

**NEST** Study

## A Study of Development Properties Around Seattle-Tacoma International Airport

NOVEMBER 2004



# **NEST Study** **(New Economic Strategic Triangle)**

**November 2004**

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U.S. Economic Development  
Administration*

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Development District

NEST Partnership:

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City of Des Moines  
City of SeaTac  
Port of Seattle  
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The NEST Study report consists of two elements; the NEST Report and an Addendum which contains a series of reports that provide detailed information and document the work completed during the study.

## NEST Report

The NEST Report includes an executive summary stating the key study findings. It presents an overview of the project and a discussion of the potential benefits that development of the NEST Properties can bring to the region. It discusses the economic environment in which the NEST Properties exist and identifies the target industries that offer the greatest benefits. The development potential, strategic recommendations and implementation plan for each property are presented. The report concludes with an acknowledgement of the study participants.

## Addenda

The addenda represent the work completed by the NEST Partners and the project consultants during the year-long study period. They are the result of a process that systematically inventoried the properties, analyzed the relevant markets, investigated the current economic conditions, established highest and best use, measured development potential, estimated the resulting economic benefits, and concludes with property-by-property strategic recommendations.

### 1 - Property Inventory

This report provides detailed information about each property including site analyses, land use regulations, and property constraints.

### 2 - Market Analysis

The Market Analysis includes an overview of the national airport real estate markets; the findings of a workshop attended by airport users, consultants, and airport industry experts; a study of the “model” airport market; and the regional, Southend, and local real estate markets that influence the NEST Properties.

### 3 - Economic Base, Target Sectors, and Industry Profiles.

Presented are the economic resources and conditions that determine the ability of the NEST Properties to capture development opportunities. Further, it identifies the target industry sectors and provides profiles of the target industries.

### 4 - Highest & Best Use

This report presents rationale and establishment of the highest and best use for the properties.

## **5 - Development Potential**

The report presents conceptual site plans for each of the NEST Properties that are used to calculate the costs, income, and value; "development potential." Included is a brief discussion of foreign trade zones and attached are completed property profile forms that can be used for marketing the properties.

## **6 - Economic Benefits**

The economic benefits report uses the data from the development potential work to calculate the direct and indirect economic impacts resulting from the development of the NEST Properties.

## **7 - Strategic Recommendations**

This report presents development strategies and provides recommendations for strategy implementation.

**NEST Study**

## **Property Inventory**

**GVA**

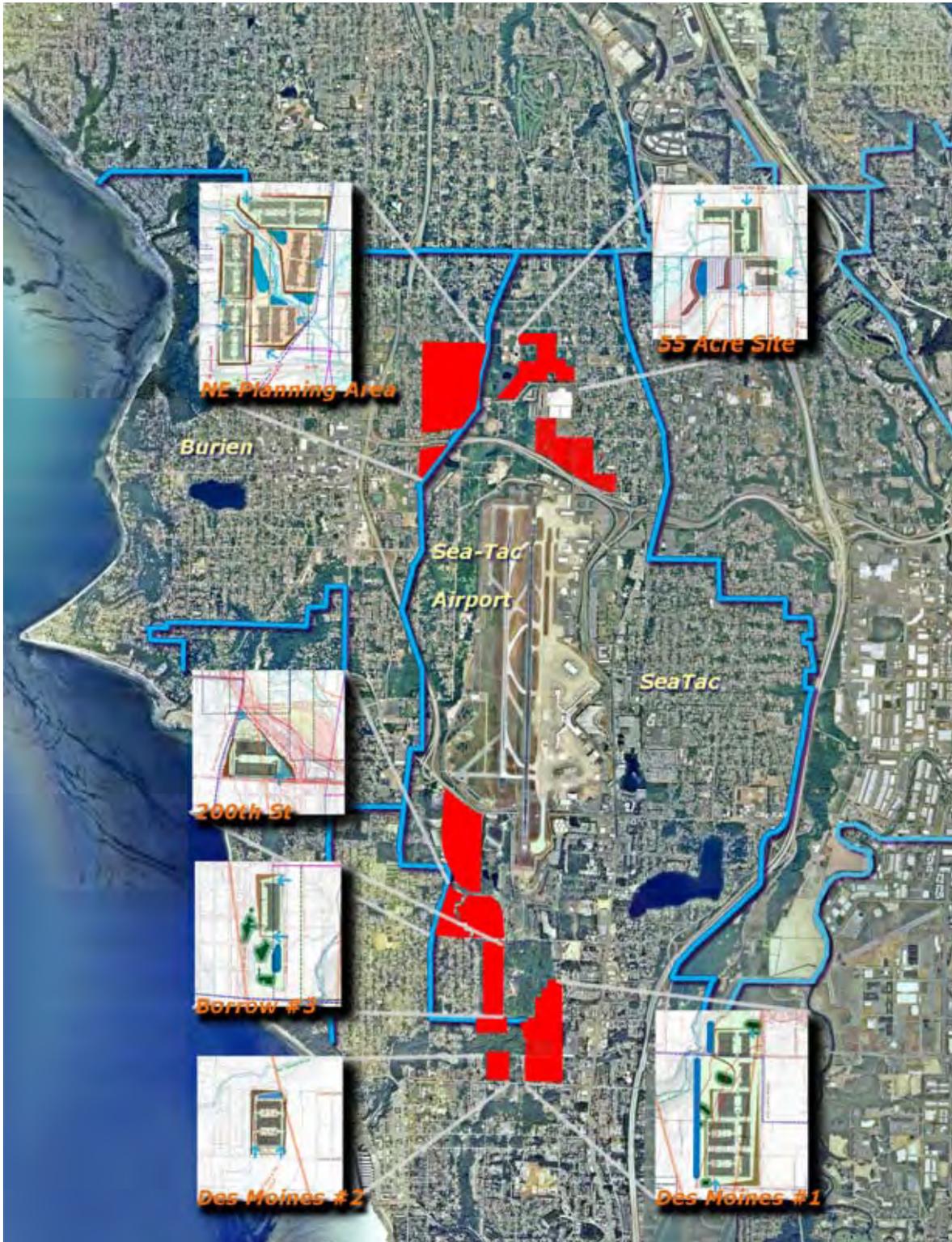
*August 5, 2004*

*Prepared by:  
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# The NEST Properties



## Introduction

The NEST properties consist of over 600 gross acres of land lying north and south of the Sea-Tac Airport. The properties are located within the cities of SeaTac, Burien and Des Moines. The majority of the property is owned by the Port of Seattle and was purchased to mitigate noise impacts related to the airport. Of the roughly 600 gross acres approximately 372 acres of land is usable for commercial development. The deduction is attributable to the existence of roadway, wetlands, steep slopes, and FAA restrictions prohibiting development. As discussed in the Highest and Best Use Report, further reductions will be made based on financial feasibility. The properties and their locations are shown below:

<b>Name</b>	<b>Location</b>	<b>City</b>	<b>Street Reference</b>
Des Moines Creek #1	North East Des Moines	Des Moines	N. of S. 216 <sup>th</sup> Street and 24 <sup>th</sup> Ave. S.
Des Moines Creek #2	North East Des Moines	Des Moines	N. of S. 216 <sup>th</sup> Street at Approx. 18 <sup>th</sup> Ave S.
Borrow #3	South of Airport and West of Des Moines Creek	SeaTac	South 200 <sup>th</sup> Street and 18 <sup>th</sup> Ave. S.
S. 200 <sup>th</sup> Street/ Borrow #4	South of the Airport	SeaTac	Des Moines Memorial Drive, S. 200 <sup>th</sup> S.
SW Industrial Properties	South and West of the Airport	SeaTac	S. 188 <sup>th</sup> and Des Moines Memorial Drive
North East Special Planning Area (NESPA)	North and West of the Airport	Burien	Des Moines Memorial Drive and 8 <sup>th</sup> Ave. S.
55 Acres	North and East of the Airport	SeaTac	S. 142 <sup>nd</sup> & 24 <sup>th</sup> Ave. S.

The map on the previous page provides an overview of the area and property locations, and the table below shows the usable areas of the properties.

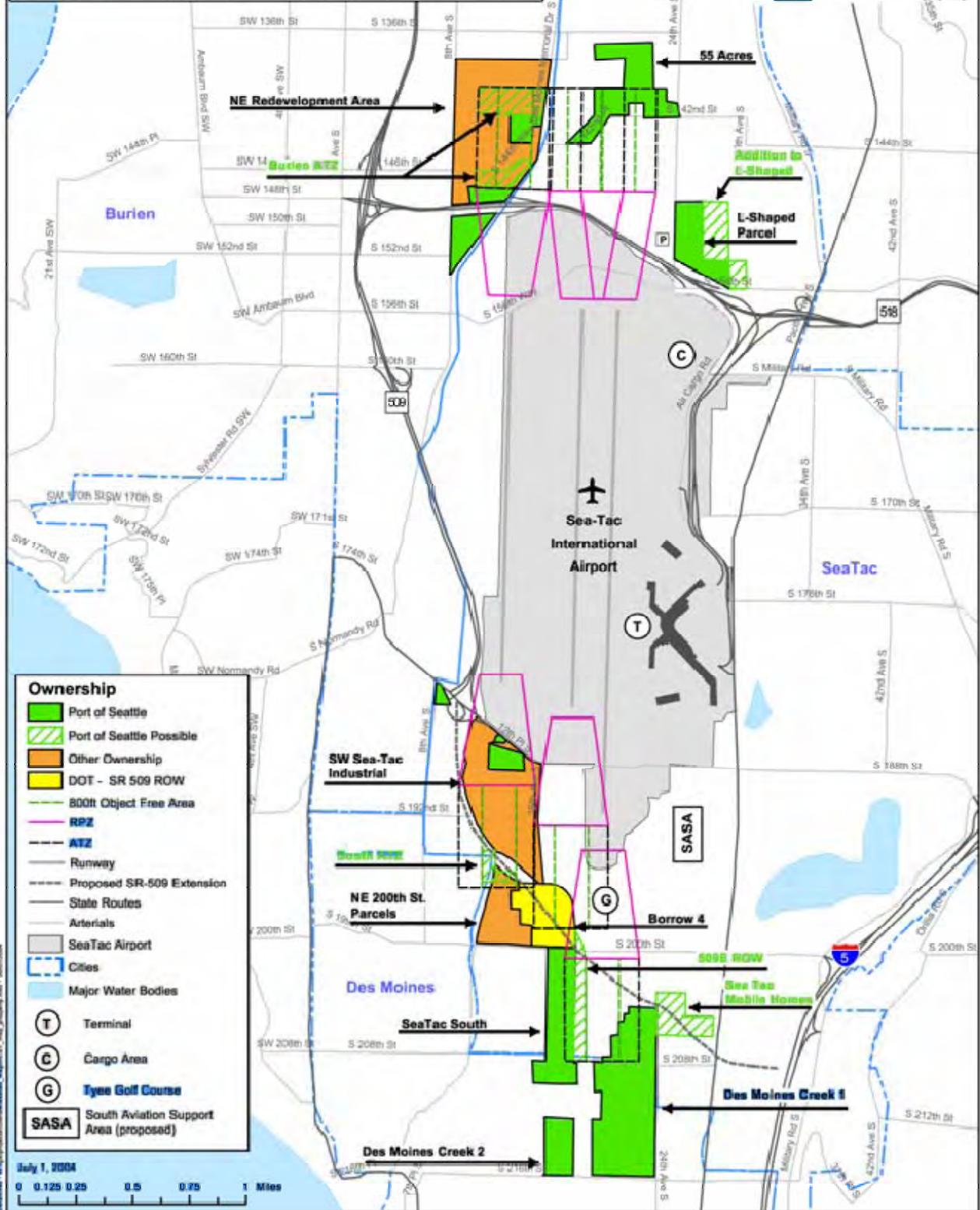
	<b>Net Usable Area</b>	
	<b>Acres</b>	<b>SF</b>
Des Moines Creek #1 - 2.0	97.80	4,259,995
Des Moines Creek #2	21.70	945,252
Borrow #3	16.00	696,960
S. 200th/Borrow#4	22.60	984,456
SW Industrial	48.30	2,103,948
NESPA #1	10.46	455,458
NESPA #2	27.20	1,184,832
NESPA #3	26.40	1,149,984
NESPA #4	25.34	1,103,810
NESPA #5	29.80	1,298,088
55 Acre Parcel	46.30	2,016,828
	<b>371.89</b>	<b>16,199,611</b>

For the most part, the NEST properties exist because they were purchased by the Port of Seattle, using FAA funds for noise mitigation related to Sea-Tac Airport operations. In most cases, because the FAA provided funding for the acquisitions, its land use regulations apply to the properties.

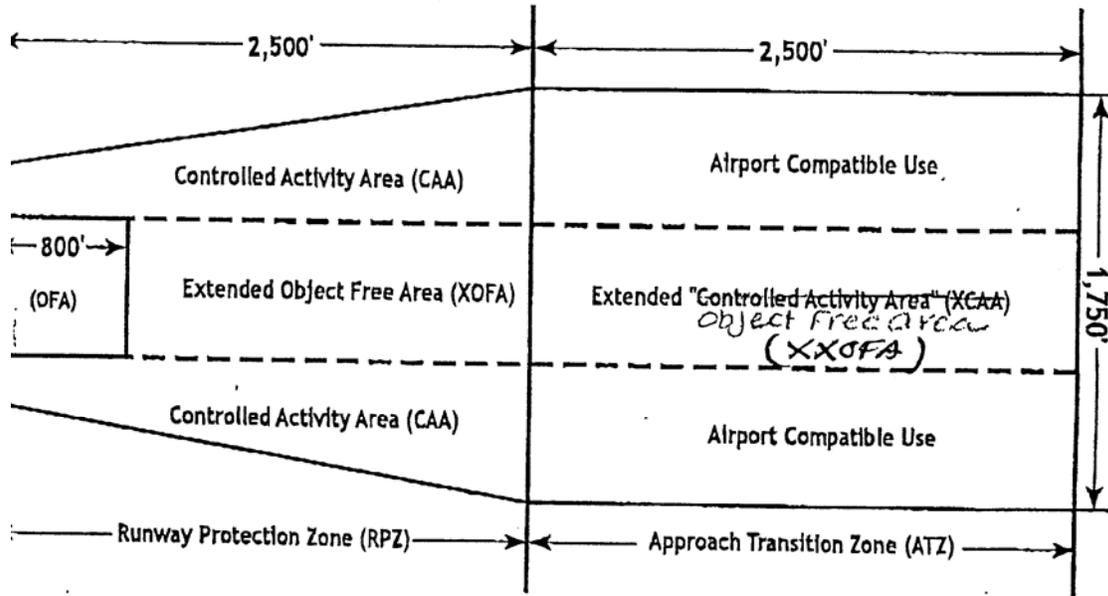
# NEST Study Property Ownership

## Burien, Des Moines, Sea-Tac and Sea-Tac International Airport

Puget Sound Regional Council  
PSRC



The map above and the diagram and table below explain the nature of the permitted land uses. The diagram describes the airplane approach areas located off the end of the runways. The runway Protection Zone (RPZ) is an area 2,500 feet in length and 1,750 feet wide at its widest point and located directly adjacent to the end of the runway. The Extended Object Free Zone (XOFA) is an 800 foot wide strip that runs the length of the zone. No development can occur within this area. The areas on either side of the XOFA are the Controlled Activity Areas (CAA). Land uses in this area are limited to recreation (passive open space) and cemeteries, uses that do not attract birds.



The Approach Transition Zone (ATZ) is rectangular, measuring 2,500 feet by 1,750 feet and is located directly adjacent to the RPZ. The Double Extended Object Free Zone (XXOFA) is an 800 foot strip that runs the length of the zone. Development can occur within this area, but is subject to approval by the FAA on a case by case basis and some previous agreements may prohibit development. Development in the Airport Compatible Use (ACU) area, located adjacent to the XXOFA, is as the name sounds. The list of airport compatible uses is shown on the table below.

Airport compatible uses	
Port owned property	Aviation-related use
	<p>a Commercial enterprise which:</p> <p>1) is operated on the airport pursuant to an agreement with the grantee or airport operator or a derivative subagreement;</p> <p>2) employs persons on the airport;</p> <p>3)(i) is related primarily to the aeronautical activities on the airport;  (ii) provides goods or services to the public which is attracted to the airport by aeronautical activities;</p> <p>(iii) provides services or supplies to other aeronautical related or public service airport businesses or to the airport;</p> <p>(iv) Performs construction work on the airport.</p> <p>Source: FAR Part 152</p>
Privately owned property in noise impacted areas	Aviation Compatible Use
<b>Commercial Use-</b>	<ul style="list-style-type: none"> <li>*Offices, business and professional</li> <li>*Wholesale and retail-building materials, hardware, farm equipment</li> <li>*Retail trade-general</li> <li>*Utilities</li> <li>*Communication</li> </ul>
<b>Manufacturing</b>	<ul style="list-style-type: none"> <li>*Manufacturing-general</li> <li>*Photographic &amp; optical</li> <li>*Agriculture and forestry</li> <li>*Livestock farming and breeding</li> <li>*Mining, fishing, resource production and extraction</li> </ul>
<b>Recreational</b>	<ul style="list-style-type: none"> <li>*Outdoor sports arenas and spectator sports</li> <li>*Nature exhibits and zoos</li> <li>*Amusement parks, resorts, and camps</li> <li>*Golf courses, riding stables, water recreation</li> </ul> <p>Source: FAR 150 Appendix A. Table 1</p>

# Property Profiles

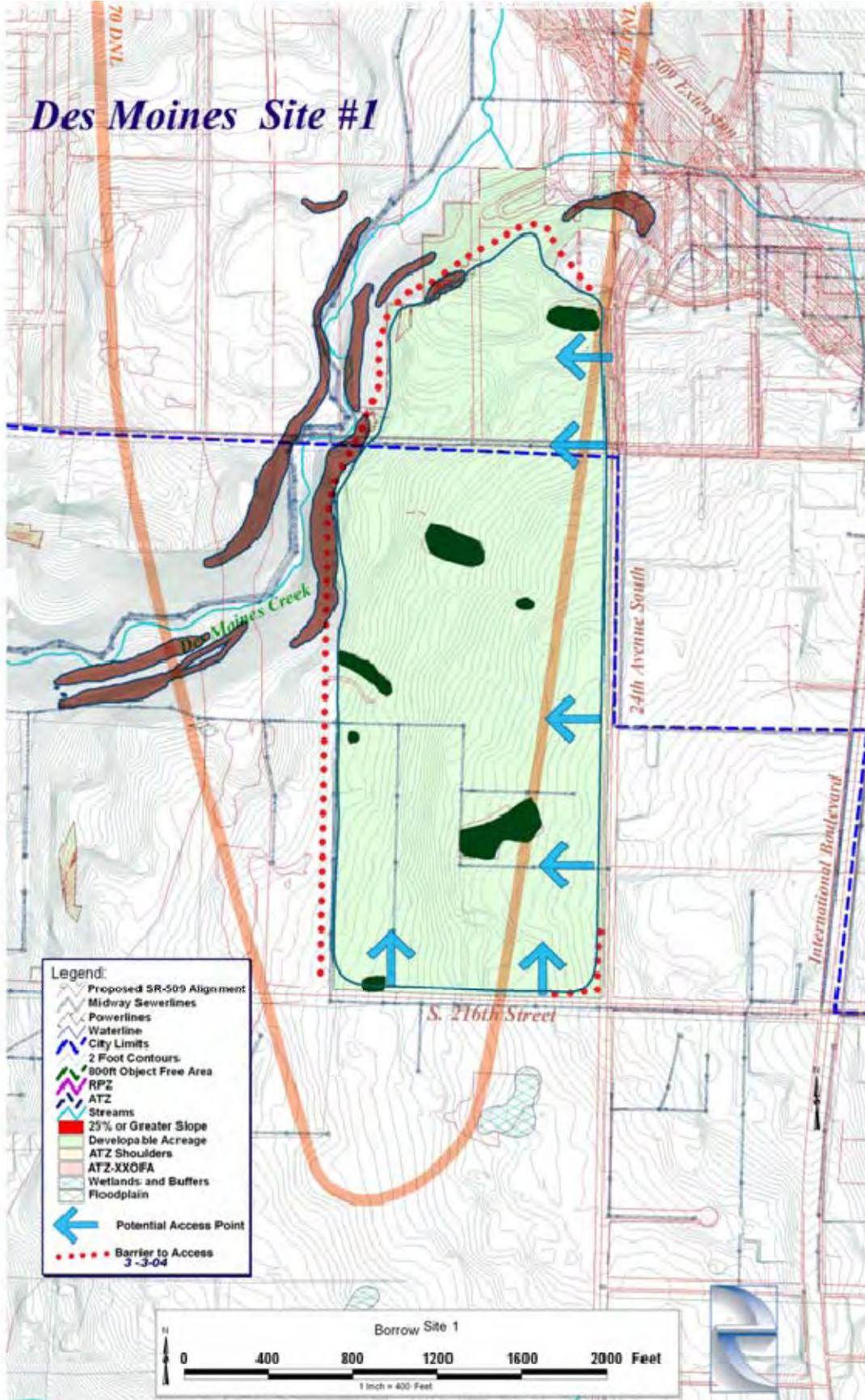
The following section of the report presents the property profiles for each of the NEST properties. The data presented includes aerial photos, comprehensive plan and zoning regulations, utilities, access and ownership information.

**Des Moines Creek #1**



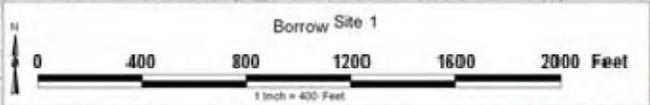
Overall Size	108.02 Acres
Unusable Areas	10.4 Acres
Net Usable Area	97.8 Acres

# Des Moines Site #1



**Legend:**

- Proposed SR-509 Alignment
- Midway Sewerlines
- Powerlines
- Waterline
- City Limits
- 2 Foot Contours
- 800ft Object Free Area
- RPZ
- ATZ
- Streams
- 25% or Greater Slope
- Developable Acreage
- ATZ Shoulders
- ATZ-XX0FA
- Wetlands and Buffers
- Floodplain
- Potential Access Point
- Barrier to Access 3-3-04



## Comprehensive Plan Designation

SeaTac – Potential Aviation Commercial  
Des Moines – Business Park

## Zoning

SeaTac – Aviation Commercial  
Des Moines – Business Park  
Port of Seattle/FAA – Aviation Related

The **City of Des Moines** comprehensive plan designates land use for its portion of the property as Business Park. The zoning designation is consistent with the comprehensive plan and carries the same name, B-P Business Park Zone. The purpose of the zone is to provide suitable areas of the city for development of compatible business, professional office, light industrial, research and development, services uses, wholesale trade, and retail uses serving the needs of business park tenants. Such uses shall be developed within master planned sites in park-like settings pursuant to high development standards.

Only those uses listed below, and uses similar in nature as determined by the community development director, may be permitted in the B-P zone. Each use is more fully described in the "Standard Industrial Classification Manual," 1987 Edition, published by the United States Office of Management and Budget.

- (1) Services, limited to the following:
  - (a) Business services (73);
  - (b) Engineering, accounting, research, management, and related services (87);
  - (c) Legal services (81);
  - (d) Medical and dental clinics and laboratories (801-804 and 809);
  - (e) Repair services (76), excluding repair of automobile and other large or motorized vehicles;
  - (f) Personal services (72);
  - (g) Recreation services, such as health clubs, athletic clubs, swimming pools, and tennis courts (791, 7991 and 7997), but not including theaters, bowling alleys, amusement arcades, and the like;
  - (h) Museums and art galleries (841);
  - (i) Social services (83), including nursery schools and day care centers;
  - (j) Educational institutions (82);
  - (k) Business associations, professional associations, fraternal lodges, and similar uses (861-865 and 869);
  - (l) Churches and other religious institutions (866);
  - (m) Conference and meeting facilities (no SIC code);
- (2) Finance, insurance and real estate institutions and services (60-67);
- (3) Light manufacturing, fabrication, and assembly of the following and closely related products:
  - (a) Food products (20), excluding meat packing; in the South sub-area, food products (20) including meat packing are prohibited;
  - (b) Apparel, fabric, and textile products (22 and 23);
  - (c) Lumber and wood products (24); in the South sub-area, lumber and wood products (24) are prohibited;
  - (d) Furniture and fixtures (25);
  - (e) Paper products (26), but excluding paper and pulp manufacturing;
  - (f) Chemical related products (28), but excluding manufacture of flammable, dangerous, or explosive materials; in the South sub-area, chemical related products (28) are prohibited;
  - (g) Plastic and rubber products (30);

- (h) Computer and office and equipment (357);
- (i) Small electrical equipment and components, such as appliances, lighting, electronics, and communications equipment (36);
- (j) Fabricated metal products, except machinery and transportation equipment (34);
- (k) Measuring, analyzing, and controlling instruments; photographic, medical, and optical goods; watches and clocks (38);
- (l) Printing and publishing and allied products manufacturing (27);
- (m) Stone, clay, glass, ceramics, pottery, china, and similar products (32);
- (n) Toys, jewelry, musical instruments, signs, and other miscellaneous items (39);
- (4) Wholesale trade of general merchandise, products, supplies, materials, and equipment, including sales offices for these goods (50 and 51); motor freight transportation and warehousing (42), transportation by air (45), and packing and crating (4783) are prohibited;
- (5) Building and special trade contractors (15 and 17);
- (6) Retail trade, limited to the following:
  - (a) Restaurants (5812);
  - (b) Nurseries and greenhouses for the growing and sale of plants (5261);
  - (c) Retail uses selling products and providing services which are of a type and are located and designed to serve other business park tenants without attracting a significant number of patrons from outside the business park;
- (7) Public facilities, including the following:
  - (a) Public parks (no SIC code);
  - (b) Government offices and facilities (91-97);
  - (c) Public utilities (48 and 49), excluding the production or storage, other than for use by the utility, of petroleum products;
- (8) Residential uses in the South sub-area if established prior to January 1, 2000. No use other than single-family residential use or home occupation use as further described in DMMC 18.08.020 shall be permitted in existing single-family residential structures or sites.

Business park master plan and submittal requirements:

- (1) Approval Process – Master Plan. All development within the North sub-area shall be consistent with an approved master plan. Applicants shall submit proposed master plans to the community development department. The proposed master plan shall be reviewed by the planning agency and require approval by resolution of the city council.
- (2) Development Approval. Following approval of a master plan, proposals to develop any portion of the master plan site may proceed by submitting applications for design review, land clearing, building, or any other required permits or administrative approvals.
- (3) Contents of Master Plan. A master plan shall provide a graphic depiction and a narrative description of the general layout, type, amount, and phasing of development on and off the subject site. Each master plan shall consist of the following:
  - (a) Site plans conceptually illustrating planned development, including the following:
    - (i) Boundaries, dimensions, and acreage of the site;
    - (ii) Location of lot lines, rights-of-way, easements, and tracts within the site;
    - (iii) Location and nature of planned improvements to the vehicular and pedestrian circulation system within and abutting the site.
    - (iv) Location of planned buildings, structures, parking areas and other improvements within the site;
    - (v) Location of proposed landscaped areas, recreation areas, and areas to be left undisturbed;

- (vi) Conceptual landscaping plans for all exterior boundaries, internal streets, and common open space areas; and
  - (vii) Conceptual utilities plan;
  - (b) A narrative description of planned improvements, including the maximum site coverage, maximum gross square feet of occupiable floor area and the maximum floor area to be occupied by different types of uses, maximum building height for each building location, the nature and extent of off-site improvements, and development phasing;
  - (c) Covenants, conditions, and restrictions proposed by the applicant to control future development of the business park;
  - (d) A sign program indicating the general location, dimensions, height, and materials of signs.
- (4) Master Plan Submittal Requirements. The following information shall be submitted for review and approval of a proposed master plan in such form as required by the community development department:
- (a) Subdivision application (if applicable);
  - (b) Environmental checklist;
  - (c) Vicinity map(s) showing existing conditions within and surrounding the site including: land uses, zoning, buildings, vehicular and pedestrian circulation systems, existing topography indicated with five-foot contours, environmentally sensitive areas, and significant natural vegetation;
  - (d) A proposed master plan containing the elements listed in subsection (3) of this section;
  - (e) A narrative description of the proposal, including a discussion of how it is consistent with applicable comprehensive plan policies, and with sub-area or neighborhood plan policies and land uses; how the proposal relates to other potential business parks in the vicinity; and how any off-site environmental impacts will be mitigated; and
  - (f) A traffic analysis and report indicating the following: current and future traffic volumes and levels of service on the street system; planned and programmed traffic improvements and their relationship to any adopted state, local, and/or regional transportation plans or programs; anticipated traffic volumes and distribution; impacts generated by the proposal on future traffic volumes and levels of service; measures necessary to mitigate the proposal's effects on traffic and traffic systems, including the proposal's pro rata share of identified traffic improvements; a proposed transportation demand management (TDM) plan to reduce traffic impacts; and such other information as may be required by the city.

**Minimum site area:** 30 acres, or smaller if property adjoins previously approved master plan.

**Maximum site coverage:** 75%, except less for buildings over 35' in height.

**Maximum height:** 35' within 200' of S 216<sup>th</sup>, 75' on balance of area.

**Minimum setbacks:** 20' for major arterial or collectors. 15' from secondary streets.

**Parking:** Buildings more than two stories – 50% of parking in structured parking.

The **City of SeaTac's** comprehensive plan designates its portion of the property Aviation Commercial (AVC) and its zoning designation is the same. The purpose of this designation is to create a zone for development that provides support to operations of the airport, the traveling public, air cargo, and for other development that provides economic benefit to the airport and community while maintaining compatibility with airport operations and activities.

SeaTac Development Standards for AVC zoning.

- (1) Port of Seattle lot coverage standards apply, with the following exception: for properties within the City's current (1997) business park zone, the City's requirements for twenty-five percent (25%) pervious surface shall apply.
- (2) Port setback standards apply.
- (3) Height restrictions - Port standards apply.
- (4) Setback projections - Port standards apply.
- (5) Parking and Circulation
  - (a) For non-aviation development, such as the Bai Tong Restaurant or the SeaFirst Bank, City parking requirements shall apply.
  - (b) For the Port's existing parking garages and any new parking garages, the Port's parking standards shall apply.
  - (c) For aviation-related development that will not be using the Port's remote employee parking lots, City parking requirements will be applied, except in cases where:
    1. Work sites have multiple work shifts over a twenty-four (24) hour period.
    2. Employees have reasonable access to alternative, non-SOV modes such as shuttle vans, buses, taxis, HOVs, or walking.
  - (d) When one or both of these conditions exist, the City and Port will meet and decide on parking standards on a case-by-case basis.
  - (e) For aviation-related development that will use the Port's remote airport employee parking lots, the Port's parking requirements will apply.
- 6) Design Guidelines – Port of Seattle design guidelines apply to all development within the AVO and AVC zones.

**SEATAC LAND USE ZONE CLASSIFICATION**

<b>PERMITTED PRINCIPAL USES</b>		<b>AVC</b>
4A	Aviation Navigation, Communication and Landing Aids for Airport and Aircraft Operations	P
6A	Meteorological Equipment	P
7A*	Communications Equipment	P
8A	Designated Airfield Safety Areas, Clear Zones and Runway Protection Zones	P
10A	Airport Access Roadways and Public Transportation Facilities	P
11A	Airfield Infrastructure and Utilities Serving Uses Permitted in Zone	P
12A	Infrastructure and Utilities Serving Other Zones or Areas	P
15A	Other Aviation Activities or Facilities Whose Location is Fixed by Function by FAA Requirements	P
17A*	Hotel Facilities	P(3)
18A*	Parking for Public and Employees	P
19A	Access, Parking, Transfer and Holding Areas, Intermodal Connections for Public Transit, High Capacity Transit,	P
20A*	Passenger Vehicle Rental, Including Parking, Service and Preparation, and Customer Facilities	P
22A	Air Cargo Warehousing and Customer Service Facilities	P
23A	Flight Kitchens	P
24A*	Offices and Work and Storage Areas for Airline and Aviation Support	P
26A	Facilities for the Maintenance of Airline and Airfield Equipment	P(4)
27A	Facilities for the Maintenance of Airport and Airfield Facilities	P(4)
30A	Parking and Storage for Airline and Airfield Ground Service Equipment (GSE), Excluding the Parking and	P
31A*	Conference Facilities	P
32A	Wholesale Sales and Distribution Facilities	P
33A	Retail Sales and Distribution Facilities	P
34A*	Warehousing and Distribution Facilities	P(5)
35A*	Manufacturing: Furniture/Fixtures	P(6)
36A*	Biomedical Product Facility	P(6)
37A*	Manufacturing: Computer/Office Equipment	P(6)
38A*	Manufacturing: Electronic Assembly	P(6)
39A*	Manufacturing: Aerospace Equipment	P(6)
40A*	Misc. Light Manufacturing	P(6)
41A*	Self-Service Storage	P(6)
42A*	Public Parks, Trails or Viewpoints	P(7)
42.1A	Borrow/Surface Mining Operations	P(8)
43A	Airfield Service Roads and Access Improvements	P
44A	Airfield Security Facilities such as Fencing, Gates, and Guard Stations	P
46A	Inter/Intra Terminal Transfer Facilities for People, Baggage, and Cargo	P
47A	Office and Staff Facilities to Serve Permitted Uses	P
48A	Employee Support Facilities such as Cafeterias, Locker Rooms, Rest Areas, Restrooms and Exercise Areas	P

**Port of Seattle’s** Regulations for Airport Construction (RAC):

**Maximum Height:** 50’ with increases for each foot of additional setback. Should the FAA height restrictions conflict with the Port’s, the FAA shall govern (they are rarely lower).

**Minimum Setback:** 25’ from public street, service road, adjacent lease area, non-Port owned property. Other setbacks established by the Business Development Department.

**Building Placement:** When possible the building’s main entrance shall face the public street, frontage or thoroughfare.

**Loading Areas:** Not permitted in the front yards.

**Parking:** One space per 1000 square feet or one space for every three employees, whichever is greater.

**Landscaping:** Required for screening-in purposes in many circumstances (see regs).

**FAA Height Limits:** Max height for Des Moines is 138 feet and SeaTac is 128 feet for lands purchased with FAA Funds.

The Port of Seattle and the FAA have a Memorandum of Understanding for Reuse of Noise Buy-out Property that contains objectives and operating principles that dictate that future land uses be compatible with long-term airport development and aviation-related activities.



## **Wetlands**

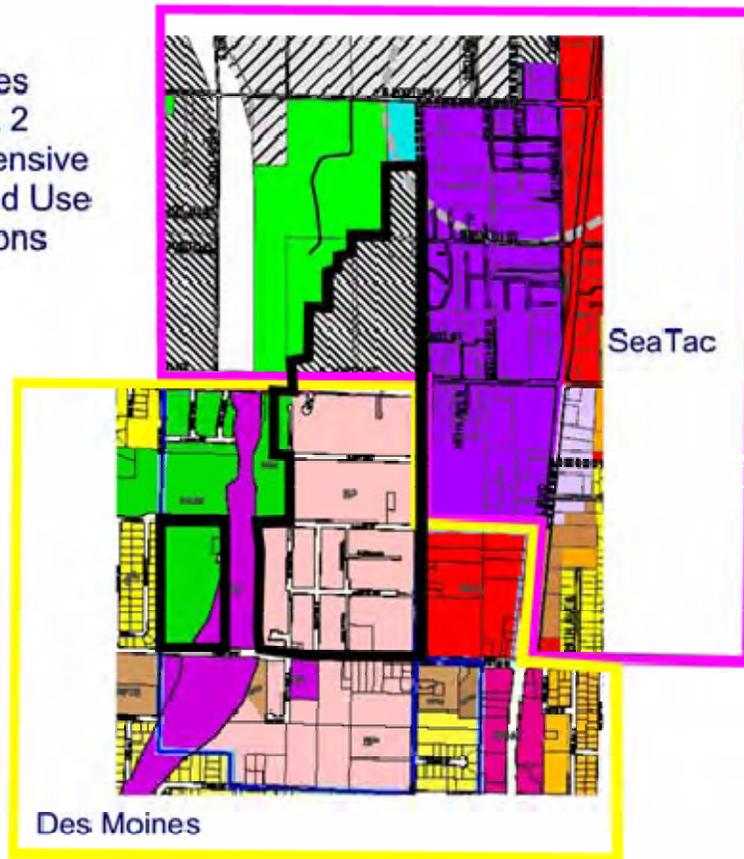
A series of wetlands are located near the center of the site. In conjunction with work on the Airport's Third Runway, the Port of Seattle can remove the wetlands.

## **Adjoining Uses**

The property is bounded on the northwest by property owned by King County with Des Moines Creek creating the natural physical barrier. To the south and west the property is bounded by a surplus WADOT right-of-way and a parcel of land owned by the City of Des Moines. To the south, across S. 216<sup>th</sup> Street are residential uses and the US Post Office property. On the east is a neighborhood that can be characterized as residential. The area also contains property owned by the Christen Faith Church and other vacant parcels.

The image below shows the land use designations specified by the cities' comprehensive plans. The City of SeaTac comprehensive plan designates the area to the north and west of the property as Park, indicated in light green. To the east, the area shown in purple, is designated Aviation Business Center by the City of SeaTac. The area in the City of Des Moines to the east of the subject property, is designated Pacific Ridge Commercial, shown in bright red. To the south the adjoining property is designated Business Park, the same as the subject. The adjoining property to the south and west of the subject, located the City of Des Moines, has two designations. The northerly area is designated Park and is shown in bright green. The area bounding the subject on the southwest, shown in purple, is surplus WSDOT right-of-way and is designated Public Facility/Utility.

# Des Moines Creek 1 & 2 Comprehensive Plans Land Use Designations



## Des Moines Land Use Designations

<b>SR1</b> Single Family	<b>RF</b> Retirement Facility
<b>SR2</b> Single Family	<b>BP</b> Business Park
<b>SR4</b> Single Family	<b>COM</b> Commercial
<b>SR5</b> Single Family	<b>PF</b> Public Facility / Utility
<b>SR6</b> Single Family	<b>PARK</b> Park
<b>T9</b> Townhouse	<b>PR-C</b> Pacific Ridge Commercial
<b>T12</b> Townhouse	<b>PR-M</b> Pacific Ridge Mixed Use
<b>MF9</b> Multifamily	<b>PR-R</b> Pacific Ridge Residential
<b>MF18</b> Multifamily	
<b>MF24</b> Multifamily	
<b>MF30</b> Multifamily	
<b>MF40</b> Multifamily	

## SeaTac Land Use Designations

Residential Low Density	Industrial
Residential Medium Density	Park
Residential High Density	City Limits
Commercial Low Density	Urban Center Boundary
Other Commercial Mixed Use	City Center Boundary
Commercial Medium Density	SDC District
Commercial High Density	NEDD Public Park
Aviation Business Center	
Business Park	
Airport Industrial	
Airport	
Potential Aviation Commercial (AVC) Zoning	
Potential Aviation Operations (AVO) Zoning	

\* The Land Use Plan Map includes a small amendment to Airport 1 use and regulations related to the mixed use of the Port of Seattle under the Airport Master Plan as updated August 1, 2016.  
 The Airport designation provides the airport required by design and is further subdivided into Airport 1 use as required by the "Aviation Operations" or "Aviation Commercial" use.  
 ■ Conceptual location of high capacity transit station and airport development. Actual location will be determined through transportation service and coordination with Sound Transit.  
 ■ North Star is Park is reserved under the "In-Party Agreement" between King County, the City of SeaTac, and the Port of Seattle, dated July 9, 2016, which reserves its use as park for at least 25 years.

**Des Moines Creek #2**



Overall Size	22.46 Acres
Unusable Areas	0.76 Acres
Net Usable Area	21.7 Acres



## Comprehensive Plan Designation

Des Moines – Business Park

## Zoning

Des Moines – Business Park  
Port of Seattle

The **City of Des Moines** comprehensive plan designates land use for its portion of the property as Park. The City zoning map shows the area as Residential Suburban Estates. For the purpose of this study, it is assumed that the zoning designation is consistent with the adjoining, B-P Business Park Zone. The purpose of the zone is to provide suitable areas of the city for development of compatible business, professional office, light industrial, research and development, services uses, wholesale trade, and retail uses serving the needs of business park tenants. Such uses shall be developed within master planned sites in park-like settings pursuant to high development standards.

The uses listed above in the Des Moines Creek 2 section of this report are permitted on the property.

The key development standards are as follows:

**Minimum site area:** 30 acres, or smaller if property adjoins previously approved master plan. While the site is less than 30 acres, the City has indicated the master plan process will apply to the property.

**Maximum site coverage:** 75%, except less for buildings over 35' in height.

**Maximum height:** 35' within 200' of S 216<sup>th</sup>, and 75' on balance of the area.

**Minimum setbacks:** 20' for major arterial or collectors, 15' from secondary streets.

**Parking:** Buildings more than two stories – 50% of parking in structured parking.

**Port of Seattle's** Regulations for Airport Construction (RAC):

**Maximum Height:** 50' with increases for each foot of additional setback. Should the FAA height restrictions conflict with the Port's the FAA shall govern (they are rarely lower).

**Minimum Setback:** 25' from public street, service road, adjacent lease area, non-Port owned property. Other setbacks established by the Business Development Department.

**Building Placement:** When possible, the building's main entrance shall face the public street, frontage or thoroughfare.

**Loading Areas:** Not permitted in the front yards.

**Parking:** One space per 1000 square feet or one space for every three employees, whichever is greater.

**Landscaping:** Required for screening-in purposes in many circumstances (see regs).

In August of 1998 the Port of Seattle and the FAA entered into a **Memorandum of Understanding for Reuse of Noise Buy-out Property**. The objectives of the agreement include:

- (a) To protect Federal and Port financial investments by ensuring long term compatible use of the properties.
- (b) To maintain land use compatibility of those properties acquired for noise compatibility purposes.
- (c) To preserve land, where warranted, for long term airport development and aviation-related purposes.
- (d) To support regional and local growth management and transportation plans in a way that maintains airport compatibility.
- (e) To address the funding gap created by diminishing AIP funding and to create an additional source of revenue for the Noise Program.
- (f) To enter into leases for compatible land uses for terms necessary to reimburse the FAA contribution based on current FMV and use the funds for other Noise Program projects.

**Utilities**

<b>Service</b>	<b>Provider</b>
Water:	Highline Water District
Sewer:	Midway Sewer District
Electricity:	Seattle City Light
Gas:	Puget Sound Energy
Telecom:	Qwest

**Access**

The property is accessed from south off S. 216<sup>th</sup> Street.

**Ownership**

They property is owned by the Port of Seattle with the road right-of-ways owned by the City of Des Moines. The ownership map in the Des Moines Creek 2 section of this report shows the nature of the ownership.

