

ITEM NO: 6c Supp

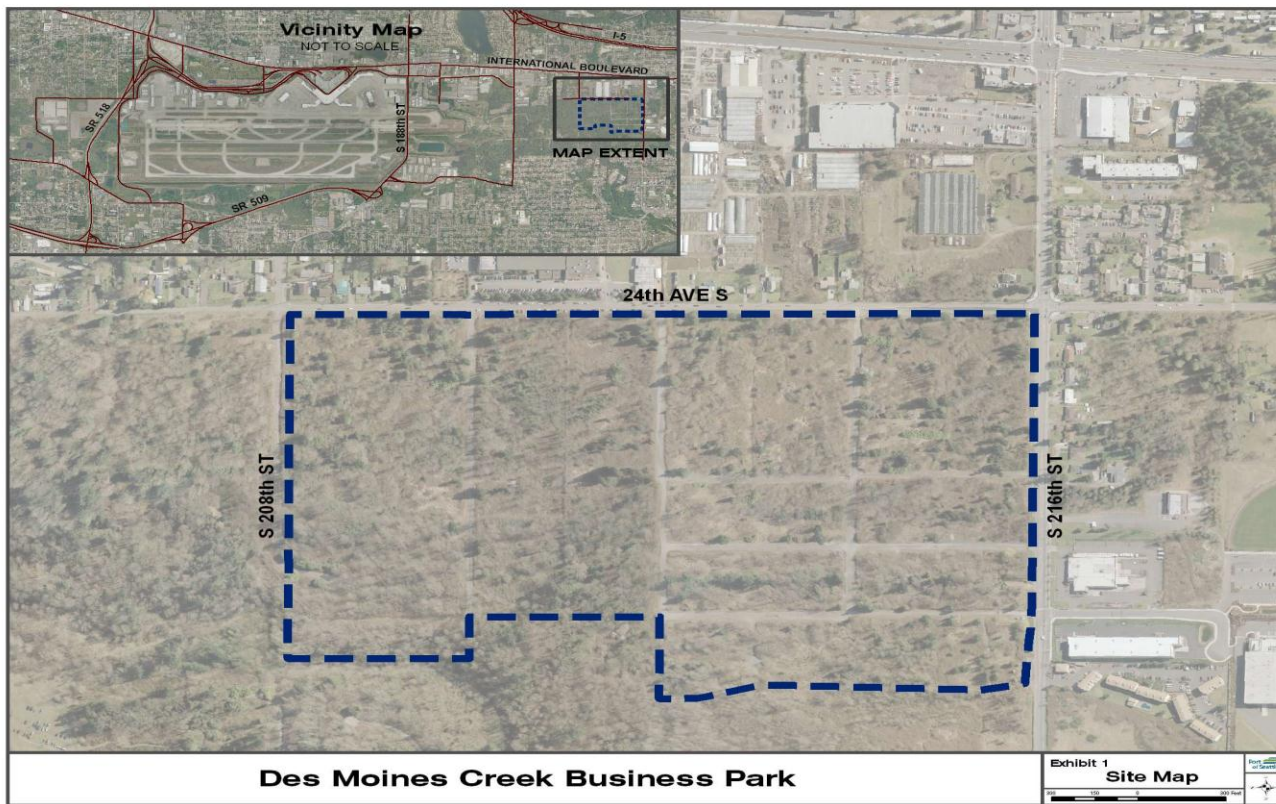
DATE OF MEETING: June 5, 2012

Des Moines Creek Business Park

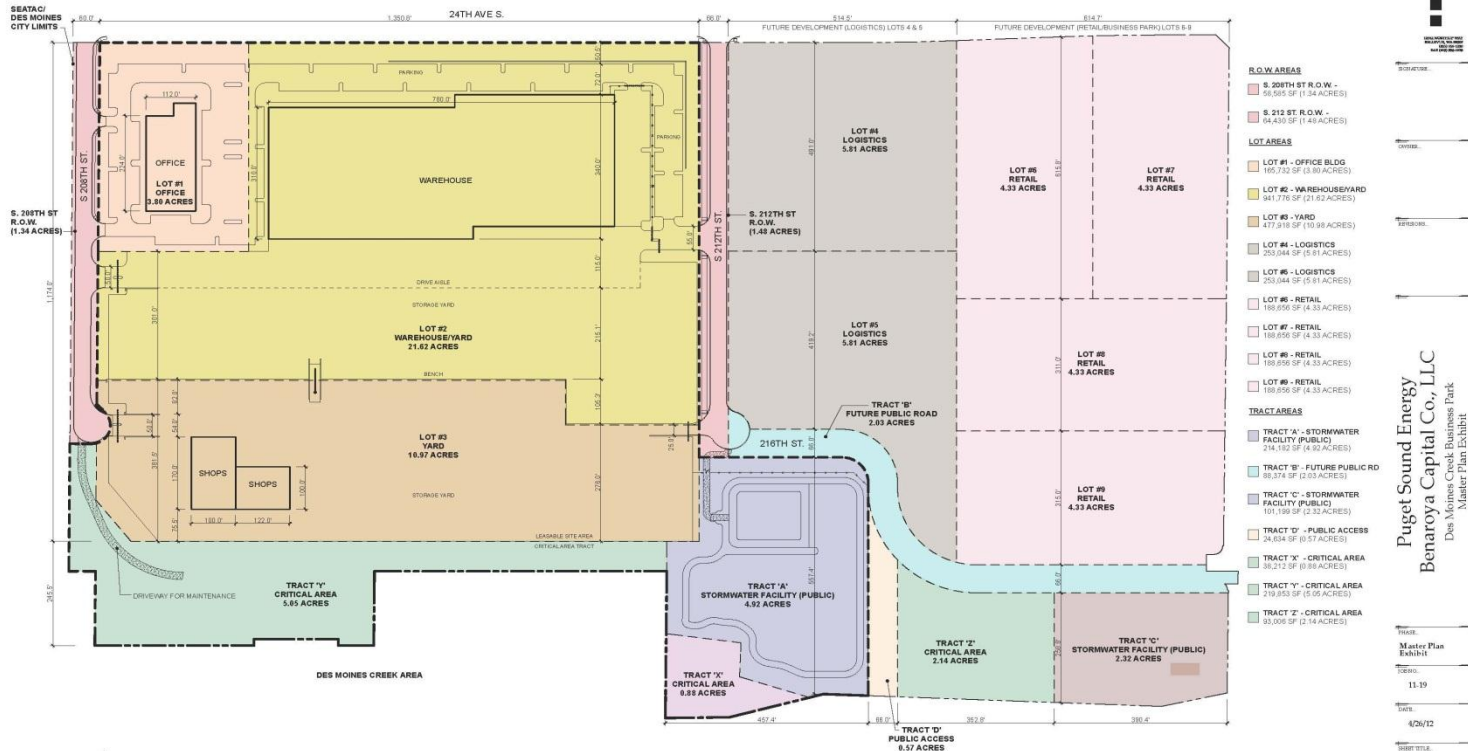
Puget Sound Energy Ground Lease
City of Des Moines Second Development Agreement



