*

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- 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 Pac Hwy for Analysis (October 2009)





Lakewood Towne Center, 5721 Main St SW, Lakewood

Pac Hwy

Bridgeport Way SW

512



112th St S



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©2009

3625 ft

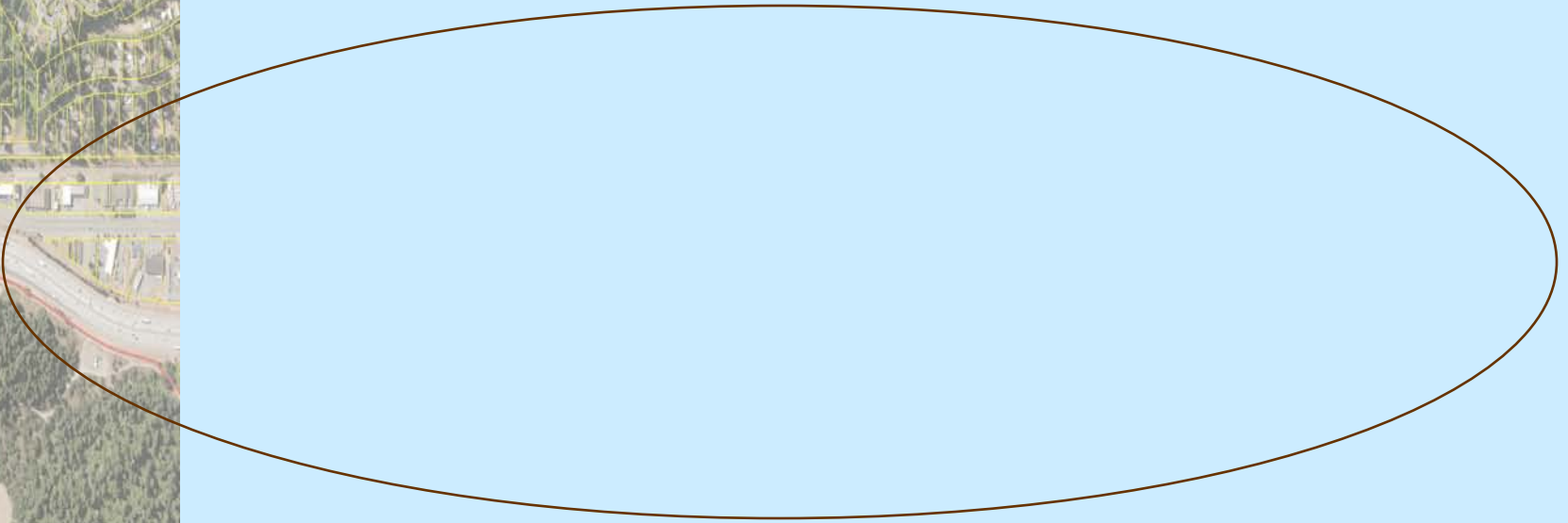
Imagery Date: Nov 9, 2007

47°09'11.09"N 122°30'13.60"W elev 268 ft

Eye

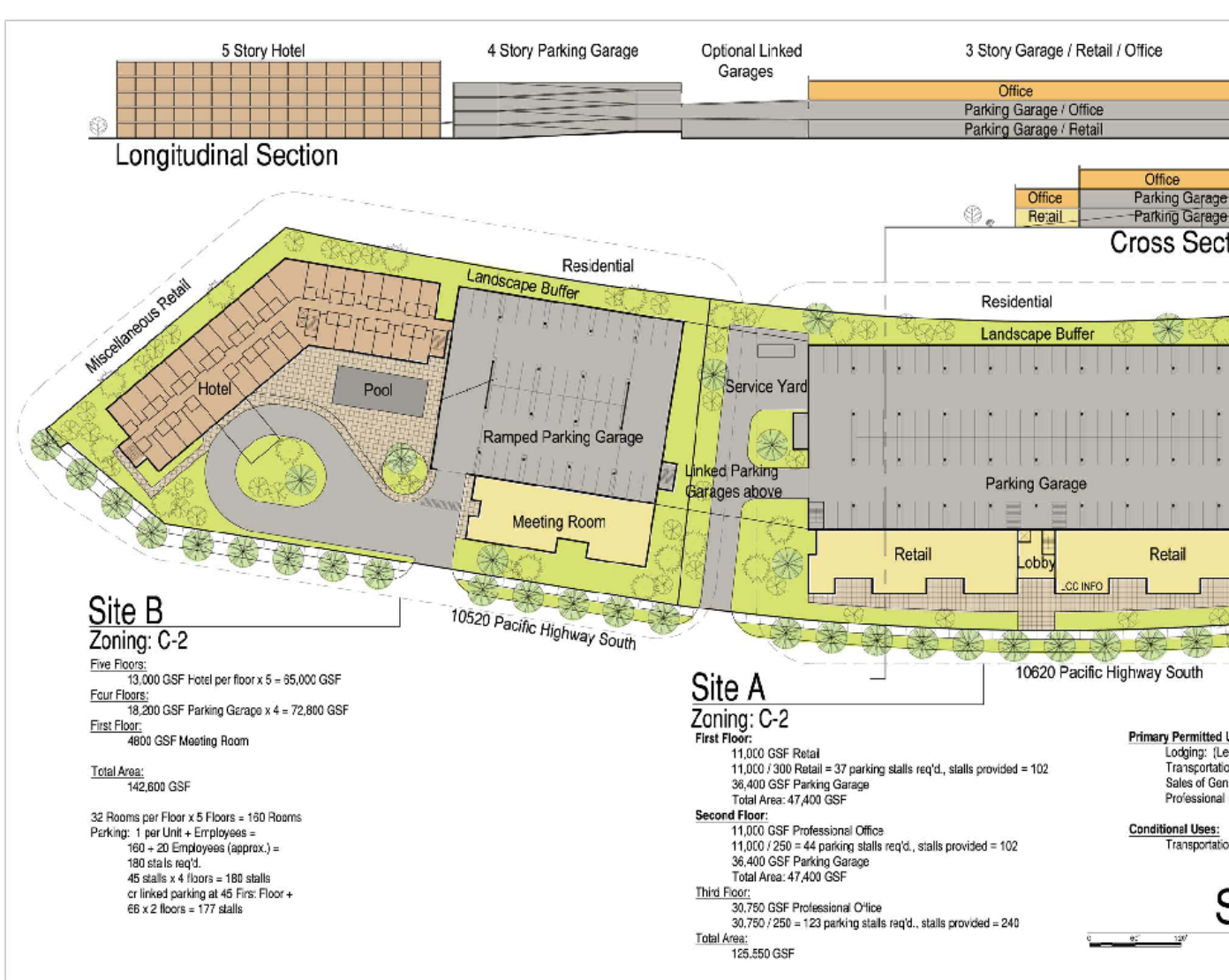
# *Pac Hwy Neighborhood Planning Exercise*

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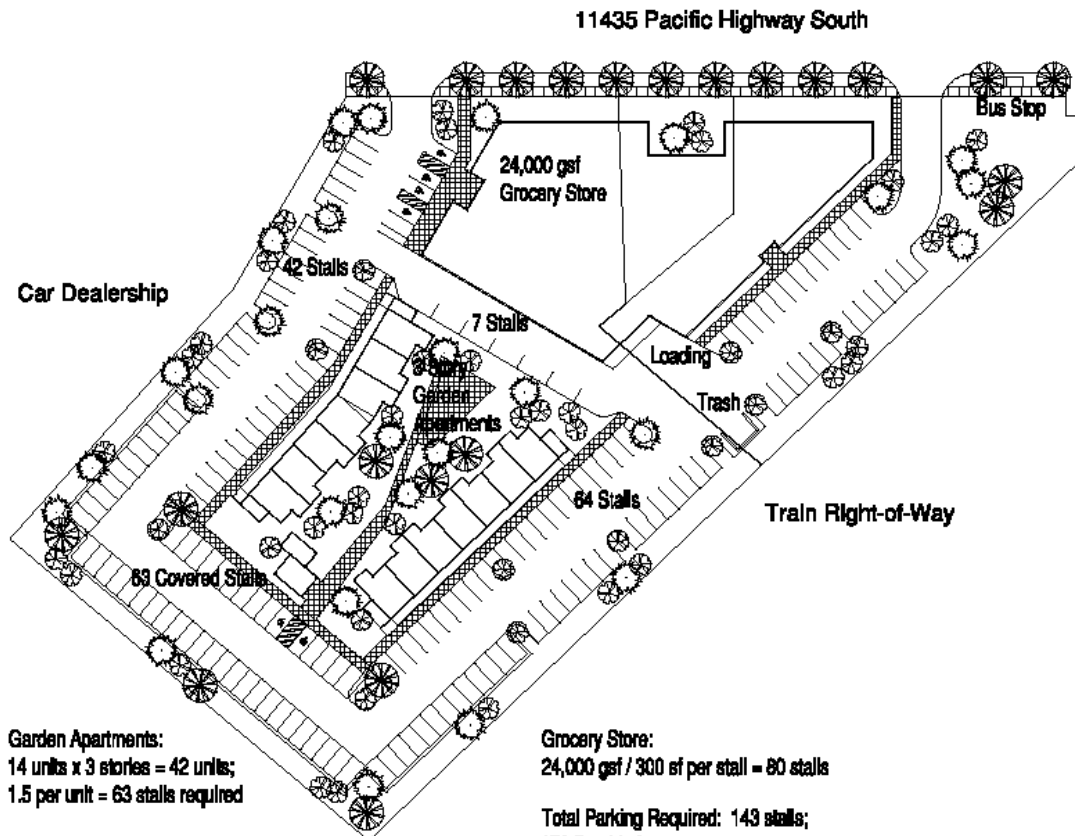
# Site A - Merit Construction - 10520 Pac Hwy