**Adjoining Uses**

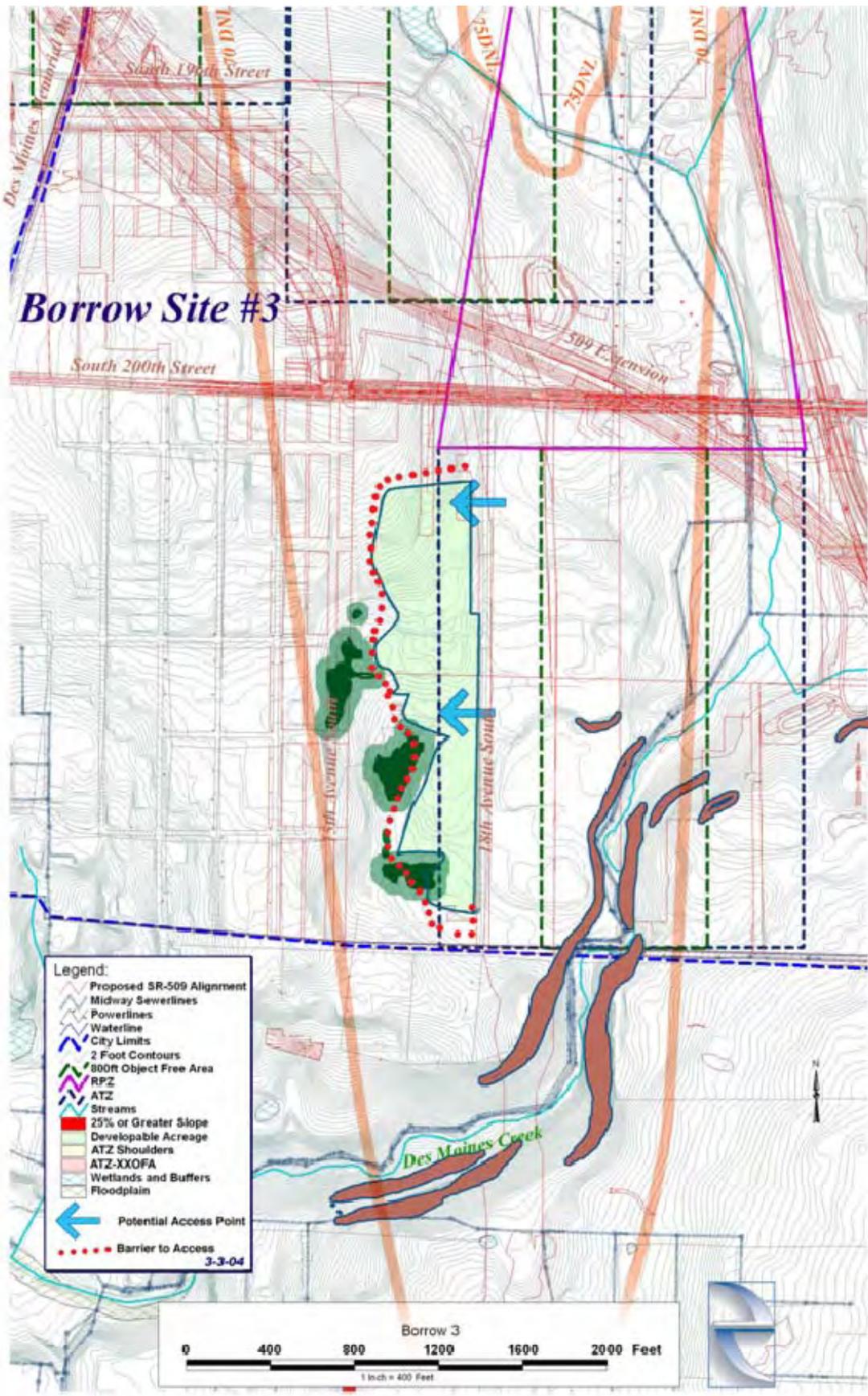
The property is bounded on the west by single family residences. To the north is Des Moines Creek which traverses property owned by the City of Des Moines. To the east is a surplus WSDOT right-of-way with natural barriers created by two wetlands. To the south across S 216<sup>th</sup> Street are residential uses and vacant land.

The comprehensive plan map shown in the Des Moines Creek 1 section of this report presents the adjoining property land use designations, as encouraged by the City of Des Moines comprehensive plan. The northerly area is designated Park and is shown in bright green. The area bounding the subject on the southwest, shown in purple, is the surplus WSDOT right-of-way and is designated Public Facility/Utility.

**Borrow Site #3**



Overall Size	70.14 Acres
Unusable Areas	54.14 Acres
Net Usable Area	16.0 Acres



## Comp Plan Designation

SeaTac – Aviation Commercial

## Zoning

The **City of SeaTac's** comprehensive plan designates its portion of the property Aviation Commercial (AVC) and its zoning designation is the same. The purpose of this designation is to create a zone for development that provides support to operations of the airport, the traveling public, air cargo, and for other development that provides economic benefit to the airport and community while maintaining compatibility with airport operations and activities.

SeaTac Development Standards for AVC zoning.

- (1) Port lot coverage standards apply.
- (2) Port setback standards apply.
- (3) Height restrictions – Port standards apply.
- (4) Setback projections – Port standards apply.
- (5) Parking and Circulation
  - (a) For non-aviation development, such as the Bai Tong Restaurant or the SeaFirst Bank, City parking requirements shall apply.
  - (b) For the Port's existing parking garages and any new parking garages, the Port's parking standards shall apply.
  - (c) For aviation-related development that will not be using the Port's remote employee parking lots, City parking requirements will be applied, except in cases where:
    1. Work sites have multiple work shifts over a twenty-four (24) hour period.
    2. Employees have reasonable access to alternative, non-SOV modes such as shuttle vans, buses, taxis, HOVs, or walking.
  - (d) When one or both of these conditions exist, the City and Port will meet and decide on parking standards on a case-by-case basis.
  - (e) For aviation-related development that will use the Port's remote airport employee parking lots, the Port's parking requirements will apply.
- (6) Design Guidelines - Port of Seattle design guidelines apply to all development within the AVO and AVC zones.

### **Port of Seattle's** Regulations for Airport Construction (RAC):

Maximum Height: 50' with increases for each foot of additional setback. Should the FAA height restrictions conflict with the Port's, the FAA shall govern (they are rarely lower).

Minimum Setback: 25' from public street, service road, adjacent lease area, non-Port owned property. Other setbacks established by the Business Development Department.

Building Placement: When possible the building's main entrance shall face the public street, frontage or thoroughfare.

Loading Areas: Not permitted in the front yards.

Parking: One space per 1000 square feet or one space for every three employees, whichever is greater.

Landscaping: Required for screening-in purposes in many circumstances (see regs).

In August of 1998, the Port of Seattle and the FAA entered into a **Memorandum of Understanding for Reuse of Noise Buy-out Property**. The objectives of the agreement include:

- (a) To protect Federal and Port financial investments by ensuring long term compatible use of the properties.
- (b) To maintain land use compatibility of those properties acquired for noise compatibility purposes.
- (c) To preserve land, where warranted, for long term airport development and aviation-related purposes.
- (d) To support regional and local growth management and transportation plans in a way that maintains airport compatibility.
- (e) To address the funding gap created by diminishing AIP funding and to create an additional source of revenue for the Noise Program.
- (f) To enter into leases for compatible land uses for terms necessary to reimburse the FAA contribution based on current FMV and use the funds for other Noise Program projects.

Relevant excerpts from the **Interlocal Agreement (ILA)** between the City of SeaTac and the Port of Seattle executed December 14, 2001, modifying the 2000 and 1997 Interlocal Agreements, state the following:

Permitted Land Uses:

- Meteorological equipment.
- Communications equipment.
- Aviation navigation, communication and landing aids for airport and aircraft operations.
- Designated airfield safety areas, clear zones, and runway protection zones.
- Airport access roadways and public transportation facilities.
- Infrastructure and utilities supporting uses permitted in the zone.
- Other aviation activities or facilities whose location within the AVC zone is fixed by function by FAA requirements.
- Borrow/surface mining operations.
- Access and holding areas for public transit and shuttle buses.
- Air cargo warehousing and customer service facilities.
- Offices for airline and aviation support.
- Airfield security facilities such as fencing, gates, guard stations, etc.
- Airfield service roads and access improvements.
- Wholesale sales and distribution facilities.
- Warehousing and distribution facilities, excluding truck terminals.
- Those clean light industrial and manufacturing facilities permitted in the City's BP zone as it existed on the date of adoption of the 1997 ILA.
- Parking and storage for airline and airfield ground service equipment as an ancillary use to other uses allowed in the agreement.
- Measures that provide environmental protection/mitigation.
- Public access to local parks and trails.
- Ancillary employee support facilities.

Building pad size and elevations shall be sufficient to serve future redevelopment needs of the agreed interim and permanent uses, and development standards, including internal access roads and parking.

This and the previous ILAs, which were not reviewed for this assignment, contain numerous provisions in addition to those presented above.

## Utilities

<b>Service</b>	<b>Provider</b>
Water:	Highline Water District
Sewer:	Midway Sewer District
Electricity:	Seattle City Light
Gas:	Puget Sound Energy
Telecom:	Qwest

## Access

The property is accessed from the north off S 200<sup>th</sup> Street on 18<sup>th</sup> Avenue S. 18<sup>th</sup> Avenue S. is currently an unused street owned by the City of SeaTac.

## Ownership

The property is owned by the Port of Seattle, except for the street right-of-ways owned by the City of SeaTac, as shown on the image below.

# Borrow 3 Ownership

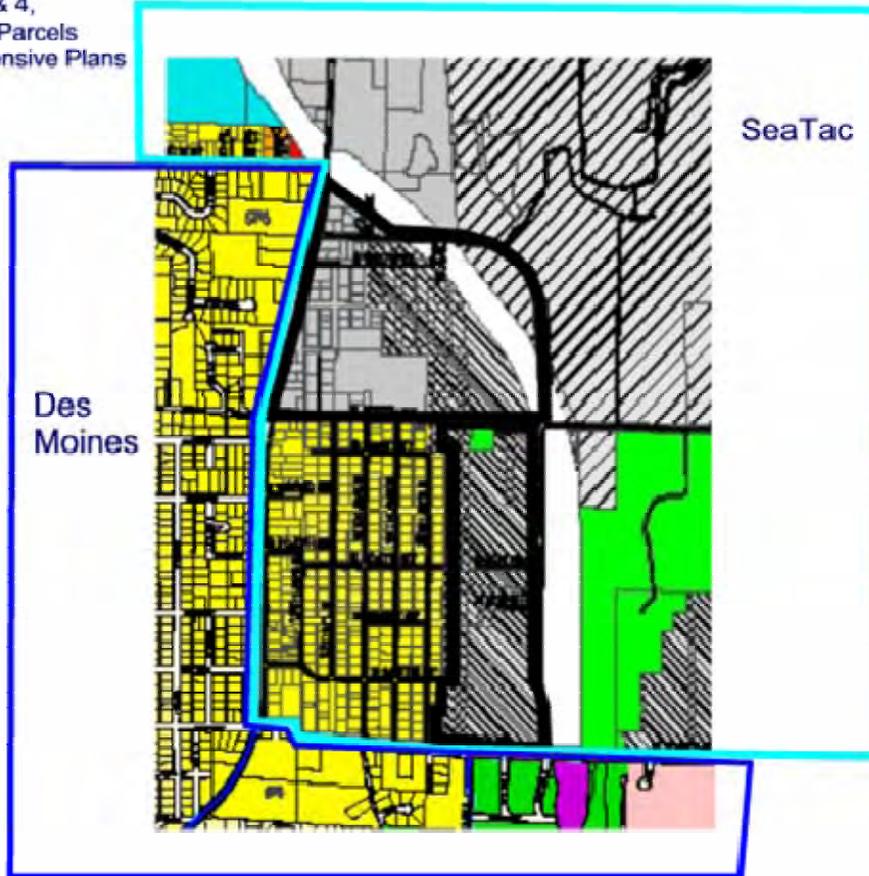


- |   |   |   |
|---|---|---|
|  Port of Seattle |  Hill Grove Cemetery |  W. Davisson |
|  G. Carns        |  J. Garcia           |  State of WA |

# Adjoining Uses

Directly to the east of the subject is an unused WSDOT right-of-way. Further to the east is Des Moines Creek Park. To the north is the right-of-way for the new 509 Extension. The property is bounded by residential uses to the west. Land uses south of the subject are parkland and residential.

Borrow 3 & 4,  
NE 200th Parcels  
Comprehensive Plans



Des Moines Land Use Designations

<b>SP1</b> Single Family	<b>RF</b> Retirement Facility
<b>SP3</b> Single Family	<b>BP</b> Business Park
<b>SP4</b> Single Family	<b>COM</b> Commercial
<b>SP5</b> Single Family	<b>PF</b> Public Facility / Utility
<b>SP6</b> Single Family	<b>PARK</b> Park
<b>T9</b> Townhouses	<b>PR-C</b> Pacific Ridge Commercial
<b>T13</b> Townhouses	<b>PR-M</b> Pacific Ridge Mixed Use
<b>MR9</b> Multifamily	<b>PR-R</b> Pacific Ridge Residential
<b>MR18</b> Multifamily	
<b>MR24</b> Multifamily	
<b>MR26</b> Multifamily	
<b>MR30</b> Multifamily	

SeaTac Land Use Designations

<b>Residential Low Density</b>	<b>Industrial</b>
<b>Residential Medium Density</b>	<b>Park</b>
<b>Residential High Density</b>	<b>City Limits</b>
<b>Commercial Low Density</b>	<b>Urban Center Boundary</b>
<b>Office/Commercial Medium Use</b>	<b>City Center Boundary</b>
<b>Commercial Medium Density</b>	<b>Light Rail</b>
<b>Commercial High Density</b>	<b>North SeaTac Park</b>
<b>Amateur Athletic Center</b>	
<b>Recreation Park</b>	
<b>Airport</b>	
<b>Airport</b>	
<b>Airport</b>	
<b>Potential Amenity Enhancement (AVC) Zoning</b>	
<b>Potential Amenity Operations (AVO) Zoning</b>	

† The Land Use Map Department is required to update the map of the City of SeaTac to reflect the most current information available. The map is updated annually. The map is subject to change without notice. The map is not intended to be used for legal purposes. The map is not intended to be used for legal purposes. The map is not intended to be used for legal purposes.

\* Conceptual location of high capacity transit station and proposed development shown for information only. The map is not intended to be used for legal purposes. The map is not intended to be used for legal purposes.

† North SeaTac Park is covered under the "Use Agreement" between King County, City of SeaTac, and the City of Everett. The map is not intended to be used for legal purposes. The map is not intended to be used for legal purposes.

## ***Borrow Site #4***

**Net Usable Area** 13.2 Acres (as shown on the images in the following section)

**Comp Plan Designation** SeaTac – Potential Aviation Operations

### **Zoning**

The ***City of SeaTac's*** comprehensive plan designates its portion of the property Aviation Operations (AVO) and its zoning designation is the same. The purpose of this zoning designation is to provide for safe and efficient commercial aviation operations and support, together with security, access, the needs and convenience of the traveling public, and the handling of air cargo. Note: those properties in the aviation operations zone that were formerly designated "Business Park" as indicated on map Attachment A-6 of the ILA are subject to certain development standards as provided for in Attachment A-4 of the ILA.

***Port of Seattle's*** Regulations for Airport Construction (RAC):

**Maximum Height:** 50' with increases for each foot of additional setback. Should the FAA height restrictions conflict with the Port's the FAA shall govern (they are rarely lower).

**Minimum Setback:** 25' from public street, service road, adjacent lease area, non-Port owned property. Other setbacks established by the Business Development Department.

**Building Placement:** When possible the building's main entrance shall face the public street, frontage or thoroughfare.

**Loading Areas:** Not permitted in the front yards.

**Parking:** One space per 1000 square feet or one space for every three employees, whichever is greater.

**Landscaping:** Required for screening-in purposes in many circumstances (see regs).

In August of 1998, the Port of Seattle and the FAA entered into a ***Memorandum of Understanding for Reuse of Noise Buy-out Property***. The objectives of the agreement include:

- (a) To protect Federal and Port financial investments by ensuring long term compatible use of the properties.
- (b) To maintain land use compatibility of those properties acquired for noise compatibility purposes.
- (c) To preserve land, where warranted, for long-term airport development and aviation-related purposes.
- (d) To support regional and local growth management and transportation plans in a way that maintains airport compatibility.
- (e) To address the funding gap created by diminishing AIP funding and to create an additional source of revenue for the Noise Program.
- (f) To enter into leases for compatible land uses for terms necessary to reimburse the FAA contribution based on current FMV and use the funds for other Noise Program projects.

## Utilities

Service	Provider
Water:	Highline Water District
Sewer:	Midway Sewer District
Electricity:	Seattle City Light

## Access

In its current configuration, the primary access is from S. 200<sup>th</sup> Street, Des Moines Memorial Drive. When the 509 Extension right-of-way acquisitions are complete access will be restricted.

## Other Constraints

The 509 Extension will eliminate all but the northwest portion of the property. This area's topography and access will make development challenging. The area is sloped to the extent that the cost of commercial development will be high due to the extensive grading required. This area will be virtually landlocked. It is conceivable that access from Des Moines Memorial Drive could be provided, however, the distance is significant and the sloping conditions would make construction of access roads and building very expensive. Accordingly, the analysis of the remnants of the property will be as part of South 200<sup>th</sup> Street Parcels.

## Ownership

The property is owned by the Port of Seattle, except for the street right-of-ways owned by the City of SeaTac and the WSDOT ownership, as shown on the image below.

**Borrow 4 Ownership**



## **Adjoining Uses**

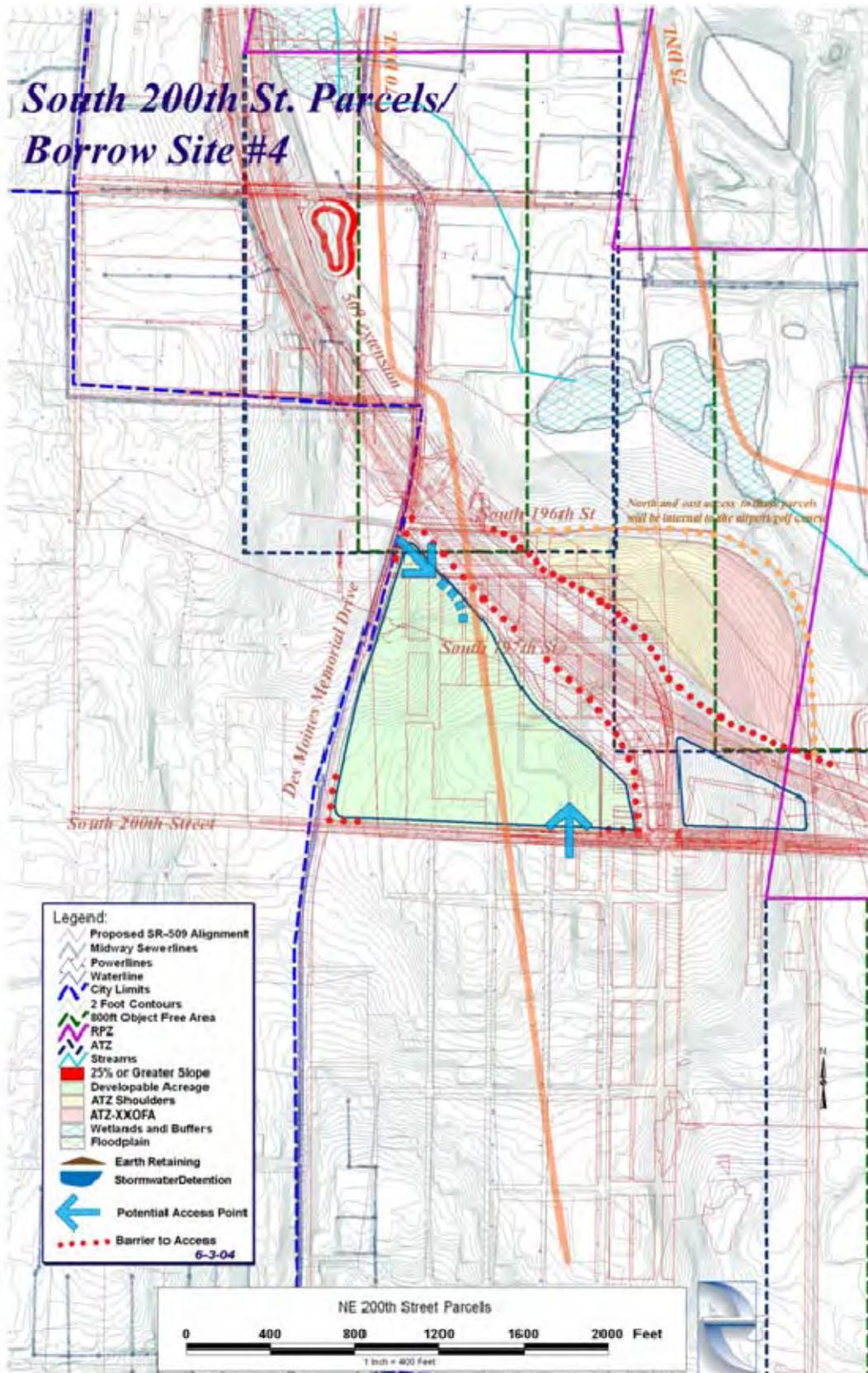
The adjoining uses are the Highline School District property to the southwest, vacant land and residential uses to the west, industrial to the north, the Tyee Valley Golf Course to the east, and Borrow Site 3 to the south. The City of SeaTac comprehensive plan designates the adjoining property to the west and the north as Industrial. The area to the north and east is Aviation Operations. The adjoining property to the south, Borrow Site 3 is designated as Aviation Commercial. The property to the southwest is designated as Residential.

**South 200th Street Parcels**



Overall Size	68.08 Acres
Unusable Areas	45.48 Acres
Net Usable Area	22.6 Acres

# South 200th St. Parcels/ Borrow Site #4



## Comp Plan Designation

SeaTac – Industrial

## Zoning

The purpose of the industrial zone is to provide for the location and grouping of industrial enterprises, regional airport, airport related facilities, and activities involving manufacturing, assembly, fabrication, processing, bulk handling, storage, research, warehousing and heavy trucking. These purposes are accomplished by permitting a wide range of industrial uses, establishing appropriate development standards and public review for developments that have potential adverse impacts, and ensuring the location of clean industries.

The current zoning in the area is Industrial and Urban Low Density Residential. The majority of the property is zoned Industrial, as shown on the map below in grey. The balance of the property, shown in yellow on the image below, is zoned Residential. To date these owners have not have not chosen to rezone their properties.

**City of SeaTac Zoning Map**



The key Industrial zone development standards are as follows:

**Minimum lot area:** None.

**Maximum lot coverage:** 85%, except density incentives for mixed use development.

**Maximum height:** 75'

**Minimum setbacks:** 10' front yard, 5' side and rear yard.

**Parking:** Manufacturing Uses – generally, one space per employee, plus one per 500sf of building area.

**Permitted Uses:** The table below outlines the permitted uses in Industrial zones. P indicates permitted uses and C is for conditional uses.

USE #	LAND USE	ZONE I
RECREATIONAL/CULTURAL USES		
024	Theater	P
026	Stadium/Arena	C
030	Conference/ Convention Center	P
033	Park	P
036	Recreational Center	P

USE #	LAND USE	ZONE I
036.5	Health Club	P(2)
GENERAL USES		
041	Wireless Telecommunications Facility	P/C(7)
042	Communications Facility	Mr.-P Mjr.-P
044	Auto Repair	P
045	Auto Service	P
046	Funeral Home/Crematory	P
047	Veterinary Clinic	P
051	General Repair	P
EDUCATIONAL USES		
057	Vocational School	C
058	Specialized Instruction School	P
HEALTH SERVICES USES		
062	Office/Outpatient Clinic	P
065	Medical/Dental Lab	P
067	Opiate Substitution Treatment Facility	C(8)
GOVERNMENT/OFFICE USES		
071	Social Service Office	P
072	Public Agency Office	P
073	Public Agency Yard	P
074	Public Archives	P
075	Court	P
076	Police Facility	P
077	Fire Facility	P
079	Helipad/Airport and Facilities	P
080	Utility Use	P
081	Utility Substation	P
082	Financial Institution	P
083.5	Secure Community Transition Facility	C(5)
BUSINESS SERVICES USES		
084	Landscaping Business	P
085	Butterfly/Moth Breeding	P
086	Construction/Trade	P
087	Truck Terminal	P
089	Warehouse/Storage	P
090	Professional Office	P
091	Heavy Equipment Rental	P
092	Misc. Equipment Rental Facility	P
093	Auto Rental/Sales	P
094	Public/Private Parking	P
095	Motor Freight Repair	P
096	Heavy Equipment Repair	P
097	R and D/Testing	P
098	Commercial/Industrial Accessory Uses	P

If FAA noise mitigation funds are used to purchase a portion of the property regulations similar to those contained in the **Memorandum of Understanding for Reuse of Noise Buy-out Property**, dated August 1998, between the Port of Seattle and the FAA are likely to apply. The objectives of the agreement include:

- (a) To protect Federal and Port financial investments by ensuring long term compatible use of the properties.
- (b) To maintain land use compatibility of those properties acquired for noise compatibility purposes.
- (c) To preserve land, where warranted, for long term airport development and aviation-related purposes.
- (d) To support regional and local growth management and transportation plans in a way that maintains airport compatibility.
- (e) To address the funding gap created by diminishing AIP funding and to create an additional source of revenue for the Noise Program.
- (f) To enter into leases for compatible land uses for terms necessary to reimburse the FAA contribution based on current FMV and use the funds for other Noise Program projects.

**Utilities**

<b>Service</b>	<b>Provider</b>
Water:	Highline Water District
Sewer:	Midway Sewer District
Electricity:	Seattle City Light
Gas:	Puget Sound Energy
Telcom:	Quest

**Access**

The property is accessible from the south or west. From the south access is from S. 200<sup>th</sup> Street and from the west from Des Moines Memorial Drive.

**Other Constraints**

The property is located due south of the Third Runway Approach and Protection zones and it is estimated that airplane noise will range from 65dnl to 70dnl.

**Current Use**

Current land use can be characterized as vacant land, residential, educational institution, and small commercial uses.

**Ownership**

According to King County Assessor’s data the property is currently divided into 67 separate tax parcels, as shown on the maps below. The notable ownerships are the largest parcel held by the Highline School District and William Looney’s eight parcels located just north of the School District property. The Port of Seattle has indicated it intends to purchase those properties in the area north of S. 197th Street for noise mitigation purposes.

## 200th Street Parcels - North



### 200<sup>th</sup> Street Parcels Ownership - North

1 – WA State/Parket	11 – Ralph Neubauer	21 – William Colello
2 – Lucille Bennett	12 – Daniel Olsen	22 – Barry Barnes
3 – WL Towe	13 – Daniel Crawford	23 – William Colello
4 – Mary Jo Tarbuck	14 – Karen Schade	24 – P & E Renas
5 – Edwin E Graham	15 – Jamie Dahl	25 – William Deloney
6 – Nau+Then	16 – Thomas Barnes	26 – W H Kreutz
7 – WL Towe	17 – Steve Blasenbauer	27 – P & E Renas
8 – Grove + Jorgensen	18 – Van Orsow Trust	28 – Evergreen Enterprises
9 – Port of Seattle	19 – Astrid Prescott	29 – William Looney
10 - Jensen	20 – WS Carlson	

Source: King County Assessor's Records

### 200th Street Parcels - South



### 200<sup>th</sup> Street Parcels Ownership - South

- |                           |                               |                      |
|---------------------------|-------------------------------|----------------------|
| 1 – Richard Williams      | 15 – William Looney           | 29 – Janice Misek    |
| 2 – F & M Navel           | 16 – William Looney           | 30 – M & T Vineyard  |
| 3 – F & M Navel           | 17 – William Looney           | 31 – R & S Shaffer   |
| 4 – Ringoen Michael       | 18 – William Looney           | 32 – Evelyn Kelley   |
| 5 – R & R Harris          | 19 – Warren Farmer            | 33 – D & J Kerr      |
| 6 – Nelson & Hobson       | 20 – James Miller             | 34 – Eluterio Chavez |
| 7 – Kalinowski            | 21 – William Looney           | 35 – King County     |
| 8 – RC Family Investments | 22 – CB Holdings              | 36 – Pham & Nguyen   |
| 9 – K & K Hakola          | 23 – William Looney           | 37 – S & S Leek      |
| 10 – William Looney       | 24 – Highline School District | 38 – King County     |
| 11 – Warren Farmer        | 25 – J & E Teague             |                      |
| 12 – William Looney       | 26 – J & B McKinney           |                      |
| 13 – Port of Seattle      | 27 – Unknown                  |                      |
| 14 – Wiliam Looney        | 28 – Jerry Farstad            |                      |

Source: King County Assessor's Records

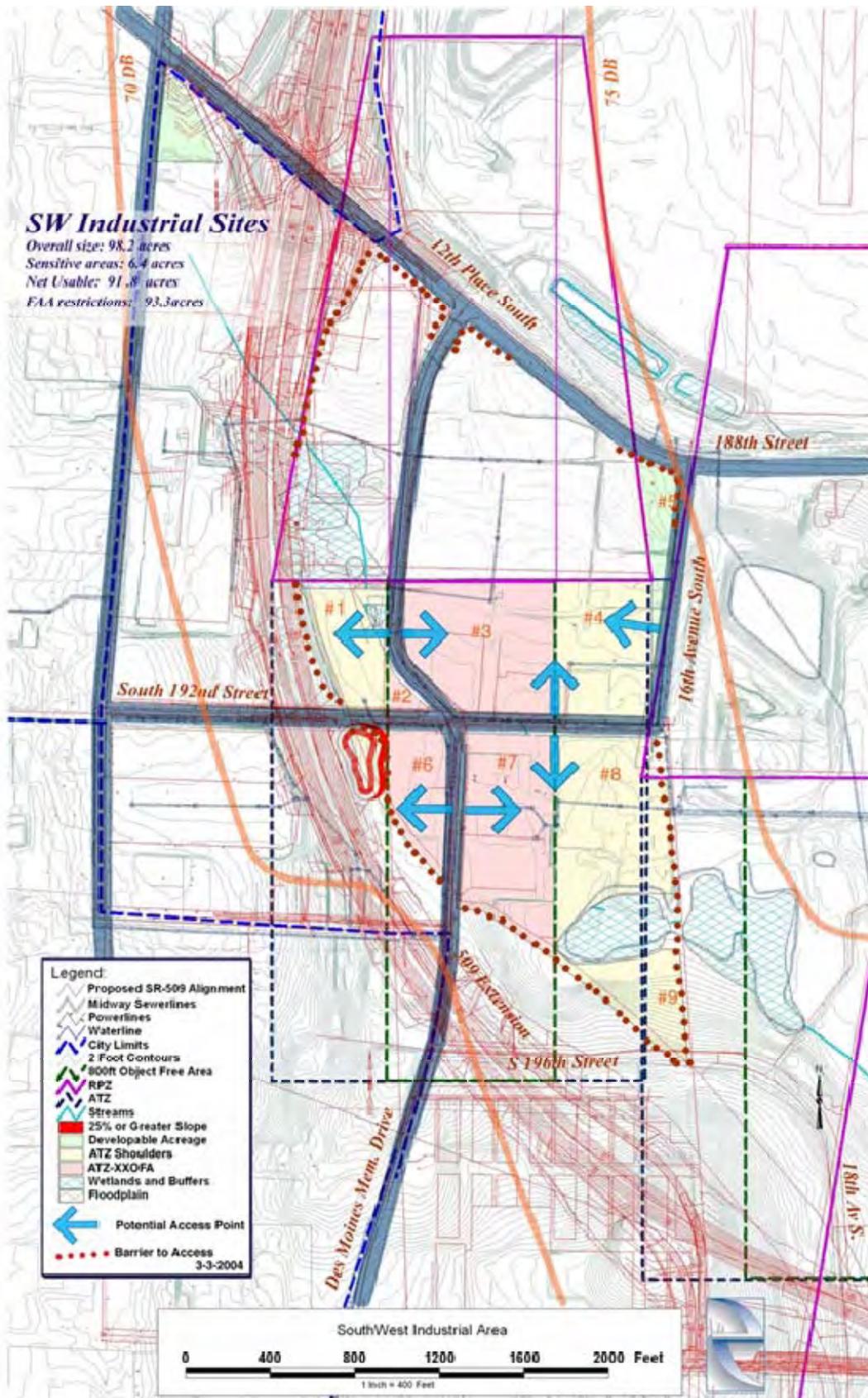
## **Adjoining Uses**

As shown on the Comprehensive Plan Map in the Borrow Site #3 portion of this report, the encouraged adjoining uses are Aviation Commercial to the east and Residential to the south and west.

**Southwest Industrial Parcels**



Overall Size	98.2 Acres
Unusable Areas	<u>49.9</u> Acres
Net Usable Area	48.3 Acres



**Zoning**

The purpose of the industrial zone is to provide for the location and grouping of industrial enterprises, regional airport, airport related facilities, and activities involving manufacturing, assembly, fabrication, processing, bulk handling, storage, research, warehousing and heavy trucking. These purposes are accomplished by permitting a wide range of industrial uses, establishing appropriate development standards and public review for developments that have potential adverse impacts, and ensuring the location of clean industries.

The key Industrial zone development standards are as follows:

**Minimum lot area:** None.

**Maximum lot coverage:** 85%, except density incentives for mixed use development.

**Maximum height:** 75’

**Minimum setbacks:** 10’ front yard, 5’ side and rear yard.

**Parking:** Manufacturing Uses – generally, one space per employee, plus one per 500sf of building area.

**Permitted Uses:** The table below outlines the permitted uses in Industrial zones.

**SEATAC LAND USE CLASSIFICATION**

MANUFACTURING USES		I
130	Food Processing	P
131	Winery/Brewery	P
132	Textile Mill	P
133	Apparel/Textile Products	P
134	Wood Products	P
135	Furniture/Fixtures	P
136	Paper Products	P
137	Printing/Publishing	P
138	Chemical/Petroleum Products	P
138.5	Biomedical Product Facility	P
139	Rubber/Plastic/Leather/Mineral Products	P
140	Primary Metal Industry	P
141	Fabricated Metal Products	P
142	Commercial/Industrial Machinery	P
143	Computer/Office Equipment	P
144	Electronic Assembly	P
145	Aerospace Equipment	C
146	Misc. Light Manufacturing	P
147	Tire Retreading	P
148	Recycling Products	C
149	Towing Operation	C
150	Auto Wrecking	C
151	Self-Service Storage Treatment and Storage	P
152	Off-Site Hazardous Waste Treatment and Storage	C
153	Batch Plants	C

If FAA noise mitigation funds are used to purchase a portion of the property, regulations similar to those contained in the **Memorandum of Understanding for Reuse of Noise Buy-out Property**, dated August 1998, between the Port of Seattle and the FAA are likely to apply. The objectives of the agreement include:

- (a) To protect Federal and Port financial investments by ensuring long term compatible use of the properties.
- (b) To maintain land use compatibility of those properties acquired for noise compatibility purposes.
- (c) To preserve land, where warranted, for long term airport development and aviation-related purposes.
- (d) To support regional and local growth management and transportation plans in a way that maintains airport compatibility.
- (e) To address the funding gap created by diminishing AIP funding and to create an additional source of revenue for the Noise Program.
- (f) To enter into leases for compatible land uses for terms necessary to reimburse the FAA contribution based on current FMV and use the funds for other Noise Program projects.

## Utilities

<b>Service</b>	<b>Provider</b>
Water:	Highline Water District
Sewer:	Midway Sewer District
Electricity:	Seattle City Light
Gas:	Puget Sound Energy
Telcom:	Quest

## Access

The property is accessed from Des Moines Memorial Drive, S 192<sup>nd</sup> Street, and 16<sup>th</sup> Avenue S.

## Other Constraints

With the creation of the Third Runway, the area will be impacted by FAA safety regulations. Approximately 300,000 square feet of buildings located in the Runway Protection Zone (RPZ) will be demolished and the tenants relocated or aviation easements will be placed on the properties. The impacted area is the northern half of the property. The southern half of the property is located within the Approach Transition Zone (ATZ). The area is currently developed with industrial buildings, as shown on the ownership map below, and it is not likely the ATZ will have significant influence on the existing uses. The existing uses are compatible with low-intensity uses encouraged by FAA regulations. While some of the existing building inventory is older and functionally obsolete, the remaining economic life of most of the buildings is substantial. At the time it becomes financially feasible to redevelop the properties, the ATZ regulations will play a role on the nature of the development.

## Current Use

There are currently over 860,000 square feet of buildings located on the property. The buildings are used primarily for industrial purposes, including light manufacturing, distribution, and warehousing. Other uses include office and airport parking.

## Ownership

According to King County Assessor's data, the property consists of 49 separate tax parcels. The map below and the following table show the nature of the ownership.

### SW SeaTac Industrial Properties - Ownership



### SW Industrial Parcels Ownership

Ownership	Property Name	Lot Size	Building SF
1 - Chu & Sho	Jim's Auto Detail	11,540	1,161
2 - Chu, & Sho	Vacant Land	14,374	
3 - Chu, & Sho	Storage Yard	41,700	
4 - David Gwin	Forman's Welding	26,461	9,211
5 - David Gwin	Hanger Auto Rebuild	28,386	2,380
6 - Hertz Realty Corp.	Hertz Customer Service	397,702	14,270
7 - IAC Seattle III LLC	Vacant Land	175,111	
8 - G & R Graber	Graber Repair	176,854	
9 - Port/Stearns?	Coldwell Banker Office	47,900	8,400
10 - Port/Weona	SeaTac Auto Detail	35,185	9,680
11 - Port of Seattle	Vacant	25,550	
12 - Port of Seattle	Bjorney Auto Rebuild	44,388	11,280
13 - Port of Seattle	Bjorney Auto Rebuild	18,358	3,940
14 - Alaska Airlines	Alaska Airlines Stores	47,887	16,000
15 - Alaska Airlines	Alaska Airlines Whse	38,349	51,660
16 - Alaska Airlines	Alaska Airlines Whse	38,390	
17 - Alaska Airlines	Alaska Airlines Whse	72,397	
18 - Quest	Telco Bldg	93,425	30,160
19 - CalWest Holdings	SeaTac Industrial Park	230,432	43,200
20 - Avis Rent a Car	Avis Rent a Car	83,635	7,047
21 - CalWest Holdings	SeaTac Industrial Park	161,172	56,000
22 - Avis Rent a Car	Avis Rent a Car	87,120	
23 - CalWest Holdings	SeaTac Industrial Park	132,422	43,200
24 - CalWest Holdings	CalWest	87,120	44,336
25 - Lenci Corp	SeaTac Industrial Park	200,376	60,750
26 - G & R Graber	Graber Offices	19,500	21,154
27 - City of SeaTac	Graber	9,900	
28 - DGSP Properties	Warehouse	201,682	72,870
29 - CalWest Holdings	Warehouse	61,237	27,328
30 - Monroe Machined Prod.	Circle Air Freight	80,150	9,450
31 - Monroe Machined Prod.	Monroe Machined Prod.	54,450	15,031
32 - Expeditors Int.	Expeditors Int.	65,340	27,794
33 - Port of Seattle	Vacant		
34 - Laura Conrad	Vacant	32,457	
35 - E & B Nowogroski	Hub Shopping Center	91,086	20,596
36 - City of SeaTac/Mateer	Quality Machine	22,980	8,466
37 - M & J Mateer	Warehouse	45,658	28,832
38 - Flight Safety Int.	Warehouse	150,000	68,000
39 - FA McEachern LLC	Avis Rent a Car	229,997	
40a - King Co.	Sliver	900	
40b - D Vandenberg	Sliver	6,700	
41 - CC Commercial Prop.	Warehouse	56,152	10,840
42 - State of WA	Vacant	6,700	
43 - CC Commercial Prop.	Office	8,000	1,733
44 - State of WA DOT	Vacant	6,534	
45 - City of SeaTac/Green	JA Green Dist Bldgs	336,724	136,296
46 - City of SeaTac	Vacant	211,266	
47 - Van Orsow Family Tr.	Vacant	171,190	
48 - Y Talbot	Repair Service	10,454	1,248
49 - John Meisenback Tr.	Velvet Towing	69,260	1,512
		4,264,551 sf	863,825 sf
Relocated or Aviation Easements			300,542 sf

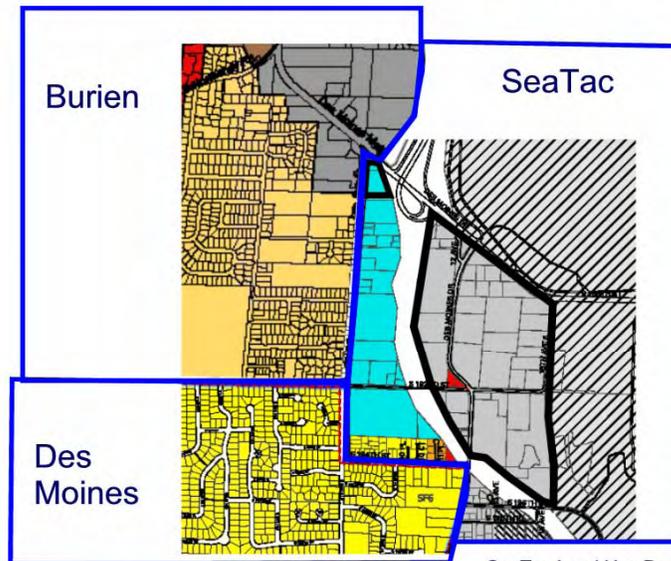
Source: King County Assessor's Records.

# Adjoining Uses

The map below shows the location of the property and the adjoining land uses as encouraged by the cities' comprehensive plans. The area to the east is designated Aviation Operations by the City of SeaTac. The area to the west is designated Business Park by the City of SeaTac and the area to the south carries an Industrial designation. There exists an area to the southwest, located in SeaTac and Des Moines, that is zoned residential.

## SW SeaTac Industrial Parcels Comprehensive Plan Land Use

### City of Burien Land Use Designations



### Des Moines Land Use Designations



### SeaTac Land Use Designations



**Burien Northeast Special Planning Area**



## **Sub Areas and Size**

The NESPA properties measure approximately 119 acres of usable land, once deductions are made for roadways, steep slopes, wetlands and FAA restrictions. Based on physical and regulatory constraints, the property is best viewed as five sub areas. As depicted on the map above they are:

Area #1 10.46 acres located south of SR 518 (Approximately 2.5 additional acres are located in the RPZ and may add value to the site for parking and circulation).

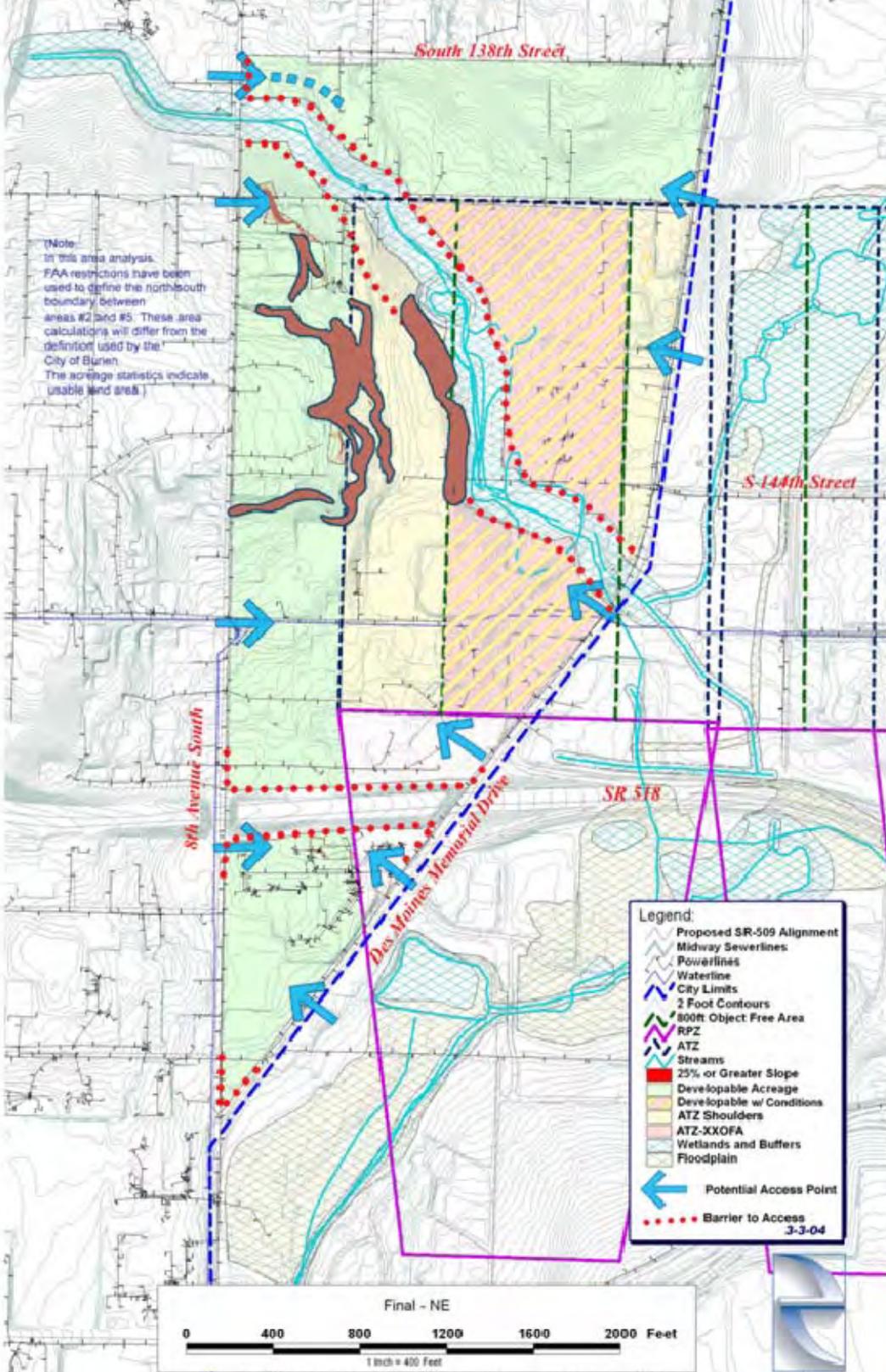
Area #2 27.2 acres located within the FAA regulated zones and south of Miller Creek.

