

# Economic Development Briefing on Pacific Hwy Redevelopment

September 30, 2010  
Lakewood City Hall

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# 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

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- 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\*

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- Population
  - Avg. Household Income
  - Median Age
  - Median Home Price
  - Average Home Price
- 58,840 residents
  - \$56,447
  - 36.3 years
  - \$221,306
  - \$269,771

\*Sources: OFM / ESRI



# Lakewood's Largest Employers

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- 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

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### 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

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- Additional Military-Associated Consumers.

49,500 Family Members

29,247 Military Retirees in Area

78,747

# Lakewood's Competitive Advantage Joint Base Lewis McChord

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- \$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

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- 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

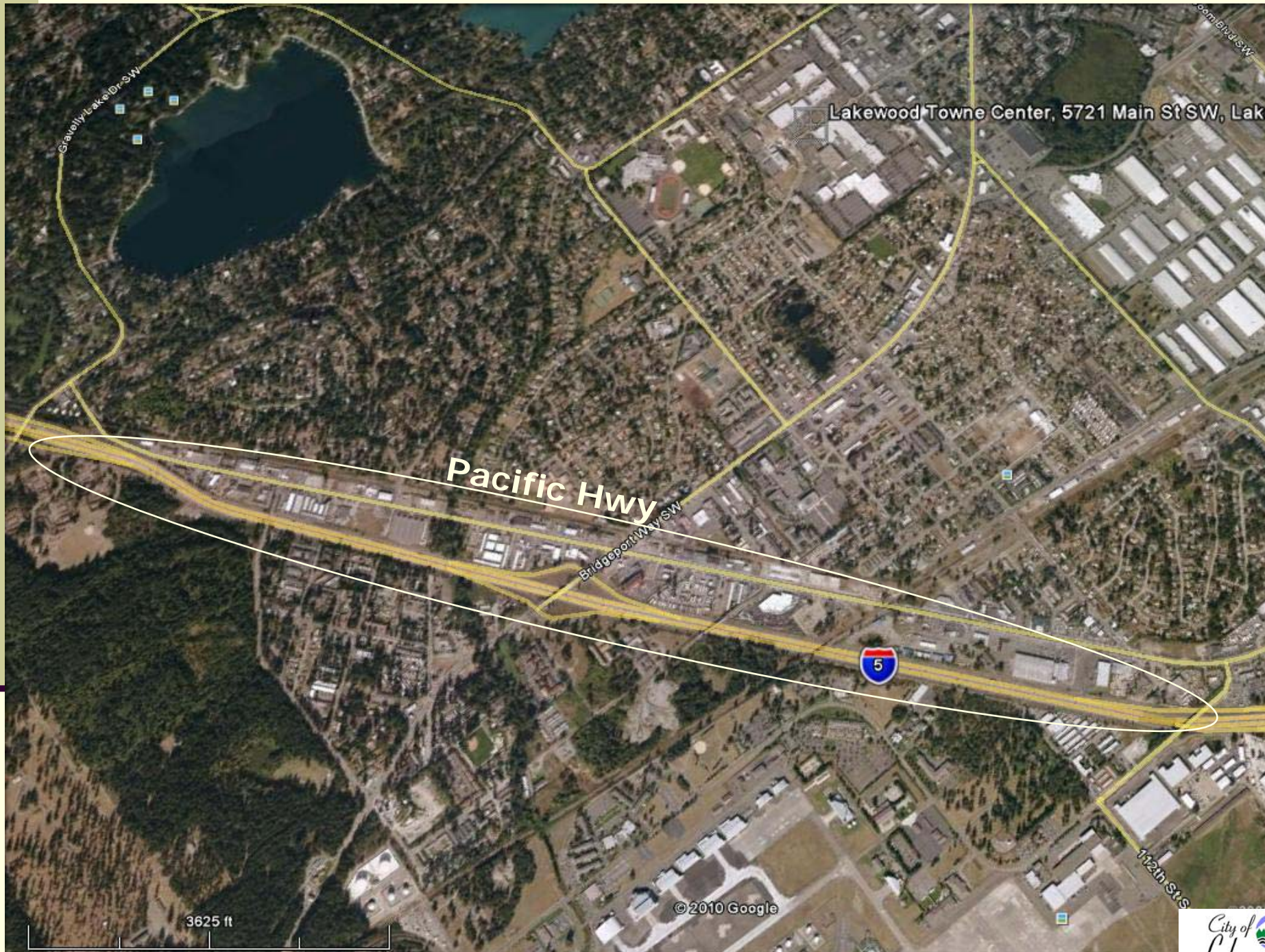
# Development / Redevelopment City of Lakewood Opportunities

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- 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](http://www.cityoflakewood.us)





Lakewood Towne Center, 5721 Main St SW, Lak

Pacific Hwy

Bridgeport Way SW



Main St

3625 ft

Imagery Date: Nov 9, 2007

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

©2010 Google



# *Pacific Hwy - A Diamond in the Making*

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## 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.