## Site B - Candlewood Suites - 10620 Pac Hwy



# Site C 11435 Pac Hwy

Contact: Keith Swartz, Better Properties



Garden Apartments:  
14 units x 3 stories = 42 units;  
1.5 per unit = 63 stalls required

Grocery Store:  
24,000 gsf / 300 sf per stall = 80 stalls

Total Parking Required: 143 stalls;  
176 Provided

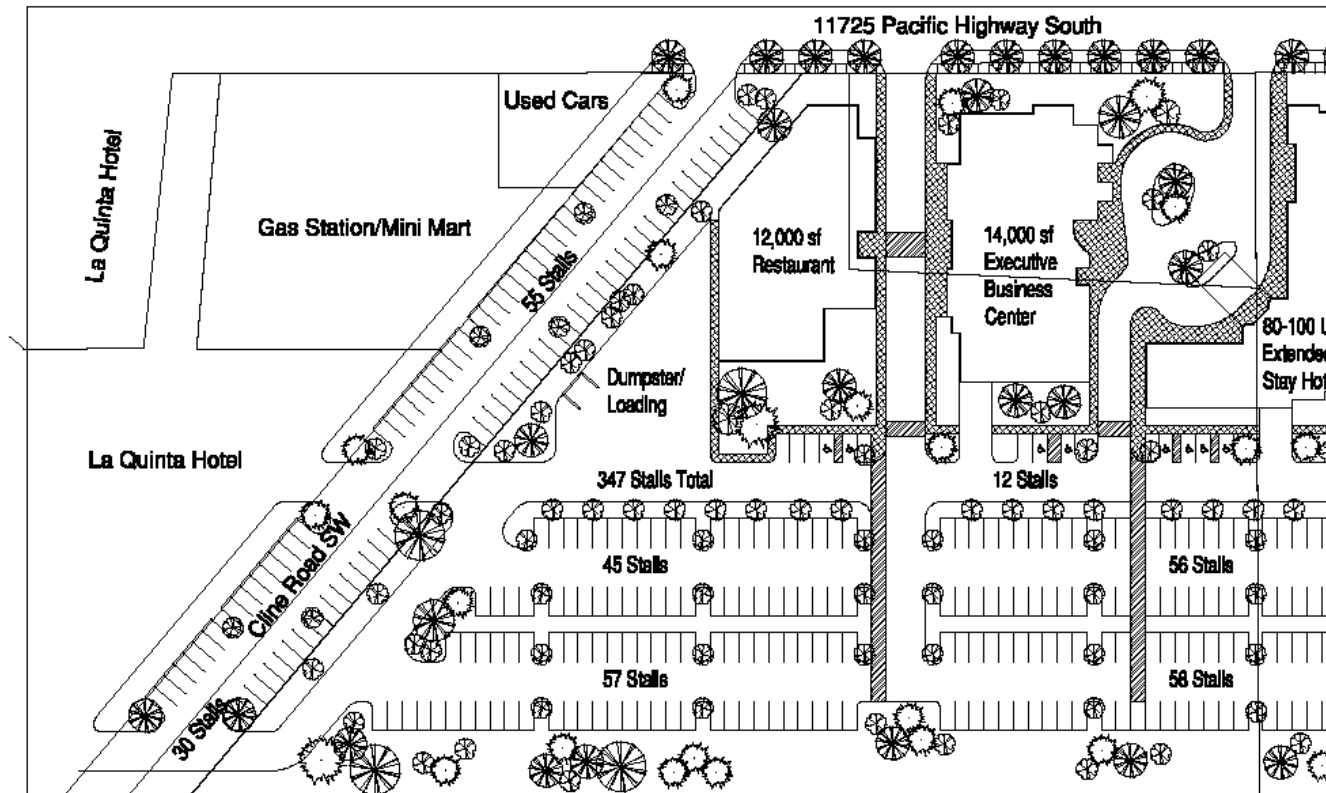
## Zoned TOC

Primary Permitted Uses:  
Food Stores (Levels 1/2 - up to 80,000 gsf) and  
Multifamily Dwelling (Levels 2/3 - 7 or more attached units)



# Site D 11725 Pac Hwy SW

Contact: Dave Sheean, GVA KMS