Area #3 26.4 acres located within the FAA regulated zone and north of Miller Creek.

Area #4 25.34 acres located north of S 140<sup>th</sup> Street and south of S 138<sup>th</sup> Street.

Area #5 29.8 acres located along the western boundary of the property outside the FAA regulated zones and separated from the other areas by steep slopes. This area is further divided by steep slopes that bisect the property at its midpoint – Areas 5a and 5b.

# Northeast Special Planning Area

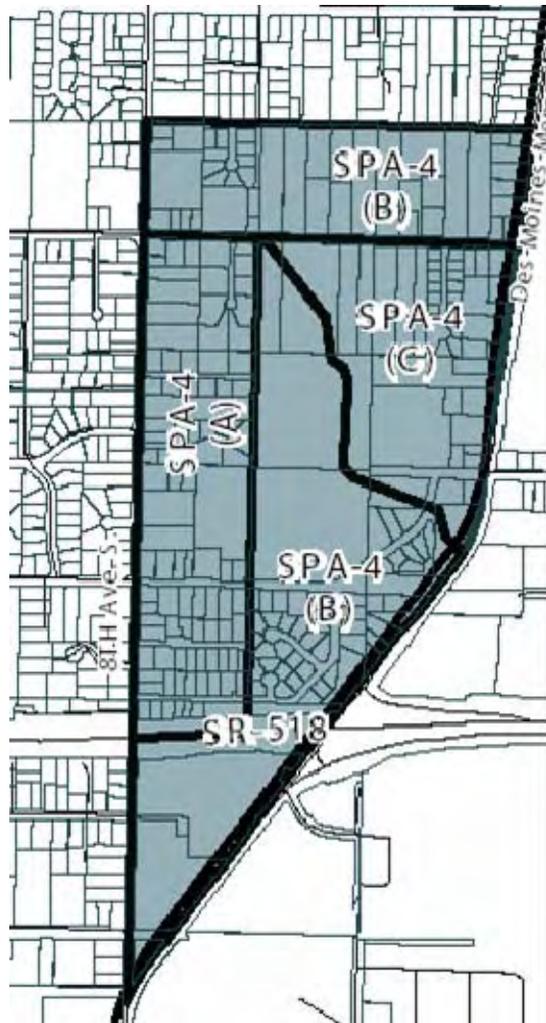


## Comp Plan Designation

Burien's Northeast Special Planning Area 4 (SPA4) recognizes a potential opportunity for economic development in the northeastern part of the City in areas affected by aircraft noise from Sea-Tac International Airport. Use and development within this Special Planning Area may be affected by the FAA regulations on land use associated with Sea-Tac Airport's proposed Third Runway. Development of non-residential uses in the Special Planning Area shall be low-scale, landscaped and buffered. Primary automobile and all truck access to the area should be from Des Moines Memorial Drive, S 140<sup>th</sup> Street or S 144th/S146th Street. Developments and uses shall meet the performance and design standards set forth below and as established in the SPA 4 section of the Zoning Code.

The types of land uses that are appropriate in the Special Planning Area 4 designation include, but are not limited to: light manufacturing, production, processing and distribution related businesses; warehousing; utilities; and new car auto dealers in an auto-mall configuration (see discussion of sub-areas below for more information on allowed uses). Since the area is in close proximity to Sea-Tac International Airport, the uses in this classification could also be airport-oriented. In addition, studio space for artists is also encouraged as a part of these developments, to the extent allowed by FAA regulations.

Open space and multi-purpose trails are also encouraged, especially along the Miller Creek corridor to provide non-motorized east-west linkages to areas within and outside of Burien. The specific list of permitted land uses as part of the implementation of this policy is in the Zoning Code. Permitted uses should be airport-compatible, have minimal environmental and land use impacts, and support family-wage jobs.



Special Planning Area 4 is divided into three sub-areas reflecting constraints and opportunities related to natural features, transportation, and adjacent land uses (see Map LU-1). Sub-area boundaries are intended to identify areas where different intensities of land use and development would be allowed. However, the Zoning Code regulations for SPA 4 should allow for flexibility within the sub-areas if development standards can be met. For example, a use only allowed in Sub-area C could be allowed in Sub-areas A or B if impacts are fully mitigated.

Sub-area A would allow the least intensive land uses, including office or research parks that would contain low density buildings a maximum of two stories high. These buildings could contain uses such as general office, corporate headquarters, and high-tech research and development. Other potential appropriate uses for Sub-area A include plant nurseries, cemeteries, parking, artist studios and recreation (passive open space, ball fields, etc.).

Sub-area B would include land uses that have moderate intensity and moderate potential impacts. Allowable uses in this sub-area could include the uses allowed in Sub-area A plus light manufacturing and office or research parks. Developments within this sub-area would be more dense and buildings could be higher than those in Sub-area A. In general, these uses would attract more people, generate more traffic, and potentially have greater impacts of other types (such as noise, light and glare) than Sub-area A uses would have. The area of Sub-area B located between S 140<sup>th</sup> Street and S 138<sup>th</sup> Street would require

increased mitigation along its north boundary (such as increased landscape buffers and/or building setbacks) due to its proximity to adjacent residential properties.

Sub-area C would include the most intensive land uses within Special Planning Area 4. Allowable uses in this sub-area could include the uses allowed in Sub-areas A and B, plus air cargo facilities, light manufacturing, warehousing, new car sales and limited convenience stores. Developments within this sub-area could be more intensive than Sub-areas A and B and the buildings could be higher. These uses would potentially generate the most impact from noise and traffic and, thus, would be located the greatest distance from the residents to the north and west of Special Planning Area 4. Sub-areas A and B would be located between Sub-area C and residential properties to the north and west, and would help screen or buffer potential impact to the neighbors.

Review and approval of specific development plans shall be through a combination Development Agreement/Rezone process negotiated with the proponent and approved by the City. Any development or redevelopment proposal within SPA 4 shall be reviewed as a rezone through the Type 4 land use review process established in the Zoning code and shall comply with Policy (SE 1.5). This process does not apply to: a) the remodel or addition to existing residential units for residential purposes, or b) the remodel or addition to existing nonresidential uses for the same use or another use allowed by the property's zoning. The City should also consider adoption of a "Planned Action" ordinance as allowed under the State Environmental Policy Act to encourage redevelopment within SPA-4.

## **Zoning**

The SPA-4 zone implements the Special Planning Area 4 Comprehensive Plan designation. The purpose of this zone is to facilitate economic development in the northeast part of Burien in areas affected by aircraft noise from Sea-Tac International Airport. The intent is to provide for a high level of family-wage employment in airport-related uses concentrated in a coordinated, well-landscaped business park setting with substantial buffers along the perimeter of the area.

Minimum Lot Size: 2 Acres, unless part of a development agreement.

Outside Uses: Uses are to be entirely within the building except: vehicle parking, construction storage, incidental outside storage, and on-site vehicle sales.

Maximum Height: SPA 4A – the lesser of 30 feet or the height allowed by FAA. SPA 4B & C – the lesser of 45 feet of the height allowed by the FAA. For buildings with underground parking an additional 12 feet of height is allowed in SPA 4B & C.

Site Coverage: 75%

Stream Buffers: The stream running through the NESPA area has been classified as a Type 3 stream, which requires a 50-foot buffer. The wetlands are classified as Category 3, which also require a 50-foot buffer. Stream and wetland buffers may be reduced through buffer width averaging or buffer enhancement. Under buffer width averaging, buffers may be reduced to 25 feet as long as the total area contained in the buffer on the development proposal site does not decrease. Under buffer enhancement, buffers may be reduced to 38 feet (25%) as long as the buffer is enhanced.

**Permitted Uses:**

**Burien - Northeast Special Planning Area**

Allowed Use                    x  
 Uses Not Allowed            o  
 May Be Allowed              mba

	Permitted Uses			Comments:
	SPA 4A	SPA 4B	SPA 4C	
High Technology Industry	x	x	x	Parking 3/1000sf
Office	x	x	x	3/1000sf
Light Industry	mba	x	x	1/1000sf
Air Cargo Facility	mba	mba	x	3/1000sf office + .5/1000sf for non-office
Distribution	mba	mba	x	3/1000sf office + .5/1000sf for non-office
Flight Kitchen	mba	mba	x	3/1000sf office + .5/1000sf for non-office
Warehousing and Wholesale Trade	mba	mba	x	3/1000sf office + .5/1000sf for non-office
New Car Auto Dealer	mba	mba	x	Must be in auto mall configuration.
Auto Rental	mba	mba	x	1/100sf + 1/1000sf sales space
Artist Studio	x	x	x	
Plant Nursery	x	x	x	
Off-Site Parking	x	x	x	
Convenience Retail	mba	mba	x	3/1000sf
Eating & Drinking Establishments	mba	mba	x	13/1000sf
Community Facility	x	x	x	
Government Facility	x	x	x	
Public Park and Recreation	x	x	x	
Public Utility	x	x	x	Designed to minimize adverse impacts.
Religious Facility	x	x	x	
Haz. Waste Treatment & Storage	o	mba	x	
Essential Public Facilities	x	x	x	
Adult Entertainment	o	o	x	

If FAA noise mitigation funds are used to purchase a portion of the property, regulations similar to those contained in the **Memorandum of Understanding for Reuse of Noise Buy-out Property**, dated August 1998, between the Port of Seattle and the FAA are likely to apply. The objectives of the agreement include:

- (a) To protect Federal and Port financial investments by ensuring long-term compatible use of the properties.
- (b) To maintain land use compatibility of those properties acquired for noise compatibility purposes.
- (c) To preserve land, where warranted, for long-term airport development and aviation-related purposes.
- (d) To support regional and local growth management and transportation plans in a way that maintains airport compatibility.
- (e) To address the funding gap created by diminishing AIP funding and to create an additional source of revenue for the Noise Program.
- (f) To enter into leases for compatible land uses for terms necessary to reimburse the FAA contribution based on current FMV and use the funds for other Noise Program projects.

## Utilities

Service	Provider
Water:	King County Water District No. 20 Water District No. 125 Seattle Water Department
Stormwater:	Miller Creek Drainage Basin
Sewer:	South Suburban Sewer District Val Vue Sewer Portions of the property are unsewered.
Electricity:	Seattle City Light
Solid Waste:	SeaTac Disposal
Natural Gas:	Puget Sound Energy
Telecommunications:	Qwest

## Access

Access to Area #1 is available from Des Moines Memorial Drive, 8<sup>th</sup> Avenue S, and S 156<sup>th</sup> Street. Areas #2 and Area #3 are accessed from Des Moines Memorial Drive. Area #4 is accessed from Des Moines Memorial Drive and S 138<sup>th</sup> Street. Area #5 is accessed from 8<sup>th</sup> Avenue S.

## Ownership

South 152nd Street Parcels



South 152nd Street Parcel Ownership

Ownership	Property Name	Lot Size (sf)	Building SF
1 - *Poet of Seattle KC Housing Authority	Laura Lk Apts	361,012	198,699
2 - **Seattle City Light	Substation	12,197	
3 - Port of Seattle		Por 754,002	

\*Leased to the KC Housing Authority through 2007. (234 Units, 22 bldgs).

\*\* City Light considers the property surplus.

Source: King County Assessor's Records.





### South 140th Street to South 144th Street Ownership



- |   |   |   |
|---|---|---|
|  Port of Seattle |  E. Woods  |  E. Morgan                   |
|  A. Scheda       |  D. Singh  |  Multiple Private Ownerships |
|  C. Zappala      |  T. Wilcox |   |

South 138<sup>th</sup> Street to South 140<sup>th</sup> Street

44 Parcels

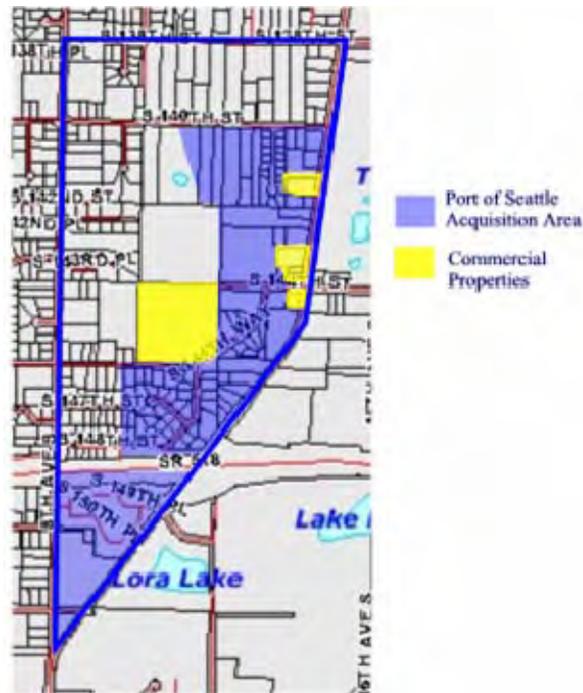


South 138<sup>th</sup> Street to South 140<sup>th</sup> Street Ownership



- |   |   |   |
|---|---|---|
|  P. Bowers     |  M & L Hughes                |  M. Faletogo   |
|  A. Scheda     |  R & M Kirkelie              |  R & L Pierce  |
|  B & J Tricoli |  Multiple Private Ownerships |  R & C Stanely |
|  F. Hellums    |   |   |

The image below shows that portion of the property that the Port of Seattle owns or has targeted for purchase for noise mitigation purposes. The Port of Seattle has indicated that it will not purchase the commercial properties in the area.

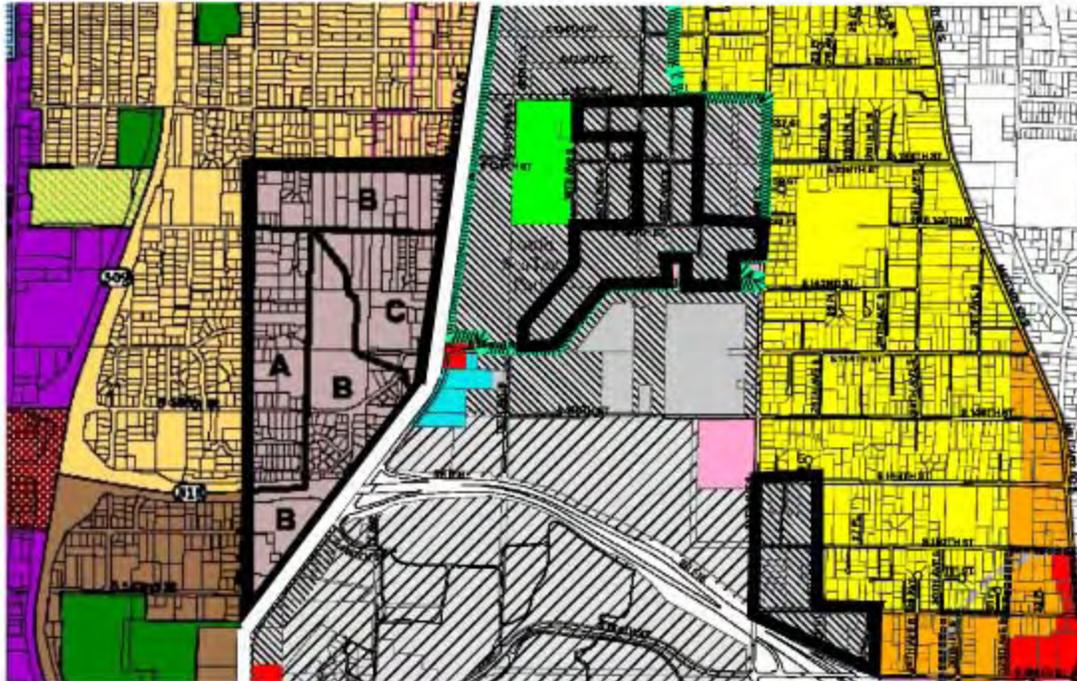


### Adjoining Uses

The map below shows the location of the property and the adjoining land uses as encouraged by the cities comprehensive plans. The area to the southeast is designated Aviation Operations by the City of SeaTac. The area north and east is designated Aviation Commercial by the City of SeaTac. Lands to the north and west are designated Moderate Density Residential by the City of Burien. To the southwest Burien has designated the land High Density Multi-Family.

# Northend Comprehensive Plans Land Use Designations

Burien      SeaTac



## Burien Land Use Designations

- Low Density Residential Neighborhood
- Moderate Density Residential Neighborhood
- Low Density Multi-Family Neighborhood
- High Density Multi-Family Neighborhood
- Intersection Commercial
- Neighborhood Center
- Downtown Commercial
- Community Commercial
- Regional Commercial
- Office
- Industrial
- Business Park/Warehouse/Manufacturing
- Public Parks/Schools/Recreation/Open Space
- Quasi-Public Parks/Schools/Recreation/Open Space
- Special Planning Area 1
- Special Planning Area 2
- Special Planning Area 3
- Special Planning Area 4
- NE Special Planning Area
- Incorporated City Area

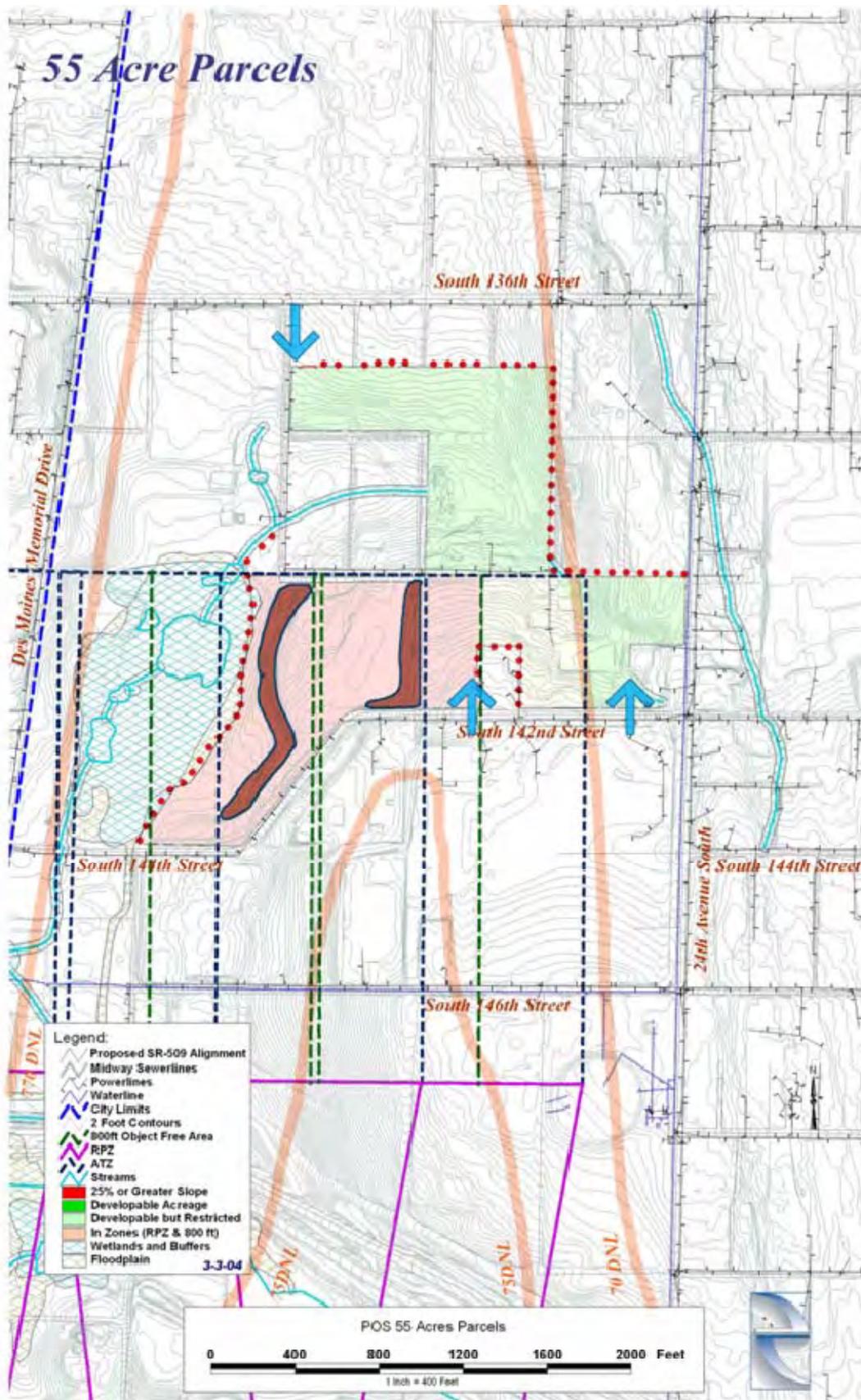
## SeaTac Land Use Designations

- Residential Low Density
  - Townhouse
  - Residential Medium Density
  - Residential High Density
  - Commercial Low Density
  - Office/Commercial/Mixed Use
  - Commercial Medium Density
  - Commercial High Density
  - Aviation Business Center
  - Business Park
  - Airport Industrial
  - Airport
  - Potential Aviation Commercial (AVC) Zoning
  - Potential Aviation Operations (AVO) Zoning
  - Industrial
  - Park
  - City Limits
  - Urban Center Boundary
  - City Center Boundary
  - HCT District
  - North SeaTac Park
- † The Land Use Plan Map includes a single designation ("Airport") for all properties located in the area owned by the Port of Seattle under the Airport Master Plan as updated August 1, 2006.
- This Airport designation provides for airport-related facilities and activities associated with Sea-Tac Airport that are related to either "Aviation Operations" or "Aviation Commercial" uses.
- Conceptual location of high capacity transit station and airport development. Actual location will be determined through environmental review and coordination with Sound Transit.
  - North SeaTac Park is covered under the "In-Park Agreement" between King County, the City of SeaTac, and the Port of Seattle, dated July 3, 2011, which reserves the use as park for at least 30 years.

**55 Acre Parcels**



Overall Size	55 Acres
Unusable Areas	8.7 Acres
Net Usable Area	46.3 Acres



## **Zoning**

The **City of SeaTac's** comprehensive plan designates the property as Aviation Commercial (AVC) and its zoning designation is the same. The purpose of this designation is to create a zone for development that provides support to operations of the airport, the traveling public, air cargo, and for other development that provides economic benefit to the airport and community while maintaining compatibility with airport operations and activities.

SeaTac Development Standards for AVC zoning.

- (1) Port lot coverage standards apply.
- (2) Port setback standards apply.
- (3) Height restrictions - Port standards apply.
- (4) Setback projections - Port standards apply.
- (5) Parking and Circulation
  - (a) For non-aviation development, such as the Bai Tong Restaurant or the SeaFirst Bank, City parking requirements shall apply.
  - (b) For the Port's existing parking garages and any new parking garages, the Port's parking standards shall apply.
  - (c) For aviation-related development that will not be using the Port's remote employee parking lots, City parking requirements will be applied, except in cases where:
    1. Work sites have multiple work shifts over a twenty-four (24) hour period.
    2. Employees have reasonable access to alternative, non-SOV modes as shuttle vans, buses, taxis, HOVs, or walking.
  - (d) When one or both of these conditions exist, the City and Port will meet and decide on parking standards on a case-by-case basis.
  - (e) For aviation-related development that will use the Port's remote airport employee parking lots, the Port's parking requirements will apply.
- (6) Design Guidelines — Port of Seattle design guidelines apply to all development within the AVO and AVC zones.

**Port of Seattle's** Regulations for Airport Construction (RAC):

**Maximum Height:** 50' with increases for each foot of additional setback. Should the FAA height restrictions conflict with the Port's, the FAA shall govern (they are rarely lower).

**Minimum Setback:** 25' from public street, service road, adjacent lease area, non-Port owned property. Other setbacks established by the Business Development Department.

**Building Placement:** When possible the building's main entrance shall face the public street, frontage or thoroughfare.

**Loading Areas:** Not permitted in the front yards.

**Parking:** One space per 1000 square feet or one space for every three employees, whichever is greater.

**Landscaping:** Required for screening-in purposes in many circumstances (see regs).

In August of 1998, the Port of Seattle and the FAA entered into a **Memorandum of Understanding for Reuse of Noise Buy-out Property**. The objectives of the agreement include:

- (a) To protect Federal and Port financial investments by ensuring long-term compatible use of the properties.
- (b) To maintain land use compatibility of those properties acquired for noise compatibility purposes.
- (c) To preserve land, where warranted, for long -term airport development and aviation-related purposes.
- (d) To support regional and local growth management and transportation plans in a way that maintains airport compatibility.
- (e) To address the funding gap created by diminishing AIP funding and to create an additional source of revenue for the Noise Program.
- (f) To enter into leases for compatible land uses for terms necessary to reimburse the FAA contribution based on current FMV and use the funds for other Noise Program projects.

The ***Interlocal Agreement*** (ILA) between the City of SeaTac and the Port of Seattle effective early 2002, modifying the 2000 and 1997 Interlocal Agreements, contains permitted land use language. The relevant excerpts are as follows:

**Permitted Land Uses:**

- Aviation navigation, communication and landing aids for airport and aircraft operations.
- Meteorological equipment.
- Communications equipment.
- Designated airfield safety areas, clear zones and runway protection zones.
- Airport access roadways and public transportation facilities.
- Airfield infrastructure and utilities serving uses permitted in the zone.
- Infrastructure and utilities serving other zones or areas.
- Other aviation activities or facilities whose location within the AVC zone is fixed by function by FAA requirements.
- Employee parking, vehicle storage, and/or construction-related storage as primary uses only in Area A, as designated on the redevelopment property map.
- Access, parking, transfer and holding areas, intermodal connections for public transit, high capacity transit, buses, taxis, shuttles, and other forms of transportation.
- Flight kitchens.
- Offices and work and storage areas for airline and aviation support.
- Facilities for the maintenance of airline and airfield equipment, excluding maintenance of heavy equipment such as fuel tanks and runway snowplows.
- Facilities that provide environmental protection/mitigation.
- Retail sales and distribution facilities.
- Warehousing and distribution facilities, including air cargo handling.
- Public parks, trails or viewpoints.
- Airfield security facilities such as fencing, gates and guard stations.
- Access and holding areas for public transit and shuttle buses.
- Air cargo warehousing and customer service facilities.
- Offices for airline and aviation support.
- Office and staff facilities to serve permitted uses.
- Employee support facilities such as cafeterias, locker rooms, rest areas, restrooms and exercise areas.

This and the previous ILAs, which were not reviewed for this assignment contain numerous provisions in addition to those presented above.

## Utilities

<b>Service</b>	<b>Provider</b>
Water:	King County Water District No. 20
Sewer:	Val Vue Sewer
Electricity:	Seattle City Light
Natural Gas:	Puget Sound Energy
Telecommunications:	Qwest

## Access

The primary access to the property is from S. 142<sup>nd</sup> Street. Access from S. 136<sup>th</sup> Street offers an additional access point. The existing interlocal agreement between the City of SeaTac, Port of Seattle and the FAA prohibits use of 24<sup>th</sup> Ave S. by trucks.

## Ownership

The subject ownership is vested exclusively in the Port of Seattle as shown on the diagram below.

### 55 Acre Ownership

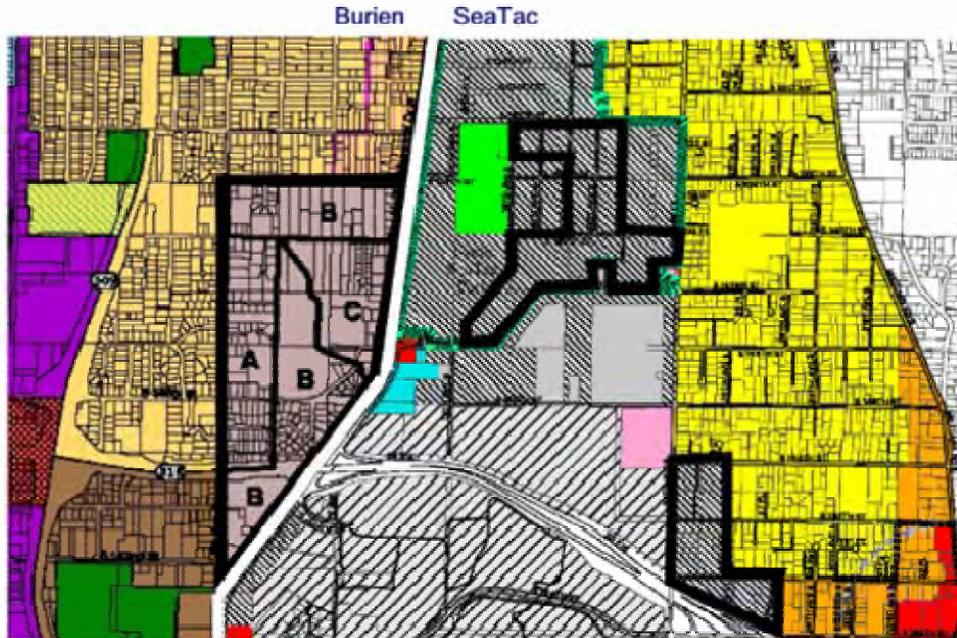


- Port of Seattle
- City of SeaTac
- Leroy & Susan Atwood
- PJ Seidenstricker

## Adjoining Uses

The adjoining uses are residential to the east, park land to the north and west, and aviation commercial to the south. The land uses designated by the comprehensive plan are shown on the diagram below.

## Northend Comprehensive Plans Land Use Designations



### Burien Land Use Designations

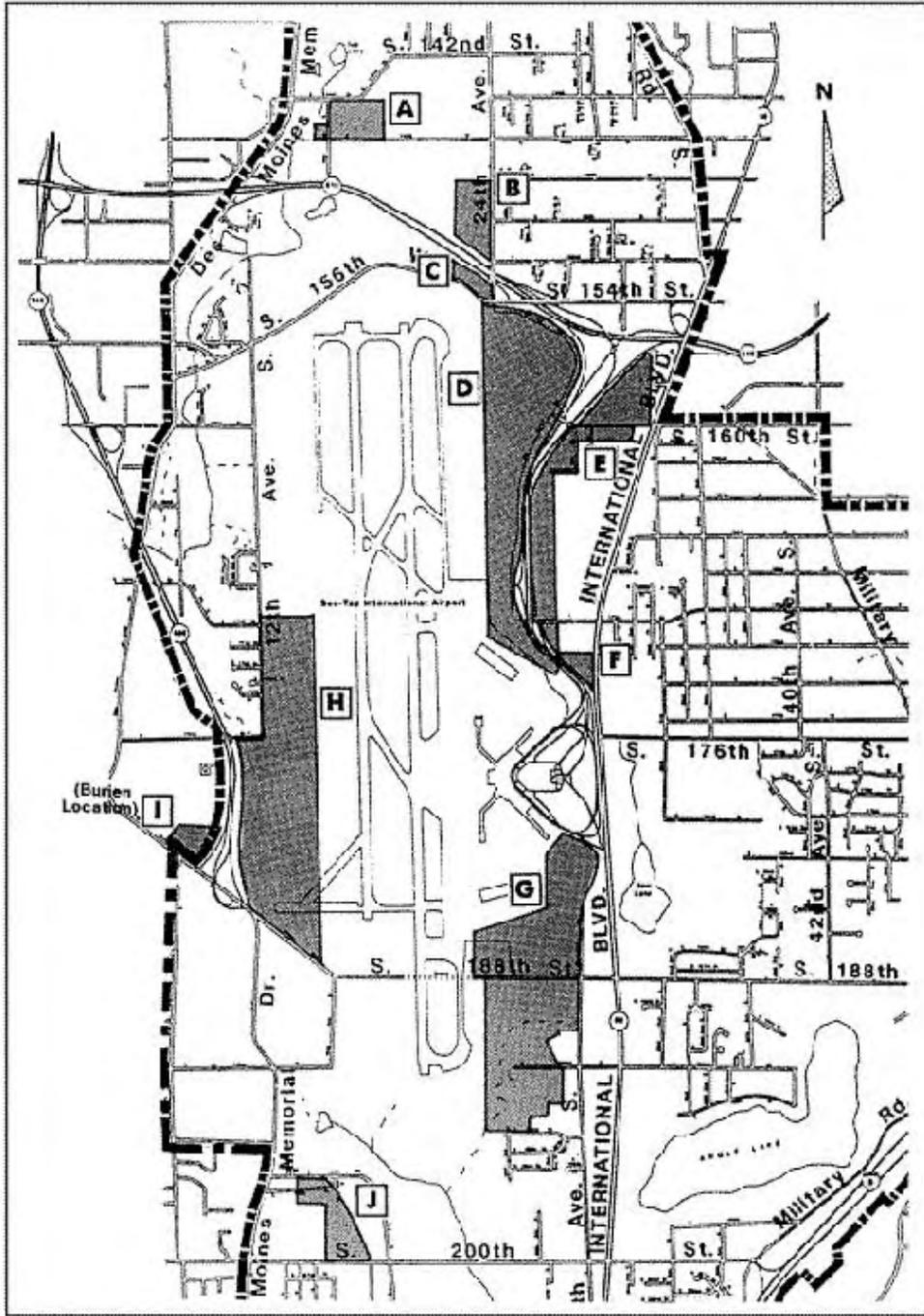
- Low Density Residential Neighborhood
- Medium Density Residential Neighborhood
- Low Density Multi-Family Neighborhood
- High Density Multi-Family Neighborhood
- Intersection Commercial
- Neighborhood Center
- Downtown Commercial
- Community Commercial
- Regional Commercial
- Office
- Industrial
- Business Park/Warehouse/Manufacturing
- Public Parks/Schools/Recreation/Open Space
- Quasi-Public Parks/Schools/Recreation/Open Space
- Special Planning Area 1
- Special Planning Area 2
- Special Planning Area 3
- Special Planning Area 4
- NE Special Planning Area
- Incorporated City Area

### SeaTac Land Use Designations

- Residential Low Density
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  - Commercial Low Density
  - Office Commercial/Mixed Use
  - Commercial Medium Density
  - Commercial High Density
  - Aviation Business Center
  - Business Park
  - Airport Industrial
  - Airport
  - Potential Aviation Commercial (AVC) Zoning
  - Potential Aviation Operations (AVO) Zoning
  - Industrial
  - Park
  - City Limits
  - Urban Center Boundary
  - City-Center Boundary
  - I-5/I-90 District
  - North End Park
- † The Land Use Plan Map includes a single designated "Airport" (gray) including an area to be created by the Port of Seattle under the Airport Master Plan as updated August 1, 2006. This Airport designation provides for airport-related facilities and activities consistent with the Port of Seattle's goal to enhance the "Aviation Commercial" area.
- Conceptual location of high capacity transit station and transit development. Actual location will be determined through environmental review and coordination with Sound Transit.
  - North End Park is covered under the "In-Place Agreement" between King County, the City of SeaTac, and the Port of Seattle, dated July 1, 2001, which allows to use as park for at least 50 years.

# Foreign Trade Zone

The map below identifies the areas within the NEST Study area that currently have foreign trade zone status. The NEST Properties do not have foreign trade zone status. It is understood that the NEST properties can be designated with foreign trade zone status at this time. It is our understanding that enough foreign trade zone capacity exists for application to the NEST property.



City of SeaTac Department of Planning and Community Development, 1995.

## Preliminary Development Potential

A preliminary analysis of the NEST Study properties' potential to accommodate development has been completed. The analysis is useful in understanding the general magnitude of the project and as an approximation of building yield for planning purposes, but not as an exact number for legal, property transfer or sale purposes. The analysis is formula driven and provides a rough estimate of the land's capacity to support different types of development.

### Developable Land Area/Achievable Building Area Spreadsheet

The spreadsheet on the following page presents the estimated net usable land area of each of the NEST Properties. The net usable area is derived by subtracting from the gross area the wetlands, steep slopes, and FAA restricted areas. Site coverage ratios for a variety of uses are applied to the net useable areas to arrive at achievable building area estimates. The building types include warehouse, warehouse/office, office with three different densities, and retail. The data suggests that all of the properties have the potential to accommodate from 5 to 10 million square feet of commercial buildings, as shown in the table below.

	Million SF
Warehousing	7.1
Warehouse/Office	6.4
Office 1	6.4
Office 2	8.6
Office 3	9.7
Retail	4.8

Are these figures realistic? Yes and no. Let's examine the warehousing estimate. The southwest Industrial Parcels property is already fully developed. The estimate suggests that the property has the potential to accommodate 940,000 square feet. The site is currently built out with 860,000 square feet, not far off the estimate given the age and efficiency of the buildings. On the other hand the site is level and generally rectangular in shape. The usable areas of many of the other properties have irregular shapes. This irregularity substantially reduces efficiency. In addition, most of the properties are sloped, which further reduces efficiency. So it is likely these figures are optimistic and that the site coverage ratio could be reduced. As shown later in the Development Potential Report, the potential of each site will be analyzed in greater detail based on preliminary site plans and the accuracy of the estimate will be improved.

**New Economic Strategy Triangle Properties  
Preliminary Developable Land Area/Achievable Building Area**

Land Use Intensity	
Use	FAR
Warehousing	0.45
Warehousing/Office	0.40
Office 1	0.40
Office 2	0.54
Office 3	0.61
Retail	0.30

City/Site/SubArea	Net Usable Area	Achievable Building Area					
		Warehousing	Warehsng /Office	Office 1	Office 2	Office 3	Retail
<b>Des Moines Creek #1: No Borrow Activity</b>	97.8acres	1821 ksf	1619 ksf	1619 ksf	2188 ksf	2453 ksf	1214 ksf
<b>Des Moines Creek #1: W/ Borrow Activity</b>	99.2acres	1750 ksf	1556 ksf	1556 ksf	2102 ksf	2357 ksf	1167 ksf
<b>Des Moines Creek # 2</b>	21.7acres	425 ksf	378 ksf	378 ksf	511 ksf	573 ksf	284 ksf
<b>Borrow 3</b>	16.0acres	314 ksf	279 ksf	279 ksf	377 ksf	422 ksf	209 ksf
<b>200th St/Borrow Area #4</b>	22.6acres	443 ksf	394 ksf	394 ksf	532 ksf	597 ksf	295 ksf
<b>SouthWest Industrial Parcels</b>							
Area #1	3.7 acres	73 ksf	64 ksf	64 ksf	87 ksf	98 ksf	48 ksf
Area #2	0.5 acres	10 ksf	9 ksf	9 ksf	12 ksf	13 ksf	7 ksf
Area #3	9.0 acres	177 ksf	157 ksf	157 ksf	213 ksf	238 ksf	118 ksf
Area #4	7.2 acres	141 ksf	125 ksf	125 ksf	170 ksf	190 ksf	94 ksf
Area #5	2.0 acres	39 ksf	35 ksf	35 ksf	47 ksf	53 ksf	26 ksf
Area #6	3.5 acres	69 ksf	61 ksf	61 ksf	82 ksf	92 ksf	46 ksf
Area #7	9.2 acres	180 ksf	160 ksf	160 ksf	217 ksf	243 ksf	120 ksf
Area #8	9.9 acres	194 ksf	172 ksf	172 ksf	233 ksf	261 ksf	129 ksf
Area #9	3.3 acres	65 ksf	57 ksf	57 ksf	78 ksf	87 ksf	43 ksf
	48.3 acres	948 ksf	842 ksf	842 ksf	1138 ksf	1276 ksf	632 ksf
<b>NESPA</b>							
Area #1	10.5 acres	205 ksf	182 ksf	182 ksf	246 ksf	276 ksf	137 ksf
Area #2	27.2 acres	533 ksf	474 ksf	474 ksf	640 ksf	718 ksf	355 ksf
Area #3	26.4 acres	517 ksf	460 ksf	460 ksf	622 ksf	697 ksf	345 ksf
Area #4	25.4 acres	498 ksf	443 ksf	443 ksf	598 ksf	671 ksf	332 ksf
Area #5a	15.7 acres	308 ksf	274 ksf	274 ksf	370 ksf	414 ksf	205 ksf
Area #5b	14.1 acres	276 ksf	246 ksf	246 ksf	332 ksf	372 ksf	184 ksf
	119.3 acres	2338 ksf	2078 ksf	2078 ksf	2808 ksf	3148 ksf	1558 ksf
<b>55 Acres Parcels</b>							
Area #1	4.0 acres	78 ksf	69 ksf	69 ksf	94 ksf	105 ksf	52 ksf
Area #2	8.1 acres	158 ksf	141 ksf	141 ksf	190 ksf	213 ksf	106 ksf
Area #3	4.3 acres	84 ksf	74 ksf	74 ksf	100 ksf	112 ksf	56 ksf
Area #4	7.3 acres	143 ksf	127 ksf	127 ksf	172 ksf	193 ksf	95 ksf
Area #5	5.3 acres	103 ksf	92 ksf	92 ksf	124 ksf	139 ksf	69 ksf
Area #6	17.4 acres	341 ksf	303 ksf	303 ksf	409 ksf	459 ksf	227 ksf
	46.3 acres	907 ksf	806 ksf	806 ksf	1089 ksf	1222 ksf	605 ksf
<b>Total Developable Acreage</b>	<b>372.0 acres</b>	<b>7196 ksf</b>	<b>6396 ksf</b>	<b>6396 ksf</b>	<b>8644 ksf</b>	<b>9691 ksf</b>	<b>4797 ksf</b>

## Property Profiles on Data Input Forms

### Des Moines Creek #1

Listing End Date:	NA
Listing Name:	Des Moines Creek #1
Sign Visible:	No
Street Address 1:	Intersection of S. 216 <sup>th</sup> Street & 24 <sup>th</sup> Avenue S.
Street Address 2:	NA
City:	Des Moines
State:	WA
Postal Code:	98166
Nearest MSA:	Seattle-Tacoma-Bremerton, WA CMSA
County:	King
Submarket:	Southend - Burien/SeaTac
Submarket Type:	Industrial
Property Subtype/Proposed Use:	Industrial
Sale Price:	Call
Total Acres:	108 Gross, 97 usable
Smallest Parcel Available:	Negotiable
Land Splits Available:	Yes
Adjacent Parcels Available:	Yes
Zoning:	Aviation Commercial/Business Park
Tax ID Number:	Multiple - 2323800075
Build to Suite:	Yes
Sale Terms:	For Sale/For Lease
Property Overview:	Large close-in industrial property. Located adjacent to SeaTac Airport and within close proximity to Seattle and Port of Tacoma Seaports. Can accommodate over 1.2 million square feet of industrial buildings.

## **Des Moines Creek #2**

Listing End Date:	NA
Listing Name:	Des Moines Creek #2
Sign Visible:	No
Street Address 1:	S. 216 <sup>th</sup> Street, east of 14 <sup>th</sup> Ave S.
Street Address 2:	NA
City:	Des Moines
State:	WA
Postal Code:	98166
Nearest MSA:	Seattle-Tacoma-Bremerton, WA CMSA
County:	King
Submarket:	Southend - Burien/SeaTac
Submarket Type:	Industrial
Property Subtype/Proposed Use:	Industrial
Sale Price:	Call
Total Acres:	22.46 Gross, 21.7 usable
Smallest Parcel Available:	Negotiable
Land Splits Available:	Yes
Adjacent Parcels Available:	Yes
Zoning:	Aviation Commercial/Business Park
Tax ID Number:	Multiple – 0922049042
Build to Suite:	Yes
Sale Terms:	For Sale/For Lease
Property Overview:	Large close-in industrial property with views of Puget Sound. Located adjacent to Sea-Tac Airport and within close proximity to Seattle and Port of Tacoma Seaports. Can accommodate up to 290,000sf of single story industrial buildings.