# *Pacific Hwy - A Diamond in the Making*

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## 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*

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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**



Pacific Hwy at Bridgeport looking North

***City of Lakewood  
Pacific Hwy  
Improvements***

**AFTER**



Pacific Hwy near Fire Station looking South

# *Pacific 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 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

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- Sound Transit & Fire Stations.
- Lakewood Ford.
- La Quinta Inn & Suites.
- Candlewood Suites.

# *Public Investment Spurs Private Development*

## PACIFIC HWY VALUATION 2000 - 2010

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

- Itemized permit fees / No valuation

# #4 - Assessing Pacific Hwy Redevelopment

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

- Belay Architecture
- HVS, San Francisco



Lakewood Towne Center, 5721 Main St SW, Lakewood

Pacific Hwy

Bridgeport Way SW

Gravelly Lake Dr SW

Somerset SW

512th St S

512th St S

© 2010 Google

3625 ft

Imagery Date: Nov 9, 2007

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



# Pacific Hwy Neighborhood Planning

Lyn Messenger, AIA  
Belay Architecture

# *Pacific 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 Pacific Hwy for Analysis. (October 2009)



Lakewood Towne Center, 5721 Main St SW, Lakewood

Pacific Hwy

Bridgeport Way SW

Gravelly Lake Dr SW

512th St S

© 2010 Google

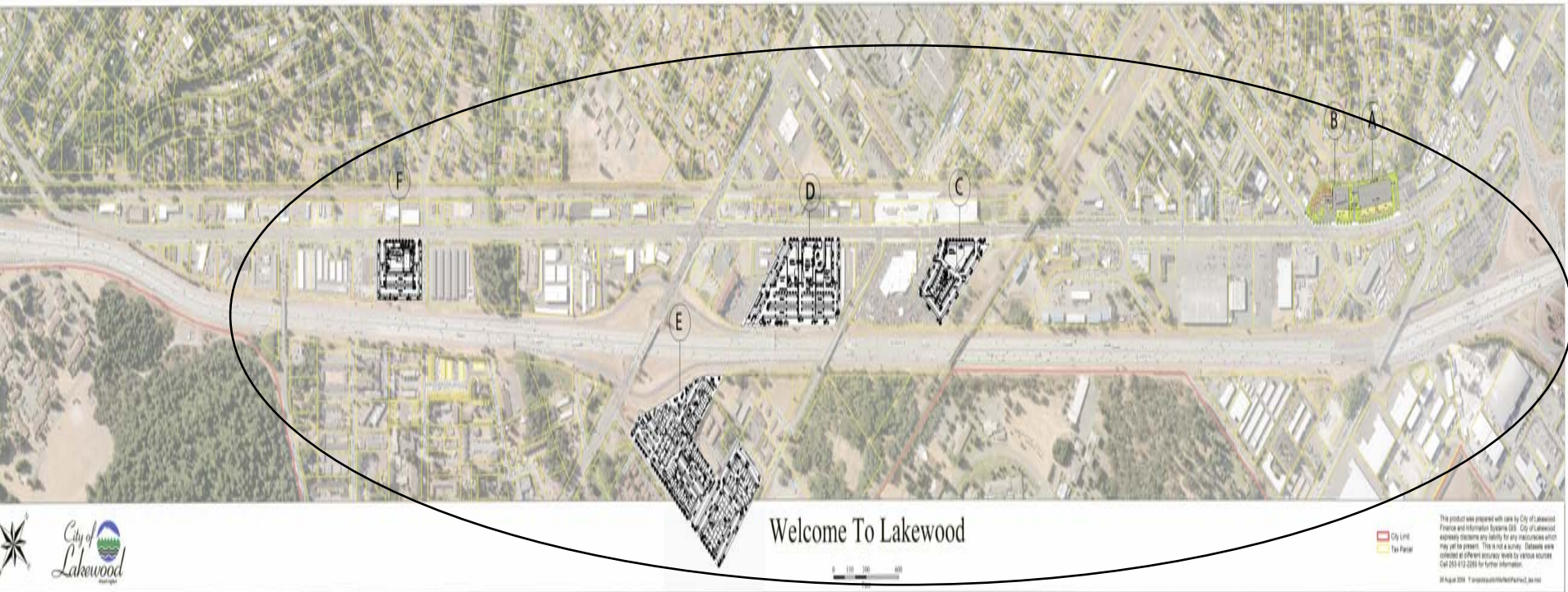
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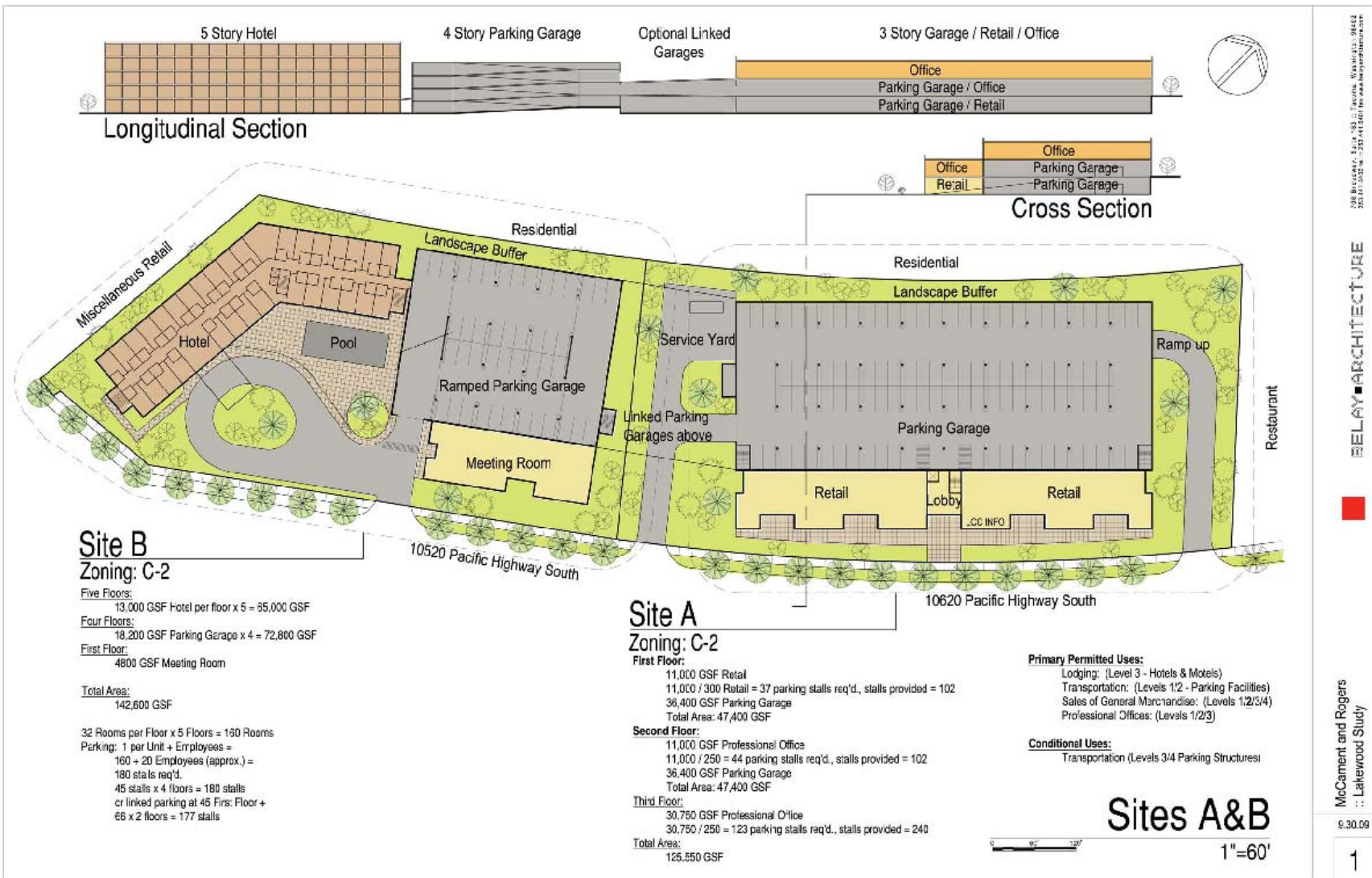