## Zoned TOC

Primary Permitted Uses:

Lodging (Level 3 - Hotels & Motels) and

Eating and Drinking Establishments (Levels 1/2/3/4)

Restaurant Parking:  
1 per 100 gsf = 120 stalls required

Business Center Parking:  
1 per 250 gsf = 56 stalls  
required

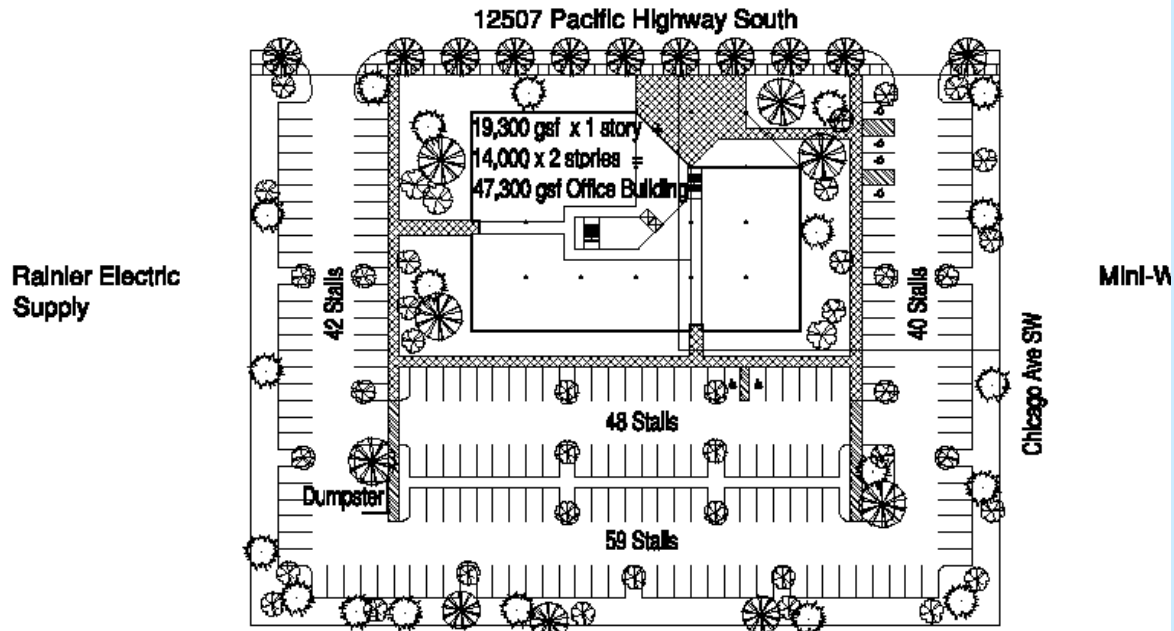
Hotel Parking:  
1 per unit + 2 per 3 e  
±120 stalls required  
Total Parking Required

0 60' 120'

# Site F 12507 Pac Hwy

Contact: Mike Hickey

Ponder's Collision  
Center Auto Repair



$47,300 \text{ gsf} / 250 \text{ sf per stall} = 189$   
required parking stalls, 189 shown