**Borrow Site #3**

Listing End Date:	NA
Listing Name:	Borrow Site #3
Sign Visible:	No
Street Address 1:	South of S 200 <sup>th</sup> Street at 18 <sup>th</sup> Avenue S.
Street Address 2:	NA
City:	SeaTac
State:	WA
Postal Code:	98188
Nearest MSA:	Seattle-Tacoma-Bremerton, WA CMSA
County:	King
Submarket:	Southend - Burien/SeaTac
Submarket Type:	Industrial
Property Subtype/Proposed Use:	Industrial
Sale Price:	Call
Total Acres:	21.7
Smallest Parcel Available:	Negotiable
Land Splits Available:	Yes
Adjacent Parcels Available:	Yes
Zoning:	Aviation Commercial
Tax ID Number:	Multiple – 3160600005
Build to Suite:	Yes
Sale Terms:	For Sale/For Lease
Property Overview:	Close-in industrial property located adjacent to Sea-Tac Airport and within close proximity to Seattle and Port of Tacoma Seaports. Can accommodate up to 160,000sf of single story industrial buildings.

## SW Industrial Parcels

Listing End Date: NA  
Listing Name: SW Industrial Parcels  
Sign Visible: No  
Street Address 1: Intersection of S. 200<sup>th</sup> Street and Des Moines Memorial Drive.  
Street Address 2: NA  
City: SeaTac  
State: WA  
Postal Code: 98188  
Nearest MSA: Seattle-Tacoma-Bremerton, WA CMSA  
County: King  
Submarket: Southend - Burien/SeaTac  
Submarket Type: Industrial  
Property Subtype/Proposed Use: Industrial  
Sale Price: Call  
Total Acres: 22.6 usable  
Smallest Parcel Available: Negotiable  
Land Splits Available: Yes  
Adjacent Parcels Available: Yes  
Zoning: Industrial  
Tax ID Number: Multiple – 7686201040  
Build to Suite: Yes  
Sale Terms: For Sale/For Lease  
Property Overview: Close-in industrial property located adjacent to Sea-Tac Airport and within close proximity to Seattle and Port of Tacoma Seaports. Can accommodate up to 380,000sf of single story industrial buildings. Some assemblage required.

**NESPA #1**

Listing End Date: NA  
Listing Name: NESPA #1  
Sign Visible: No  
Street Address 1: Bounded by SR 518, 8<sup>th</sup> Ave S., and Des Moines Memorial Drive  
Street Address 2: NA  
City: Burien  
State: WA  
Postal Code: 98166  
Nearest MSA: Seattle-Tacoma-Bremerton, WA CMSA  
County: King  
Submarket: Southend - Burien/SeaTac  
Submarket Type: Industrial  
Property Subtype/Proposed Use: Industrial  
Sale Price: Call  
Total Acres: 12.3 gross, 10.46 usable  
Smallest Parcel Available: Negotiable  
Land Splits Available: Yes  
Adjacent Parcels Available: Yes  
Zoning: SPA-4 B, Light Manufacturing, Business Park, or R&D.  
Tax ID Number: Multiple – 2023049281  
Build to Suite: Yes  
Sale Terms: For Sale/For Lease  
Property Overview: Close-in industrial property located adjacent to Sea-Tac Airport and within close proximity to Seattle and Port of Tacoma Seaports. Easy access to airport freight terminal. Can accommodate up to 160,000sf of single story industrial buildings.

**NESPA #2**

Listing End Date: NA  
Listing Name: NESPA #2  
Sign Visible: No  
Street Address 1: North of SR 518 off Des Moines Memorial Drive  
Street Address 2: NA  
City: Burien  
State: WA  
Postal Code: 98166  
Nearest MSA: Seattle-Tacoma-Bremerton, WA CMSA  
County: King  
Submarket: Southend - Burien/SeaTac  
Submarket Type: Industrial  
Property Subtype/Proposed Use: Industrial  
Sale Price: Call  
Total Acres: 27.3 usable  
Smallest Parcel Available: Negotiable  
Land Splits Available: Yes  
Adjacent Parcels Available: Yes  
Zoning: SPA-4 B, Light Manufacturing, Business Park, or R&D.  
Tax ID Number: Multiple – 1225500100  
Build to Suite: Yes  
Sale Terms: For Sale/For Lease  
Property Overview: Close-in industrial property located adjacent to Sea-Tac Airport and within close proximity to Seattle and Port of Tacoma Seaports. Easy access to airport freight terminal. Can accommodate up to 360,000sf of single story industrial buildings. Some assemblage required.

**NESPA #3**

Listing End Date:	NA
Listing Name:	NESPA #3
Sign Visible:	No
Street Address 1:	West of Des Moines Memorial Drive and north of S. 144 <sup>th</sup> St. and south of S 140 <sup>th</sup> St.
Street Address 2:	NA
City:	Burien
State:	WA
Postal Code:	98166
Nearest MSA:	Seattle-Tacoma-Bremerton, WA CMSA
County:	King
Submarket:	Southend - Burien/SeaTac
Submarket Type:	Industrial
Property Subtype/Proposed Use:	Industrial
Sale Price:	Call
Total Acres:	26.4 usable
Smallest Parcel Available:	Negotiable
Land Splits Available:	Yes
Adjacent Parcels Available:	Yes
Zoning:	SPA-4 C, light manufacturing, business park, R&D & air cargo uses.
Tax ID Number:	Multiple – 1225500100
Build to Suite:	Yes
Sale Terms:	For Sale/For Lease
Property Overview:	Close-in industrial property located adjacent to Sea-Tac Airport and within close proximity to Seattle and Port of Tacoma Seaports. Easy access to airport freight terminal. Can accommodate up to 400,000sf of single story industrial buildings. Some assemblage required.

## 55 Acre Parcels

Listing End Date:	NA
Listing Name:	<b>55 Acre Parcels</b>
Sign Visible:	No
Street Address 1:	South of S. 142 <sup>nd</sup> and east of 24 <sup>th</sup> Ave. S.
Street Address 2:	NA
City:	SeaTac
State:	WA
Postal Code:	98188
Nearest MSA:	Seattle-Tacoma-Bremerton, WA CMSA
County:	King
Submarket:	Southend - Burien/SeaTac
Submarket Type:	Industrial
Property Subtype/Proposed Use:	Industrial
Sale Price:	Call
Total Acres:	27.2 usable
Smallest Parcel Available:	Negotiable
Land Splits Available:	Yes
Adjacent Parcels Available:	Yes
Zoning:	Aviation Commercial
Tax ID Number:	Multiple – 0990000331
Build to Suite:	Yes
Sale Terms:	For Sale/For Lease
Property Overview:	Close-in industrial property located adjacent to Sea-Tac Airport and within close proximity to Seattle and Port of Tacoma Seaports. Easy access to airport freight terminal. Can accommodate up to 450,000sf of single story industrial buildings.

### About This Listing

\*Listing End Date:



\*Listing Name:

Untitled Property



Sign Visible:



Yes



No



### Property Location

\*Street Address 1:



Street Address 2:



\*City:



\*State or Province:

Choose State



\*Postal Code:



\*Select Nearest MSA

Choose a state to view MSAs.



\*County

Choose a State to view counties



Submarket

Choose county to view respective submarkets



Submarket Type:



### Property Subtype/Proposed Use

	*Possible Use(s): <ul style="list-style-type: none"> <li>General</li> <li>Agricultural</li> <li>Hospitality</li> <li>Industrial</li> <li>Mobile Home Park</li> </ul>	?
--	--	---

Essential Information		
*Sale Price:	<input type="text"/>	?
Display Price?	<input checked="" type="radio"/> Yes <input type="radio"/> No	?
*Total Acres Land:	<input type="text"/>	?
Smallest Parcel Available:	<input type="text"/>	?
Land Splits Available:	<input checked="" type="radio"/> Yes <input type="radio"/> No	?
Adjacent Parcel(s) Available:	<input checked="" type="radio"/> Yes <input type="radio"/> No	?
Zoning:	<input type="text"/>	?
Tax ID Number:	<input type="text"/>	?
Build-to-Suit:	<input checked="" type="radio"/> Yes <input type="radio"/> No	?
*Sale Terms:	<ul style="list-style-type: none"> <li>Cash to Seller</li> <li>Purchase Money Mortgage</li> <li>Owner Financing</li> <li>Build-to-Suit</li> <li>Sale/Leaseback</li> </ul>	?

Property Overview
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Property Overview:

?

*Items marked with an \* are required fields.*

#### Helpful Tips

Click the question mark next to each field to view a full definition of the field.

Click in a text field to see a short description of that text field.

*Requires Internet Explorer 4+ or Netscape 6+*

**Save & Exit**





**NEST Study**

## **Market Analysis**

*August 5, 2004*

*Prepared by:*

*Blair Howe , CCIM, GVA Kidder Mathews  
Greg Easton, Property Counselors  
John Yarnish, URS Corporation*

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# National Airport Real Estate Market Overview

## Introduction

This report presents the characteristics of 34 airport real estate markets located throughout the continental United States. The characteristics of the Seattle-Tacoma International Airport (Sea-Tac) real estate markets are contrasted to the national markets and the findings are discussed.

## Findings

### Airport Land Area

- Of the 34 study airports, Sea-Tac ranks number 13 in both passenger and freight volume.
- At 2,500 acres, Sea-Tac's land area is less than half the size of the average study airport.
- For each acre of land, Sea-Tac carries twice the number of passengers of the average study airport.
- For each acre of land, Sea-Tac moves twice the tonnage of airfreight of the average airport.

### Inventory - Within Three Miles of the Study Airports

- The average airport has 8.4 sq ft of flex space for each ton of air cargo shipped; Sea-Tac has 3.4 sq ft.
- The average airport has 150 sq ft of industrial space for each ton of air cargo moved; Sea-Tac has 43 sq ft.
- The average airport has 40% of its industrial space located within two miles of the airport, Sea-Tac has 23%.

### Asking Rental Rates -Three Mile Radius

- Industrial space for study airport markets = \$6.05 per sq ft, triple net; \$5.25 for SeaTac, and \$3.84 for the Kent Valley.
- Office space for the study airport markets = \$19.39 per sq ft, full service; \$19.21 for SeaTac.

## Data Summary

The data suggests that the utilization of land at Sea-Tac is efficient, possibly to the point of restricting airport and airport related functions. It is possible that the supply of flex space near Sea-Tac is inadequate to meet demand, however, as discussed later in this report the current inventory of flex space is currently oversupplied. The supply of industrial space is adequate; however, it is not within close proximity to the airport. Office space supply is consistent with the Airport's suburban location.

## Study Area and Data Sources

The airport real estate markets studied are:

Atlanta – Hartsfield	Los Angeles – LAX
Austin – Bergstrom	Miami
Baltimore – Balt/Wa	New Jersey – EWR
Boston – Logan	New York – JFK
Charlotte – Char/Douglas	New York – La Guardia
Chicago – Midway	Oakland – OAK
Chicago – O’Hare	Philadelphia Int. – PHL
Cincinnati – Cin/N.. Ken	Phoenix – Sky Harbor
Cleveland – Clev/Hopkins, CLE	Pittsburg – PIT
Columbus – Port of Col., CMH	Portland Int. – PDX
Dallas/Ft. Worth	Raleigh/Durham – RDU
Denver	San Diego – SAN
Detroit – Mtro Wayne Co.	San Francisco
Houston – Geo Buxh	Seattle – SEA
Indianapolis – Inti. Inter.	St. Louis – Lambert
Jacksonville INT – B. Heights	Tampa Int. – TPA
Kansas City	WA DC – Dulles

Data for the 34 markets was obtained from two sources. The real estate data is provided by Costar Group, a national real estate information service. The Costar data is collected and maintained by its internal data collection team and independent real estate service providers located in each market place. The airport data is provided by Airports Council International – North America (ACI-NA). No attempt has been made to confirm the data and the sample size is limited, reducing the reliability of the statistical conclusions. Nonetheless, the data does provide perspective and identifies other areas that may warrant further investigation.

## Passenger & Freight Volume

Of the 34 study airports, Sea-Tac ranks 13<sup>th</sup> in passenger volume, measured at almost 27 million passengers per year. By coincidence Sea-Tac also ranks 13<sup>th</sup> among the study airports in terms of freight volume, at 374,753 tons shipped in 2003.

## Airport Land Area

The land area for the study airports ranges in size from 546 to 33,920 acres. The average airport measures 5,880 acres and the median size is 3,657 acres. Sea-Tac measures 2,500 acres, 25<sup>th</sup> in size of the 34 study airports. The land area data is influenced by the availability of inexpensive rural land at the time the airports were constructed. Passenger and freight volumes can be used to measure how airport land is utilized. The total passengers served ranges from 628 to 32,333 passengers per acre of land. The average study airport moves 4,294 passengers for each acre of land area; this figure for Sea-Tac is 10,676 passengers for each acre. For the study airports, the total freight volume per acre of land ranges from a low of 6 tons to a high of 503 tons, with an average of 79 tons. Sea-Tac moves 150 tons of airfreight per acre of land.

## Real Estate Product

The average inventories of flex, industrial and office space located within three miles of the study airports is presented below.

	Sq Ft w/in 3 Miles of Airport	
	Study Airports Average	Sea-Tac
Flex	1,725,000	1,270,000
Industrial	16,500,000	16,136,000
Office	6,900,000	2,400,000

The amount of **flex space** located within a three mile radius of the study airports ranges from 156,000 to 4.5 million sq ft., with an average of 1,725,000 sq ft. The Sea-Tac market has 1,270,000 sq ft. of flex space, 16<sup>th</sup> in size of the 34 study airports. In terms of freight tonnage moved, the average airport has 8.4 sq ft of flex space for each ton shipped. Sea-Tac has 3.4 sq ft of flex space for each ton of air cargo shipped.

The data shows that the **industrial** markets range in size between 584,871 sq ft and 52,650,000 sq ft (excluding the Denver data, which is suspect). The average size of the industrial airport markets is 16,500,000 sq ft. Sea-Tac's industrial airport market contains 16,136,055 sq ft., number 17 of the study airports. The average airport has 150 sq ft of industrial space for each ton of air freight shipped. This figure for Sea-Tac is 43 sq ft of industrial space for each ton of freight shipped.

With respect to proximity of industrial space to the airport, on average, 40% of the industrial space located within three miles of the airports is located within a two mile radius. At Sea-Tac this number is 23%.

The **office** space inventory within the study market areas ranges from 63,000 to 60 million sq ft. The average airport has 6.9 million sq ft of office space located within three miles. Sea-Tac has 3.4 million sq ft., number 17 among the 34 airports.

## Rental Rates

Asking rental rates for industrial space located in study airport markets ranges from \$3.31 to \$10.20 per sq ft per year, triple net, excluding the San Diego data, which appears to be an anomaly. The average asking industrial rental rate for the study airport markets is \$6.05 per sq ft. Within three miles of Sea-Tac the rate is \$5.25 per sq ft, and in the Kent Valley this figure is \$3.84 per sq ft.

Asking rental rates for office space located in the study markets ranges from \$13.77 to \$33.91 per sq ft per year, full service, with an average rate of \$19.83 per sq ft. In the Sea-Tac market landlords are asking \$19.21 per sq ft.

## Industrial Space Proximity to Airport

A comparison of the amount of industrial space within two miles, in comparison to the amount of space within three miles of the study airports measures space proximity to the airport. On average, 40% of the industrial space located within three miles of the airports in the study markets is located within two miles of the airports. At Sea-Tac this number is 23%.

The tables that follow present the supporting data for the National Airport Real Estate Market Overview.

## Airport Land Area

### Passengers per Acre

	Land Area	Passengers	Passengers/ Acre
Atlanta - Hartsfield	3,750	76,876,128	20,500
Austin - Bergstrom	4,300	6,699,002	1,558
Baltimore - Balt/WA	3,500	19,102,529	5,458
Boston - Logan	2,400	22,696,141	9,457
Charlotte - Char/Douglas	6,000	23,597,926	3,933
Chicago - O'Hare	7,700	66,565,952	8,645
Chicago -Midway	760	17,075,965	22,468
Cincinnati - Cin/N. Ken	7,000	20,812,642	2,973
Cleveland - Clev/Hopkins, CLE	1,900	10,455,204	5,503
Columbus - Port of Col., CMH	1,850	6,741,354	3,644
Dallas/Ft. Worth	18,756	52,828,573	2,817
Denver	33,920	35,651,098	1,051
Detroit - Mtro Wayne Co.	7,200	32,477,694	4,511
Houston - Geo Bush	9,000	33,905,253	3,767
Indianapolis - Indi. Inter.	7,700	6,896,418	896
Jacksonville INT - Beeghly Heights	7,887	4,952,891	628
Kansas City	10,004	10,279,966	1,028
Los Angeles - LAX	3,563	56,223,843	15,780
Miami	3,230	30,060,241	9,307
New York - JFK	4,930	29,943,084	6,074
New York - La Guardia	680	21,986,679	32,333
New Jersey - EWR	2,027	29,202,654	14,407
Oakland - OAK	2,500	13,005,642	5,202
Philadelphia Int. - PHL	2,300	24,799,470	10,782
Phoenix - Sky Harbor	3,175	35,547,167	11,196
Pittsburg - PIT	10,000	18,027,165	1,803
Portland Int. - PDX	3,223	12,241,975	3,798
Raleigh/Durham - RDU	5,000	8,514,861	1,703
San Diego - SAN	546	14,931,854	27,348
San Francisco	6,171	31,456,422	5,097
Seattle - SEA	2,500	26,690,843	10,676
St. Louis - Lambert	2,162	25,636,114	11,858
Tampa Int. - TPA	3,300	15,494,668	4,695
WA DC - Dulles	11,000	17,075,965	1,552
Average	5,880	25,248,629	4,294
Median	3,657	22,341,410	6,110

Data Source: ACI-NA  
12/17/2003 15:03

## Airport Land Area

### Freight Volume per Acre

	Land Area	Freight Volume Tons	Freight Vol./ Acre
Atlanta - Hartsfield	3,750	734,083	196
Austin - Bergstrom	4,300	129,654	30
Baltimore - Balt/WA	3,500	251,354	72
Boston - Logan	2,400	387,960	162
Charlotte - Char/Douglas	6,000	160,237	27
Chicago - O'Hare	7,700	1,473,980	191
Chicago -Midway	760	26,309	35
Cincinnati - Cin/N. Ken	7,000	350,014	50
Cleveland - Clev/Hopkins, CLE	1,900	101,396	53
Columbus - Port of Col., CMH	1,850	10,700	6
Dallas/Ft. Worth	18,756	670,310	36
Denver	33,920	332,914	10
Detroit - Mtro Wayne Co.	7,200	232,930	32
Houston - Geo Bush	9,000	329,788	37
Indianapolis - Indi. Inter.	7,700	901,917	117
Jacksonville INT - Beeghly Heights,	7,887	68,910	9
Kansas City	10,004	135,888	14
Los Angeles - LAX	3,563	1,779,855	500
Miami	3,230	1,624,242	503
New York - JFK	4,930	1,589,648	322
New York - La Guardia	680	32,223	47
New Jersey - EWR	2,027	850,050	419
Oakland - OAK	2,500	634,643	254
Philadelphia Int. - PHL	2,300	541,039	235
Phoenix - Sky Harbor	3,175	298,945	94
Pittsburg - PIT	10,000	140,169	14
Portland Int. - PDX	3,223	245,134	76
Raleigh/Durham - RDU	5,000	100,477	20
San Diego - SAN	546	151,644	278
San Francisco	6,171	589,730	96
Seattle - SEA	2,500	374,753	150
St. Louis - Lambert	2,162	129,114	60
Tampa Int. - TPA	3,300	91,665	28
WA DC - Dulles	11,000	324,872	30
Average	5,880	464,604	79
Median	3,657	311,909	85

Data Source: ACI-NA  
12/17/2003 15:03

## Flex, Industrial & Office Space

### Space Within 3 Mile Radius

	<u>Flex</u>	<u>Industrial</u>	<u>Office</u>
Atlanta - Hartsfield	1,748,185	28,592,562	3,379,234
Austin - Bergstrom	1,091,109	1,192,864	86,498
Baltimore - Balt/WA	3,574,133	5,611,491	3,780,782
Boston - Logan	4,483,568	11,960,520	60,111,407
Charlotte - Char/Douglas	1,974,231	8,040,431	3,713,597
Chicago - O'Hare	2,289,047	52,650,145	9,280,008
Chicago -Midway	159,381	51,799,634	841,144
Cincinnati - Cin/N. Ken	525,393	14,320,983	1,094,583
Cleveland - Clev/Hopkins, CLE	746,971	20,142,730	2,240,121
Columbus - Port of Col., CMH	643,270	11,699,737	1,936,473
Dallas/Ft. Worth	2,333,363	10,239,819	3,932,192
Denver	-	115,900	-
Detroit - Mtro Wayne Co.	158,419	11,204,168	63,303
Houston - Geo Bush	-	-	-
Indianapolis - Indi. Inter.	1,158,076	16,288,723	1,014,472
Jacksonville INT - B. Heights	-	1,664,944	-
Kansas City	579,333	1,952,873	1,477,635
Los Angeles - LAX	3,711,226	18,520,218	20,834,415
Miami	4,569,171	40,918,931	11,001,588
New York - JFK	368,811	4,986,103	548,057
New York - La Guardia	1,229,506	19,962,044	4,173,953
New Jersey - EWR	461,176	52,534,947	11,360,550
Oakland - OAK	2,217,235	27,976,165	3,894,942
Philadelphia Int. - PHL	1,899,644	8,693,566	1,940,377
Phoenix - Sky Harbor	4,535,251	35,355,732	5,929,149
Pittsburg - PIT	156,006	584,871	3,021,286
Portland Int. - PDX	158,891	8,975,979	696,069
Raleigh/Durham - RDU	1,382,830	3,448,320	1,354,218
San Diego - SAN	730,254	8,027,741	17,987,371
San Francisco	3,700,183	22,939,585	7,121,477
Seattle - SEA	1,270,682	16,136,055	3,406,073
St. Louis - Lambert	434,175	13,850,111	5,886,545
Tampa Int. - TPA	2,149,384	11,984,126	14,059,819
WA DC - Dulles	3,047,480	4,529,885	9,121,292
Average	1,725,367	16,572,785	6,944,795
Median	1,270,682	11,960,520	3,713,597

Data Source: ACI-NA, Costar Inc.  
12/17/2003 15:03

## Flex and Industrial Space

Square Feet of Space Per Ton of Freight Moved  
3 Mile Radius

	<u>Flex</u>	<u>Industrial</u>
Atlanta - Hartsfield	2.4	39.0
Austin - Bergstrom	8.4	9.2
Baltimore - Balt/WA	14.2	22.3
Boston - Logan	11.6	30.8
Charlotte - Char/Douglas	12.3	50.2
Chicago - O'Hare	1.6	35.7
Chicago -Midway	6.1	1968.9
Cincinnati - Cin/N. Ken	1.5	40.9
Cleveland - Clev/Hopkins, CLE	7.4	198.7
Columbus - Port of Col., CMH	60.1	1093.4
Dallas/Ft. Worth	3.5	15.3
Denver	-	0.3
Detroit - Mtro Wayne Co.	0.7	48.1
Houston - Geo Bush	0.0	-
Indianapolis - Indi. Inter.	1.3	18.1
Jacksonville INT - Beeghly Heights, JAX	-	24.2
Kansas City	4.3	14.4
Los Angeles - LAX	2.1	10.4
Miami	2.8	25.2
New York - JFK	0.2	3.1
New York - La Guardia	38.2	619.5
New Jersey - EWR	0.5	61.8
Oakland - OAK	3.5	44.1
Philadelphia Int. - PHL	3.5	16.1
Phoenix - Sky Harbor	15.2	118.3
Pittsburg - PIT	1.1	4.2
Portland Int. - PDX	0.6	36.6
Raleigh/Durham - RDU	13.8	34.3
San Diego - SAN	4.8	52.9
San Francisco	6.3	38.9
Seattle - SEA	3.4	43.1
St. Louis - Lambert	3.4	107.3
Tampa Int. - TPA	23.4	130.7
WA DC - Dulles	9.4	13.9
Average	8.4	150.6
Median	3.5	36.6

Data Source: ACI-NA, Costar Inc.  
12/17/2003 15:03

## Asking Rental Rates

Industrial & Office Space  
3 Mile Radius

	<b>Industrial</b>	<b>Office</b>
Atlanta - Hartsfield	\$3.31	\$14.57
Austin - Bergstrom	\$4.23	-
Baltimore - Balt/WA	\$5.83	\$21.29
Boston - Logan	\$7.25	\$33.91
Charlotte - Char/Douglas	\$4.63	\$18.28
Chicago - O'Hare	\$5.36	\$23.21
Chicago -Midway	\$3.84	\$16.64
Cincinnati - Cin/N. Ken	\$3.41	\$18.30
Cleveland - Clev/Hopkins, CLE	\$3.53	\$17.09
Columbus - Port of Col., CMH	\$4.42	\$16.91
Dallas/Ft. Worth	\$4.05	\$16.55
Denver	\$10.00	-
Detroit - Mtro Wayne Co.	\$5.34	\$14.42
Houston - Geo Bush	-	-
Indianapolis - Indi. Inter.	\$4.78	\$13.95
Jacksonville INT - Beeghly Heights, JAX	\$3.48	-
Kansas City	\$4.96	\$16.11
Los Angeles - LAX	\$9.54	\$21.92
Miami	\$6.04	\$21.00
New York - JFK	\$10.20	\$22.52
New York - La Guardia	\$9.35	\$25.91
New Jersey - EWR	\$5.05	\$24.90
Oakland - OAK	\$4.85	\$20.88
Philadelphia Int. - PHL	\$4.81	\$23.63
Phoenix - Sky Harbor	\$9.95	\$18.71
Pittsburg - PIT	\$5.64	\$17.54
Portland Int. - PDX	\$4.43	\$13.77
Raleigh/Durham - RDU	\$5.49	\$16.99
San Diego - SAN	\$15.59	\$24.92
San Francisco	\$8.42	\$22.15
Seattle - SEA	\$5.27	\$19.21
St. Louis - Lambert	\$3.77	\$17.33
Tampa Int. - TPA	\$5.68	\$19.83
WA DC - Dulles	\$7.28	\$22.57
Average	\$6.05	\$19.83
Median	\$5.27	\$18.96

Data Source: Costar Inc.  
12/17/2003 15:03

## Industrial Space

Two and Three Mile Radius  
Measure of Proximity of Space to Airport

	<b>SF w/in Two Mile Radius</b>	<b>SF w/in Three Mile Radius</b>	<b>% of Total w/in 2 Miles</b>
Atlanta - Hartsfield	10,808,096	28,592,562	37.8%
Austin - Bergstrom	227,115	1,192,864	19.0%
Baltimore - Balt/WA	3,370,147	5,611,491	60.1%
Boston - Logan	3,704,417	11,960,520	31.0%
Charlotte - Char/Douglas	5,004,074	8,040,431	62.2%
Chicago - O'Hare	7,428,939	52,650,145	14.1%
Chicago -Midway	26,216,136	51,799,634	50.6%
Cincinnati - Cin/N. Ken	8,795,092	14,320,983	61.4%
Cleveland - Clev/Hopkins, CLE	14,553,536	20,142,730	72.3%
Columbus - Port of Col., CMH	8,130,902	11,699,737	69.5%
Dallas/Ft. Worth	2,050,294	10,239,819	20.0%
Denver	54,900	115,900	47.4%
Detroit - Mtro Wayne Co.	5,148,119	11,204,168	45.9%
Houston - Geo Bush	-	-	-
Indianapolis - Indi. Inter.	5,696,801	16,288,723	35.0%
Jacksonville INT - Beehly Heights, JAX	348,742	1,664,944	20.9%
Kansas City	435,371	1,952,873	22.3%
Los Angeles - LAX	10,193,340	18,520,218	55.0%
Miami	10,120,787	40,918,931	24.7%
New York - JFK	2,540,494	4,986,103	51.0%
New York - La Guardia	5,915,136	19,962,044	29.6%
New Jersey - EWR	30,258,136	52,534,947	57.6%
Oakland - OAK	5,883,429	27,976,165	21.0%
Philadelphia Int. - PHL	2,375,585	8,693,566	27.3%
Phoenix - Sky Harbor	11,962,513	35,355,732	33.8%
Pittsburg - PIT	118,900	584,871	20.3%
Portland Int. - PDX	4,110,472	8,975,979	45.8%
Raleigh/Durham - RDU	1,661,856	3,448,320	48.2%
San Diego - SAN	3,128,201	8,027,741	39.0%
San Francisco	5,754,371	22,939,585	25.1%
Seattle - SEA	3,820,555	16,136,055	23.7%
St. Louis - Lambert	10,614,099	13,850,111	76.6%
Tampa Int. - TPA	6,985,230	11,984,126	58.3%
WA DC - Dulles	1,263,727	4,529,885	27.9%
Average	6,626,652	16,572,785	40.4%
Median	5,148,119	11,960,520	37.8%

Data Source: Costar Inc.  
12/17/2003 15:07

# NEST Study Workshop

## Summary

On Friday, November 21, 2003 a workshop was held to discuss the following questions. A list of the attendees and the edited participant comments are presented on the following pages.

1. *What trends do you see that present opportunities for transportation and economic development at Sea-Tac Airport?*

- Logistics facilities adjacent to airports with dedicated or secure access to air cargo gates and free trade zones. Security will play a large role in airport planning.
- Currently a large volume of freight is trucked to other airports. There is an opportunity to capture this business and deliver more air service to Sea-Tac. Other regional airports are taking business from Sea-Tac – Moses Lake, Spokane, Portland, and Vancouver, BC.
- In business, time and distance are increasingly important, which bodes well for the airfreight business.
- Business with Asia is on the increase and Seattle is well positioned to capture this business.
- Air cargo business is expected to grow at a modest rate, following the setback created by 9/11. The largest growth is in the international segment – Mexico and Canada.
- A large local agricultural base with additional export potential.
- The creation of infrastructure that attracts new businesses.
- The development of facilities that feed the economic engine (Sea-Tac) and create new jobs.
- Products = electronics and agricultural.
- Opportunity to become a gateway to Asia.
- The airlines need to balance passenger and air cargo business – on the same flights.
- Government to play a supportive role in Sea-Tac's future.
- Build on the good development that has occurred around the Sea-Tac airport.

2. Which airports are responding well to these opportunities, and what have they done?

- Airports – Incheon, Hong Kong, Shanghai, Palmdale, Alliance, Rickenbacker, Mather, New York JFK, Newark, Los Angeles LAX, Miami, Ft. Lauderdale, Orlando, Pease, Memphis, and Sea-Tac.
  - Access between facilities is frictionless.
  - Proximity of air cargo facilities to the air field.
  - Creating value added opportunities.
  - Creating complete airport environments – air cargo to entertainment.
  - Large airport development entities driving development.
  - Removing red tape that slows development.
  - One stop logistics centers.
  - Taken advantage of office, retail, residential, and hospitality opportunities.
  - Created good highway access.
  - Provided development incentives.

3. What types of airport related real estate product(s) do you see increasing in demand? Models of off-airport development?

- Real estate product demand:

- Logistics parks.
- Big distribution boxes.
- Models:
  - Boeing spares.
  - WAMU training center.
  - Alaska Airlines headquarters.
  - IAC warehouse/distribution property located in SW SeaTac.
  - Many of the newer or converted airports have coordinated plans.
  - London's airport retail development.
  - Incheon's custom free zone.

4. What opportunities do you see for the NEST properties?

- Develop the L-shaped parcel to provide better access to freight terminals leading to better access for the NEST properties.
- Opportunity to provide road infrastructure that minimizes the impact of truck traffic.
- To create coordinated development designed to meet a specific purpose. Rather than unplanned development.
- To use properties to create economic development for the local area.

## **NEST Study Workshop Meeting Notes**

<b>Time &amp; Date:</b>	1:30 to 3:30 pm, Friday, November 21, 2003
<b>Location:</b>	Puget Sound Regional Council Headquarters 1011 Western Ave., Suite 500, Seattle, Washington Conference Room
<b>Parking Validation:</b>	When using the surface parking lot located north of the building, PSCR will provide validation.
<b>Agenda:</b>	1:30 Introductions 1:40 Begin Panel Discussion – 25 minutes per question. 3:30 End Discussion
<b>Discussion Panel:</b>	Theresa Smith, Office of the WA State. Director of Aviation Gab Schoonover, Expeditors International Steve Kiehl, Puget Sound Regional Council Keola Pang-Ching, Alaska Airlines Gary Molyneaux, King County Airport Laura Sanders, Lynden Transport Dr. Jess Browning Tom Phillips, Keiser Phillips John Faulkner, Port of Seattle & NEST Partner John Yarnish, URS, Nest Study Consultant Team Greg Easton, Property Counselors, Nest Study Consultant Team
<b>NEST Partners:</b>	Dick Loman, City of Burien Judith Kilgore, City of Des Moines Steve Butler, City of SeaTac Craig Ward, City of SeaTac Tera Van Vleet, Port of Seattle Thomas Boydell, Puget Sound Regional Council Clair Gallagher, Port of Seattle Christopher McCoy, EDC
<b>NEST Study Consultant Team:</b>	Blair Howe, GVA Kidder Mathews John Hoffman, Perteet Engineering

## Edited Workshop Notes

Our first question is: What trends do you see that present opportunities for transportation and economic development at Sea-Tac?

The acronym NEST means New Economic Strategic Triangle which combines the area around Sea-Tac airport that includes Burien and SeaTac on the north, the airport in the center, and Des Moines and SeaTac on the south. The Puget Sound Regional Council is facilitating a partnership of three jurisdictions and the Port of Seattle to create a strategic plan for the properties. The properties are shown on the map.

Are all the properties in the 65' noise contour?

They're not. Part of the properties in the north end are actually outside the 65' limit. The FAA wanted us to remove the homes for operational reasons.

Yeah, I know about the altitudes.

Yes. And I would imagine on the south end the southern end of those properties are probably outside the 65'.

What I could mention in addition to that is that there is another property right here, the "L" shaped parcel that is a key strategic component to what we will be talking about.

The goals of the project are primarily do a market analysis and estimate of development potential, and identify what are the best use options for the properties. How best to market them.

Anyone else have any preliminary questions?

About five years ago the international air cargo association had a conference and the question came up; If you want to build an air logistics facility, how close to the airport should it be, or should it be on the airport? And that question is still being bounced around in many airports around the world. But, if you go to places like Hong Kong, Incheon In China, many places where they are building new airports, you will see that they are building this type of air logistics facilities right on the airport someplace. So it seems logistics facilities and other types of compatible ancillary facilities (value added facilities or other types of service facilities) being created either right on or right adjacent to the airport. So it seems this is probably an area that we should at least give some consideration and discussion.

Having access to the airport via road? Dedicated road, not a public street?

Dedicated access road. Whether there is a security gate or not access points need to be strategically placed.

Even looking right at Sea-Tac is a good example of how you could develop it in a more.... The Boeing parts distribution facility just north of Sea-Tac is a good example. It's the type of facility you want to attract to this type of development.

We're involved in doing this right now in the Shanghai-Pudong? Airport. We're putting together a logistics park there, and we're also involved in some of the marketing aspect of the Incheon Airport Logistics Park. The key thing with an airport logistics in Incheon is they had it adjacent to the air cargo facilities, and they had a dedicated road, but there is a problem with customs. Now they are really focusing on making that access between the two facilities frictionless, so that you can travel between the AOA.... Operations area and the

logistics park without going through all kinds of security checks. That is a key thing, particularly now given the new cargo security regulations that are coming out.

They just came out 2 days ago.

Security is certainly an important trend that we should footnote. The new regulations certainly are going to change many things. The mix between freighter and belly cargo is one thing that is in question right now. What does bonded mean, and how will things be bonded and moved in bond is another thing that is in question. There are certainly a couple of key things that are happening even today that are going to change the way things work in the future.

Anchorage is to some extent building around the property, but there are access points.

You have to understand some of the dynamics in order to really understand the implications to the property development, and that is, there are a number of types of air cargo. There are the integrators, which probably most people think of air cargo in terms of the FedEx's, UPS's of the world. They are the guys who are controlling the whole process and they operate a little differently. But most of the world's cargo is moving in the belly of wide-bodied aircraft. (You have to understand that the freight forwarders role in this whole process because they are the ones picking up the cargo from the shippers, taking it to the airport, and that interaction between the freight forwarders and the carriers is one that is really in question right now from a security standpoint.)

Its key component with the new security regulations that have come out...that security from point A to point B just to get to the airport.

And proximity will be very important. There will be a premium on proximity under the new regime.

By proximity you mean direct access .....

We are still fleshing out the interpretations.

The other big important thing that everybody needs to realize is that the role of trucks in air cargo is so significant, that I can't over emphasize the importance of trucking to air cargo. A lot of stuff that you think is moving by air is moving by truck.

We truck more freight out of Portland than we fly out.

When you are looking at some of the property development issues, keep in mind the role trucks play.

You are talking about the link between. What you are talking about now is cargo that is going in the belly of airplanes.

Every airline, including international, runs dedicated trucks between points and service points that they may not serve.

Does the integrator being close to bonding have more to do with the belly cargo freight?

No, no it is the same level.

But that is one of the things in question. The problem you will have is that a lot of cargo is going to interline, that's called interline, it may get off one plane and get on another, so it may leave on a freighter, but at some point, like in Anchorage, it may then be put on a passenger plane, so unless you can guarantee that something is never going to hit a passenger plane, the security level has got to be maintained at the same level. But, there is a very strong lobby right now, and I am sure you know this, from FedEx and UPS, to treat freighter traffic different than belly traffic, because they are saying it doesn't put as many people in jeopardy.

There could be a scenario where there would be less security for freighter traffic.

Levels of trucks - with the two different carriers, integrators are going to have more variety of trucks; well I guess they are all going to have lots of trucks.

For us people who don't understand this, could you back up and talk about logistics facilities and what is happening now. Could you tell us the way it used to be and where you see it going in the future?

Well, it used to be that distance was a primary consideration, but now it is time and accessibility. It used to be that location, location, location was the primary thing to consider, but now it is accessibility. And so how many minutes away is very important, whereas in the past it was how far away you might be located.

So it is a hugely complex system.

They make decisions based on real estate prices in different areas.

Another key thought in addition to time and location, is that under the new security regime consideration of the time or distance that the cargo is out of the control of the warehouse is important. In other words, the time the cargo is in jeopardy, even though it's bonded, is important. It's still in control of one person or it is in a secured location. I think that time is going to become important - Customs is going to increasingly want to monitor the cargo from your warehouse all the way on to the plane. They are going to want to see that the cargo has a transit route that they understand, and they understand the time the cargo was traveling.

Does that mean bonded? A warehouse where someone has inspected the cargo and said it's ok? Less monitoring = less time between points.

Or the shipper loaded container. How is that container going to be secure?

Between the 2 points, because how do you get it from say, the warehouse to the airplane dock? Who is transporting that container? What happens to it between time it leaves the dock, the boarder's warehouse the shipper's warehouse? Consideration of road feeder service? City pairs in the US are served by road feeder service. This is scheduled truck service that just goes from airport to airport. And you might get a different driver every day, so how do you secure that driver.

You can't badge him.

No you can't badge the driver....

The perfect example is if you look at just Newark. Continental handles over 100,000 pounds that's trucked just from Newark to JFK facilities, daily. So there are some security measures with trucks, secure trucks.

You can see how good secured containers are. They are not very?

I just watched this video the other day. One of the things that may remedy the secured container problem is the new smart locks, a wireless lock that actually records all the activity of the container. So there are some new things coming about to solve these problems. The important point is that the further you are from where the cargo was tendered, to where the freight forwarder hands it to the airline and they sign and say we take delivery, the more uncertainty there will be, and I think the more interest customs will have, and thus more delay possible.

And that is just security. So if you are looking at product level, we moved our express product to inside the terminal because of the security on the roadway. The change has made a half hour delay – it used to be a 30 minute before departure and it has gone to an hour. I mean it's an urgent document, its medical supplies, whatever it is, you are now looking at a longer cutoff time, and that's just delivered to the airline. You could see the whole product level changing.

Let me ask a question, based on the properties to be developed, how does that relate to forecasted increases in air cargo, and how does that demand factor into what Boeing field is flying? In the future potentially Payne Field? Is there enough demand and movement in the future of air cargo that it is going to be realistic for the Port of Seattle to develop all that land?

Can I add to your question? In the Duwamish corridor, there is more acreage for sale that nobody has looked at in the last 4 years. These are 20 acre parcels. How does that compare to 400 acres up at SeaTac. What is your long term horizon in terms of development? I assume it is a long-term 20 year horizon as opposed to a short term 5 year project.

You know I think it is different, you are looking at a set of properties and each of them has unique characteristics which inhibit or make it easier to develop the properties. If you look at our real estate compared to Kent, (Kent has tons of vacancy), we all know that, the rental rates can be doubled three times as much, so what that says is there is a different demand set for what's up at the airport. International Airport Center has finally leased out their entire square footage. There is no vacancy up in the airport area, there is nothing. Kent is half vacant. So what that says is there is a completely different demand set for what's near the airport than there is in other areas of town, even the Duwamish. I think you have to treat them differently. In terms of how this relates to our longer term horizon, frankly, this region, to stay competitive in the global market, because things are going to be manufactured overseas, we need to get used to that idea. That means there has got to be distribution, and for US companies to have the advantage of being able to manufacture overseas, they are going to need site distribution facilities that can do both import and export, both deepwater and air. Seattle is so well positioned, because given the logistics of the current airplanes; you can fly direct from many of the Asian cities - directly into Seattle over flying Anchorage. I think that is a trend that is going to drive a lot of the flights here today. We are looking at these properties for, exporters and importers - companies that are actually building the product and need to export it, need to import it, need to do final packaging. These properties can be an economic benefit to the region – that is their role.

Can you address the forecast growth part of the question?

In terms of the forecast growth, the cargo will grow as regional commerce grows. There is not a cargo, a thing that grows on its own, it's related to the consumption and the export. There is a piece of it that will be through-put, that's stuff trying to get to California or Chicago, and they just use Seattle because logistics are convenient - but California, in most cases, is more convenient. There are some products going to Idaho, (Seattle's more convenient), but that part of the equation will continue to grow, and it's probably a 3.5% like

everybody grows. But what I think has potential to really grow is the product produced here and the product we actually export and import.

I'd echo that, very strongly. There are two areas where that could grow. There is manufacturing especially the "just in time" manufacturing situations, down in the southeast there are whole plants that have been built just at the end of a runway for that exact reason. The other thing to consider too is that the more lift we can get into Sea-Tac the more cargo business we will do. Currently 50%, 60% some months or 70% of our air cargo is going down the coast to ship out of LA.

So the more airlines we can get into here, the more growth we will see in cargo. We can grow by simply capturing the stuff we are sending to other airports for shipment. The benefit will be that other companies are going to feel like, logistically, Seattle is this a good place to put a plant, a thousand jobs, and all the other perks that comes with manufacturing.

And don't leave Spokane out of your equation.

The largest growth is international - either from Mexico or Canada, but I am amazed at what comes across the border and gets flown out of here. Just trucked down from Vancouver and flown out of here. Even though we have six non-stops to LA, it's amazing the LA freight that comes to Sea-Tac.

We have also heard, with a small little study we did several years ago, the a fair amount of air cargo that comes into Sea-Tac is trucked up to Blaine to be entered into the country.

Can we shift the discussion a moment? Talking about cargo. I am curious about the port's model for land management and land development. Are you going to be a real estate sales department, real estate development dept, real estate land management dept, developer, partner, what are you going to do on the land side of the equation?

I think we will do all those things. You know it will be a mix. There are certain properties that will be likely sold simply because we don't think they represent the highest potential development for us. They are just not good for us to develop. They would be better for the market to develop. There are other properties I think would be most productive to have a developer involved. More properties probably will be developed by developers because we don't have the cash necessarily to inject into those developments. The model I like, that I have recommended to my management is, if you take a parcel and develop two pads, they prove the demand for the market, they've built the tenant base and then you build out the third pad and it is very easy to fill because the tenant knows that the location works, they have seen and are aware of the product and it is much easier to develop. The utilities are in place, it has been graded, there is parking in the area, the roadway has been mitigated - everything is in place. So that third building is the gravy. And that's all in the phasing the development of the properties.

Can we hear a sound bite from each of you about the trends you think are in place that will create opportunities for the future?

The proximity discussion and how security is going to play a huge role.

I would say really quickly, one of the major trends going on in the manufacturing areas, companies are trying to figure out how are we going to survive, how are we going to keep jobs here in the US, and a big push is to go towards innovation based manufacturing, really high tech stuff, whether it be biotech, robotics, all this kind of stuff is going to feed perfectly in line with the just in time - needs to be as close to some sort of transit point as possible.