# *Pacific Highway Neighborhood Planning Exercise*



# Site A: Merit Construction - 10520 Pacific Hwy

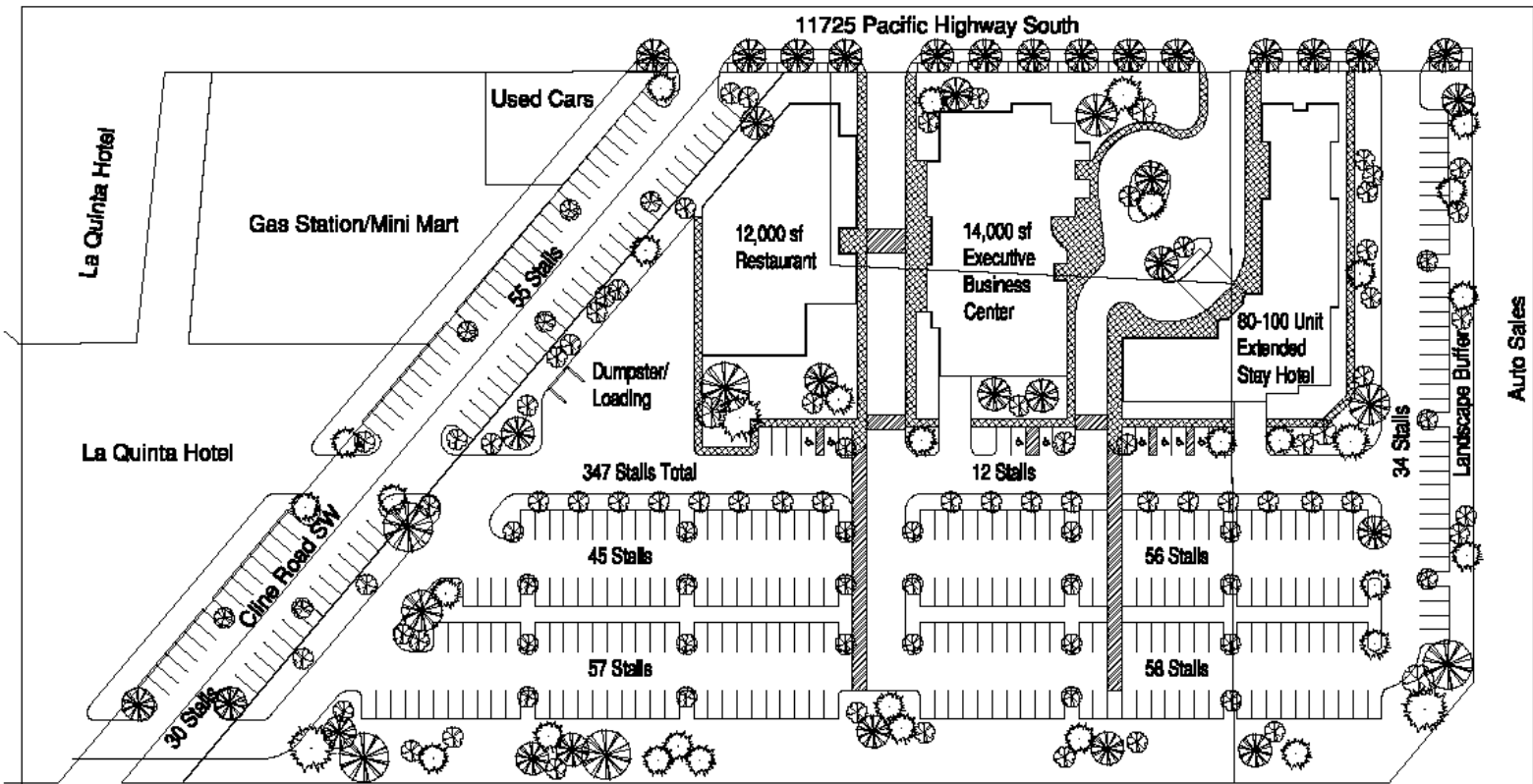
# Site B: Candlewood Suites – 10620 Pacific Hwy





# Site D: 11725 Pacific 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 employees =  
 ±120 stalls required  
 Total Parking Required: ±296 stalls

Site D

1"=60'