## 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*

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- ❑ City's Zoning Code accommodates mid- & high-density commercial/ office/ retail/ hospitality / mixed use redevelopment on Pac 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 Pac Hwy
- ❑ Public dollars have been invested in meaningful infrastructure improvements that can be expected to attract private dollars



# Pac Hwy Hotel Feasibility Analysis

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HVS Consulting & Valuation Services  
San Francisco



Google Earth Aerial of the Proposed Subject Area



# *Pac Hwy. Hotel Feasibility Analysis*

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- HVS, San Francisco
  - Fieldwork – October 1 & 2, 2009
  
  - Phased Analysis
    - Phase I – Market Research
    - Phase II – Ten-Year Forecast of Income / Expense & Feasibility Analysis
  
  - Final Report dated December 2009



# *HVS Study Objectives*

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## □ Phase I

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

## □ Phase II

- Identify regional competitors
- Recommend hotel product
- Calculate proforma for recommended product



# *HVS Recommendation*

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- *Mid-rate extended-stay or limited service hotel on Pac Hwy between SR512 and Bridgeport Way is financially feasible*
  - *strong national affiliation*
  - *professionally managed*
  - *sufficiently capitalized*



# *Market Area Analysis*

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- ❑ 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 & Traffic Counts



# *Demand Generators*

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- Military Demand (primary source)
  - Military Personnel on orders
  - Government subcontractors
  
- I-5 Demand
  - Tourists
  - Business Travel



# *Defining the Competitive Market*

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## Competitive Property Criteria ...

1. Within 5-mile driving distance of Pac 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*

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## □ ***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*

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<u>Property</u>	<u>Rooms</u>	<u>Opening</u>
Candlewood Suites, Pac Hwy	80	Smr 2010
Holiday Inn Express, UWT	160	Smr 2011
Residence Inn, Foss Waterway	96	Wtr 2012
Fairfield Inn & Suites, Puyallup	<u>110</u>	Fall 2011
	449	
Proposed Hotel, Pac Hwy	<u>120</u>	Fall 2011
	<b>569</b>	



# *HVS Site Criteria for Proposed Hotel*

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- ✓ 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*

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## **Pac Hwy – Southern Portion Gravelly Lake Dr. to Bridgeport**

- ❑ 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, & continued military growth will lead redevelopment for this stretch of Pac Hwy



# *HVS Assessment of Neighborhood*

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## **Pac Hwy Northern Section**

### **Bridgeport to SR-512 Interchange Area**

- Sizzlers, Subway, Wendy's, Ivar's Seafood, Denny's, 7-Eleven, 76 Service Station
- Strip centers with ethnic restaurants
- Additional visitor services can reasonably be expected to be developed in near future
  - ▣ Candlewood Suites construction underway!



# *HVS Recommendation*

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- *Mid-rate extended-stay or limited service hotel on Pac Hwy between SR512 and Bridgeport Way is financially feasible*
  - *strong national affiliation*
  - *professionally managed*
  - *sufficiently capitalized*



# *Recommended Hotel Profile*

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- ❑ 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, cont.*

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- ❑ Small meeting room
- ❑ Complimentary Breakfast Area
- ❑ Exercise amenities: indoor pool, whirlpool, exercise room
- ❑ Guest laundry room



# *Development Budget*

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

\*2 acres @13.50/sq. ft.



# *Operational Assumptions*

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- 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, & reservation fee
  - Stabilized Occupancy Rate: 76% in year 3 vs. Estimated Market-Wide Occupancy of 68%



# *In a Nutshell . . .*

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- ❑ 120-room extended stay or ltd svc 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 ...*

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- Lakewood Competitors - Operating Performance  
Detailed Forecast of Income & Expense
- Ten-Year Forecast of Income and Expense
- Cash Flows
- Net Present Value
- Comparable Land Sales – June 2004 – Dec 2007  
Equity Contribution & Internal Rate of Return
  - ▣ 50% equity (\$6.1million) = 22.5 IRR over 10-years



*In Closing ...*

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# Join us again~

## Lakewood – A Good Place to Do Business!

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- *July 13, 2010*      *“Generating Demand”*
  - Joint Base Lewis McChord Impacts
  - I-5 Traffic Analysis
  
- *August 13, 2010*    *“Lakewood’s Advantage”*
  - EB5 Designation and Financing



# Open Forum~

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*What are your perceptions, expectations and suggestions for Pac Hwy?*

Ellie Chambers-Grady, Manager  
Economic Development Department