And you need the proximity to the research centers too. That is an area you can't send to third world countries because you need the research, need the scientists, need your R&D dept local in order to make that product work.

Except in some industries that is occurring. In India R&D is off the charts. Communications companies are moving so heavily into Vietnam now - they can hire a fully qualified electrical engineer for \$8 per day, not per hour, and they do exceedingly well.

Are we talking primarily about high value to weight ratio?

Yes.

The trend is to cluster things. We talked about air logistics, about just in time manufacturing, value added facilities, I think leisure facilities, banking/financial facilities, and these are trends, especially in the Incheon area where they are trying to develop things around the airport. They built a new, what they call, airport town right adjacent to the airport to help support activities.

A clustering of different service type facilities is important. We have a lot of hotels on the east side of the airport now and perhaps there is more demand for that sort of thing in other locations too. Education facilities and research?

So part of what you are saying is that developments can connect the airport to the surrounding communities.

That's correct. Because the airport retains accessibility to other parts of the world and you also need accessibility to the other parts of the community and beyond.

The international is a key too. There is more growth in international air, you are going to see very little growth domestically in air, but you are going to see a lot more growth in international air.

The impacts of manufacturing moving overseas and the free trade agreements are going to drive the need for transportation, because the goods are still going to need to get back to our market

Places like Incheon are big greenfield type sites. Is there a mass of land that is required to create the dynamic they are creating? Could this happen at Sea-Tac?

Those of us in the industry know that businesses come where airports are, airports feed businesses and vice versa - next thing you know you have a good healthy community. We have a good healthy community here, but is there enough land left to be talking about these big Incheon developments?

I think that is the difference between what you see happening over in Asia and what you see here in the US and in Europe. In the US you are seeing mostly incremental development - development by accident, it happens here, it happens over there, and pieces here, pieces there, and you look at some of our airports, and you wonder, how did anyone ever put this together. You go down to LAX and its like, gee, how did they ever figure this out; or JFK particularly, whereas over there you really have these huge entities, these huge airport authorities, that are going in there and doing sort of a consolidating development, sort of planned development, and I think you are going to see that come to the US, where you have an agency like the port of Seattle will start looking to be coordinated with all that instead of just, to be more proactive in their development, rather than just reactive. Where a lot of airports are just sitting there waiting until a third party developer comes to them or someone comes to them and asks if they can build on a piece of property.

You are going to start looking and seeing something just like this starting to occur, you are going to see these businesses being franchised out. You see a lot of franchising of cargo facilities. Large cargo terminal operators, like in Hong Kong and in Shanghai, where they are developing these one-stop logistic centers – that is the trend.

In Palmdale there is a 17,000 acre airport development.

There are 3 new airports being planned for southern Nevada and southeast Utah, that are going to be these large entities, and so the supply of airports and all the military bases that have come on line in California. The supply of airports is increasing, believe it or not in terms of the amount of land available, but they don't have the things that Sea-Tac or LAX have. How much land is enough to generate this type of activity and at what point do you start becoming landlocked. Some of the services have to move off, and when they move off it becomes less attractive. This is really the issue as I see it.

In Seattle there are a couple answers to that. The first is compared to some of these other airports coming online; the advantage to Seattle is that you can't reach those airports with current aircraft. I don't even think you can reach California with the types of load factors we are talking about being available to reach Seattle. You are going to be able to bring in that plane more economically, and if you look at the flight time too you can do it with one crew, which is key because additional crews add cost. But the other key is we have a deep water port, so if you are a company trying to site your logistics, you have got some stuff coming in on the water and some coming in the air, you don't want two separate facilities, or at least I think in the future you are not going to, because you want smarter logistics, and so what you do is co-locate, and you can't do it in Nevada, and in addition to that, California is going to have increasingly difficult surface transportation, that is going to choke that place eventually, if it doesn't choke us first. So you know those are some of the dynamics and the real estate costs are much higher down there too, but then in addition to that, sort of the second parts of your question, you already have some of that land mass working today. You have got Boeing spares – a perfect example of what we are trying to do. Alaska flight center is another perfect example of an educational institution - people coming from all over the world to learn how to fly airplanes right here. The same thing applies with the Washington Mutual corporate center. You have already got the prototypes for the types of things we are talking about here today, it is just continuing phase two of that type of development.

I agree with that. We have a lot of these things that are already clustered together, but they are not integrated. And how we integrate is the question.

This may be an optimistic view - in terms of direct flights coming from Asia to Seattle. I still see Anchorage playing a key role for the next 20 years as the primary technical stop. It depends on what Anchorage does, you know they are starting to develop this sort of process themselves, and they have already gone from just pure gas and go. I don't know if most people realize it, but in terms of air cargo Anchorage is a major stop. Almost every cargo airplane that comes over stops in Anchorage, and they get over 600 wide body freighters a week stopping. During the west coast dock workers strike they had over 800 to 900 wide body freighters a week stopping. I see for the next 20 years or so, given the type of aircraft that are in the fleet mix right now, Seattle does have the opportunity to build its own niche in there, and can develop business out of that, if they focus in the right direction and go after this type of development. I think that this is just the reason that there needs to be focus - otherwise we're going to take it somewhere else. We are working with airports all over the country to develop their air freight service by focusing on this type of activity.

You can bring 5 or 6 planes from different points in North America - switch containers between the planes and send the planes to Asia. That is not going to change. You are still going to Anchorage.

Even if that did change, it is not going to change here.

Attracting business from Anchorage will result in what we have today. China Airlines flies direct services and does not stop in Anchorage. China Eastern does not stop in Anchorage. What you begin to do is develop first stop markets where that plane stops in Seattle and goes on to New York or to Chicago - what you want is a first stop market where the delivery time is very quick to a Mainland China.

The more international, point to point, the more you can develop these properties that are going to attract these new airlines, or increasing the number of flights with current airlines.

I strongly disagree. I think the major event that is the 7e7 site selection. I have been working on a Boeing project for year and a half and they are going to change the dynamic of what is being hauled in air freight. They are talking about entire wing sections; they are talking about a space shuttle approach.

They are looking now at developing a fleet for this purpose. I think as you see different larger things delivered in air freight and being cost effective at the same time, I think you are going to see the nature of that change.

Listening to these trends and especially what is being done internationally, are we going to start looking at close by, but separate landing fields for cargo and passengers.

I don't think we could ever do anything like Incheon. We are too far in the other direction. We have environmental controls, traffic, an endless list of things - I don't mean to sound pessimistic, but as somebody in City government, it doesn't matter a whole lot what is happening in Incheon.

You are not going to get hundreds of cargo flights here - but I think getting more of those international flights. Not a ton of them.

There is land here. Yeah Incheon was a master planned airport, but you still have an opportunity to do it in an area like this.

How much land do you have to have a critical mass? Does it have to be contiguous?

You can see it's not.

Is there enough land?

It needs to be organizationally, functionally contiguous, but not physically contiguous, there is a big difference.

I just heard someone ask just how much land are we talking about, and we have some figures. There is a large parcel on the south end, about 85 acres, and primary development part of it is about 55 acres. Is that correct?

That's about 116 developable.

North end - the L shaped parcel here which we think we can connect via arterial to this 55 acre parcel and then we have this large group of properties that have not been consolidated yet, but they are in Burien's NE Special Planning Area and total 164 acres, so altogether we have about 400-450 developable acres at this point.

To answer your question though, you're not competing so much with Incheon, as you are on the other end of the supply chain, so frankly that is your partner, and for a long time we even talked about it having partnerships with some of these Asian gateways. We could develop some synergies. So the more efficient they are the better off we are, and in the US I don't think you will get there. I don't think any airport will ever develop that kind of vision and be able to cram it into their postage stamp footprint and then somehow get everybody to agreed with, get it permitted and built.

If you look at the number one product exported out of the state of Washington last year ranked by weight? It was agricultural products.

You have the 6<sup>th</sup> largest agricultural growing area in the Yakima Valley.

The 2001 statistics show all import and export air cargo looked like electronics.

The biggest issue here is environmental - developing the land and the resulting truck traffic on the streets - generating stuff. So I guess the improvement in the roads is going to be a big factor.

Knowing what you know about Sea-Tac airport and transportation system around it, what changes do you think need to be made?

It is just the basic access. A lot of this is not going to start right away so that you have all your current manufacturing base or distribution that needs to get to and from the airport, and then obviously any new development that will add to the transportation needs.

Should there be attention to circulation around the airport dedicated to trucks?

It won't happen because the costs are too astronomical.

How does the freight move from the Boeing parts facility today to the airport? Does it go on public streets?

It certainly does. We had a really interesting presentation down at Boeing, September 4, and they told us about their regional logistics, and for example a wing section gets built in Frederickson, gets put on a truck that has 3 sections in it, that is 127 feet long, and they have to get that up to Renton or to Payne Field, and they have to use I-405 because they can't get under the Convention Center, so there is logistics like that that are really crucial for a company like Boeing to even function in the region.

It is all by truck and by different forwarders, by different companies.

That is the interesting thing. It is just hodgepodge.

Boeing doesn't arrange any surface transportation - they will tell you when it will be available at their dock, then you have to figure out how to get it to the receiver.

The cost of delay in that is huge. The engine that leaves Boeing Field to Everett that doesn't meet its time slot on production line costs \$10,000 per day to sit there, or to reschedule.

A plane on the ground waiting for a part is \$100,000 per hour.

Do you know if any of the properties have direct aircraft access to the airfield?

L-shaped parcel is what is been in discussed. The port has considered building a bridge across 518, with direct access to the perimeter of the airport. You could conceivably have one kind of truck coming in one end of the facility and a different size truck shooting out the other side with direct access onto the airfield. That property would be unique, but ideally you might want to create more properties like it.

The security plan is what is going to be increasingly challenging. Today we have thousands of badged people who work and operate vehicles on the airfield. If we had tenant on the 55 acre parcel that needed access directly to the airfield via truck, we would probably allow it, because the flight kitchens are doing it already.

Do you see security as something that hurts your development prospects?

Given the postage stamp size of the airport, we have to do it. I would not seek to extract any kind of economic premium for that, because I think you will get it in rent. If you own the property, the rents will command a premium, because there is access to the airfield. I don't think we have a choice, especially as we develop increased passenger facilities on the footprint and demolish or relocate existing structures.

I don't know why Burien keeps beating their head against Sea-Tac. Burien could take and develop its property into the Burien logistics park and you could generate so much revenue for the City.

Let me respond to that for one second. We have got this 160 acres, we would plan the heck out of it, we have got all kinds of environmental impact statements done, we have a pro-economic growth city council, everyone in town is extremely interested in seeing something happen, not only in our internal process, but in all the NEST process so we can all rest a little easier in terms of diversifying the economy and creating a broader tax base. Now having said all that, there needs to be a lot more regional cooperation in terms of making it happen. You guys are sitting here talking about all this truck traffic, now this guy has thousands of people waiting in SeaTac with shotguns for the first truck to move through their neighborhood. Lets start looking at all these requirements in terms of various constituencies, and believe me, it is complicated. Everyone wants something different out of the properties. Some of them are wish list type things, an assembly plant for flying saucers, etc.

Literally this is a cooperative venture to try to find out what are the best uses for the properties. So in many respects we have kind of crossed that threshold, now what we want to see is what is realistic.

We could use about \$30million in Burien to make this happen. And that is another thing without sounding facetious, you're talking about international airports, even in other states, I mean if you look at other states and how they develop land around their airport, we are back in the 1890's, literally. As far as Asia is concerned, somebody picks up a phone, makes a call, and it happens. I'll bet, there isn't an environmental impact statement that is required in Incheon.

One of our tasks is to select airport in the US that are good models and have elements that are viewed as successful and that work well. Could you please comment on what you are seeing in other US airports - things that you wish were part of Sea-Tac.

I would say Alliance in Texas, Rickenbacker in Columbus, Ohio. They are completely different places, if you look at them as an airport, they don't look at all like Sea-Tac, they have ten times the land area, but there are some really interesting things going on there in terms of third party logistics and manufacturing and foreign trade zones and all the kinds of things that you can kind of pick and choose from those places and find elements that I think might be successful here. So those are places.

At Columbus, OH's Rickenbacker, distribution is remarkable. It has built itself into a giant.

They originally were a separate entity from Port of Columbus. They are currently owned by Port of Columbus.

These airports are a little bit different, a different model. Rickenbacker's things is that they already had some international service, and a big charter operation, running FedEx every night. They are making most of their revenues by developing the land with logistics providers, freight forwarders, value added type companies. Alliance is the same thing, Alliance is not a big cargo airport, there is not that much cargo coming out of Alliance, but what they have done, is create a development park and develop a runway as an attraction to bring in business and corporate headquarters. There is a lot of surface distribution there too; UPS has a big rail and truck center. They don't use the runway at all. FedEx is using some of the runways, as sort of an overflow for Memphis, but it's not really a big air cargo generator.

And Pease? Development is doing that too, they have a 2,000 acre business park, and no one uses the runway.

You have a situation like Mather Air force base. There was a policy decision made in the community that passengers would go to Sacramento international and cargo will go to Mather. Now another key aspect of all these developments, particularly with Alliance, is they all have prime developers; they were comprehensively developed from a geographic point of view, but also from a developer's point of view. In southern California, a group is positioning themselves at San Bernardino. They are doing something very interesting in Ontario right now; they are working with a private landowner to develop land into a logistics park. You have the Sterling Group who is developing Victorville, California Logistics Park. Big developers are coming in, tracking not just air cargo, but all types of industry.

I think the common thread through all these airports is land mass. They have more developable land mass in proximity to expensive areas and heavy populations. They have runways. If you look at southern California, Victorville in the LA basin, they have almost no activity and lots of airplanes sitting on the ground.

Santa Rosa is doing the same thing, a huge business park that they hope to translate that into activity at the airport.

I think the second thing is that most of these are owned by an entity with a regional focus and supporting policy.

From a real estate perspective Sea-Tac is a suburban environment. The airports that are being discussed are rural.

I think you may want to look at one rural airport. Another one you might look at is Boston. Just because they have a very urban environment and limited land mass. They don't have much land and I don't know what relevance it would have.

What types of things would we look for at these airports?

I posed this question to my VP of Air Cargo and keep in mind he is very cynical. I said hey which airports responded well to these opportunities for development and he goes, none of them. I said, give me something here. He actually said JFK and LA. They are not doing a great job but the thing they are doing that is good is that they are separating the cargo and passenger operations, giving focused operations. I think that is exactly the opportunity you have here to have these cargo sorting facilities.

What do you mean? Separate facilities or separating the cargo activity to a different airport?

Most of the cargo is in the belly. At the LA airport system, 70% of all our cargo now goes freighter and that is the trend.

Question is will that trend continue and how long will it continue. What does it say about how you deal with it, how you can separate it from the passenger side of things?

I don't believe the 70% number for LA.

The commonality you are seeing in airports is that they are using third party developers. They are developing comprehensive integrated facilities.

Mixed use?

You just need coordinated development rather than discrete individual development.

The different parcels and how they might fit?

We had AMB and Trammel Crow come it a couple years ago to look at our properties and do something similar to what we are doing today. The outcome of that meeting was that it is smart to build product that is releasable. In other words you need to build standardized box facilities that can be used multiple times for many different things. Consider those uses as mixed and don't be focused on a specific tenant. Some tenants are going to anchor certain areas. You are going to want another Boeing Spares or a tenant like them. Let the market figure it out. It may need different uses you weren't anticipating. Design spaces to accommodate many uses.

Extend that to the site itself. Not only the box.

Basically you need to be out managing the pad. Accommodating a few anchors.

Will the current security regulations continue? The new rules are unknown. Will the individuals who own 767 and 757s have to screen themselves to get on their own planes?

The Port could maintain security as a development incentive. It will maintain the security screen that regulates the flow of air cargo.

I think we can accomplish both. These properties in particular are not envisioned to have a secure link. A secure link would probably be provided by the vehicles - in other words you would be bonding most of the things coming out. As it relates to the L shape parcel, we would maintain security around that facility because will have a gate, and we will always maintain the gates. There are ten active gates now. We will always maintain those. It will be our screener out there. .

We need to identify three airports to study. One of them will be in a rural environment.

I think LA is not a bad example. They are big and they have a huge consumer market. They have done a lot of good things. It was mentioned that the air cargo was separate from the passengers. You don't see trucks mixing with cars. The air cargo operations are to the east of the airport – this is a good example. And JFK was mentioned too.

Doesn't DFW have a pretty big business park? Yes.

Houston just developed a big air cargo complex. You are starting to see a trend of developing these complexes that are aggregating the different cargo facilities. Before you get too much into that, we are talking more in terms of best practices of airports and separating cargo from non-cargo, etc. Looking more at the development side I think in a situation like Sea-Tac, where you already have significant air service and international air service, looking at someone who can stand outside and attract companies that can take advantage of the service that is at Sea-Tac. You want to be able to sell the advantages of Sea-Tac based on its air cargo service. Look for companies that you can leverage off that service and that will help build more service for Sea-Tac.

We are talking about air cargo centers, when we looked at the properties several years ago, we envisioned trying to bring in some of the actual shippers and recipients to be in these areas to take advantage of the air cargo services at the airport. So imagine another Boeing spares - not necessarily the forwarders. But their will be freight forwarders. You are talking about a mixed use, both shippers, recipients, and freight forwarders in the same area. It's not just the air cargo that makes successful parks.

While we are talking about that, I understand your point on complexes. I am starting to get an air cargo complex.

We have described it for a long time as the low hanging fruit. We have known for years that we can get it, the trick is there is limited land base, and if we give it up, if the Port gives it up to just air cargo, then there is an opportunity cost. The WAMU training center is an example. It has pros and cons. They are located there because they wanted to be 5 minutes from the terminal. A 5-minute cab ride. That is why they located in Sea-Tac. Their entire corporate training center is here. That is an example of other uses. Non-profit corporation headquarters is another one that has been pointed out. These are the examples of airports that we ought to seek... the non air cargo uses.

Keep in mind there are constraints layered on the properties. The properties are in flight paths, and there can't be overnight stayers. Hotels, corporate training centers that have sleeping facilities, those are not possible. There are the Towers next to an airport in Chicago. A great place for class A office space, however, we're going to be height restricted on all the properties. When you layer, you have to look at the properties in the light of the restrictions.

There is a built-in conflict of interest here that can't be solved because you are looking at this land around Sea-Tac as contiguous to the airport and best used for aviation, and anything that can increase air service. Increasing air service, particularly international air service is going to increase the value of Sea-Tac as an international logistics trade distribution center.

Sea-Tac and the entire region.

Imports and exports are how the Northwest survives.

It has go to. There is nothing else here. You are not going to be the next car manufacturing hub like Detroit once was. If you look at how cities made their fame, Miami is probably the best parallel that I can see because Miami is the trade hub for South America and the trade hubs have not been established for China and Korea, and that is the opportunity.

Showing chart. Amount of manufacturing firms within a metropolitan area, the value of those firms, and it correlates directly with the amount of air cargo, with a few exceptions.

Miami has very few manufacturing firms and low value of total sales revenue of those firms, and yet has developed a strong air hub, because it is a primary gateway from South America. It is more cultural ties than it is anything else. They are not generating a lot of product there and they are really a distribution point for trade between Latin America, North America, and Europe. To me that is the model Sea-Tac needs to aspire to - being the gateway, the first stop market, for Asian carriers coming into North America. You are not going to make that happen on the value of the manufacturing processes that are taking place here or the local consumption, it will be the value added processes and the logistics distribution processes that are available.

Miami and Alliance have other facilities; they don't have other runways that can handle the same type of aircraft. Because Boeing Field and Payne Field and Sea-Tac can all handle the same aircraft. Is there so much demand that you know that you will be able to respond to a variable market? Who is to say that Alaska is going to say it's going to be cheaper for us to operate at Boeing Field, or if there is going to be this deepwater port going into Boeing field?

Miami is full of facilities. Ft Lauderdale. Florida is jam-packed. If you want to talk about long runway, and look at the hot spot, you have Orlando and Sanford.

Not Florida, but Miami.

Payne Field adds to the attractiveness of the region. Payne Field to me is the biggest crime being perpetrated in the region. Not developing a commercial service airport at Payne is hindering the growth of this region. It is the answer to this third runway, or this alternative runway.

What additional development might be out there beside air cargo? I guess that goes back to the other question I have. How much air cargo will this region actually have that wouldn't necessarily be at the other airports?

When you say other airport, do you mean local airports?

I am talking Boeing and Payne. Is Boeing Field potentially developing as a critical cargo market?

They don't have the space.

They have 614 acres, of which 14 are available. They are all height restricted.

They can't even get the tail of any more 747's in there.

So what you are saying is that Boeing Field is not a viable option because it does not add capacity to the system for air cargo.

With smaller planes it could potentially. You could probably fit more Cessna's and other smaller airplanes.

So as a hypothetical, if for some reason Boeing made some changes.

Boeing Company?

At Boeing/Payne Field.

The Boeing Company.

That is a different question.

If you have available capacity.

Let me put it another way, if land were the only issue, Payne Field would be overrun. It has 1,800 acres of land and 9,700 foot runway. Nobody is rushing to Payne Field. Is Boeing rushing to Payne Field or not?

The reason is because Snohomish county council doesn't think that airports are economic engines.

So it is a political problem.

Yes and no.

There are no actual legal agreements in place banning commercial service at Payne Field.

And it can't be. It is not legal.

I know there is the perception out there, the perception of what is called "the local agreement" between nine communities. I have looked for it for 5 years. I can't find that famous agreement anywhere.

I have a copy. It is not signed.

You hit it on the head. Miami is a gateway for a lot of passenger flights and hence cargo flights.

It is not economically viable to separate cargo and passenger flights. Except integrators.

Horizon has talked about it, but you are not going to separate connecting passengers.

What I hear you saying is that....we are talking freight, freight, and freight. And I think what you guys all are saying are that freight tags onto passengers, which are key. Passengers, they create a lot of other uses that I think you are talking about. Is that right?

Look at Northwest. They run the freight through once or twice per week, they are not going to separate and drop a 747 at Payne Field when their employees are at Sea-Tac.

No, that will happen. That is what has happened in southern California. An airline has now separated out their freight operations from their passenger operations.

It is not going to happen en masse, because 70% of the world's freight is generated by freight forwarders and is going belly.

Ontario has UPS's main facility.  
California is a weird bird.

We spent two years trying to find our own leased space for cargo facility. And third largest in terms of volume and some months its close to Anchorage.

They can't open up anymore space at LAX for cargo. It is closed. So they have to go elsewhere.

One time you told me passengers are key. They are where the money is?

Yes. They are.

Wide body passenger planes are going to be the draw for freight forwarders. They need lots of planes going lots of different places, lots of different times. They are buying space wholesale from the carriers, and selling it retail to the shippers.

Broader than that, what I have told him is when one passenger walks through the door they bring \$4.50. They bring \$8 in concessions and parking?

Hotel rooms and office space?

When you get done with that passenger, they have paid for most of the infrastructure at the airport. So the cargo wants to go there because they can't pay all the bills without passengers. The infrastructure is already there, so the airlines want the cargo there because they use that to offset expenses. And the cargo wants to be there because they take advantage of the runway and things like that. So that is why there is so much symmetry. If you look over the last 10 years, the airlines profits in any year have never exceeded their cargo revenue. That gives you an idea. I think that is true of every single US carrier.

That is US carrier. For US carriers cargo is 5 to 7% total revenues, but when you go to Asia it is 35 to 50%.

If you look at the Asian model, and we have got it right now. They speculate on routes to get the cargo market started because that is the profitability. They wait 3 or 4 years until that market is good and established, and then they replace that freighter with a passenger plane. That is the process. They build profit first, bring the passenger, layer it on top, and now they have got their passenger service supplemented with freight.

How about the cruise ship business? Is that going to have an impact on the air passengers at Sea-Tac? Is it projected to grow?

I think it will, but you are talking about a business that happens 3 months of the year, and it is not a major piece. The cruise ship passenger average yield to the airline is exceptionally low, because they are coming in on package deals. Maybe \$100 to \$150 airfare from the east coast. So in terms of yield and how much the airlines are willing accommodate, the economics are difficult.

Miami is a major commerce center. So much going on there.

All the American companies that have their South American headquarters down there, the amount of commerce that is derived from that relationship is amazing.

Could we agree on the three airports?

I can't think of three can look at, Memphis because they have developed like Sea-Tac. It has lots of development around it, but Memphis is unique because of FedEx.

Companies locate next to FedEx to generate more business with FedEx. Like computer repair people. You can bring something in early, work on it all day long, and put it out at night and get it returned in one day. Again they have so many planes going to so many destinations. Look for vacant properties in the vicinity of FedEx to develop.

I can't think of one airport, they all have lessons, I can't think of three that you would say this is what we want to copy.

How about the airport that is fun to go to. A great community?

I don't know much about Minnesota. Northwest has a lot of stuff up there. Do they own a business park?

No. They just redid the whole airport and they moved all the cargo. But they don't do that much cargo in Minneapolis.

If we could move the last bit of the conversation to the properties themselves. Let's talk about what we should do with them. What would you want there for your business?

I would recommend the Port identify buildings pads and manage the infrastructure to the pads. Let the marketplace play the role.

I agree with that 100%. I want to ask the guys that are doing this everyday. How do you view the sites?

A mixed use facility, where you are not worried about height, noise, etc. A big warehouse with good bay doors where you can do either some light assembly or manufacturing or high tech stuff along those lines. That will probably be the minority, right? Then the other stuff is going to be warehousing and distribution for the inbound stuff coming from Asia. With the exception of manufacturing, where you will sometimes have more specialized needs, you can kind of put those in big boxes that aren't too tall.

Cost per square foot?

Look at of the new warehousing and distribution systems like Costco's.

Distribution, light assembly, value added. Freight forwarders are now trying to change their model from just arbitragers of airport belly space to some sort of value added. They are looking for value added opportunities.

So this plays in a little to the notion that we have huge amounts of space in the Kent Valley that's really inexpensive. We have opportunities near the airport. All things being equal, would people in your business prefer to be in the Kent Valley?

Yes and no. I think it depends on what you are moving. If you are moving stuff in from the seaport, which is the majority of what is going on now, it doesn't really matter. So you need to be in a certain industry or have a certain niche that does matter to be by the airport. UPS built their huge facility down in Auburn, nowhere near the airport, because they wanted trucks to be able to get in and out easily, to move the container freight.

FedEx...down in Chehalis?

That is about as far away from the airport as you can get. A big reason for that is, the cost is obviously a big one, but also the access to buildings for trucks to get in and out, not getting stuck in commuter traffic.

Much of that location was based on travel time to Portland.

That is why you will see a place like Spokane start to develop, because already they do a lot of transportation there, you get an aircraft coming in from Portland, Boise, Great Falls, Vancouver, all coming into Spokane where they can all switch cargo and take off to different places.

According to an article in US Aviation Weekly Space Technology in September, a lot of third party development going on now. It used to be that airports and airlines did all the development now that has shifted to one-third, one-third, one-third. Private investors come in and identify a piece of property and lease it for 30 to 50 years, then develop it. I think that is something that should be kept on the table because that's the market. These guys are looking for the choke points of the supply chain, and this is where the choke point is.

If you look at what AMB has done, they have bought nearly everything from down near the Duwamish, all the way up to the backside of Tukwila down there off of Interurban, all the way up to the airport, and they have bought almost all the cargo buildings at the airport, we just got a request to sign one of the last few leases we have up there. And that is exactly what they are doing. They are speculating on the choke point in the link in the supply chain.

There is another one that does off airport distribution all over the world. So they should be involved in this in some way I would think just to get an idea of what there market is.

One of the things we have talked about is export market in terms of balance a load. It lowers the transportation costs for the consumers. To the extent that you provide good logistics, last stop out logistics, Seattle is logical export location. So, if you want to underwrite regional economic growth, it is important look at the export market and try to develop logistics to meet the need. Demand for the inbound.

That is a real key thing. If you want to bring people in here you need to have stuff for them to take out.

Right. You can.

Just a few minutes left other questions?

Public financing? Is it going to be available?

We have the ability to offer, through special facility bonds - tax advantaged financing. It is a possibility. I would like to see it. I think it is important, if you want to make something happen.

Specific to the Burien properties. Am I hearing from this discussion that we should just create one big business park?

Yeah. I would look at doing it as a coordinated development. Planned development with activities related to air cargo. That is the only option.

The important thing is to create a logistic type park.

It strikes me that looking at the Burien properties geographically; they have most access to the cargo gates. Does it make sense to take the northern properties and really focus on tying them to the airfreight market?

Don't rush to development, you have an amazing asset and the worse thing you can do is rush to get a few bucks. Don't put in the wrong kind of development.

Cheap industrial park, cheap warehousing as opposed to structured warehousing that meets the dynamic of what the industry needs.

Here is another key component of this whole concept. A lot of these parks you are seeking in Incheon, Singapore, etc. They are usually also custom free zones. That is a key component.

We have FTZ that is not assigned so we could activate it on these properties. Possibly 1200 acres.

Incentives and enterprise zones can do to help business. Why would business go here rather than somewhere else? Coordinated development, one stop security service, infrastructure and communications.

I would offer the infrastructure and let them develop. You want to provide something like a planned industrial park. They can come in here without having to worry about these other issues.

It is a good location because it is close to zoned property, zoned commercial and industrial...spillover into areas that are zoned.

Pretty good highway access.

Yes.

So it needs good access.

As it pertains to the development cycle, it is advantageous to phase the projects.

You are going to need ten years to develop this amount of property.

The key thing is point of access, a single point of ingress and egress, sort of a gated park, has control over it, you don't want to develop them as individual parcels. My message is that is all needs to be related.

Ontario has some of that, that is nice.

Could you in theory take the Burien piece, slap a fence around it, and make it secure?

It is not contiguous to Sea-Tac airport, but it is so close, if you create a secure environment, then all of a sudden you create value.

Off top of my head I would say yes...

You want to get the value for it, you want jobs, boxes sitting in warehouses, but you got to create an advantage to make that market attractive...20 year uses for the airport, if you market and position it ...20 years down the road, you create an economic development that really has a future of value.

What also works for a lot of Asian countries is because they have a lot of onerous laws within the country, they create these zones where they can avoid a lot of arcane and bureaucracy.

How it works: Moses Lake has a couple of those, it is very impressive. A company who is putting all their North American logistics here, then they can go to Canada without passing through customs. You bring it in, the Canadian stuff goes over to that part of the warehouse and then to Canada. Its bonded and passes customs. The other thing you can do is if you add 50% of the value to the product, it becomes a US made product. Components and the assembly add 50% of the value, boom, American made product.

Is that what it means when it says imported and US made?

I don't know.

I have had two different people come to me and say they really want to build out something near the airport. One of them is an air cargo operation, I won't mention the name, and the other is a client unknown, so they are being discreet about who they are and what they want to do. But the reason they came to us is that they talked to the Port and they don't want to lease, they want to own the land. That is a critical function to them. How prevalent is that? Is that really an issue we should be planning for and can privately owned land acquired and built on versus lease land that the Port owns.

I wouldn't sell it to them.

There are available parcels by 200<sup>th</sup> and Des Moines Memorial drive. All private ownership. The Port doesn't own the land. They are small lots and that can be assembled. A good part of the area that Burien has is in small single property lots that can be assembled. All three cities I am sure would love the Port to spin off their properties

Well I think that will happen in some cases.

It could, we just haven't seen it yet, but someday it might.

How important is that? To have land in fee simple ownership that firms can acquire and build upon versus lease?

I think it is very important. The ability to have that as an option gives you much more to sell.

When the 800 pound guerilla comes along, there will be the right political pressure that will make it happen. The development I am thinking of is another Boeing spares? We sold property to them years ago. I think you may have to. When a user goes to the commission and tells them what they want to do, it just happens. If there are major distribution facilities, major corporate investments, and things like that, I think it is likely that some of this property could exchange hands.

Are there any significant tax implications for one type of business versus your type of business that would affect that buy vs. lease decision?

I know at Sea-Tac, the landing strip, I don't know much about our facilities, but I know which is owned which is leased, I know the landing fees are a big factor, how many gates do we have?

Most carrier that we deal with, don't want to own the facilities. They want to have third party developers.

We'll almost never buy. I think we may have 2 or 3 out of 50 offices in the US that we actually bought the site.

How long of lease terms?

Usually 5 years.

We're not in the cargo business, but we won't buy. It has to do with accounting issues.

Who is carrying what on their books, corporate pays this, we pay that, and the expansion and contraction is an issue.

It changes as the tax laws change.

It will also change with the amount of investment.

Leases are usually 30 years.

Almost all have escape clauses.

I was working on a land deal with a third party developer, and he has a 40 year master lease commitment and he is having a hard time getting tenants to commit to more than five years.

When the market starts heading up it switches.

PEASE has 2000 acres. It's where Pan Am has reincarnated itself. They have the old military facility where Pan Am is starting to fly. The interesting thing is they have 2000 acres and they have begun developing this business park to attract a lot of high tech and R&D. It is a very impressive business park, impressive tenant list; they are trying to develop that around the airport for economic development.

Final question on airports. Are there 2 or 3 airports that are positioned to take trade away from this region?

Yes.

Spokane, Anchorage.

Spokane is going to try.

What should we learn from that?

The way they market things is different. Spokane or Moses Lake has land, cheap rents, and that is what they are marketing. They are marketing to a different market, in a different fashion. I just don't see them as comparable.

I think Vancouver is probably our biggest competitor right now. (Vancouver, BC.)

Does the regional or federal government up there play a bigger role?

Yeah. You look at Anchorage and they have really that card. They have attached projects to the FAA reauthorization bill including a new air cargo expansion regulation that will allow international flag carriers

to pick up at one point in the US and take it to Anchorage where it can then be transferred to another American or foreign flag carrier.

It is all approved. The only thing holding it up right now is the contract tower issue. Fed regulations can you work that will give airports advantages. That is something Anchorage has been far and above anybody else in the country.

Ted Stevens is famous for attaching things to bills.

Helping Vancouver take bids away from Seattle?

Everyone is looking for the low hanging fruit that is getting pushed out at Sea-Tac. Everybody else is trying desperately to be first in line take the business. Moses Lake is marketing anything that moves.

At Sea-Tac we are actually letting business be taken away.

I think there is an interpretation I have heard that no matter what Sea-Tac does, they still have only 300 acres of marketable land they can develop. There is probably five to twelve hundred thousand acres worth of development out there looking for a home. There is a sentiment that Sea-Tac can have whatever it wants, and the others can have the leftover crumbs.

Moses Lake flies in twice a year to have lunch with us to find out what we don't want. And they will take it. They had me out there for a week.

Portland's parking fees were set by policy at less than Sea-Tac's? Is that still the case?

Their landing fee has actually drifted above ours. But we are getting about to surpass theirs.

Right now, we have more planned and zoned industrial commercial land than I have ever seen.

# Model Airport Real Estate Markets

## Introduction

When thinking about the Sea-Tac Airport real estate market, it is instructive to examine other airport real estate markets that function well and that are positioned to capitalize on future trends. Airport real estate markets can be categorized by the characteristics of the environments in which they are located; rural, suburban or urban.

Examples of rural airports are Pease located in New Hampshire, Rickenbacker in Ohio, Mather in Northern California, and Denver International. Local examples include Moses Lake and Spokane. The land supply in these areas is, in some cases, almost unlimited, and often existing improvements include surplus facilities that are unused and are offered at very low rates. Denver International Airport and the new Incheon International Airport located in Yongjong, Korea offered the opportunity to plan unencumbered by existing demands on the land, allowing for the freedom to design the ideal airport.

Suburban airports are often older facilities located in areas that were rural at the time they were conceived. Examples of suburban airports are Sea-Tac, San Francisco, Los Angeles International, and Dulles in Washington DC. In the time that has elapsed since these airports were constructed, land use in close proximity has intensified creating greater demand on supply, driving land values upward. The highest and best use for land adjacent to suburban airports is often surface parking or residential development. These uses drive up the cost for land to the extent healthy airport operations, such as airplane maintenance, airfreight or logistics facilities, are impacted negatively.

Land use in urban airport real estate markets is the most intense and land values are high in relation to their suburban and rural counterparts. Domestic examples of urban airports are Logan in Boston, Chicago's O'Hare, and San Diego International markets. The urban airports often serve the passenger markets well, however, airfreight operations are more expensive and less efficient. The largest segment of the airline industry depends on a balance of passenger and airfreight business to operate profitably. In the urban environment, airfreight facilities are priced out of the real estate market and the balance between passengers and airfreight is upset. The effect is growth at urban airports is hampered.

## People Oriented Airport Real Estate

In June of 2003 Chris Duerksen of Clarion and Franco Eleuteri of AECOM made a presentation to the City of SeaTac named "Ready for Takeoff? Economic Development and The 21<sup>st</sup> Century Airport." The presentation suggested that the airport of the future is a transportation hub and city offering a complete range of services to residents and visitors. The transportation hub serves passengers, residents, airfreight, and airport related industrial functions. The hub is also place where people want to be and includes high image office, retail, hospitality, entertainment, and residential elements.

The new Incheon International Airport, located in a sparsely populated rural Korea is sited as a model "21<sup>st</sup> Century Airport". Its development plan calls for the integration of people by providing leisure, recreation, residential, service, and institutional facilities adjacent to the airport. The other often sited example is Pease

Airport in New Hampshire. Formerly an air force base, it now functions primarily to serve airfreight businesses and limited passenger service. As would be expected the airport real estate market consists of on-airport and off-airport freight facilities. The area around the airport is characterized by attractive new, people oriented, facilities including office buildings, golf courses and hotels. The historic seaport City of Portsmouth, which is within close proximity to the airport, is a very attractive place to live, work and visit. According to Chamber of Commerce information, the UTNE Reader named the community in its lineup of the 50 "most enlightened cities" in the country. Money Magazine rated Portsmouth one of the five best places to live in the country.

The Clarion/AECOM presentation accurately indicated that the SeaTac real estate market is characterized by low-value, low-image businesses, such as parking lots, rental car businesses, and billboards. The Cities of SeaTac and Burien recognize these characteristics and are working to encourage higher image uses in their communities. SeaTac's policy, making park-n-fly lots a limited or conditional use, goes a long way to address the image of its community. When parking garages are constructed and the land is freed for other uses, SeaTac's image will begin to transform. The City of Burien's aggressive plan to redevelop its downtown core will upgrade its image – creating a place that attracts people to live, work and visit. These initiatives and others like them will upgrade the image of the Sea-Tac Airport real estate market consistent with the image Clarion and AECOM envision.

As the markets for people oriented land uses, such as office, hospitality, and residential, improve over the next five to ten years the opportunity exists to create urban villages with transportation connections as envisioned by the State's growth management act and the comprehensive plans of the cities that neighbor the airport.

## **Product Oriented Airport Real Estate**

We define product oriented airport real estate as the land and improvements used to support the manufacture, storage, and movement of products that are shipped via airfreight. According to participants in the NEST Study airport workshop and a number of large airport logistics facility developers, the future of product oriented airport real estate and the airfreight business is characterized by two trends. They are the requirements for increased security brought on by the 9/11 attacks and the importance of proximity of the airfield freight facilities.

### **Security**

Air cargo falls into two categories. The first includes the cargo that is shipped in the "belly" of commercial airlines. This is commonly referred to as Belly Cargo and is offered by all major passenger carriers. The second category is that shipped in all-cargo airlines. This can be in the form of small packages (e.g. FedEx, UPS, or Airborne) or in all-cargo airlines such as those operated by Northwest, Polar Air, or several others. Although the needs of each of these are different, the current security procedures apply to both. These are:

1. Freight shippers use the services of freight forwarders or cargo consolidation companies. These companies sell access to air cargo by selling shared space within cargo containers to a number of customers who have need to ship product to a single destination.

2. The cargo consolidators purchase space on passenger or freighter aircraft operated by others to ship products.
3. Security is assumed under the standards of "known shipper" rules, where the consolidator validates the shipment on the basis that they have had dealings with the shipper before and there is a history of legal operation.

Issues have been raised regarding the influence that changes in the security regulations governing cargo processing could cause the siting needs for processing facilities to change. This is particularly important when dealing with "belly cargo" since it is carried in passenger aircraft operated by the major airlines. Post 9/11 regulations have increased the requirements for passenger and bag screening, but have thus far not addressed the risks associated with cargo being shipped on the same plane. It is likely that requirements for additional screening and security procedures will be put in place in the short-term. More traditional cargo, carried by all-cargo airlines is less likely to cause serious harm if sabotaged and is therefore less likely to be stringently monitored by the Federal government. Likewise, the small package carriers such as FedEx and UPS are also less likely to be subject to new regulations in the immediate time frame.

## **Proposed Changes to Security Procedures**

Air cargo security in the United States started to take shape with the Transportation Security Administration's (TSA) release of new directions to the industry in November 2003. At the same time, TSA released a strategic plan to ensure that the entire air cargo supply chain is secure. From airlines to freight forwarders, users indicated that they could expect random screening of cargo on passenger planes, targeted inspection of shipments identified as potentially risky, and new procedures requiring foreign freighter operators to have security plans before they come into the country.

The U.S. House of Representatives passed legislation in December of 2003 that requires airlines to physically screen all cargo shipments they carry in the bellies of passenger aircraft. This new security program is expected to end government approval for the "known shipper" program.

The requirement for full screening was added to the bill providing funding appropriations for the Department of Homeland Security (DHS). It came in an amendment that bars the Transportation Security Administration (TSA) from spending money on any security program that does not include full screening and inspection of belly cargo. It is assumed that this screening will include the same level of physical inspection of belly cargo that is applied to baggage and passengers.

The requirement for this additional level of cargo screening is not included in the U.S. Senate version of the DHS appropriations bill. However, airline industry sources say some Senators are considering introducing the provision prior to voting on the bill.

The TSA has rejected the notion of 100 percent screening of cargo that some members of Congress have pushed for, saying limitations of technology and infrastructure make such an undertaking impractical. Instead, TSA prefers a layered approach that fully screens some cargo while other shipments continue to be assessed through the known shipper program.

There are essentially two categories of directives. One is aimed at passenger airlines and requires they screen a percentage of the belly cargo on a random basis. TSA has not disclosed the percentage to be screened but industry officials have generally said they expected the share to be 10 percent of their overall cargo traffic.

Another set of directives is aimed at cargo on freighters and includes a requirement that large shipments capable of carrying stowaways be inspected. That was a response to the incident this fall in which a man shipped himself in a box that carried him on a freighter.

## **Proposed Pilot Program**

The Massachusetts Port Authority (Massport) has begun a pilot program that includes electronic screening of belly cargo departing from Logan International Airport. With this Massport initiative, Logan Airport will become the first major U.S. airport to electronically scan all bulk air cargo. The results will be used to evaluate and assess the feasibility of such a program to be implemented at other airports and develop the required operational protocols.

The initial test period will run for approximately 30 days and use state-of-the-art Gamma Ray cargo screening equipment. Additional tests of similar duration with different versions and configurations of hardware devices are also planned. The current testing phase involves the scanning of entire trucks loaded with passenger aircraft-bound cargo. This pilot program is intended only to determine the feasibility of air cargo security scanning and is not intended as a security procedure at this time.

The Transportation Security Administration (TSA) is working on its first-ever air cargo strategic plan and comprehensive rulemaking based on consensus recommendations from its Aviation Security Advisory Committee. The TSA also has plans underway to test explosive detection equipment for use on small packages at airports where cargo and baggage systems are co-located. Nationally, TSA continues to implement a threat-based risk management approach to screening air cargo by strengthening the requirements of the “known shipper” program, developing a pre-screening system to identify suspicious shipments, conducting targeted inspections of identified suspicious cargo and aggressively investing in R&D.

### **Impacts on NEST Properties**

Regardless of the final screening requirements, or methodologies adopted, the locational needs of the cargo handlers will not be affected to a great degree. It is projected that the integrity of all cargo containers sent to the airport will be protected by using Radio Frequency Identification (RFID) tags on all containers to assure that once the product is packed, no tampering has occurred without the knowledge of the authorities. This allows the consolidators to continue to operate at convenient locations throughout the region without regard to airport proximity. This RFID system is currently being implemented at several major seaports in the United States to test its capability and effectiveness on ocean going freight.