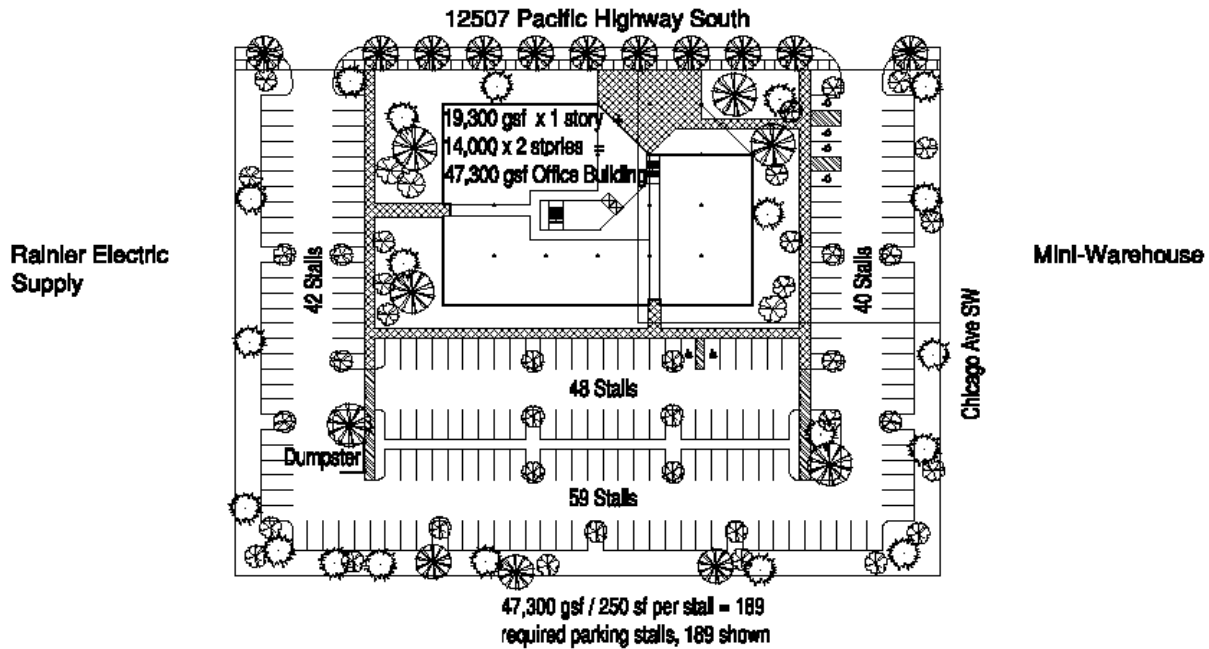


McCament and Rogien  
 :: Landscape Study  
 8.30.08  
 BELAY ARCHITECTURE  
 11725 Pacific Highway South, Suite 100, Portland, OR 97225  
 503.251.1111

# Site F: 12507 Pacific Hwy

## Contact: Mike Hickey

Ponder's Collision  
Center Auto Repair



### Zoned C-1

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

**Administrative Use:**  
Professional Offices (Level 3 - over 30,000 gsf)

Site F

1"=60'





# *Bottom Line – Site Planning Analysis*

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- 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

# Google Earth Aerial of the Proposed Subject Area



Exit 127

Exit 124

# *Pacific 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 and 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 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*

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- *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*

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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 and 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 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*

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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># of Rooms</u>	<u>Opening</u>
Candlewood Suites, Pacific Hwy	80	Summer 2010
Holiday Inn Express, UWT	160	Summer 2011
Residence Inn, Foss Waterway	96	Winter 2012
Fairfield Inn & Suites, Puyallup	<u>110</u>	Fall 2011
	449	
Proposed Hotel, Pacific 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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## 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*

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## Pacific 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 is open!

# *HVS Recommendation*

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- *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*

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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 (continued)*

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

# *Development Budget*

<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, and 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 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 ...*

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Lakewood Competitors - Operating Performance  
Detailed Forecast of Income and 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 ...*

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

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Lakewood Establishes Competitive Advantage.

- ✓ Operating Costs.
- ✓ Operating Conditions.
- ✓ Quality of Life.