Site Map



Site Plan



1 SITE PLAN

Ground Lease – Key Terms

- Lessee
 - PSE
 - PSE assigns to Benaroya
 - Benaroya develops facilities and leases back to PSE
- Term
 - 20-year initial term
 - 3, 10-year options to extend

Ground Lease – Key Terms

- Premises
 - 42.3 acres (permanent)
 - 7.8 acres (initial additional acreage)
- Use
 - Warehouse: 281,000 square feet
 - Storage Yard: 21 acres
 - Potential future office component of 75,000 - 125,000 square feet

Ground Lease – Key Terms

- Base Rent
 - \$0.58/sf/year NNN
 - \$920,000 in annual revenue (\$1.1 million initially)
 - 20-year NPV @ 8.5% of \$11.4 million
- Rent Adjustments
 - CPI every 5 years (2.5% to 4.5% compounded annually)
 - Reappraisal of land for 3 extension options

Ground Lease – Key Terms

- Operating Expenses
 - Absolute net to Port
 - PSE pays all utilities, taxes, insurance, maintenance
- Rent Credits
 - South 208th Street (\$550,000 maximum)
 - South 212th Street (\$550,000 maximum)
 - Stormwater detention pond (\$736,000 maximum)

Ground Lease – Key Terms

- Right of First Offer
 - Third party sale
 - One-time right to purchase
 - Non-assignable; personal to PSE
- Brokerage Commission
 - Roughly \$400,000
 - Half due in 2012 and half in 2013

Ground Lease – Key Terms

- Economic Benefits
 - Jobs: 250 permanent; 200+ construction
 - Construction Value: \$75 million to \$80 million
 - Development Value: \$100 million
 - Ongoing Revenue: \$7 million annually
 - \$676,000 to City
 - One-time Revenue: \$7.4 million
 - \$646,000 to City

Development Agreement – Key Terms

- Frontage Improvements In-Lieu Fees
 - Port (developers/tenants) responsible for 50% of frontage improvements for 24th Ave. S. and S. 216th Street
 - City builds improvements from in-lieu fees collected
 - Fees due when building permits issued
 - Fee for PSE parcel will be pending
 - City requests early payment of all fees (pending and future)

Development Agreement – Key Terms

- S. 216th Street – In Lieu Fee
 - \$2.5 million payment (instead of \$4.3 million)
 - Frontage improvements requirement fully satisfied
 - City has \$4 million grant if construction starts in Q1 2013
- 24th Avenue S. – In Lieu Fee
 - \$3.5 million payment (instead of \$4.8 million)
 - Frontage improvements requirement fully satisfied
 - \$2.6 million reimbursed by PSE

Development Agreement – Key Terms

- No early in-lieu fee payment
 - Prevents City access to committed grants
 - Delays construction
 - Higher future fees
 - PSE pays directly to City
- Early in-lieu fee payment
 - \$3.1 million in savings
 - \$2.6 million from PSE
 - 20th Ave. S. signal in
 - No traffic impact fees
 - Expedites construction
 - Provides grant matching funds

Development Agreement – Key Terms

- Risks (early in-lieu fee payment)
 - Unable to lease the remainder of site and recover the \$3.4 million to be paid by future tenants
- Financial Implications (early in-lieu fee payment)
 - Payback in 2016 from just PSE lease revenue
 - 20-year NPV @ 8.5% of \$7.1 million
 - Payback accelerates with additional leases

Development Agreement – Key Terms

- Retail Use
 - City has until 9/28/12 to request retail option on southern 22 acres
 - If yes, option agreement negotiated before 12/31/12
 - 2-year maximum
 - Assignable
 - If no, Port pursues other business park uses

Development Agreement – Key Terms

- Internal Streets
 - South 208th Street
 - Dedicated to City upon completion
 - South 212th Street
 - Phased construction
 - Each phase dedicated to City upon completion
- Stormwater Management
 - Industrial pond (dedeeds to City upon completion)
 - Retail pond (future construction)

Development Agreement – Key Terms

- Duration
 - 15 years, unless extended
 - Terminates upon full build-out
 - May be terminated sooner by agreement
- Vesting
 - Development regulations vest for 15 years
 - Building code changes and others regulations excepted