### **Proximity**

Businesses are increasingly driven to reduce costs by reducing the time and distance required to move products to and from airports. A simple example of a modern well-located facility is the 280,000 sq ft AMB facility (formerly owned and developed by International Airport Centers (IAC) located directly adjacent to the Los Angeles International Airport freight terminal. The two-building single-loaded facility is occupied exclusively by third party logistics companies that each use between 40,000 and 60,000 sq ft of space. The image below shows the relationship of the buildings to the airfield. This property is similar in many ways to the other properties developed by IAC. IAC develops in markets where barriers to entry exist, such as high cost land in limited supply.

### **AMB LAX Distribution Facility**



AMB's 514,000 sq ft property developed by IAC at Sea-Tac is another good example, however, it's proximity to the freight terminals is not as direct as that of the previous example.

### **AMB Sea-Tac Distribution Facility**



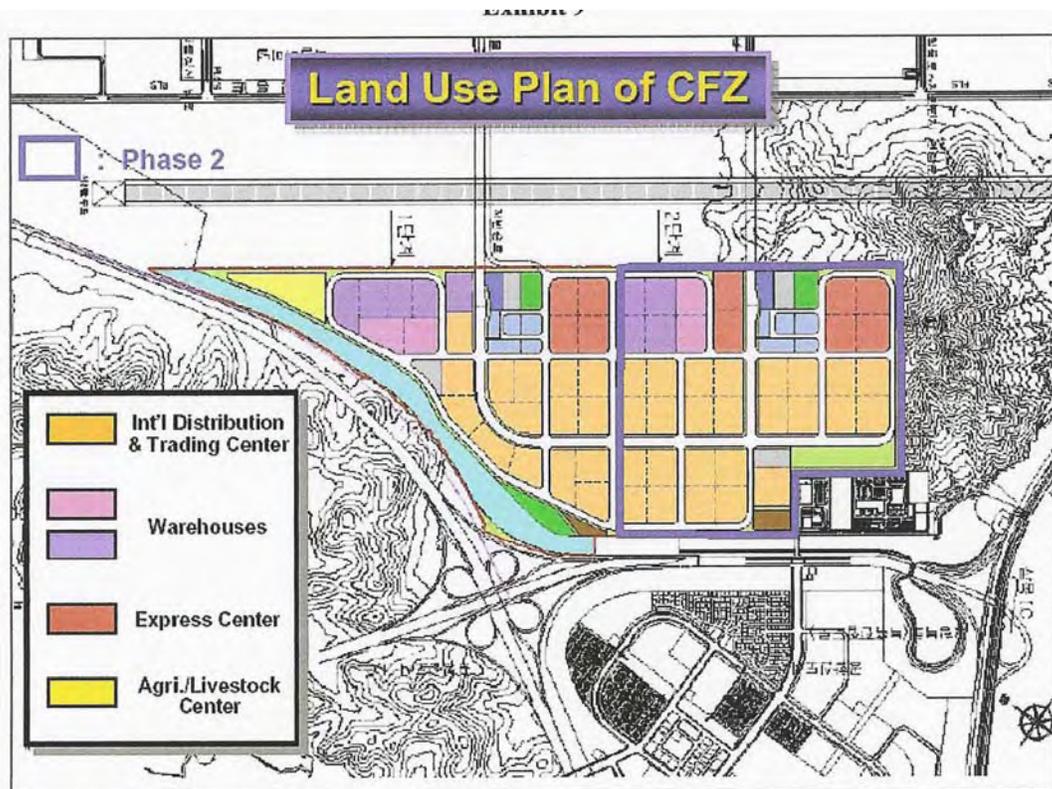
Another excellent example of the model off-airport freight facility is the Boeing Spares building. The 696,000 sq ft facility is just off-airport and has immediate access to the Sea-Tac freight terminal.

### **Boeing Spare Parts Sea-Tac Distribution Facility**



According to Tom Phillips of Keiser Phillips, Korea's Incheon International Airport Corporation is planning a custom free zone (similar to our foreign trade zone) logistics park located directly adjacent to the cargo terminals at the Incheon airport. Business activities inside the customs free zone are exempt from customs duties, taxes, and procedures, allowing the less encumbered movement of products in and out of the country. The first image below shows the proposed Custom Free Zone and its relationship to the cargo terminals and the second image shows the general land use plan.





Incheon International Airport Corporation (IIAC) will develop the site and utility facilities and then ground lease land to tenants who will construct their own buildings or logistics facilities. IIAC plans to target the following markets for the development: information technology, automobiles, semi-conductor parts, warehousing, airlines, cargo agencies, express operations (Fed Ex, UPS), agri/livestock exporting and processing, and public support functions. The IIAC plans to entice users with tax benefits that include the deferral for seven years of corporate, acquisition, registration, and property taxes. In addition, these taxes will be reduced by 50% for three additional years.

### Other Market Dynamics

A number of informal telephone interviews were conducted with industry experts to identify good examples of well positioned real estate and to better understand the nature of the demand for product oriented airport real estate. While some specific examples were identified, most respondents provided anecdotal information about industrial airport markets. Summaries of the conversations are provided below.

1) ProLogis is the world's largest owner of non-owner occupied industrial property, with 1,700 facilities located in 70 markets worldwide. Mr. John Rizzo, Managing Director, indicated that the biggest change in the industrial markets has been the doubling in size of the average facility from 175,000 sq ft to 350,000 sq ft, driven by increased pressure to reduce costs. He indicated that tenants make their decisions about where to locate facilities based on how to best serve their customers. ProLogis focuses on intermodal transportation nodes that help their tenants/clients optimize their distribution networks. Optimization of the distribution network involves an analysis that measures the costs of labor, transportation, and rent. Transportation cost is typically the largest component, then rent, followed by labor.

2) According to Mr. Ben Pederson, Northwest Representative for ProLogis, there have been some mistakes made at Portland International airport during the last several years. Apparently thinking the market for property with direct access to the airfield was valuable, the Port pursued a redevelopment strategy that included raising prices. The result has been that tenants have opted to move to the off-airport general industrial market to obtain substantial savings. Mr. Pederson said that only 30% of his new facility, which is located to the east of the airport, is occupied by tenants that need proximity to the airport. The balance of the tenants like the location because it is well situated to serve its clients located in the greater Portland area. The example demonstrates that the demand for on-airport or directly adjacent off-airport properties is not unlimited and is price elastic.

3) Hillwood Investments is the 15<sup>th</sup> largest owner of non-owner occupied industrial real estate in the nation and has a number of projects that are located in airport markets. Mr. John Magness, of Hillwood Investments' Los Angeles office, provided an interesting perspective on the nature of airport real estate markets. He indicated that many airport markets are also good general industrial markets. He guesstimated that only 25% of the tenants in the Fresno market relied on proximity to the airport. He further indicated that they were trying to market an industrial development site located directly across the street from the airport. Their partners on the project, the property owners, want to attract airport related users and the associated higher rents. The two have agreed that while it may be a difficult proposition, they are going to market the property heavily for 18 months to the airport related market segment. After the eighteen month period they will market the site to typical industrial users.

Mr. Magness also indicated that the development of the company's Alliance, Texas properties provides for some interesting statistics. Of the 120 tenants in Alliance, only a handful are on-airport related business including American Airlines, Bell/Agusta Aerospace, FAA, FedEx's Southwest regional hub, Gulfstream Aerospace, Heliflite Shares, Rolls Royce, and the US Drug Enforcement Administration's Aviation Headquarters. There is another small group that relies on being near the airport and the on-airport businesses; they include Nokia, JC Penny, and several pharmaceutical and aerospace companies. The balance of the companies in the area represent a cross section of industrial, office, and retail uses.

Mr. Magness viewed the major gateway airport markets as Miami, Newark, Los Angeles and possibly Chicago. He indicated that Seattle is a good secondary gateway airport market.

4) AMB Property Corporation is the 5<sup>th</sup> largest owner of non-owner occupied industrial real estate according to the National Real Estate Investor. AMB recently completed a merger with International Airport Centers (IAC), whereby it obtained the majority interest in IAC properties including those located in Sea-Tac. Mr. Mike Evans, West Coast Acquisitions Manager, said the firm seeks airport market properties that have close proximity to air cargo gates and that are not functionally constrained. Markets of interest are perishable food and flowers. The most desirable markets are located near intermodal facilities or hub markets with large population bases. JFK is an example of a desirable air cargo market. It has huge concentrations of consumers located within close proximity and air cargo facilities located directly adjacent to the airfield. In closing he indicated he would jump on a plane tomorrow to Sea-Tac if the NEST properties were available.

5) According to National Real Estate investor, Industrial Development International (IDI) is the 11<sup>th</sup> largest owner of non-owner occupied industrial buildings. Mr. Brent Carroll, in the company's Los Angeles office cited their Ontario, CA airport properties as good investments. The buildings are located directly across the street from the airport and the location is good for serving the large consumer base.

With respect to the NEST properties, he recommended starting the entitlement process early, pricing the properties competitively, and diversifying the offerings. He also emphasized the importance of Foreign Trade Zones (FTZ) and indicated that IDI has partnered with the Rockefeller Group to develop FTZ opportunities.

6) International Airport Centers (IAC) has developed on-airport and off-airport industrial properties in several markets across the US. It recently sold 3.4 million sq ft of its portfolio to AMB which included 514,432 sq ft of space located at the southwest corner of the Sea-Tac airport. Mr. Dan Johnson, a principal in the firm, indicated that they look to develop properties in markets that have barriers to entry. He cited the limited land within close proximity of Sea-Tac as a good example. The site was geographically challenged and the entitlement process time consuming. He believes the foreign trade zone status is important for a property with air cargo dependent tenants. He likes properties that are located within 10 minutes of the air cargo gates. The buildings the company develops typically have in the range of 30% office space.

7) Mr. John Buhr of Federal Express was formerly in charge of all off-airport industrial properties and is now responsible for all on-airport properties. Mr. Buhr explained that the process used to determine the location of its distribution facilities is complex but often results in locations close to central business districts. Typically packages from customers, who are located in the central business districts, are brought to the distribution facility in small trucks, then consolidated, and shipped in larger trucks to the airport or other distributions centers.

8) The United Parcel Service's Western Region Real Estate Manager is Mr. David Taylor. Mr. Taylor indicated that the firm's model typically involves a distribution facility that is located near the central business district, as is the case in Seattle. He indicated that the firm has located its operations at Boeing Field because it is the closest airport to the central business district and their Seattle distribution center. UPS can do this because the packages the company ships are moved on their own planes – eliminating the need to rely on passenger flights.

# Regional, Southend and Local Real Estate Market Analysis

## Findings

The basic supply and demand characteristics of the major commodity real estate markets have been evaluated. Where appropriate for the NEST Properties the markets have been further segmented. Quantitative analysis has been supported by input from market participants, including real estate brokers, developers, and owners. The following markets were investigated:

### Study Real Estate Markets

- Office
- Biotech
- On-Airport Industrial
- Off-Airport Industrial
- General Industrial
- Flex space
- Retail
- Hospitality
- Residential
- Parking

The timing of the development of many of the NEST properties is contingent upon entitlement, assemblage, the completion of the third runway, and/or the 509 Extension. The projects are likely to take three to five years to complete. It is therefore appropriate to look at the long-term development potential in each market segment based on its historic growth, current rent levels, and the anticipated time until the market is expected to return to equilibrium. The table below shows the markets current position in its cycle, its long-term development potential and the characteristics of the development opportunities.

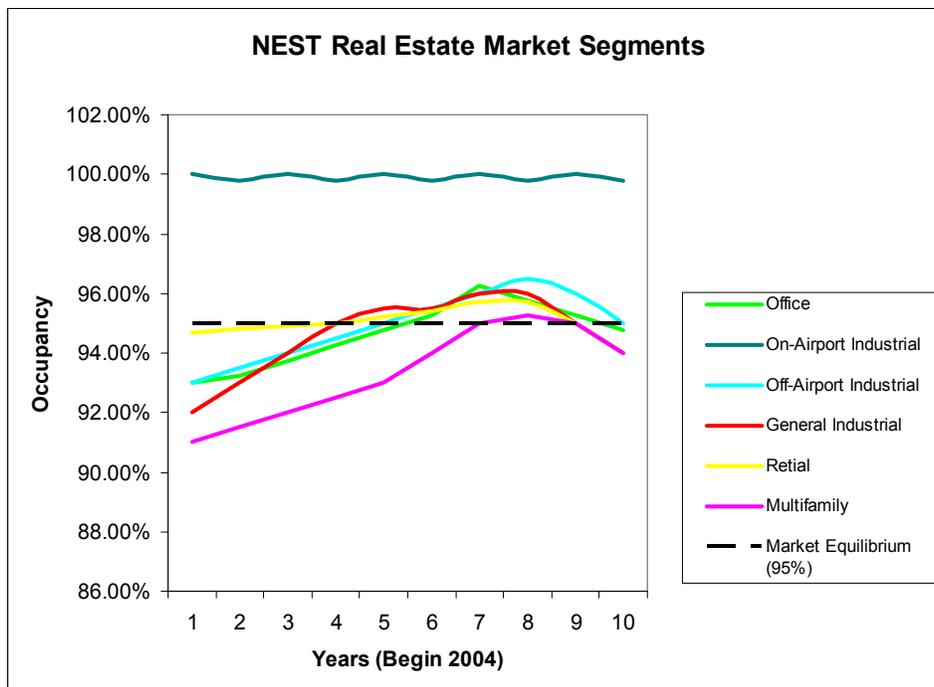
## Market Summary

<b>Markets</b>	<b>Position in Cycle</b>	<b>Long-Term Development Potential</b>	<b>Development Opportunities</b>
Office	Recovery	<b>Fair</b>	When mkt. recovers in 3 to 5 years, 20,000 to 40,000sf annual demand
Biotech	Expansion	<b>Fair</b>	Small market – Biotech lab is typically confined to urban markets. Biotech manufacturing locations = inexpensive land. Watch for oversupply.
On-Airport Industrial	Expansion	<b>Poor</b>	Supply to diminish. Airfield space needed for airplanes.
Off-Airport Industrial	Recovery	<b>Good</b>	Limited market size. Annual demand = 30,000 to 40,000sf. Opportunity to capture higher rents.
General Industrial	Recovery	<b>Good</b>	If priced to compete with Kent Valley large quantities of space can be absorbed.
Flex	Recovery	<b>Fair</b>	Relatively small market - currently substantially oversupplied.
Retail	Equilibrium	<b>Fair/Good</b>	Opportunity for new retailers in urban villages to capture local demand.
Hospitality	Recovery	<b>Fair</b>	Likely to be many years until market recovers.
Residential	Recovery	<b>Fair</b>	Modest growth consistent with overall economic conditions.
Parking	Expansion	<b>Good</b>	In the City of SeaTac move surface parking to

garages to create development sites for other uses.

Real estate markets typically behave in a cyclical fashion. Initially, a market will **expand** by absorbing existing supply. As the available supply diminishes rental rates increase and vacancy declines. It is said that when the occupancy rate reaches 95% the market is in **equilibrium**, or supply and demand are balanced. As rental rates increase to a level that supports new construction, developers move to bring new product online. In most cases, markets become **oversupplied** due to imperfect market information and the fact that new buildings take two years or longer to bring to market. When the market becomes oversupplied, rental rates decline and the market goes into **recession**. At the point when rates are the lowest and supply is the greatest the market begins to **recover**. **Recovery** leads to reduced supply, increased rents, and eventually to **expansion** and the beginning of a new cycle. Typically the markets complete a cycle over a period of many years. For example the last two Puget Sound office and industrial markets cycles have taken ten years to complete.

Based on supply and demand expectations, the market trends for each of the major real estate market segments are plotted on the graph below. The **retail** market is currently near equilibrium with occupancy of approximately 95%. Interestingly, unmet demand for retail exists in downtown SeaTac, however, high land values, driven by surface parking uses; make development of typical suburban retail infeasible. The **multifamily** residential market is in the recovery phase of its cycle and we expect the market to reach equilibrium in three to five years. Not shown on the graph below, but subject to study are the hospitality, parking, and office markets. The **hospitality** and **office** markets are in the recovery phase of their respective cycles and are expected to reach equilibrium in three to five years. Surface **parking** is the dominant land use in downtown SeaTac. Demand is strong and will grow with increased passenger volume at the airport. Subject to land use policy limiting surface parking uses, similar to that in place in SeaTac, the use will continue to dominate the landscape. As discussed in the highest and best use section of this report the NEST Properties are not suited for those uses that are people intensive, given noise and safety impacts created by airport operations. Retail, multifamily, hospitality, and office are all people intensive uses that are not appropriate for the NEST Properties. Surface parking uses provide a small number of wage jobs, making the use unacceptable for the NEST Properties.



**Those uses that are best suited for the NEST Properties support airfreight operations, create family wage jobs, and provide economic benefits to the local communities.** These uses can be broadly defined as **industrial uses** and include flex space (buildings with 50% office), on-airport industrial, off-airport industrial (users who must be near the airport), and general industrial consisting of light manufacturing, distribution, and warehousing.

The **on-airport industrial** market is shrinking and rental rates are high. The Port of Seattle is moving air freight facilities off-airport to make room for airplane maneuvering and parking. Over time, it is likely that the only air freight facilities located on the airfield will be cross-dock buildings used to transfer freight from trucks to air cargo containers. In the future, warehousing functions will be moved to off-airport locations.

The **flex space** market (buildings with at least 50% office) is a specialized market that is currently overbuilt with a region-wide vacancy factor of approximately 20%. The market for flex space is small and easily over-supplied. The near-term prospects are poor, however, in the long-term a modest amount of space will be needed to meet demand.

The **off-airport industrial** real estate market consists of users that consider proximity to the airport essential to business operations. At this time, there are 100 buildings in the market measuring 3.4 million square feet. Vacancy is 7%, indicating the market is near equilibrium. It is important to note that the off-airport market is not large and could easily be over-built. Three factors suggest there is long-term demand in this segment:

- Continued growth in the air freight business with a projected need for 30,000 to 40,000 square feet of new space each year.
- Movement of warehousing/distribution functions off the airfield.
- The need to relocate approximately 300,000 square feet of space that will be displaced by the third runway project.

Overall, the **general industrial** markets in the Southend are soft, but with vacancies below 10%, they are poised to recover as the economy improves. The area's proximity to the airport, seaports, and major transportation corridors, make it a highly desirable location for general industrial real estate. Providing the NEST Properties are priced properly, they can effectively compete for Southend industrial space users. The Southend industrial market is large, measuring 108 million square feet. It is reasonable to suggest that new modern facilities, located on the NEST Properties, could capture a large share of the roughly one million square feet of absorption that has occurred over the long-term each year in the Southend industrial market.

In summary, the NEST Properties are best suited for industrial uses. Historically, demand for off-airport industrial uses has been strong enough to support rental rates that are substantially higher than those achieved in the Kent Valley industrial market. However, the NEST Properties represent many years of supply if used only for off-airport uses. If the NEST Properties are positioned to compete in the general industrial market, the land could be absorbed in a relatively short period of time. In the short run development would begin to immediately generate benefits. In the long run, as the demand for off-airport uses increases, space created for general industrial uses can be converted to accommodate the higher and better off-airport uses. The result would be new development that supports airfreight operations, and creates new jobs and economic benefits for the local communities.

## Introduction

New jobs create demand for commercial real estate. The economists at the Puget Sound Economic Forecaster (PSEF) predict that by 2013, 270,000 new jobs will be created in the Puget Sound region. With each new job comes the potential to absorb existing and future supplies of commercial real estate. In 2002, the regional economy lost 2.5% of its job base and in 2003 this figure was -0.2%. So where is the projected growth expected to occur? The PSEF says that much of the growth will be spurred by Boeing, oddly, one of the very sources of the recent job losses. The PSEF projected that Boeing will capture 50% of the world market for passenger airplanes, equal to roughly 500 planes per year will be assembled in the region by 15,000 to 20,000 new employees. In addition, Microsoft is expected to add 2,000 jobs to the local economy in the near future. Finally, the region is expected to see growth as a result of improvement in the national economy.

## Local Land Values

For tax assessment purposes, the appraisers at the King County Assessor's Office estimate land values for the areas located around the Sea-Tac Airport for 2004 as shown on the following Sea-Tac Airport Area Assessed Land Value table:

**SeaTac Airport Area Assessed Land Values**

	Commercial		Industrial	Multi-Family	
	Neighborhood	Community		Low Density	High Density
<b>Riverton</b>	\$5.00- \$14.00	\$5.00-\$15.00	\$5.00-\$7.50	\$3.00-\$6.00	\$5.00-\$7.00
<b>Burien</b>	\$8.00-\$19.00	\$7.00-\$16.00	-	-	\$9.00-\$11.00
<b>SeaTac West</b>	\$6.00-\$11.00	\$5.00-\$9.00	\$5.00-\$8.00	-	\$6.00-\$8.00
<b>SeaTac East</b>	\$5.00-\$7.00	\$4.00-\$27.00	\$5.00-\$8.00	\$4.00-\$8.00	\$4.00-\$7.00
<b>Des Moines</b>	\$10.00-\$15.00		-	\$2.00-\$5.00	\$3.50-\$12.00
<b>Normandy Park</b>	\$6.00-\$8.00		-	\$5.00-\$6.00	\$5.00-\$6.00

Commercial Neighborhood land values range from \$5.00 to \$19.00 per sq ft. Burien and Des Moines commercial neighborhood land is the most expensive. Clearly, land located in prime intersection locations reflect the higher values and lower values are consistent with less visible locations. Commercial Community land is located in community centers, with values that range from a low of \$5.00 per sq ft to a high of \$27.00 per sq ft. Properties located in SeaTac East, in and around the Airport main terminal, carry the highest values with some properties exceeding \$40 per square foot.

Industrial properties, in the communities where industrial zoning exists, range in value from \$5.00 to \$8.00 per sq ft.

The assessor categorizes multifamily residential land in two categories; Low Density and High Density. The low density lands are valued in the \$2.00 to \$8.00 per sq ft range. High Density land sells for between \$4.00 and \$12.00 per sq ft.

# Office Space Markets

## Regional Market

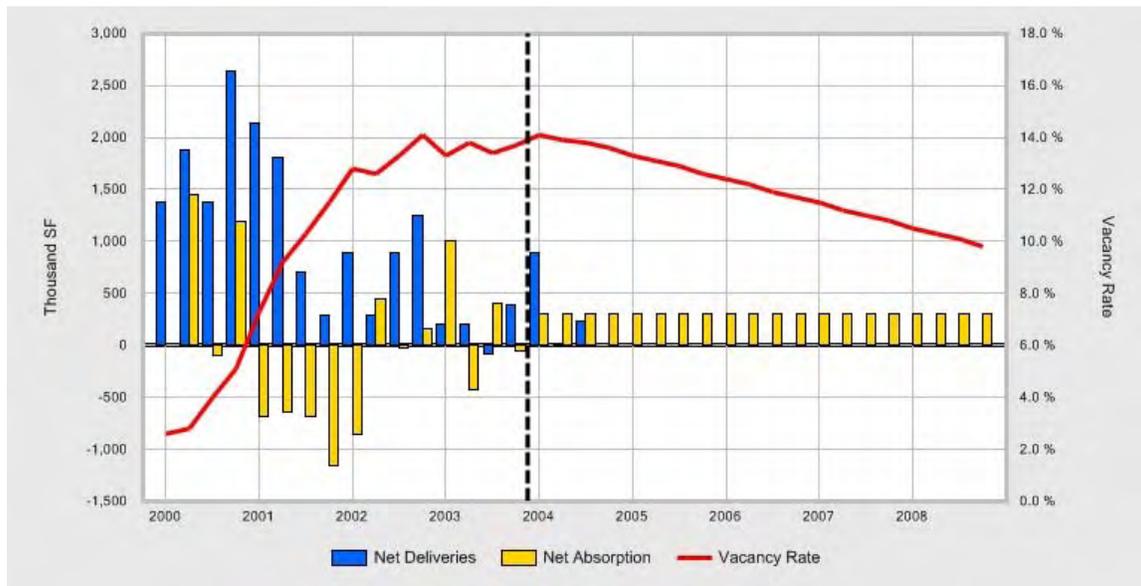
The Puget Sound office space market (King, Pierce and Snohomish counties) consists of 3,722 buildings and more than 127 million sq ft of space. Of this total currently 13% or roughly 16.5 million square feet is vacant.

Puget Sound Office Market	
Number of Buildings	3,722
Rentable Area	127,273,070 sf
Vacancy	13%
Available Space	16,545,499

Source: Costar, November 2003

During 2000, at the height of the dot.com boom over 2.5 million square feet of space was absorbed in the marketplace. The Puget Sound Office Market Supply & Demand graph below presents historical and forecasted new construction, inventory, and absorption in the market since 2000. The X axis represents the years 2000 through 2009 and the Y axis is sq ft. The blue bars show new construction totals, the yellow bars show absorption, and the red trend line represents market vacancy. The forecast assumes no new construction of office buildings, and a return to a modest 1.2 million square feet per year absorption. The result is a drop in vacancy to below 10% in by 2009. This assumes that the market immediately begins to absorb 1.2 million sq ft per year, a notion that is open to challenge, especially given the magnitude of Boeing’s recent Southend space givebacks. The return to positive job growth will drive the demand for office space in the future. A rule of thumb is that real estate markets reach equilibrium when vacancy approaches 5%.

## Puget Sound Office Market Supply & Demand



Average asking rental rates have declined from \$29.32 in 2000 to the current average rate of \$21.95 per sq ft, full service. Sublet rates in 2000 were \$31.15 and are \$20.18 today.

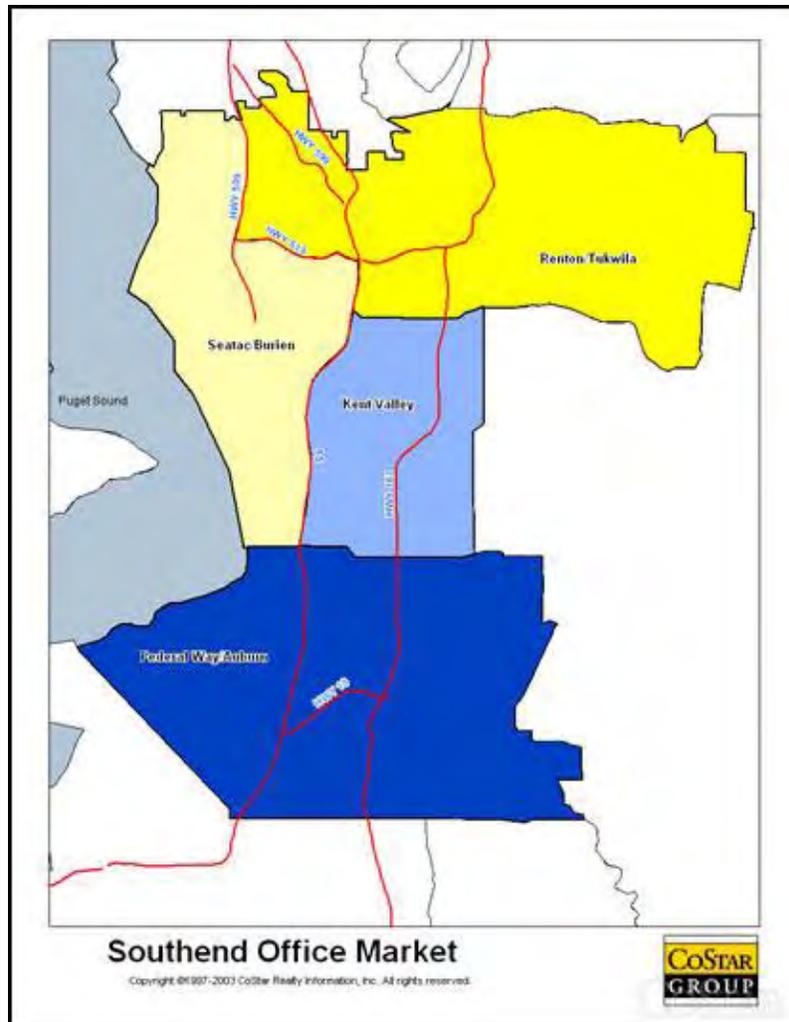
## Southend Market

The Southend Office market, shown on the Soundend Office Market Map below, consists of 546 buildings and approximately 14.5 million sq ft of space. Of this total, currently 16% or roughly 2.3 million sq ft is vacant.

Southend Office Market	
Number of Buildings	546
Rentable Area	14,589,438 sf
Vacancy	16%
Available Space	2,334,310

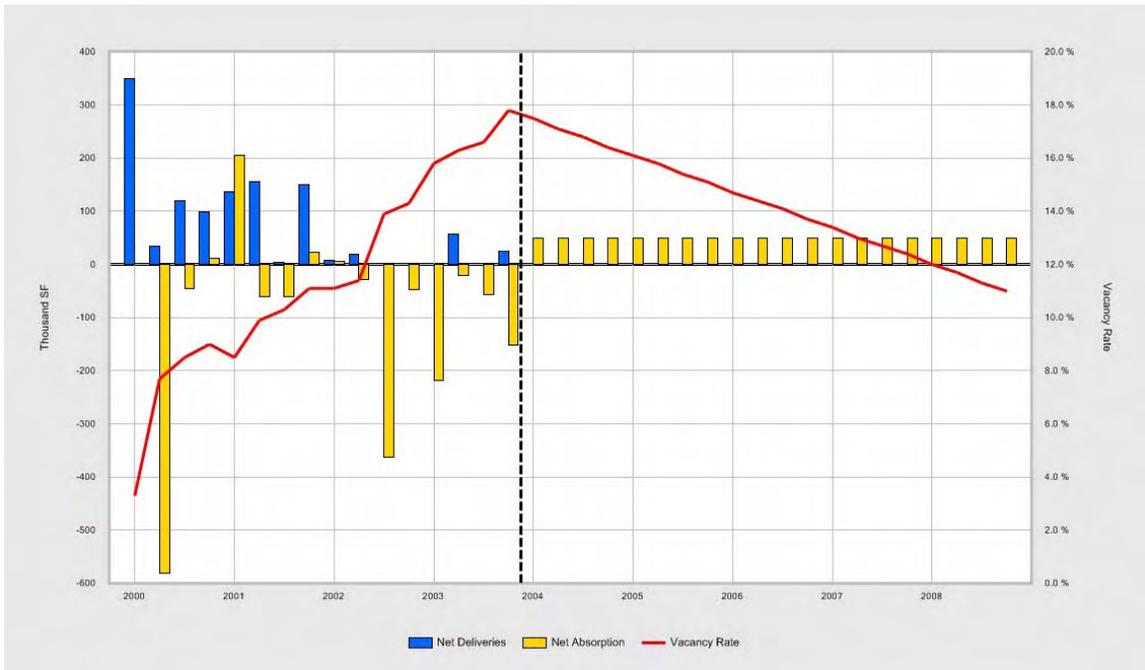
Source: Costar, November 2003

## Soundend Office Market Map



As shown on the Southend Office Market Supply & Demand map below, since the last quarter of 2000 the Southend Office market has experienced over 470,000 sq ft of negative absorption. During this period asking rental rates decreased from \$22.56 per sq ft in 2000 to the current figure of \$19.93 per sq ft, fully serviced. The best quarter for absorption during this time was the 1<sup>st</sup> Quarter 2001 when 200,000 sq ft was absorbed. The diagram below indicates that with no new construction of office buildings, and modest absorption of 200,000 sq ft feet per year, vacancy rates will approach 10% in 2009. The accuracy of this estimate hinges on future space give-backs by Boeing. If Boeing continues its policy of reducing its real estate inventory in the area, the delay of the markets return to equilibrium could take longer. Conversely, if as PSEF economic forecasts predict, and Boeing begins to add jobs, the outlook could be better than projected.

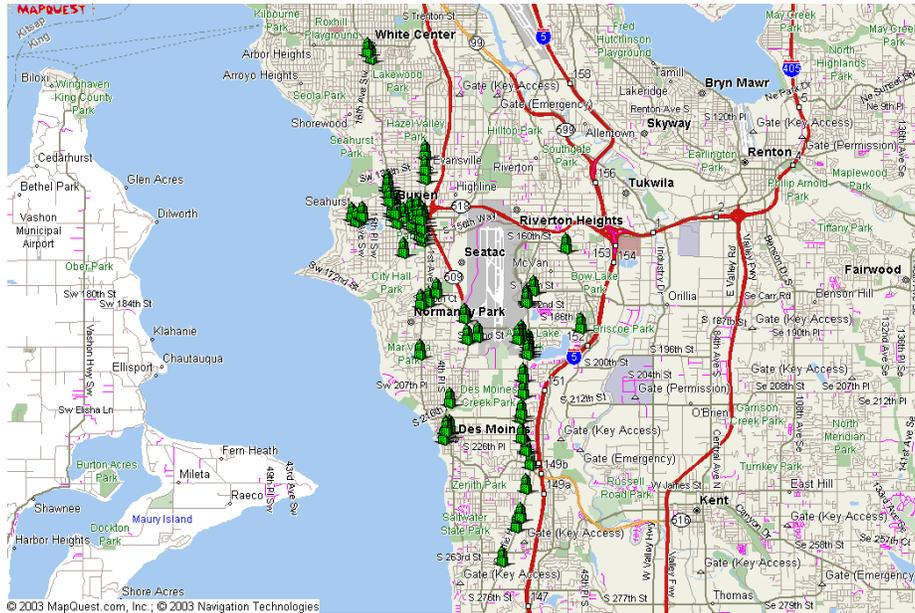
### Southend Office Market Supply & Demand





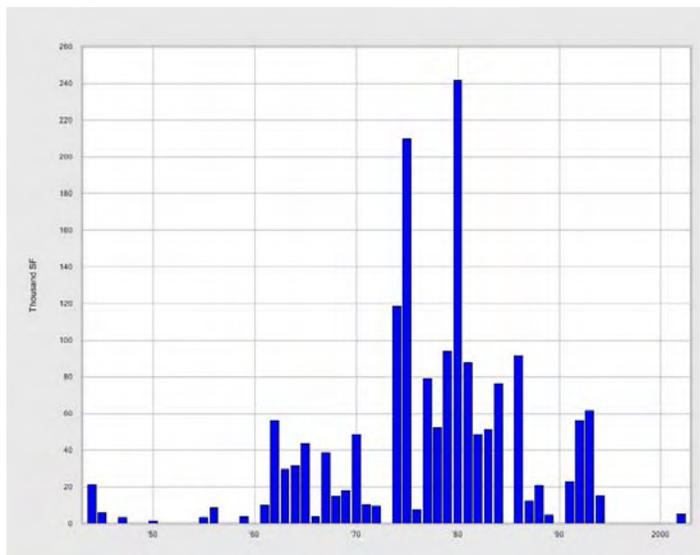
The SeaTac/Burien Office Building Locations map below shows the dispersion of the office buildings within the submarket. Approximately 160,000 sq ft is located in Des Moines, 475,000 sq ft in Burien, and 1,325,000 sq ft in SeaTac.

### SeaTac/Burien Office Building Locations



The SeaTac/Burien Office Building Age graph below shows the relative age of the office buildings in the SeaTac/Burien office submarket. The X axis shows the years 1940 through 2000 in ten-year increments. The Y axis shows square feet of office space in 20,000 square foot increments. In the late 1970's and early 1980's, on two occasions over 200,000 sq ft of space was constructed and absorbed into the market. The majority of the office space was constructed between 1975 and 1990, and only a small amount of space has been constructed since 1995.

### SeaTac/Burien Office Building Age Graph



The Business Summary and Office Occupancy table below provides a picture of the supply and demand characteristics of the SeaTac/Burien office market. Using 2000 US Census data, Experian/Applied Demographics has estimated total employment for 2003 at 58,741. Using the Major Industry SIC categories listed below, we have estimated the number of office workers in each category. The reader must keep in mind that the percentage of employees occupying office space shown below is simply our best estimate. Of the 58,741 total employees in the market, 9,792 people were employed in office space.

## Business Summary & Office Occupancy

Business Summary Major Industry: Employees	2003 Estimate	% of Total Employees	% in Office Space	Office Employees	SF/Employee	Total SF
Agricultural, Forestry, Fishing (SIC 01-09)	164	0.27%	10.0%	16.4		
Construction (SIC 15-17)	352	0.58%	10.0%	35.2		
Finance, Insurance And Real Estate (SIC 60-69)	1,029	1.70%	90.0%	926.1		
Manufacturing (SIC 20-39)	1,290	2.13%	20.0%	258		
Mining (SIC 10-14)	276	0.46%	20.0%	55.2		
Public Administration (SIC 90-98)	907	1.50%	75.0%	680.25		
Retail Trade (SIC 52-59)	10,424	17.21%	10.0%	1042.4		
Services (SIC 70-89)	21,671	35.78%	15.0%	3250.65		
Transportation and Communications (SIC 40-49)	21,287	35.15%	15.0%	3193.05		
Unclassified (SIC 99)	560	0.93%	25.0%	140		
Wholesale Trade (SIC 50-51)	781	1.29%	25.0%	195.25		
	<u>58,741</u>		<u>16.7%</u>	<u>9,792.5</u>	225	2,203,313

Industry standards suggest that each employee occupies approximately 225 sq ft of office space. At 225 sq ft per employee, the total office inventory need is 2,203,313 sq ft. The office market size resulting from the estimates is 2.2 million sq ft, not far off the two million sq ft indicated by the Costar data. The building delivery data presented above suggests that in an average year between 20,000 and 40,000 sq ft of space is absorbed into the market. We have assumed that at some time in the future, the long-term historical absorption trend will continue, and accordingly have estimated annual demand at 20,000 sq ft per year. Current vacancy, proposed projects, and market equilibrium vacancy are reconciled to result in a current supply of office space equal to 64,064 sq ft; roughly a three year supply. The SeaTac/Burien Office Submarket Fundamental Supply & Demand Analysis table below shows the calculations used to develop the estimate.

### SeaTac/Burien Office SubMarket Fundamental Supply & Demand Analysis

		Source
Total Employment	58,741	Experian/Applied Geographic Solutions
Percent Occupying Office Space	16.7%	Experian/Applied Geographic Solutions
Total Employment in Office Space	9,792	Calculated
Average SF per Employee	225	Market Rule of Thumb
Total Market SF	2,203,200	Calculated
Annual Total SF Market Demand	20,000	Costar & Metroscan Historic Deliveries
Current Vacancy	7.00%	154,224 Costar
Proposed Competition	-	Costar
Total Vacancy	174,224	
Equilibrium Vacancy	5.00%	110,160
Net Supply/(Shortage)	64,064	
Year to Equilibrium	3.20	

The analysis is not consistent with the Costar inventory data. Costar's total inventory is approximately 2 million sq ft and the Supply and Demand Analysis results in a market size of 2.2 million sq ft. The discrepancy is likely due to allocation of jobs to office users or the estimate of average sq ft occupied by each employee. These assumptions are made based on industry accepted rules of thumb, and not on market supported data. At this time the data is not available and the results diminish our ability to forecast real estate trends with greater accuracy. The analysis does provide some indication about the percentage of space occupied by office users and the nature of the oversupply.

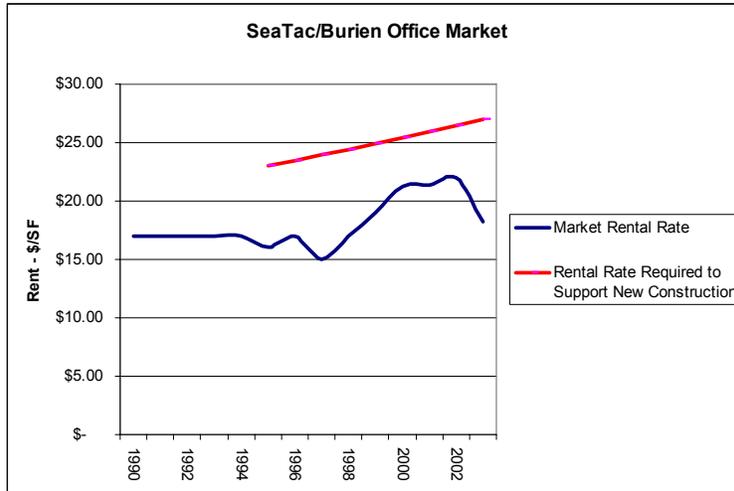
Demand for office space is tied to job creation. Understanding the magnitude of new job creation and its influence on space absorption is instructive. The Influence of Job Creation table below shows how much office space is needed in the local market to accommodate an increase in employment equal to one percent. Naturally, the estimate assumes that the distribution of jobs and the amount of space per employee remains similar to that described above.

<u>Influence of Job Creation</u>		
Current Employment		58,741
Employment Increase	1.0%	59,328
New Employment		587
% in Office Space	16.7%	
New Office Employment		98
Sq Ft per Employee		225
New Demand Sq Ft		22,032

Two influences on the market are worth further discussion. First, Boeing has had a substantial impact on the SeaTac/Burien office market over the years, specifically Boeing’s occupancy in the SeaTac Office Center buildings. Boeing occupies roughly half of the space in the three-building complex that measure a total of 495,000 sq ft. In 1996 315,000 sq ft of space stood vacant, mostly attributable to Boeing’s leaving large portions of the buildings. During this period of time, the SeaTac/Burien office vacancy rate soared. It wasn’t until Boeing reoccupied the buildings that the vacancy in the market place was reduced to healthy levels.

The second influence is the overall condition of the Southend office market and its drag on rental rates in the SeaTac/Burien market. In 1990, the average asking rate for good quality office space in the SeaTac/Burien market was \$21.20 per sq ft fully serviced. By the 3<sup>rd</sup> quarter of 2003 the rates had dropped to \$18.25 per sq ft. The SeaTac/Burien Office Market graph below shows the historical rental rates in the market and the rates needed to make the construction of new Class A office space feasible. When the market returns to equilibrium, rental rates will need to increase before the construction of new high quality office space is warranted. This is not to say new office buildings will not be constructed. It is likely that older functionally obsolete buildings will be replaced periodically. The new space will represent a shift in demand rather than new demand for office space and tenants may be reluctant to pay new higher rental rates.

The graph below shows the gap between actual rental rates and the rates that are needed to support the construction of new speculative office space in the SeaTac/Burien market. The relationship explains why buildings have not been constructed recently. It is important to note that owner/users may choose to construct new buildings in the market. For example, if they want to be located in the market and new buildings that meet their needs are not available, construction of their own building is the only option.



In summary, the data suggests:

- Little space has been constructed during the last ten years.
- The average age of the existing buildings is roughly 20 years.
- The existing inventory is likely to meet demand for the next several years.
- When job growth returns an additional 20,000 to 40,000 sq ft could be constructed each year to meet new demand.

# Flex Space Markets

## Regional Flex Space Market

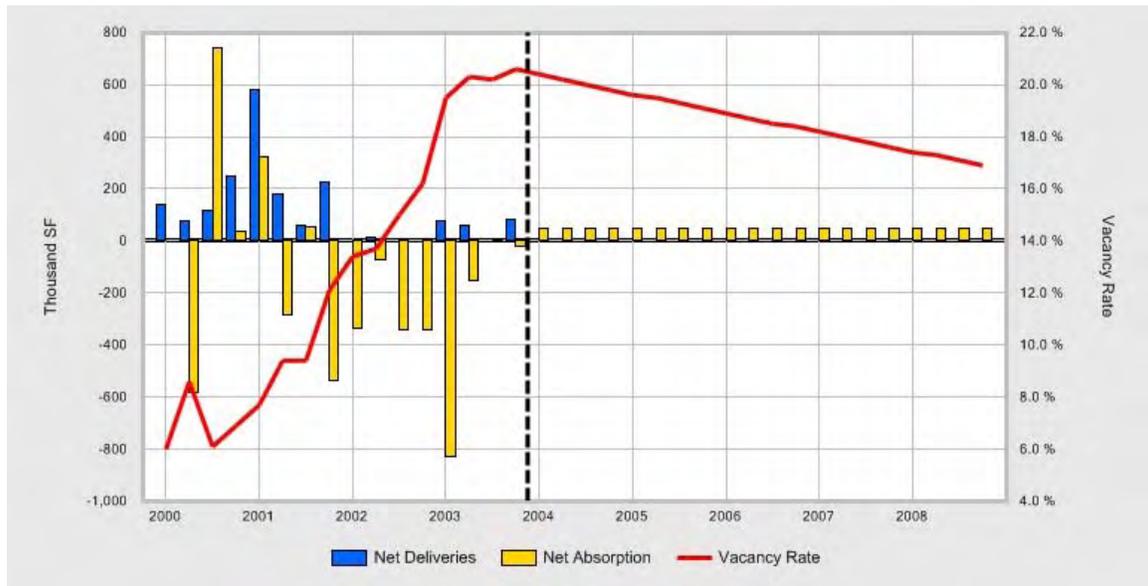
Costar Inc. defines flex buildings as industrial buildings that have a minimum of 50% office space. The Puget Sound Flex Space market consists of 701 flex buildings and more than 27 million sq ft of space. Of this total, currently 21% or roughly 5.7 million square feet is vacant.