# Lakewood's Competitive Advantage

## Location & Access

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- 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 - 84<sup>th</sup> 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

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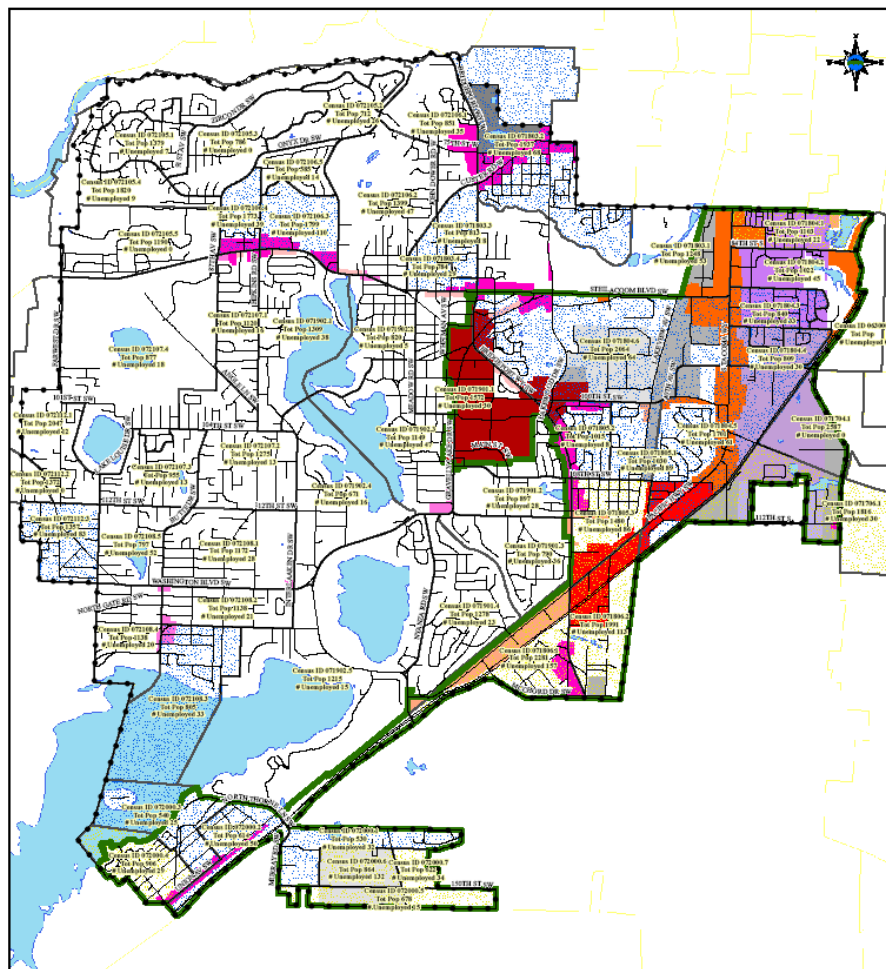
- 9,000+ non-Dept of Defense civilian contractors associated with Joint Base Lewis-McChord that utilize local services.
- Pierce College & Clover Park Technical College train & support an educated workforce.

# Competitive Advantage: Operating & Development Costs

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- B&O Tax – No.
- Development Impact Fees – No.
- Infrastructural Development Costs – No.
- EB5 Program – Yes.

# Designated EB5 Area in Lakewood



**City of Lakewood  
EB5 Regional Center**  
(US Census Poverty, Income & Unemployment  
Within Commercial & Industrial Land Use Areas)

**Legend**

- Arterial
  - ⬢ City Limit
  - ▭ EB5 Regional Center Area
  - ▭ Lake
  - ▭ 2000 Census Block Group
  - Area: By % Low/Mod Income**
  - ▭ 76%+
  - ▭ 51%-75%
  - ▭ Below 51%
- Industrial & Commercial Zones**
- ▭ Air Corridor 1
  - ▭ Air Corridor 2
  - ▭ Arterial Residential Commercial
  - ▭ Commercial 1
  - ▭ Commercial 2
  - ▭ Central Business District
  - ▭ Clear Zone
  - ▭ Industrial 1
  - ▭ Industrial 2
  - ▭ Industrial Business Park
  - ▭ Neighborhood Commercial 1
  - ▭ Neighborhood Commercial 2
  - ▭ Transit Oriented Commercial

This product was prepared with care by City of Lakewood Department of Finance and Information Systems GIS. City of Lakewood expressly disclaims any liability for any inaccuracies which may yet be present. This is not a survey. Datasets were collected at different accuracy levels by various sources. Call 253-512-2269 for further information.

\*\*All poverty, income and unemployment data comes from the 2000 US Census Bureau.

January 2, 2008 adapted Oct 26, 2009  
 \projects\cd\bugher\EB5EmploymentCensusLandUseStats11x17\_mrs.mxd



# Competitive Advantage: Quality of Life

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- 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!

