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Item No. 10b

Date of Meeting July 12, 2022

Des Moines Creek West

Development Partnership

July 12, 2022

Action Requested

Request Commission authorization for the Executive Director to execute a ground lease with PDC Seattle LPIV BB/TH, LLC (Panattoni) in order to develop approx. 399,337 sf of Class A, environmentally sustainable state of the art logistics & distribution facilities to support SEA airport's Aviation and Logistics operations.

2

The Site Location

Property Details

- Size: 19.8 acres
- Zoning: B-P (Business Park)

3

New Development Supports Port Goals

- Project supports regional aviation, logistics & manufacturing industries
 - 550 net new jobs expected with combined annual earnings of \$16M
 - Contractor Abbot Construction commits to project labor agreement (PLA),
 - Priority Hire and Apprenticeship Utilization
 - Company committed to WMBE utilization goal
 - Generates nearly \$4M in Port revenue to contribute to aviation division needs and capital projects
 - Building Design targets LEED (or similar) sustainability standards
- Panattoni will develop a 399,337 square foot light industrial
- Preserves adjacent wetlands and significant green buffer building at Des Moines Creek West
 - Relocates & improves popular walking trail

4

Development Partner

Panattoni Seattle will develop Des Moines

Creek West: NERA 3 completed 2019 (Burien, WA)

- NAIOP Washington's Developer of Year 2017 and the most active industrial developer in the Pacific Northwest, covering Washington, Oregon, and Idaho.

Port of Seattle Development projects include:

- Des Moines Creek Business Park Phase 1 – 3 = Des Moines Creek Business Park Phase 2

FAA Regional Headquarters

1,332,000 SF

- Burien Northeast Redevelopment Area 2 & 3 (NERA) =

460,000 SF

D MC BP all phases complete: 2018

Property History/Ecological Inventory

History

- The parcel was historically agricultural land, including orchards.
- The Port bought the western portion as a potential borrow area for Third Runway fill in 1993, but the site was never used for such and has remained undeveloped.
- The Port purchased the eastern 14.3 acres of the site in 2021 from WSDOT (former HWY 509 ROW) to enhance the value of our property.

Ecology

- Majority red alder and other hardwoods, indicating a disturbed site history.
- Ground cover is predominately invasive blackberry and English ivy
- Wetlands and buffers impact 45% of the site, most of which is non developable, however suitable for mitigation
- Slopes - moderate to steep slopes are found onsite Des Moine Creek West -- 1936 Orthophoto

6

Community/Sustainability Benefits

?Improved trail access for residents

(Crime Prevention through Environmental Design)

?Sustainable Building Design, LEED or better is intention.

?Development preserves key wetlands and buffer strips with adjacent residential neighborhood

?Substantial buffer zones to remain

City of Des Moines Partnership

City has planned for and benefited from planned development along 216th:

- Supporting new FAA facility and other new employers
- Supports city diversification and downtown revitalization?
- Invested over \$20 million in road and infrastructure development to accommodate new facilities?

8

City Development Review and Permitting

Permit Requirements:

- Master Plan
- SEPA Environmental Review
- Environmentally Critical Areas Review
- Design Review
- Building Permit, Grading Permit, ROW Permit

Tree Replacement/Sustainability:

- 3:1 replacement ratio for trees
- City will use its new urban forest plan (completed by Forterra and paid for by the Port) to identify where trees will be planted

9

Financial Summary

Site area

Total Developable Site Area 19.8 acres

Building Area 399,337 SF

Des Moines Creek West Stabilized Annual Income \$3,415,452

NPV \$60,431,836

Cost Basis

Street improvement payment to Des Moines (2018) \$1,500,000

14-acre WSDOT Property Acquisition (July 2021) \$2,900,000

Predevelopment costs \$250,000

Total Cost Basis \$4,650,000

Yield year 1 & 2 7.35%

Yield year 3 and onward 75%+

MIRR *12%

Payback period (From stabilization) 14 months

10

Des Moines Creek West Development Schedule

Q4 2021 Q3 2022 Q1 2023 Q1 2024 Q2 2024

RFP Issued Commission Approval Permits issued and Substantial Lease up and of Ground Lease groundbreaking Completion full occupancy

Des Moines Creek West Development Recap

- Requesting Commission authorization to develop Des Moines Creek West in partnership with Des Moines and Panattoni
- Excellent community benefits (jobs, workforce development, WMBE utilization, trail enhancements, etc.)
- \$3.4M annually in revenues generated to support Aviation Division and capital projects
- Substantial completion by Q1 2024