Puget Sound Flex Market	
Number of Buildings	701
Rentable Area	27,217,303 sf
Vacancy	21%
Available Space	5,715,634

Source: Costar, November 2003

In the best of times, the absorption of flex space is modest, with roughly 250,000 sq ft absorbed in 2000. The forecast shown by the graph below indicates that with no new construction of flex buildings, and a return to a modest 200,000 sq ft per year absorption, vacancy rates will remain as higher than 15% in 2009.

## Regional Flex Space Supply & Demand



## Southend Flex Market

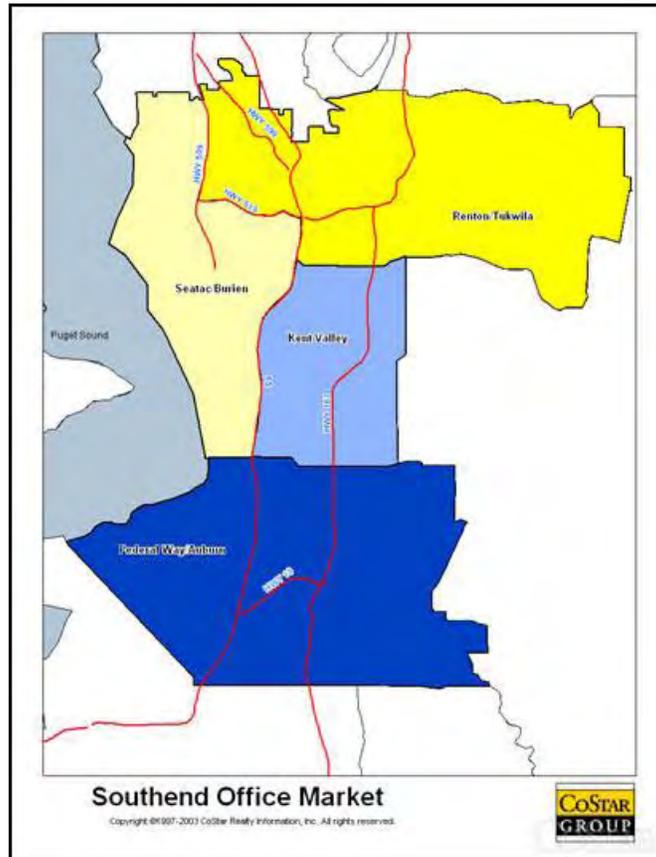
The Southend Flex Space market consists of 125 buildings and 6.5 million sq ft of space. Of this total, currently 24% or roughly 1.6 million square feet is vacant. The map below shows the geographic boundaries of the Southend office market. The flex market boundaries are the same as the office boundaries.

### Southend Flex Market

Number of Buildings	125
Rentable Area	6,588,092 sf
Vacancy	24%
Available Space	1,581,142

Source: Costar, November 2003

## Southend Flex Market Map



The Southend Flex Market Supply & Demand graph below shows that in 2000 the market absorbed over 500,000 sq ft of space. In 2002 and 2003 the market gave back roughly 800,000 sq ft. How will the market recover and how long will it take? The graph below presents a single scenario indicating what the effect would be if there was no new construction in the market and 100,000 sq feet were absorbed each year for the next several years. The result is that by 2009 the vacancy would move from 24% to 16%, a figure still considered high by most standards. The estimate assumes new jobs are created in the economy.

Asking rental rates moved from \$9.37 per sq ft in the first quarter of 2000 to \$7.58 during the first quarter of 2003.

### Southend Flex Market Supply & Demand



# Industrial Space Markets

## Regional Industrial Market

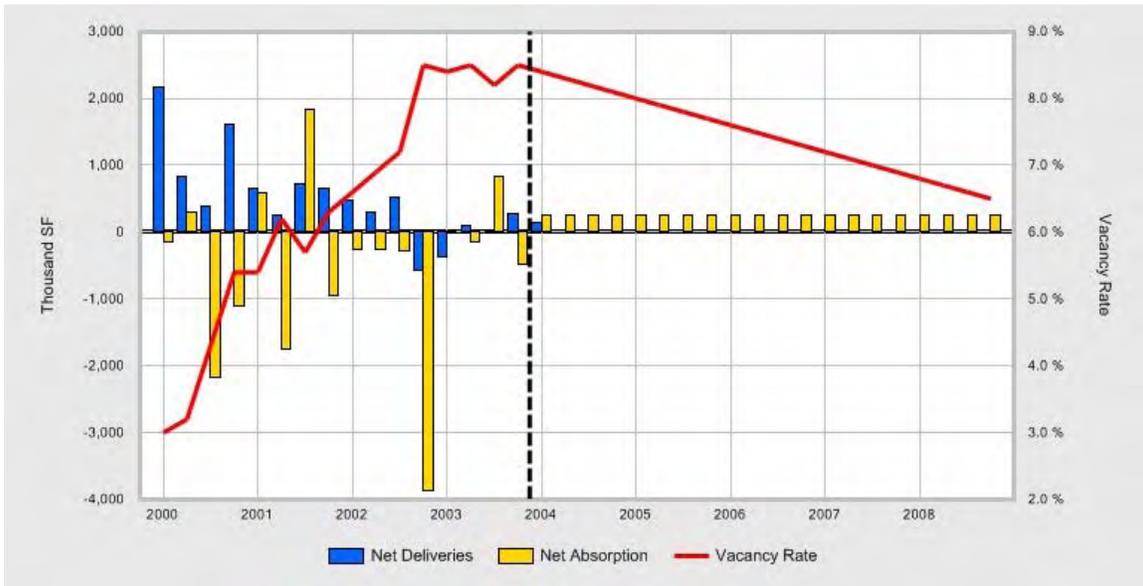
The Puget Sound Industrial market consists of 5,665 buildings and more than 246 million sq ft of space. Of this total currently 8% or roughly 20 million sq ft is vacant.

Puget Sound Industrial Market	
Number of Buildings	5,665
Rentable Area	246,138,224 sf
Vacancy	8%
Available Space	20,138,738

Source: Costar, November 2003

In 2000 over 2.5 million square feet of space was absorbed in the marketplace. The Regional Industrial Market Supply & Demand graph below indicates that with no new construction of industrial buildings, and a return to a modest one million square feet per year absorption, vacancy rates will approach 6% in by 2009. This is a bold projection, given the recent negative absorption in the marketplace. The return to positive job growth will drive the demand in the future.

## Regional Industrial Market Supply & Demand



Industrial asking rental rates have remained relatively stable. In 2000 landlords were asking \$5.57 per sq ft, triple net. This figure is \$5.64 per sq ft today. Over the last four years sublet rates have ranged from a low of \$3.76 to today's 4.84 per sq ft.

## Southend Industrial Market

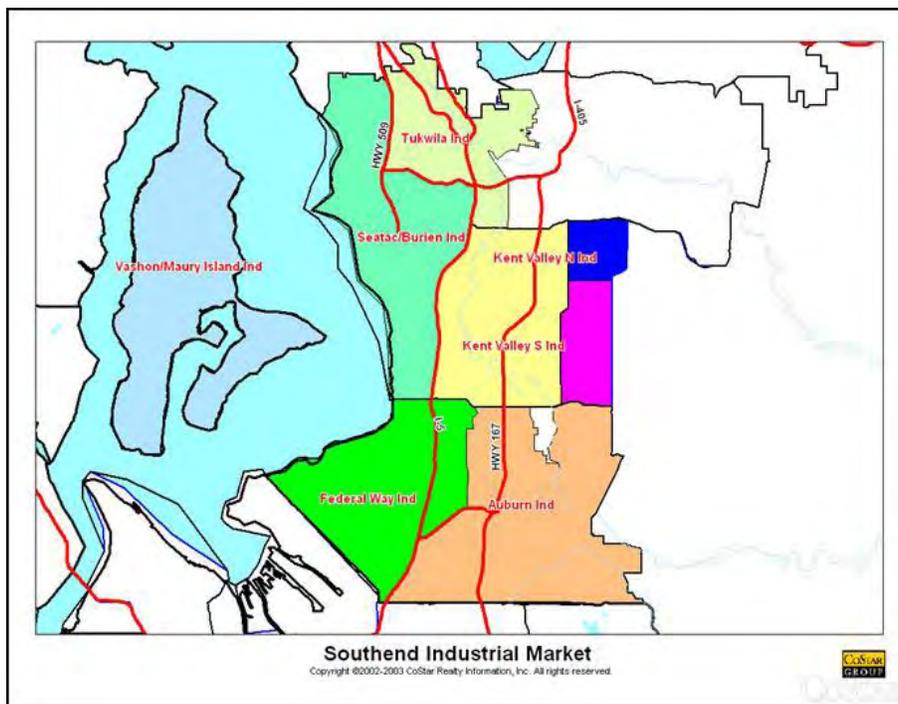
The Southend Industrial market, shown on the map below, consists of 1,727 buildings and more than 108 million sq ft of space. Of this total, currently 9% or roughly 10 million sq ft are vacant.

### Southend Industrial Market

Number of Buildings	1,727
Rentable Area	108,999,288 sf
Vacancy	9%
Available Space	9,809,936

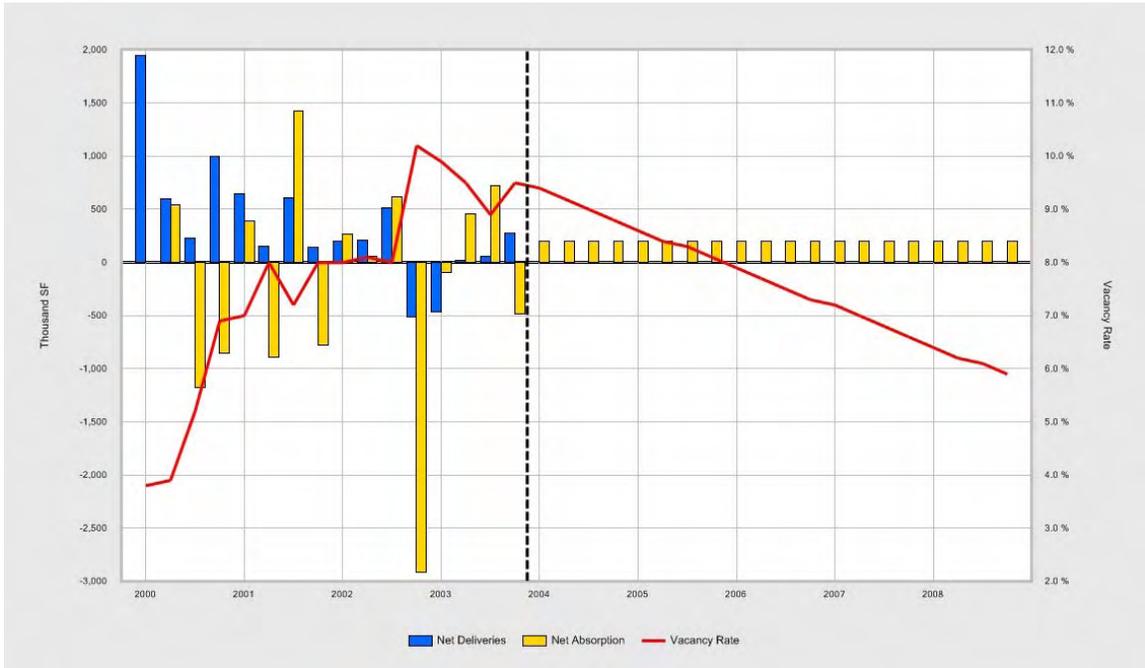
Source: Costar, November 2003

### Southend Industrial Market Map



Since the last quarter of 2000 the Southend industrial market has experienced over 1.3 million sq ft of negative absorption. During this period asking rental rates decreased from \$5.28 per sq ft in 2000 to \$4.69 per sq ft triple net. The best quarter for absorption during this time was 3rd Quarter 2001 when 1.4 million sq ft was absorbed. The Southend Industrial Market Supply & Demand graph below shows the relationship between supply and demand. With no new construction of industrial buildings, and absorption of 800,000 sq ft feet per year, vacancy rates will drop below 6% in 2009. As suggested in the office market discussion above, the accuracy of this estimate is tied to job growth in the region.

## Southend Industrial Market Supply & Demand



## SeaTac/Burien Industrial Market

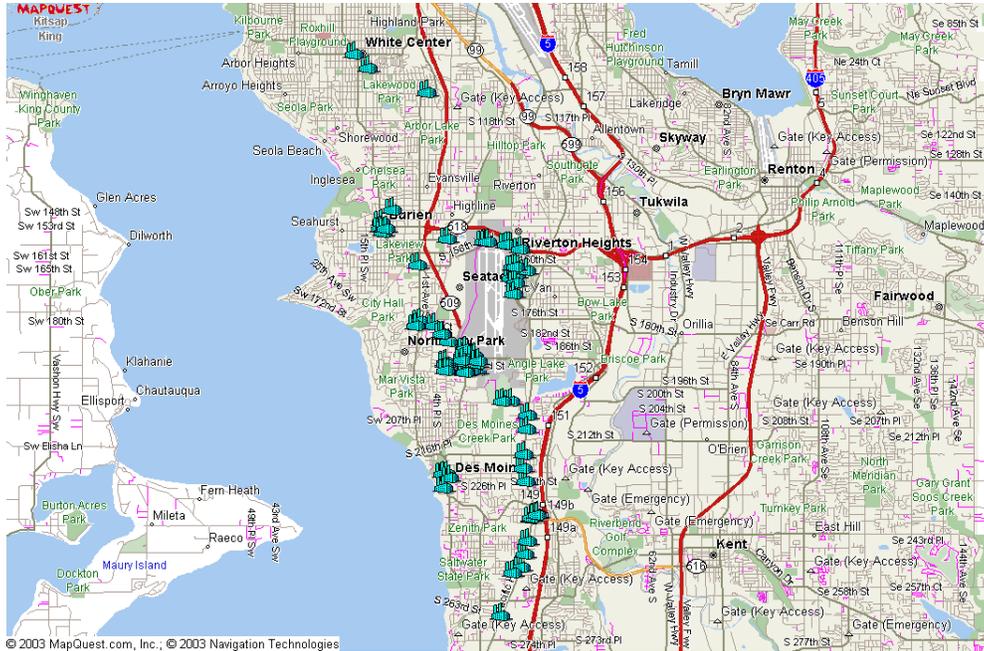
The SeaTac Burien industrial market consists of the same area as shown on the office market map in the previous section. The market includes 100 buildings and approximately 3.5 million sq ft of space. Of this total, currently 7% or roughly 240,000 sq ft is vacant.

<b>SeaTac/Burien Industrial Market</b>	
Number of Buildings	100
Rentable Area	3,471,808 sf
Vacancy	7.0%
Available Space	243,027

Source: Costar, November 2003

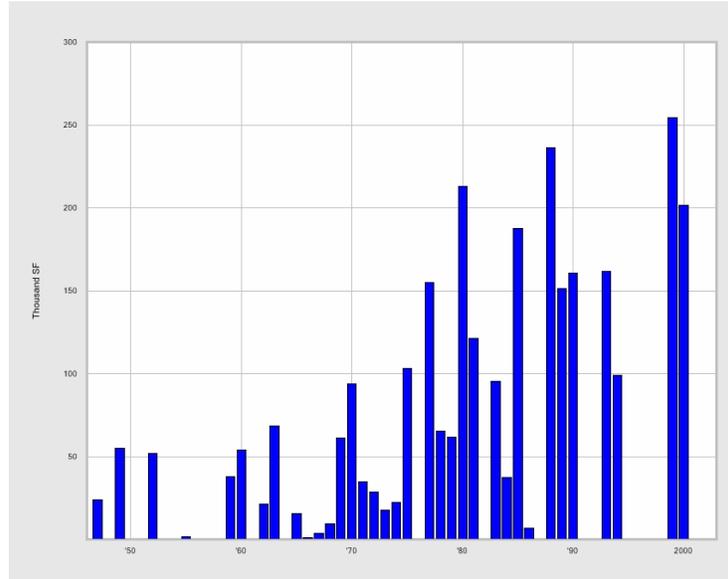
The SeaTac/Burien Building Location map below shows the general location of the industrial buildings in the submarket. Generally they are grouped around the airport and along Pacific Highway South.

### SeaTac/Burien Building Location



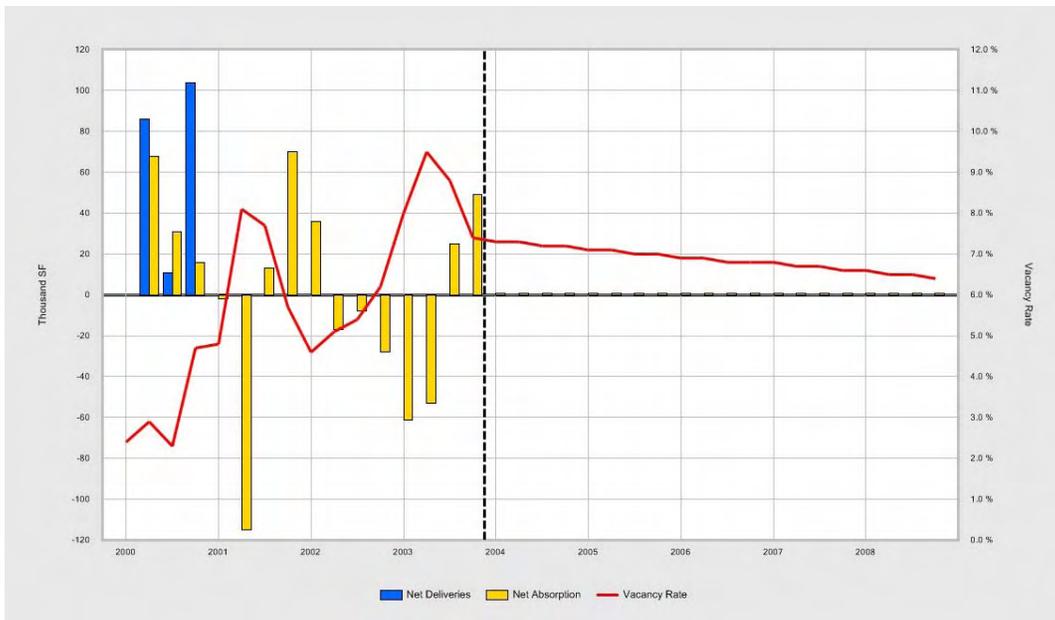
The SeaTac/Burien Building Age graph below shows the relative age of the office buildings in the SeaTac/Burien industrial submarket for the time period between 1950 and 2003. Space has been added on a regular basis over the last 50 years. During the last ten years space was added only during a two-year period, 1999 and 2000. The largest amount of space, added in any one year during the recorded history, was 250,000 sq ft in 1999. Based on available information, which is not complete, the average age of the buildings in the submarket is approximately 25 years. Of this number a large portion of the buildings are functionally obsolete and do not meet the requirements of modern manufacturing, warehouse, and distribution users.

## SeaTac/Burien Industrial Building Age



The SeaTac/Burien Industrial Building Supply and Demand graph below shows, on a quarterly basis, the amount of space constructed in blue, the amount of space absorbed in yellow, and the vacancy factor in red. On average, since 2000, the market has held steady with an average 1,500 sq ft of absorption per quarter. In any quarter, the absorption has ranged from negative 115,000 sq ft to a positive 70,000 sq ft. per quarter. Interestingly, blended rental rates are the same today as they were in the first quarter of 2001, \$7.64 per sq ft, triple net.

## SeaTac/Burien Industrial Building Supply and Demand



An attempt has been made to estimate supply and demand based on employment. Two variables make measuring demand based on employment difficult. They are the number of employees that occupy industrial space and the amount of space occupied by each employee working in industrial buildings. In 1999 the Puget Sound Regional Council and the University of Washington Center for Community Development and Real Estate conducted a study titled Industrial Land Supply and Demand in the Central Puget Sound Region. In the study estimates were made of the two variables mentioned above. When the ratios were applied to the Sea/Tac Burien data, the results were inconsistent with the Costar industrial inventory figures. We suspect that the large number of transportation/communications jobs skew the results. In addition, the Costar data may not include industrial buildings measuring less than 10,000 sq ft.

## Sea-Tac Airport Market

### On-Airport Real Estate Market

The on-airport industrial market consists of 677,680 sq ft of cargo and warehouse buildings. Eleven major companies control approximately 17 major buildings. All of the buildings, with the exception of the Northwest Airlines facility are located in the northeast cargo area. The inventory is shown in the Cargo Buildings at Seattle-Tacoma International Airport table as follows:

#### Cargo Buildings at Seattle-Tacoma International Airport

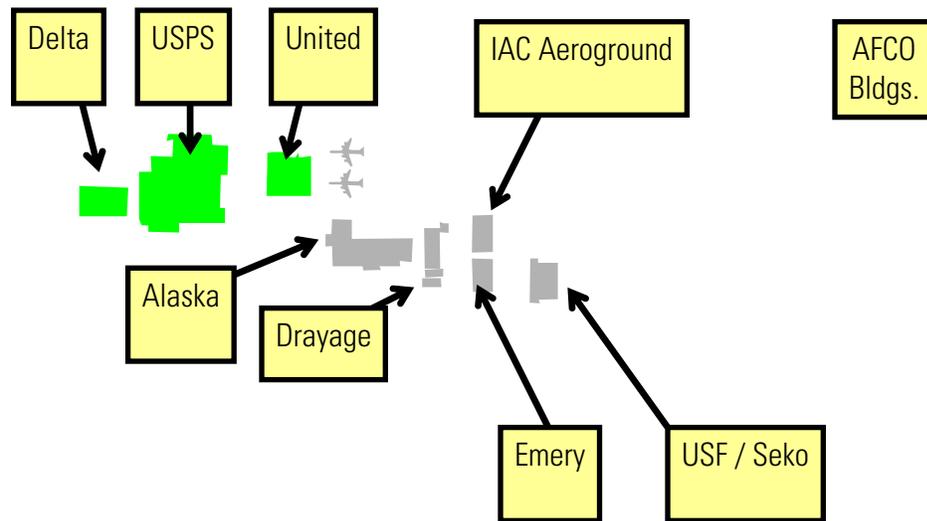
<b><u>Cargo Facility</u></b>	<b><u>Size (sq ft)</u></b>
Delta Airlines	31,560
United Airlines	61,004
Alaska Airlines	68,734
AFCO South (Drayage)	25,702
IAC Aeroground	48,521
Emery Air Freight	40,000
Seko (USF)	35,100
Federal Express	73,251
AFCO North	101,793
Transiplex (less USPS sub-lease area)	134,015
Northwest Airlines	<u>58,000</u>
<b>Total</b>	<b>677,680</b>

The United States Postal Service (USPS) uses approximately 207,500 square feet of building space at the Airport in the following facilities:

<b><u>Facility</u></b>	<b><u>Size (sq ft)</u></b>
USPS Airport Mail Facility	182,500
USPS area subleased in Transiplex	<u>25,000</u>
<b>Total</b>	<b>207,500</b>

The Northend Cargo Buildings at Seattle-Tacoma International Airport diagram below shows all of the buildings with the exception of the Northwest Airlines facility, which is located south of the Airport's main terminal.

## Northend Cargo Buildings at Seattle-Tacoma International Airport



The buildings are currently 100% occupied and demand is strong. Mr. Larry Doak, with Aviation Facilities Company, Inc. (AFCO), owners and managers of buildings located in the north air cargo area, indicated that the tenants who occupy their buildings include Southwest Airlines, American Airlines (soon to leave), Federal Express, Swiss Port, US Customs, USDA, miscellaneous customs brokers, and freight forwarders. Rental rates range from \$10 to \$15.00 per sq ft per year or \$.83 to \$1.25 per sq ft per month, triple net. The rental rates for the shorter term leases are generally on the high end of the range and the longer term leases on the low end of the range. Triple net expenses include ground rent charged by the Port of Seattle equal to approximately \$3.00 per sq ft and common area charges that run approximately \$4.25 per sq ft. The total occupancy costs for on-airport air cargo buildings can exceed \$20.00 per sq ft per year or over \$1.66 per sq ft per month. This figure can be a little misleading, because the rental rate can include land for truck circulation and airplane parking. In any event, it is expensive to be located on the air field.

The Sea-Tac airfield is limited in size and because of geographic constraints; access is only feasible along the eastern boarder of the airfield. Demand for space on the airfield is high. From an efficiency and profitability standpoint, aircraft parking places (hardstands) take priority over other uses. The Port of Seattle is pursuing a strategy that provides for essential air cargo facilities on the airfield and moves non-essential uses to off-airfield locations. In the future, it is likely that only cross-dock facilities used to move cargo from tracker-trailer trucks to tugs, used to load air cargo onto airplanes, would be located on the airfield. To achieve its objectives, the Port of Seattle is exploring bridging SR 518 to land located north of the airfield that would become airfield accessible. This area could likely accommodate additional cross-dock buildings and some warehousing buildings.

## Off-Airport Real Estate Market

The off-airport industrial market consists of a portion of the 100 buildings located in the SeaTac/Burien industrial market. They are characterized as being occupied by tenants that depend on being within close proximity to the airport. A typical tenant might occupy 20,000 sq ft in a building that contains more office space than the average industrial building.

It is useful to review the rental rate structure for buildings in this market. Typical modern warehouse/distribution buildings are constructed with 5% to 10% office space. In the SeaTac industrial market the ratio is higher, often 20% to 30%. Rental rates are commonly quoted and paid on a blended basis, with the total rate quoted for the warehouse and office space.

A typical 100,000 sq ft building with 10% office located in the Kent Valley today would have a blended rental rate of \$.35 to \$.40 per sq ft per month, triple net. The same building with 20% office located in the SeaTac market would have a blended rate of \$.60 to \$.70 per sq ft. All other things being equal, and because owners and developer's have a larger investment in the area improved for office space, buildings with a large amount of office space have higher blended rates. When examining rental rates for the building shell and office space separately, Kent Valley shell rates average \$.32 per sq ft per month. Additional rent, equal to \$.65 per sq ft, is charged for the office space. In the SeaTac/Burien market, the shell rate is \$.50 and the office rate is \$.70. A premium of \$.18 per sq ft for the shell space and \$.05 per sq for office space is being paid by tenants that want to be located near the airport.

At the current rental rates there is a 7% vacancy in the SeaTac/Burien market. Much of the vacancy is in older buildings that have some functional obsolescence. None-the-less the vacancy is greater than it was several years ago, suggesting that the market may be close to equilibrium. As a test of reasonableness, there is a rule of thumb that is used by some practitioners to measure the demand for airport related industrial space. The on-airport ratio is one sq ft of space for each 1000 pounds of air cargo shipped. This would suggest that the current amount of space needed for air cargo facilities on the airfield is roughly 750,000 sq ft. The off-airport ratio is 3 to 4 sq ft per 1000 pounds of air cargo moved or roughly 3,000,000 sq ft. The on-airport figures are consistent with the current on-airport air cargo facility inventory of 677,680 sq ft. The off-airport figures are between 3,000,000 and 3,400,000 sq ft using the rule of thumb. The 3.4 million sq ft is roughly 18% of the 16.5 million sq ft of industrial space that is located within three miles of the airport. The notion that the off-airport market is limited is supported by comments provided by several developers who have experience developing off-airport facilities around SeaTac and in other US markets.

What is the demand for off-airport space? The December 1999 Air Cargo Facilities Development Study prepared by Leigh Fisher Associates for the Port of Seattle indicates that during the period 1994 through 1998 air cargo volumes increased at a rate of 1.1% per year. While the data is old and the events of 9/11 have disrupted the trend it is reasonable that the trend will continue. At the current level of 347,753 tons of air cargo the annual increase in demand for on-airport cargo facilities, based on the rule of thumb, is 7,650 sq ft per year. By the same method, the off-airport demand is roughly 30,000 sq ft per year. To put these figures in perspective, a 100 acre parcel of land available for development has the potential to support buildings covering 40 acres or 1.7 million sq ft, assuming a 40% building site coverage. Assuming that in ten years the off-airport market demands 300,000 to 400,000 sq ft, a substantial amount of the 1.7 million sq ft of development potential remains available. At some time during the next five years the SeaTac/Burien inventory may be reduced through the elimination of buildings to make way for the extension of I-509 or the 3<sup>rd</sup> runway. Even if all 300,000 sq ft of the displaced tenants relocate to our example 100-acre parcel, room will still be available to accommodate over a million sq ft of development.

Is there an opportunity to develop industrial buildings in the SeaTac/Burien market? We believe the answer is yes, if rental rates are competitive with those obtainable in the Kent Valley market. The cost of land strongly influences rental rates for industrial properties. It is therefore useful to understand the impact of land costs (value) on industrial development projects.

The Land Sensitivity Analysis presented on the table below presents a snap-shot of development scenarios for a typical 100,000 sq ft warehouse/distribution buildings located in the Kent Valley and in the SeaTac/Burien market. The project’s income is estimated and the costs are subtracted to arrive at project cost less developer’s profit and land. The analysis shows at various levels of developer’s profit how much the project can afford to pay for land. The Kent Valley scenario shows that at current rent levels new development is not feasible. As the market improves with the overall economy during the next several years, development will once again become feasible. At current quoted rent levels in the SeaTac/Burien market development appears feasible, however, vacancy rates have been increasing suggesting that rents would need to be reduced to return the market to stability or 5% vacancy. In addition, the lower rates in the Kent Valley have tempted some tenants to relocate to and capture the savings. What the analysis suggests is that there is a rent level that will attract industrial tenants to the SeaTac/Burien market. This rental rate is clearly not as low as the current asking rate in the Kent Valley, given the positive attributes of the SeaTac/Burien market, but it is likely significantly lower than the current asking rates for the off-airport market. Why are developers buying land in the area? They believe that the barriers to entry will continue to exist. If the NEST properties are brought to market the barriers to entry may be lowered.

A small poll was taken to determine how developers typically acquire industrial development land. Most of those we spoke with indicated that ownership is desirable because it includes control of future property value and it is more complex to finance ground lease projects. The companies and their responses are below:

Firm	Preference
Hillwood Investments	Own or very long-term ground leases.
IDI	Own – Like JVs with property owners.
International Airport Centers	Own, but will do 40 to 50 year ground leases.
AMB	Own or ground lease.

**LAND RESIDUAL ANALYSIS**  
NEST Properties

**Kent Valley Rent Scenario**

Income, Expense and OAR Source: Market Derived

**Income Approach**

	RA/Stalls	NNN Rate		Income	
NNN Income - Shell	100,000	\$0.30	sf/month	\$360,000	
NNN Income - Office 10%	10,000	\$0.65	sf/month	\$78,000	
Parking Income	0	\$0.00	stall/month	-	Blended/Mos.
Gross Effective Income				438,000	\$0.37
Vacancy & Credit Loss		5.0%		(21,900)	
Operating Expenses		\$0.00	sf/year	-	
Net Operating Income				416,100	
Capitalized Value (rounded)		OAR 9.00%		\$4,620,000	

**Cost Approach**

Cost Information Source: Marshall & Swift

	RA/Stalls	Base Cost	Total
Gross Building Area	100,000		
Construction - Type	Class C		
Quality	Low Cost		
<b>Base Cost</b>			
Office	100,000	\$25.00	\$2,500,000
Parking	0	\$0.00	\$0
Subtotal			\$2,500,000
<b>Adjustments</b>			
Floor Area to Perimeter	0.8910		
Story Height (30')	1.3800		
Current	1.0200		
Location	1.1500		
Gross Adjustment	1.4423		
Subtotal			\$3,605,743

**Other Costs**

Sprinklers	Included Above	\$0
Permanent Financing Fees	1.0%	\$36,057
Leasing/Marketing	5.0%	\$219,000
Rent Loss (6 month leaseup)		\$0
		\$255,057
Total Project Cost Exclusive of Developer's Profit & Land		\$3,860,801

Total Land Area (Land/Bldg Raio 40%) 250,000

**Land Residual Sensitivity Analysis**

Developer's Profit	Land Residual	\$/sf
0.0%	\$759,199	\$3.04
5.0%	\$566,159	\$2.26
10.0%	\$373,119	\$1.49
15.0%	\$180,079	\$0.72
20.0%	(\$12,961)	(\$0.05)
25.0%	(\$206,001)	(\$0.82)

**LAND RESIDUAL ANALYSIS**  
NEST Properties

**Current SeaTac Rent Scenario**

Income, Expense and OAR Source: Market Derived

**Income Approach**

	RA/Stalls	NNN Rate		Income	
NNN Income - Shell	100,000	\$0.50	sf/month	\$600,000	
NNN Income - Office 10%	10,000	\$0.70	sf/month	\$84,000	
Parking Income	0	\$0.00	stall/month	-	Blended/Mos.
Gross Effective Income				684,000	\$0.57
Vacancy & Credit Loss		5.0%		(34,200)	
Operating Expenses		\$0.00	sf/year	-	
Net Operating Income				649,800	
Capitalized Value (rounded)		OAR 9.00%		\$7,220,000	

**Cost Approach**

Cost Information Source: Marshall & Swift

	RA/Stalls	Base Cost	Total
Gross Building Area	100,000		
Construction - Type	Class C		
Quality	Low Cost		
<b>Base Cost</b>			
Office	100,000	\$25.00	\$2,500,000
Parking	0	\$0.00	\$0
Subtotal			\$2,500,000
<b>Adjustments</b>			
Floor Area to Perimeter	0.8910		
Story Height (30')	1.3800		
Current	1.0200		
Location	1.1500		
Gross Adjustment	1.4423		
Subtotal			\$3,605,743

**Other Costs**

Sprinklers	Included Above	\$0
Permanent Financing Fees	1.0%	\$36,057
Leasing/Marketing	5.0%	\$342,000
Rent Loss (6 month leaseup)		\$0
		\$378,057
Total Project Cost Exclusive of Developer's Profit & Land		\$3,983,801

Total Land Area (Land/Bldg Raio 40%) 250,000

**Land Residual Sensitivity Analysis**

Developer's Profit	Land Residual	\$/sf
0.0%	\$3,236,199	\$12.94
5.0%	\$3,037,009	\$12.15
10.0%	\$2,837,819	\$11.35
15.0%	\$2,638,629	\$10.55
20.0%	\$2,439,439	\$9.76
25.0%	\$2,240,249	\$8.96

# Retail Space Markets

## Regional Retail Market

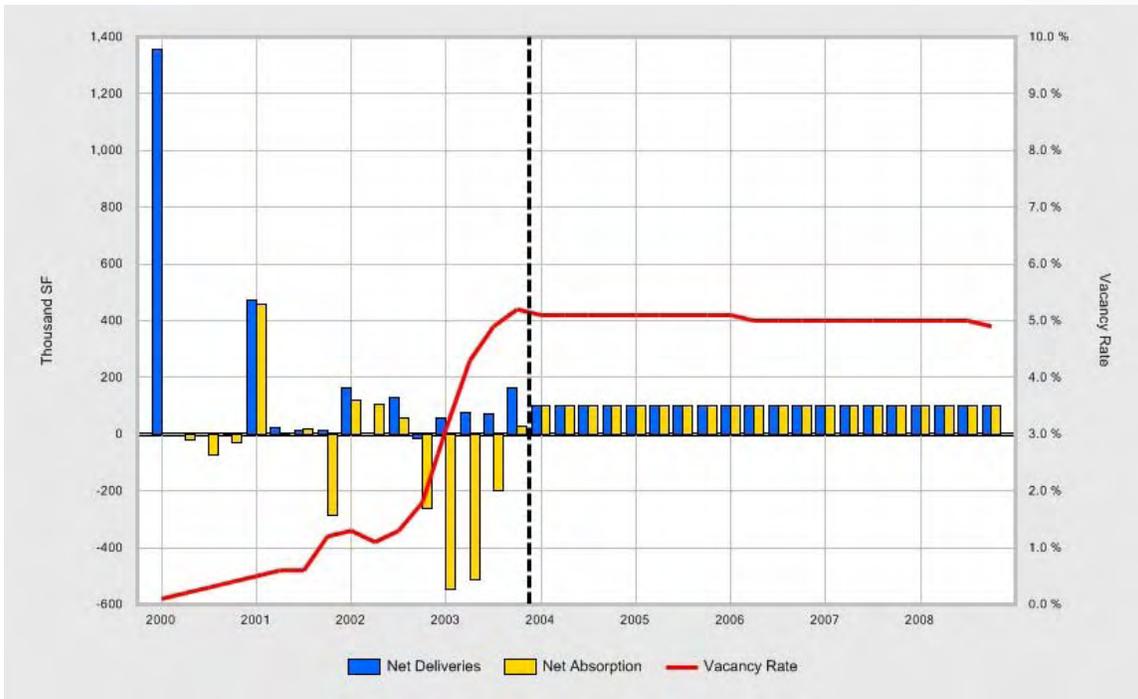
Costar tracks 1,210 retail buildings and 47.6 million sq ft in its real estate database. Historically getting perspective on the Puget Sound Retail market has relied on market sampling, rather than a complete inventory of the marketplace. Each of the major real estate brokerages in the area measures the market differently and the data is not consistent. To the extent possible, Costar has begun to collect data on the entire Puget Sound retail marketplace. The data indicates that 5% of the inventory is vacant, measuring 2.3 million sq ft.

Puget Sound Retail Market	
Number of Buildings	1,210
Rentable Area	47,671,732 sf
Vacancy	5%
Available Space	2,398,049

Source: Costar, November 2003

Market absorption during the last ten years has ranged from negative 1.2 million sq ft, year to date 2003, to a high of 6.4 million sq ft in 1998. If we project that a modest 400,000 sq ft per year will be constructed and an equal amount is absorbed, vacancy for the region stays where it is today, roughly 5%. The Regional Retail Market Supply and Demand graph below displays the effect of these assumptions.

## Regional Retail Market Supply and Demand



## Southend Retail Markets

GVA Kidder Mathews Mid-Year 2003 report tracks data for an area referred to as South King County and includes the cities of Kent, Renton, Tukwila, SeaTac, Burien, Covington, Des Moines, Auburn, and Federal Way as shown on the map below. The total market size for this area is 13.8 million sq ft. The report indicates 295,373 sq ft of new space is under construction; a figure that represents 2.1% of the total inventory for the area. Recent additions to the market have included a 135,000 sq ft Sam's Club and the 150,000 sq ft Fry's Electronics in Renton. Other planned projects include the expansion of Westfield Corporation's Westfield Shopping Town Center (Southcenter Mall) by 731,000 sq ft and the renovation of the SeaTac Mall in Federal Way. The GVA Kidder Mathews data does not include vacancy data for the Southend market, however, the CB Richard Ellis data derived from similar geographic boundaries indicates a vacancy of 4.58%.

Several attempts were made to analyze the supply and demand characteristics for the Southend retail market. The available data led to conflicting results, likely due to the classification of retail uses and area boundary discrepancies.

## SeaTac/Burien/Des Moines Submarkets

The area identified on the following map has been identified as the primary trade area for the SeaTac, Burien and Des Moines retail markets. Puget Sound defines the westerly boundary of the trade area and I-5 defines the boundary on the east. The freeway and the slope separating Kent from SeaTac and Des Moines makes a natural boundary. The northern boundary is representative of a point where residents have equal access to retail located in West Seattle and SeaTac/Burien. The southern boundary separates the SeaTac/Des Moines retail market from the Federal Way retail market.

## SeaTac/Burien/Des Moines Retail Trade Area



In the defined trade area there are 4,562 business establishments and of this total 1,013 are retail establishments, as shown on the Retail Establishments table below. Restaurants and Specialty Stores represent roughly 40% of all retail establishments. Auto dealers constitute 12.5% and Clothing Stores 7.6% of the retailers in the area. Other Food Stores and Food Markets make up almost 11% and Other Food Service 4.5% of the total.

## Retail Establishments

Business Summary Retail: Establishments	2003 Estimate	% of Establishments	% of Total Establishmen
Auto Dealers and Gas Stations	127	12.54%	2.78%
Bars	12	1.18%	0.26%
Building Materials Hardware and Garden	39	3.85%	0.84%
Catalog and Direct Sales	14	1.38%	0.31%
Clothing Stores	77	7.60%	1.69%
Convenience Stores	29	2.86%	0.64%
Drug Stores	17	1.68%	0.38%
Electronics and Computer Stores	27	2.67%	0.59%
Food Markets	44	4.34%	0.96%
Furniture Stores	16	1.58%	0.35%
General Merchandise Stores	25	2.47%	0.54%
Home Furnishings	24	2.37%	0.52%
Liquor Stores	7	0.69%	0.16%
Music Stores	12	1.18%	0.26%
Other Food Service	46	4.54%	1.02%
Other Food Stores	66	6.52%	1.44%
Restaurants	202	19.94%	4.43%
Specialty Stores	229	22.61%	5.03%
	<u>1013</u>	<u>100.00%</u>	

There is a daytime population of 74,223 and retail employment in the trade area totals 13,054. Twenty-six percent of these employees work in the Other Food Service category. Convenience Stores and Food Markets each employ over 11% of all the retail employees. Clothing stores employ roughly 10% of the retail workforce. Bars employ 9% and the Catalog and Direct Sales category makes up 7.5% of the total retail employment. The Retail Employment table below show the dispersion of the employees by category.

## Retail Employment

Business Summary Retail: Employees	2003 Estimate	% of Total Employees
Auto Dealers and Gas Stations	494	3.78%
Bars	1,180	9.04%
Building Materials Hardware and Garden	624	4.78%
Catalog and Direct Sales	983	7.53%
Clothing Stores	1,335	10.23%
Convenience Stores	1,477	11.31%
Drug Stores	67	0.51%
Electronics and Computer Stores	102	0.78%
Food Markets	1,455	11.15%
Furniture Stores	722	5.53%
General Merchandise Stores	282	2.16%
Home Furnishings	105	0.80%
Liquor Stores	262	2.01%
Music Stores	239	1.83%
Other Food Service	3,509	26.88%
Other Food Stores	122	0.93%
Restaurants	65	0.50%
Specialty Stores	31	0.24%
	<u>13,054</u>	<u>100.00%</u>

The SeaTac/Burien/Des Moines retail trade area contains 51,991 households. The average household income is \$59,452 for a total household income for the area of \$3.09 billion. Experian/Applied Demographics has estimated total retail expenditures for the area of \$1.25 billion or 41% of the total household income. A common real estate industry rule of thumb suggests that 75% of retail sales potential is captured in the primary trade area. This suggests that \$940 million dollars are available for retail expenditures each year in the SeaTac/Burien/Des Moines retail market. The retail data collection service Dollars & Cents indicates that sales for the average retailer located in the Western US is \$269/sf. The trade area can support 3.5 million square feet of retail space (940 million / \$269). A typical market vacancy factor is deducted from the total to arrive at 3.3 million sq ft of space that can be supported in the market. Metroscan suggests that there are currently 3.6 million sq ft of space in the market. The analysis indicates 300,000 sq ft of surplus of space exists in the market. Given the reliability of the data, it is reasonable to assume that the market is close to equilibrium. As population and employment increase in the town centers of the cities within the trade area, development of additional retail space will be feasible. Retail expenditures made outside the trade area in places like Southcenter and Federal Way could be captured by new retail offerings inside the trade area. The table below shows the supply and demand estimate for the trade area.

**SeaTac, Burien, Des Moines Retail Supply & Demand**

		<u>Source</u>
Households in Trade Area	51,991	Experian/Applied Geographic Solutions
Average Household Income	\$59,452	Experian/Applied Geographic Solutions
Total Household Income	\$3,090,968,932	
% Spent on Retail Products	41%	
Retail Sales Potential	\$1,255,817,694	Experian/Applied Geographic Solutions
%Retail Sales Captured in Trade Area	75%	
Retail Sales Potential in Primary Trade Area	\$941,863,271	
Sales per SF	\$269	\$ & Cents Community Centers 2002
Supportable SF Trade Area	3,501,350	
Frictional Vacancy	5%	175,068
Total Supportable SF of Retail Space	3,326,283	
Less Existing SF of Competitive Space	3,607,683	Metoscan
Less Forecast New Competitive Space	0	Estimated
Space Excess/(Shortage)	281,400	

## **Multifamily Residential Markets**

### **Regional Market**

Dupre + Scott Apartment Advisors reported the following in October of 2003.

“Vacancies are high, rents continue to slip, most properties still offer concessions, and concessions are bigger than they were six months ago. The Puget Sound market vacancy rate is 7.7%. It is a little lower than it was six months ago, but up slightly from last fall. Since 1991 vacancy rates have ranged from a low in 1997 of less than 4% to a high mid year 2003 of almost 8%.

Home buying activity stimulated more condominium conversion, taking some 1000 units of rental inventory out of the market. Between March of 2001 and March 2002 the tri-county market lost 4,700 renter households. During the same period 4,000 new units were added to the market.

Development of new apartments is expected to total 2,750 units by year-end 2003. Development has slowed from its peak in 2000 of 6,100 units per year. Dupree + Scott forecasts 1,272 units will be completed during 2004. In 2005, construction is expected to pickup, but it is likely new construction will not exceed 2003 levels.

The average rental rate in the region is \$801 per month. Rates are lower than they have been during the last two years; however, the drop has been minimal. The use of incentives to attract renters jumped to a record level last spring, with almost 70% of the properties in the region offering incentives. By the fall of 2003, this figure had dropped to 68%. Apartments stayed vacant on average 28 days over the past six months, compared to 33 days during the prior period.

The recent low interest rate environment has converted renters to owners. The competition for the rental market has come from condominiums and single family homes. The table below provided by Dupre+Scott, shows median condominium and single family sale prices and the related average monthly mortgage payments. Mortgage payments for condominiums range from \$760 to \$1,075, ignoring the Skagit County data which is not consistent with the balance of the region. Condominium dues and real estate taxes, equal to between \$200 and \$400 per month, are added to these figures to arrive at the true occupancy costs. With the average rental for the region at \$801 per month, it is clear that low interest rates have brought the cost to own down to the point renters can more afford to be homeowners.”

## Homeownership Competition

The table shows median single family and condominium prices for September 2002 and September 2003, from data provided by the *Northwest Multiple Listing Service*. The table also shows the monthly mortgage payment, assuming 90% financing, a 30-year amortization, and the average Freddie Mac loan rates for September 2002 and September 2003.

The table shows that although King county single family prices were 5.4% higher in September 2003, the monthly payment was 6.1% higher due to slightly higher interest rates. Please note that the sale prices are median prices for one month's volume only, so they are not indicators of longer term price trends.

### Home Ownership: Price & Mortgage Payment Trends

Mortgage payment trends are an indicator of the "substitution" threshold between home ownership and renting. The table below shows the trend in prices and mortgage payments over the past year.

County	Sale price trends			Mortgage payments		
	Sep-02	Sep-03	Change	Sep-02	Sep-03	Change
<b>Single family sales</b>						
King	\$279,950	\$295,000	5.4%	\$1,525	\$1,618	6.1%
Pierce	\$174,600	\$183,000	4.8%	\$951	\$1,003	5.5%
Snohomish	\$217,800	\$232,000	6.5%	\$1,187	\$1,272	7.2%
Kitsap	\$169,000	\$193,500	14.5%	\$921	\$1,061	15.2%
Thurston	\$155,000	\$169,950	9.6%	\$844	\$932	10.3%
Skagit	\$172,800	\$184,000	6.5%	\$941	\$1,009	7.2%
<b>Condominium sales</b>						
King	\$184,000	\$196,000	6.5%	\$1,002	\$1,075	7.2%
Pierce	\$143,925	\$138,750	-3.6%	\$784	\$761	-3.0%
Snohomish	\$158,200	\$161,700	2.2%	\$862	\$887	2.9%
Kitsap	\$91,225	\$147,000	61.1%	\$497	\$806	62.2%
Thurston	\$127,450	\$144,000	13.0%	\$694	\$790	13.7%
Skagit	\$94,500	\$219,950	132.8%	\$515	\$1,206	134.2%

#### Financing assumptions

Interest rates:

Sep-02 6.09%

Sep-03 6.15%

Loan to value 90%

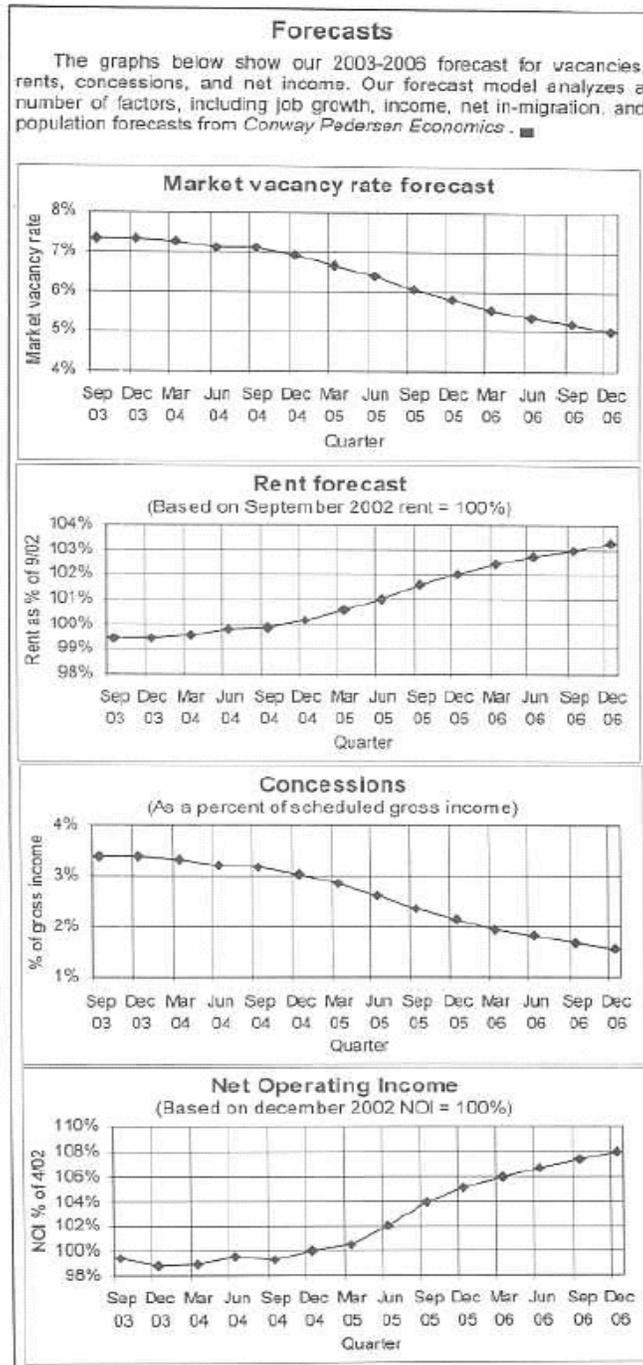
Term (years) 30

#### Sources

Sales: *Northwest Multiple Listing Service*

Interest rates: *Freddie Mac*

The following table presents Dupre+Scott's forecasts for vacancies, rents, concessions, and net incomes for the Puget Sound apartment market based on employment projections made by Conway Pederson Economics. Conway Pederson is expecting a reverse in the decline in employment and projects modest positive employment growth over the next several years. It is important to note that Conway Pederson is estimating that Boeing will need to add 15,000 to 20,000 jobs over the next several years to produce commercial airplanes. Vacancy and concessions are forecasted to trend downward, thereby moving rents and net operating up.



## South King County Market

The **South King County** apartment market consists of 61,817 units. Since 1993, 4,691 units have been constructed and a total of 1,070 units are forecast for completion during 2004 and 2005.

The South King County apartment vacancy rate currently stands at 8%. Older properties are experiencing the highest vacancies. Properties constructed between 1945 and 1964 are currently 12.2% vacant, compared to buildings constructed since 1994 that have a 4.2% vacancy factor. Vacancy moved from a low in 2001 of 3.2% to its current high of 8%. In 1999 the average rental rate was \$621 per month. By 2002 rents had moved to \$723. The current rate is down slightly to \$706 per month. The number of owners offering rent incentives has increased from a low of 10.7% in 1999 to 70.2% today. The annual turnover today is 45.3%, roughly the same as it has been during the last five years, 5.3%. The average time on the market has increased from a low of 14 days in 2000 to the current 30 days. The South King County Apartment Rent and Vacancy table below shows how the market has changed since 1999 and includes five year averages.

**South King County Apartment Rent and Vacancy History**

	Mar-99	Sep-99	Mar-00	Sep-00	Mar-01	Sep-01	Mar-02	Sep-02	Mar-03	Sep-03	5Yr Avg.
% Vacancy	3.9%	4.6%	3.6%	3.6%	3.2%	4.5%	6.8%	7.6%	7.6%	8.0%	5.3%
Average Rent	\$621	\$640	\$662	\$681	\$695	\$729	\$717	\$723	\$720	\$706	\$689
% Offering Incentives	10.7%	11.5%	11.2%	5.0%	10.3%	18.9%	53.7%	55.5%	70.5%	70.2%	31.8%
% Annual Turnover	42.8%	51.8%	43.1%	45.4%	38.1%	46.0%	45.5%	53.5%	44.4%	45.3%	45.6%
Avg. Days Vacant	15	17	15	14	15	17	26	30	38	30	22

Source: Dupre + Scott October 2003 Vacancy Report

## Des Moines, SeaTac & Burien Markets

The **Des Moines** apartment market consists of 5,528 units. The last time new units were constructed was in 1998 when 222 units were brought on line. The balance of the areas inventory was constructed prior to 1993. No new construction is forecast through 2005.

The Des Moines apartment vacancy rate is currently 8.8%. Properties constructed between 1965 and 1974 are 13.2% vacant. Those constructed between 1975 and 1984 are 10.7% vacant, and those completed between 1985 and 1993 have 5.2% of the units vacant. Vacancy was at a low point in 1999, registering 4.6%, and the current 8.8% vacancy figure is the highest vacancy has been five years. In 1999 the average rental rate was \$620 per month and since that time the rate has increased every year. The average rental rate today stands at \$701 per month. The number of owners offering rent incentives has increased from a low of 13.3% in March of 2002 to 95% today. The annual turnover has been steady during the last five years averaging 57.1%. The average time on the market reached a low of 13 days in September of 2000 and has since climbed to 34 days.

**Des Moines Apartment Rent and Vacancy History**

	Mar-99	Sep-99	Mar-00	Sep-00	Mar-01	Sep-01	Mar-02	Sep-02	Mar-03	Sep-03	5Yr Avg.
% Vacancy	4.6%	4.5%	4.4%	5.3%	5.0%	6.6%	9.3%	7.6%	9.2%	8.8%	6.5%
Average Rent	\$620	\$641	\$644	\$672	\$681	\$694	\$686	\$709	\$705	\$701	\$675
% Offering Incentives	28.6%	17.2%	29.4%	23.1%	13.3%	36.0%	73.9%	60.0%	66.7%	95.0%	44.3%
% Annual Turnover	52.5%	57.2%	58.8%	64.7%	46.1%	58.9%	53.4%	68.0%	54.4%	66.9%	57.1%
Avg. Days Vacant	17	15	19	13	15	24	35	27	34	34	22

Source: Dupre + Scott October 2003 Vacancy Report

The **SeaTac** apartment market consists of 2,784 units. The entire inventory was completed prior to 1993 and no new construction is forecast through 2005.

The SeaTac apartment vacancy rate is currently 8.7%. Properties constructed between 1965 and 1974 are 8.1% vacant, and those constructed between 1975 and 1984 are 7.1% vacant. In 2000 vacancy was at a low point, measuring 3.3%. It has climbed since then to the current 8.7%, with the average of the last five years equal to 5.5%. Rental rates increased from 1999 until the March of 2003 when they hit a five-year high of \$682 per unit. Since the first quarter the average rate has dropped to \$657 per unit per month. The number of owners offering rent incentives in 1999 was 5.9%; by 2000 this figure had increased to 23.5%; then dropped to 14.3% in 2001. During 2001 and 2002 the number of owners offering rent incentives increased to 53.8%. By March of 2003 incentives were offered by 78.9% of apartment owners and by September of 2003 the number had dropped to 64.3%. The annual turnover has been steady during the last five years averaging 46.7%. The average time the market reached was the lowest in 2001 when it measured 13 days, since that time it has increased to 32 days.

**SeaTac Apartment Rent and Vacancy History**

	Mar-99	Sep-99	Mar-00	Sep-00	Mar-01	Sep-01	Mar-02	Sep-02	Mar-03	Sep-03	5Yr Avg.
% Vacancy	3.8%	4.5%	3.3%	3.7%	3.8%	5.0%	6.0%	8.0%	8.0%	8.7%	5.5%
Average Rent	\$582	\$597	\$612	\$641	\$642	\$687	\$676	\$682	\$682	\$657	\$646
% Offering Incentives	5.9%	14.3%	23.5%	33.3%	14.3%	38.5%	58.8%	53.8%	78.9%	64.3%	38.6%
% Annual Turnover	43.0%	60.3%	45.7%	47.7%	40.1%	44.1%	44.3%	45.2%	51.6%	45.0%	46.7%
Avg. Days Vacant	18	20	18	16	13	17	28	35	36	32	23

Source: Dupre + Scott October 2003 Vacancy Report

The **Burien** apartment market consists of 3,280 units. All of the units in the market were constructed prior to 1995. There are no new units scheduled for construction through 2005, at which point it will have been 10 years since new apartments were made available in Burien.

In Burien apartment vacancy rate is currently 9.1%. Apartments completed prior to 1964 are 17.8% vacant. Properties constructed between 1965 and 1974 are 7.2% vacant, and those constructed between 1975 and 1984 are 6.0% vacant. The post 1993 units carry a vacancy factor of 5.9%. In March of 2003 vacancy was at a low point, measuring 3.3%. It has climbed since then to the current 9.1%, with the average of the last five years equal to 5.6%. Rental rates have increased from \$604 per unit in 1999 to \$728 in March of 2003. The September average rental rate was down slightly at \$694 per unit. In 1999 and 2000 the number of owners offering rent incentives was between 0% and 5.3%. In 2001, incentives were offered by 17.6% of the owners surveyed. By September 2003, the percent of owners offering rent incentives was 73.9%. The annual turnover has been relatively steady, between 37.5% and 55.6% during the last five years. The average time on the market jumped from 13 days in March of 1999 to 19 days in March of 2000. In September of 2000 this figure dipped to 14 days where it held steady for 18 months. In March of 2002 the number of days a unit stayed vacant and on the market climbed from 21 to 32 by September of 2003.

**Burien Apartment Rent and Vacancy History**

	Mar-99	Sep-99	Mar-00	Sep-00	Mar-01	Sep-01	Mar-02	Sep-02	Mar-03	Sep-03	5Yr Avg.
% Vacancy	3.6%	5.0%	4.6%	4.5%	3.3%	3.2%	5.7%	8.0%	8.7%	9.1%	5.6%
Average Rent	\$604	\$625	\$635	\$625	\$668	\$714	\$706	\$720	\$728	\$694	\$672
% Offering Incentives	5.0%	0.0%	5.3%	0.0%	17.6%	22.2%	54.5%	65.0%	72.0%	73.9%	31.6%
% Annual Turnover	37.5%	46.1%	43.5%	40.9%	38.1%	37.6%	41.7%	55.6%	44.4%	44.8%	43.0%
Avg. Days Vacant	13	17	19	14	15	14	21	35	41	32	22

Source: Dupre + Scott October 2003 Vacancy Report

The table below presents a snapshot of a single development scenario for a typical 195 unit apartment building located in the greater SeaTac area. The project's income is estimated and the costs are subtracted to arrive at project cost less developer's profit and land. The analysis shows at various levels of developer's profit how much the project can afford to pay for land. A typical developer's profit of 15% results in a land value of just less than \$3.50 per sq ft, at the very low end of the range of land values estimated by the County Assessor's office and certainly below the value for good quality locations. At the current rent and vacancy levels, new development is not feasible. As the market improves with the overall economy and vacancy drops and rents increase, development will once again become feasible.

**FINANCIAL FEASIBILITY - Apartments**

NEST Study

**Scenario 1 - Apartments**

**Income Approach**

*Income, Expense and OAR Source: Market Derived*

	No of Units	Avg Unit Size	Monthly Rent	Income
Gross Income	195	950	\$900	\$2,106,000
Vacancy & Credit Loss			10.0%	(210,600)
Miscellaneous Income			\$5,000	60,004
Gross Effective Income				1,955,404
	%GI	\$/unit/yr		
Operating Expenses	38.0%	\$4,221		(823,082)
Net Operating Income				\$1,132,322
		OAR		
Capitalized Value (rounded)		7.50%		\$15,100,000

**Cost Approach**

*Cost Information Source: Marshall & Swift*

		Average Units	Base Cost	Total
Gross Building Area	188,172			
Construction - Type	"D"			
Quality				
Apartment Structure	185,346	\$54.39		\$10,080,944
Clubhouse	2,826	\$69.32		\$195,898
Subtotal				\$10,276,843
<b>Other Costs</b>				
Landscaping/site work	195	\$1,000	\$195,000	
All Appliances (including W/D)	195	\$2,800	\$546,000	
Covered Parking	195	\$1,050	\$210,000	
Fireplace	195	\$700	\$140,000	
Deck/Patios	12,975	\$13.60	\$176,464	
Pool	1	\$30,000	\$30,000	
Garages	28	\$1,200	\$33,600	
Permanent Financing Fees	1.0%		\$116,079	
Marketing and Rent Loss	3.0%		\$351,720	
				\$1,798,863
Total Project cost exclusive of Developer's Profit & Land				\$12,075,706

**Land Residual Sensitivity Analysis**

Developer's Profit	Land Residual	\$/sf	\$/Unit
0.0%	\$3,024,294	\$ 8.64	\$15,509
5.0%	\$2,420,509	\$ 6.91	\$12,413
10.0%	\$1,816,724	\$ 5.19	\$9,317
15.0%	\$1,212,939	\$ 3.46	\$6,220
20.0%	\$609,153	\$ 1.74	\$3,124
25.0%	\$5,368	\$ 0.02	\$28

The development of condominiums in the current low interest rate environment is attractive. According to the Puget Sound Multiple Listing Service, only 43 condominium sales have closed within five miles of downtown Burien during the last two years. The average sale price was a rather high at \$248,450 compared to the county average of \$196,000. As with the apartment market, so little activity has taken place recently that projections about the potential for condominium sales are imperfect. It could be argued that a new project in a redeveloping area is feasible, especially if the project is part of an exciting new neighborhood. However, it would be considered by most developers as a pioneering project, best supported by area specific marketing research designed to measure the preferences of potential buyers.

## Hospitality Markets

The SeaTac area is the second largest concentration of hotel rooms in the Seattle Metropolitan area. According to the Seattle King County Visitor Bureau Lodging Guide, the three largest concentrations are:

	<b>Hotels</b>	<b>Rooms</b>
Downtown Seattle	60	11,371
Seattle South/Sea-Tac Airport	42	7,439
Eastside/Bellevue	16	2,167

The immediate airport area hosts several large hotels as shown on the table below.

<b>Hotel</b>	<b>Rooms</b>
Doubletree Hotel South Airport	850
Seattle Marriott Sea-Tac	459
Hilton Airport Hotel and Conference Center	396
Radisson Hotel, Sea-Tac Airport	308
Holiday Inn Seattle, Sea-Tac Airport	260
Embassy Suites Sea-Tac Airport	239
Clarion Hotel, Sea-Tac Airport	214
Wyndham Garden, Seattle Tacoma Airport	204

The performance of the local hotel market can be measured in terms of its occupancy rate and average daily room rate. The measures are shown on the Comparison of Hotel Market Conditions table below for a 10-year period for several subareas of the Seattle market.

- SeaTac and Southcenter hotels/motels had an occupancy rate of 61.1 percent in 2002, comparable to the other subareas, except for Downtown Seattle that had occupancy of 69.1 percent.
- SeaTac and Southcenter had an average daily room rate of \$77.53 in 2002, well below the rates in Downtown Seattle and Bellevue.
- The occupancy rates fell dramatically in all areas in 2001 reflecting the impact of 9/11 on travel in general and air travel in particular.
- Average daily room rates fell dramatically in 2002, as the impact of 9/11 was delayed somewhat.
- The impacts on both rates and occupancies were greater in the SeaTac and Southcenter area than other areas, because of the high dependence on air travelers.

In summary, the airport area is a major concentration of hotel rooms within the region. Current market conditions are quite soft, as the travel industry continues to experience the affects of 9/11 and a slow economy. The travel industry appears to be recovering and market conditions in the lodging industry should strengthen.

## Comparison of Hotel Market Conditions

<b>Occupancy Rate</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
SeaTac and Southcenter	70.2%	72.8%	75.8%	75.3%	74.7%	74.6%	70.4%	69.0%	63.0%	61.1%
Downtown Seattle	70.5	75.4	77.8	77.3	76.0	77.3	75.7	73.5	70.0	69.1
Bellevue and Eastside	67.3	74.3	77.4	78.4	78.6	73.6	70.5	71.8	63.9	61.1
Everett and Snohomish County	59.9	53.6	56.0	60.9	63.9	57.0	49.5	55.4	53.5	60.1
Tacoma and Pierce County	57.0	57.1	63.5	68.5	64.3	62.0	62.5	63.4	55.6	60.9
<b>Average Daily Room Rate</b>										
SeaTac and Southcenter	\$60.47	\$65.91	\$70.97	\$75.06	\$82.37	\$85.20	\$87.50	\$86.98	\$84.94	\$77.53
Downtown Seattle	94.89	100.21	108.09	112.90	118.84	127.45	129.85	134.85	135.11	128.05
Bellevue and Eastside	72.22	78.34	83.97	87.88	96.46	103.09	106.29	112.83	112.65	104.83
Everett and Snohomish County	53.43	56.02	57.07	60.20	66.85	70.83	70.08	80.41	79.94	72.28
Tacoma and Pierce County	56.20	61.13	62.46	65.30	69.34	77.24	76.78	79.22	75.97	73.82

Source: Wolfgang Rood Hospitality Consulting, Trends in the Hotel Industry, Pacific Northwest

## **Biotech Market**

The biotech market, as it relates to the NEST properties, consists of two components; lab space and manufacturing facilities. In the Puget Sound region lab space users typically locate in only a few select areas. They are characterized as being close to the University of Washington or adjacent to other biotech practitioners. The biotech hubs are Northcreek in the Bothell, Seattle U-District, or around Lake Union. A few exceptions exist including South Capital Hill adjacent to Harborview Hospital, the Stadium District, and North Elliott Bay.

Biotech manufacturing spaces are typically located on inexpensive land. This is how Immunex came to be located in Bothell. The products that are produced are small and are shipped via overnight carrier. Proximity to airports is not critical. The NEST properties could be attractive to biotech manufacturing facilities. It is not likely they would pay a premium for real estate in proximity to the airport.

The Biotech lab space markets are relatively small. Cities and states across the nation are aggressively trying to attract biotech companies in hopes of capturing the economic benefits. In the Seattle area, developers who control attractive sites are hoping to lure biotech companies. The perspective sites have such amenities as waterfront, proximity to central business districts, access to institutions of higher educational, public transportation hubs, housing, retail establishments, and entertainment facilities. These are amenities that are unavailable or less developed in the greater SeaTac/Des Moines/Burien area.

The following article, which recently appeared in the Seattle Weekly, is an excellent summary of the state of the Puget Sound biotech markets.

### **Biotech Land Rush**

A glut of development is planned in Seattle, Bothell, and Renton—enough to accommodate tens of thousands of life-science researchers and other knowledge workers. Are there enough tenants to go around?

The region's leaders have caught biotech fever, and economist Joseph Cortright says that can be an unhealthy obsession. "Biotech is an idea virus that has swept governors and mayors across the country," says Cortright, co-author of an influential study about how cities have encouraged biotech development. "There is a herd instinct here. Ten years ago, everybody wanted to be Silicon Valley. Now the whole economic-development fraternity has moved lockstep to anoint biotech as the next big thing."

That's fine with Maura O'Neill, CEO of Explore Life, a Puget Sound consortium of political and business leaders. She hopes biotech fever brings new or expanded development to Seattle's waterfront Interbay neighborhood, to the neighborhood south of Lake Union, and to Renton, Bothell, and other locations. "We have built the most amazing medical school and bioscience infrastructure in the world," O'Neill says. "We need some new mechanisms to jump-start those scientists out of the labs." She quotes Lee Hartwell, president and director of the Fred Hutchinson Cancer Research Center: "Not enough science is being commercialized."

O'Neill wants biotech companies here to do what Boeing did with airplanes, what Microsoft did with software, and what Starbucks did with coffee. She wants to see 35,000 new biotech-related jobs in Washington in the next decade. That can happen, O'Neill says, only if we compete as a region, against other regions, with an alliance of business leaders, developers, and elected officials. First, though, she might need to referee a fight among the present and envisioned biotech centers in metropolitan Seattle.

Explore Life estimates there are hundreds of acres of land with the capacity for 30 million square feet of development throughout the region—a glut of options, really. Conceptual work is under way by the Port of Seattle for development at its Terminal 91 property in Interbay and by the City of Renton for the future of Boeing's sprawling, but decreasingly active property at the Southend of Lake Washington. The state's biggest biotech campus, Canyon Park in Bothell, has a great deal of development and redevelopment capacity already on line.

So there are fissures in Explore Life's alliance. Seattle Mayor Greg Nickels is feuding with the Port over Terminal 91. Roger Belanich, the main developer of Canyon Park, doesn't hold out much hope for Renton's ambitions to create a biotech campus. Urbanists like former Seattle Mayor Paul Schell bemoan the suburban sprawl represented by Canyon Park. While O'Neill dreams of the region competing globally, biotech fever has incubated a good, old-fashioned real-estate brawl locally.

## **Explore New Worlds**

For O'Neill, the task at hand is both a heartfelt mission—as a child, she watched her 5-year-old sister die from leukemia—and a methodical effort to replace the continuing loss of aerospace jobs at Boeing. "its part man on the moon by the end of the decade, part jobs programs," she quips. "Washington used to be famous for lots of other things. Now we are famous for the highest unemployment in the country."

O'Neill's promotional work is backed by some heavy hitters. Former Seattle Mayor Norm Rice is Chair of Explore Life's board, and the organization got startup funding from the city of Renton and the Port. O'Neill wants to help transform Washington's biotech industry from a small, fast-growing sector of the economy into a major engine of economic development.

Economist Cortright says his study of such efforts makes him doubtful. "The good news for Seattle is that it is a place that really does have a biotech industry—one of the nine places in the country that does have a significant biotech presence," Cortright says. "That said, in none of the nine places is a biotech firm one of the largest 25 employers. Biotech has not been a base for employment in a region like aerospace has. Biotech is not a huge industry in terms of employment."

There are than 3 million people in Washington's workforce, according to the state's Employment Security Department. The department's most recent numbers show that 7.6 percent of them are unemployed. In terms of employment, the leading industries in Washington are aerospace (including Boeing) with 62,300 workers and software publishing (including Microsoft) with 38,000. Biotech is not a big enough category for the state to track separately. The state does, however, have a category called physical, engineering, and life sciences, which has 528 employers and 16,500 workers. The Washington Biotechnology and Biomedical Association, a trade group, tracks its own employment category of biotech and medical-device companies and puts employment at 19,300 for 190 companies.

In either case, Cortright has a point. He warns against a facile comparison of biotech's potential to the growth of high-tech companies involved in the internet, telecommunications, and software. Unlike the tremendous growth in the commercial and leisure use of computers, Cortright sees biotech as having a limited market. "It's unlikely under anybody's scenario that any of us will have a genetic-manipulation workstation on our desks in 20 years. Biotechnology is not a transformative force in the economy." Moreover, he says, biotech has not been able to cut costs in the dramatic fashion that the computer industry has. As a result, inflation of the nation's health care costs, affected dramatically by the price of pharmaceuticals, continues. Cortright thinks the sheer costliness of biotechnology will be a brake on its

development. "Even if every drug turns out to be wildly successful, how much can we pay for pharmaceuticals?" he wonders.

O'Neill of Explore Life refuses to be discouraged. "If people want to be naysayers, that's their prerogative," she says. "I want to be part of making something extraordinary happen." When she moved to Seattle in 1975, she notes, the building that houses the biotech firm Zymogenetics in the South Lake Union neighborhood was a working steam plant. "Let's create global alliances so we can march forward and create a better quality of life and better health," O'Neill says.

## **Lakeside Seat**

Over the past year, the biggest outbreak of biotech fever has been in South Lake Union. Nickels, the hard-charging mayor of Washington's largest city, and Mercer Island resident Paul Allen, the fourth-richest man in the world, have allied and envision transforming South Lake Union into a biotechnology hub, with 20,000 new jobs and 10,000 new residents. Their vision has generated many headlines and much debate.

Discerning hype from real potential can be a chore, but there is no doubt that the deep pockets of Allen, through his holding company, Vulcan, are bankrolling real on-the-ground changes that will alter Seattle's landscape considerably. Vulcan has acquired more than 50 acres of real estate in the area, and in the past two years, the company has inked major deals for more than 563,000 square feet of development in the neighborhood—while planning for 9,500,000 more. Firm plans include a grocery store, apartments, a hotel, commercial headquarters for companies like clothier Tommy Bahama and architecture firm NBBJ, and laboratory space for biotechnology. Allen's personal interest in biotech has roots in his successful fight against Hodgkin's disease years ago. Vulcan's inspiration as a developer is the proximity of the University of Washington Medical School, which it sees as a sort of anchor tenant for South Lake Union.

In the past decade, UW's medical school has undergone a remarkable expansion by obtaining private and public grants and contracts. In 1993, the med school had grants and contracts of \$186 million. This year it will bring in \$433 million, according to Dr. Susan Wray, the school's vice president for industrial relations. Among public universities, UW was the top recipient of National Institutes of Health grants, and it was third among all universities, collecting more than \$405 million in 2002. Wray says the med school has outgrown the laboratory space available on campus. Like most money from NIH, however, such grants do not pay for new buildings. That's where medical-school Dean Paul Ramsey's fund-raising has come in. Among other sources of help for capital expenses, Ramsey has tapped the largesse of the world's richest man, Microsoft CEO Bill Gates, who co-founded the Redmond software giant with Allen. The UW has raised enough money to close a deal with Vulcan to convert the old Washington Natural Gas headquarters, known as the Blue Flame Building, into 100,000 square feet of laboratory space. John Pettit, UW's med-school associate vice president for business and legal affairs, says the next phase of the university's South Lake Union development—adding 300,000 more square feet of lab space on the same block—is moving forward, although it has not been finalized. After that, Pettit says, the university hopes to build another 400,000 square feet across the street. Port of Seattle Commissioner Paige Miller: "You can't stand still and not take risks. Ask Detroit."

## **Vulcan Has Sold**

Seattle in general and South Lake Union in particular as a place that can be an incredible nexus for life-sciences research and business. In addition to UW's presence and influence, the Fred Hutchinson Cancer Research Center—which leads the nation's private research institutions in NIH grants and is the state's largest biotech employer, with 2,800 people—has called South Lake Union home for years. Soon, the Allen

Institute for Brain Science, with a \$100 million endowment from its founder, will move to the neighborhood from temporary quarters in Fremont. Superstar scientists like Hartwell, director of the Hutch and winner of the 2001 Nobel Prize in medicine, are working in the area. The Seattle based Bill and Melinda Gates Foundation is at the forefront of researching global health problems and supplying solutions and will likely be a funding target for biotech researchers. Add the region's famous quality of life to the mix and you have a pretty exciting package to sell.

Companies have responded. When pharmaceutical giant Amgen acquired the local firm Immunex (started by scientists from the Hutch), the parent company chose to continue to develop the Helix campus on Elliott Bay rather than pull up stakes. When pharmacological behemoth Merck bought Rosetta Inpharmatics (also started by Hutch scientists), with offices in Kirkland and Bothell, they moved the company to South Lake Union.

No wonder that with all these heavy hitters pushing big development, Mayor Nickels wants to upgrade South Lake Union's infrastructure to handle expansion. Work on transportation and utilities infrastructure clearly needs to be done, but the question is who should pay for it? The public has already contributed tax dollars at the front end, to fund the NIH grants and to run and build UW Companies like Merck and Amgen are making millions in profits from publicly funded discoveries.

## **Terminal Turn**

In Seattle's Interbay neighborhood, the Port of Seattle hopes to improve its bottom line with biotechnology. The Port owns 82 acres at Terminal 91, where thousands of newly arrived Nissan cars once paused before being shipped to U.S. dealers. Now the property lies vacant. The Port has allocated \$6.5 million to study how to develop 57 acres of the area, and that's not a digression from its mission. Earlier this year, the Port reorganized, elevating super bureaucrat Tom Tierney to head a new division of Economic Development that would be equal in stature to the Port's struggling airport and marine divisions. The Port hopes to find ways to use real-estate development to improve its own fiscal future and to bolster the region's economy. Seattle Port Commissioner Paige Miller dreams of creating a biotechnology campus on the site, serviced by housing, retail, Sound Transit commuter rail, the new monorail line, and a waterfront trolley that is extended north.

Former Port Commissioner and Mayor Schell, now a strategic adviser at the architecture firm NBBJ, has done a lot of thinking about the site. In his mind, the opportunity begins with the Magnolia Bridge, which needs to be rebuilt because of earthquake damage. He wants to see the city move the bridge a little farther north, making views from the Port land better. Next, Schell thinks, the Port should buy the air rights over the nearby railroad yard from Burlington Northern Santa Fe and put a lid on the noisy facility. At that point, the site is ripe for development of a "creative community," as Schell calls it. "You don't separate jobs from housing and entertainment," he says. Instead, in building a mixed-use neighborhood from scratch, you create the opportunity for companies from the knowledge industry to locate in Seattle.

Surprisingly, while the Nickels administration raves about Vulcan employing this development strategy at South Lake Union, it is distinctly bearish on the Port's efforts. Says Port Commissioner-elect Alec Fisker, who also works as a senior policy adviser for the city's Office of Policy and Management: "The mayor is fundamentally sympathetic to maritime jobs."

Mary Jean Ryan, director of the Office of Policy and Management, stresses the importance of preserving industrial land for industrial uses. "You don't give industrial land up, because you don't get it back," she says. Terminal 91 is just south of the hub of Seattle's remaining maritime-related business area, Ryan says, referring to Salmon Bay and Fishermen's Terminal, where small employers are engaged in a variety of

marine businesses— tugboats, barges, boat building. "They make up a sizable employment base," she notes.

Port Commissioner Miller says, "We do need small employers, but they don't pay very much, and they employ just a small number of people." Schell adds, "Where are the likely jobs going to be five, 10, 15, or 20 years from now? What is the strategy that is going to get us there? We are having that debate in a nutshell over South Lake Union and Interbay."

## **Dreaming Down South**

Alex Pietsch is sure Renton's future jobs will not be in aerospace. That is why the city's Director of the Department of Economic Development, Neighborhoods, and Strategic Planning has started aggressively marketing 300 acres now occupied by Boeing on the shore of Lake Washington. Although Renton doesn't own the property, Pietsch envisions the site as a catalyst for the transformation of the blue-collar, suburban city of 54,000. Ten years ago, Boeing employed 62 percent of Renton's workforce. Today, the aerospace company's share is 39 percent. The city's administration has come to terms with the fact that Boeing's employment will continue to drop, and the aerospace company is expected to sell about 80 acres in the near future.

As in South Lake Union and at Terminal 91, Renton's idea is to build a "creative community" of mixed use, anchored by a campus of a 21st-century industry like biotech. Pietsch says the site can accommodate 40,000 jobs and 15,000 residents. He thinks Renton can take advantage of relatively cheap land and proximity to Seattle-Tacoma International Airport. Passenger ferries running up the lake could overcome the city's distance from the University of Washington. The UW is bullish on the site—high-level administrators like interim President Lee Huntsman are enthusiastic proponents of the idea. "We are never going to replace downtown Seattle as a marquee location," says Pietsch, "but we think there is an opportunity for industries that want to build a campus like setting."

Roger Belanich, principal developer of Bothell's Canyon Park, isn't buying Pietsch's pitch. "Renton—I don't believe in that," he says. He thinks the creative-community concept is egg headed nonsense. "The planners love that stuff—it is right out of the textbook—but you have to get real once in a while. South Lake Union makes sense, but there is not that much biotech to go around. It is going to get a little thin."

Developers and brokers are decidedly pessimistic about Renton's ability to attract a biotech campus and a mixed-use community. Gary Carpenter, executive vice president of Bentall Real Estate Services, grew up in Renton and tried to do a project in the city at the height of the 1990s economic boom. "Tenants just didn't want to go, despite the fact that you could give them a rent reduction," Carpenter says. "It was almost a mental block. There's no synergy in Renton right now." Like other brokers and developers, Carpenter worries about overcapacity. "How much business is there for biotech? A company asks itself: Why would I want to isolate myself down in Renton?"

Pietsch notes that developers and brokers have vested interests in projects in existing developments in South Lake Union and Bothell. He says it's not their job to be visionaries. "What's wrong with dreaming?" he asks.

## The Real World

Belanich has already brought a dream into reality. In 1984, when he bought the 350 acres that today is Canyon Park, it was a working dairy farm. You can still see remnants of other old farms in the area. Belanich saw a tremendous business opportunity in the location near the intersection of Interstate 405 and Interstate 5. Getting there from either Seattle or the Eastside suburbs is counter to the flow of most traffic and does not involve water crossings. "Its location is strategic," says Belanich. Fifteen years ago, he started to lure biotech companies to Canyon Park. He has been very successful.

According to the Washington Biotechnology and Biomedical Association, Bothell today is home to 86 percent of Snohomish County's 5,000 biotech workers, who are employed by 35 companies like Icos, Seattle Genetics, and Epoch Biosciences. Canyon Park is the biggest location for biotech in Bothell and has a distinctly different approach to development than that envisioned for South Lake Union, Interbay, or Renton. Prototypically suburban, Canyon Park is made up of cookie-cutter office buildings surrounded by acres of parking lots. There is one restaurant, a bank, and a gym at the entrance. A couple of miles away, a huge strip-mall-style development has grown up to service the area. While there are some apartment buildings nearby, commuting by car and living in a bedroom community is the norm. There is a good deal of vacant land and office space available for lease in Canyon Park or the surrounding business parks, like Quadrant Monte Villa and Schnitzer North Creek. In addition, Belanich got the height limits raised in Canyon Park, so significant redevelopment potential exists as well.

Former Mayor Paul Schell: "Where are the likely jobs going to be? What is the strategy that is going to get us there?" (Annie Marie Musselman) Bill Neil, a real-estate broker with GVA Kidder Mathews who specializes in biotech, says, "Right now most of the momentum is in Bothell and the Denny Triangle/South Lake Union." He believes the two locations have plenty of capacity to absorb future biotech development. Since the urban and suburban settings differ from one another so starkly, each appeals to different companies depending on the corporate culture, according to Neil. He believes companies either have a suburban or urban mind-set. Says Neil, "People have very fervent feelings one way or the other." The broker does not, however, think there is room for the Port and Renton to get in on the action. "The market can't handle it all," he says.

Urbanists like Schell believe the land-use patterns represented by Bothell are a failure of urban planning. He wants to prevent more development from sprawling out into the great green spaces of the countryside. He also believes that the kind of mixed uses that he promotes will be most attractive to the new generation of industries like biotech.

Michael Cade, vice president of the Snohomish Economic Development Council, is sick of hearing such arguments. "When I hear comments that what they are doing in Canyon Park is not in the nature of the beast, I say, 'So what? It works.'" Cade thinks Bothell is in a much better position to compete for growth than Renton or the Port of Seattle. "When you talk to Alex Pietsch and he says, 'We have the land for the next wave of biotech,' keep in mind—we have some very phenomenal, high-end property for biotech. The buildings are ready to go. This is the next marketplace."

This whole debate makes developer Belanich recall that he nearly lured Immunex out of Seattle, to relocate in Bothell. The outcry from elected officials was tremendous. "Norm Rice and [King County Executive] Ron Sims portrayed it like Immunex was leaving the area," he says. What happened next? The Port of Seattle stepped in and gave Immunex a very good deal on waterfront property. "The Port gave Immunex the land," says Belanich. "I'm agitated by the Port because they are competing with private industry. The city and the

county put \$45 million into mitigation and a roadway [for Immunex]. Up here, I have to pay my own mitigation."

His Point of View makes one keenly aware of the difficult task awaiting O'Neill and her organization, Explore Life. O'Neill concedes the competition for biotech nationwide is fierce. In 2001, when the U.S. Department of Commerce conducted a survey of governments around the country, nearly 80 percent of cities and states put biotech as one of their top two foci for economic development. She hopes to convince the region's leaders to pursue biotech together, but even before the starting gate has opened, the jockeying for position has already begun.

## **Parking Market**

The parking market plays a significant role in real estate in the vicinity of the airport and demand is strong with continued growth expected. Data in the City of SeaTac/Port of Seattle Joint Parking Strategy documents dated January 20, 2000 and December 11, 2001, suggests that roughly 10,000 privately owned parking spaces exist in and around the airport. At 350 sq ft per space, the land occupied by surface parking lots measures in excess of 80 acres.

It is useful to understand the role of surface parking lots in the local real estate market. Park and fly parking operations can afford to pay \$25 to \$45 per square foot of land. If the free market is allowed to function unimpacted by outside influences, parking is the highest and best use for land located near the airport passenger terminal. Other uses can not afford to pay as much for land and remain competitive. To complicate matters, land costs are not high enough to support the cost to construct structured parking facilities.

Unfortunately, a sea of parking does not make a “place” that attracts people. In an effort to create a people friendly environment, the City of SeaTac has analyzed the effect of the parking demand on land use in the area and has created zoning policies that limit future development of surface parking lots. In addition, the Port of Seattle is studying alternatives for meeting current and future demand.

The map below, provided by the City of SeaTac, shows the locations of surface parking lots in the area. From a land use and real estate perspective parking lots are likely candidates for future development, providing the parking demand can be met elsewhere. Those sites located closest to the main airport terminal are natural for uses that are not appropriate for the NEST study properties, such as hotels, office buildings, retail and entertainment. These uses are consistent with the State’s growth management objectives and the City of SeaTac’s comprehensive plan. The effect of the utilization of these properties for other uses is the creation of a functional high density self supporting urban environment.



**NEST Study**

**Economic Base, Target Sectors,  
& Industry Profiles**

*August 5, 2004*

*Prepared by:  
Greg Easton, Property Counselors*

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## Economic Base

The economic base of the three NEST partner cities represents the economic resources and conditions that will determine their ability to capture development opportunities in the future. While all three cities share proximity to the airport, they differ in terms of their existing employment patterns and demographic profiles. The economic base of the three cities is presented here in terms of:

Demographic Profiles  
Employment Patterns  
Summary of Key Attributes

## Demographic Profiles

The three cities are similar in size, in terms of both population (with the estimated population in 2003 of 31,480 in Burien, 29,120 in Des Moines, and 25,100 in SeaTac); and land area (4,758 acres in Burien, 4,225 acres in Des Moines, and 6,557 in SeaTac). The demographic characteristics of each city according to the 2000 census, are compared in the NEST Cities Demographic Profiles – 2000 Census table.

**NEST Cities**  
**Demographic Profiles – 2000 Census**

	<b>Burien</b>	<b>Des Moines</b>	<b>SeaTac</b>
Population	31,881	29,287	25,496
Households	13,399	11,337	9,708
Avg. Household Size	2.36	2.47	2.53
Median Age	38.4	37.0	33.9
Median HH Income – 1999	\$41,577	\$48,971	\$41,202
HH per Acre	2.8	2.7	1.5
% Single Family	59.2%	59.1%	54.2%
% Owner Occupied	56.4%	61.0%	54.4%
Education Attainment			
% High School Grad or Higher	84.8%	87.5%	81.4%
% Bachelors Degree or Higher	21.2%	22.9%	15.3%

Source: US Census Bureau, 2000 Census, Demographic Profiles

- The average household size in Burien is lower than in the other two cities.
- The median age in SeaTac is significantly lower, as is the average educational attainment level and the percentage of the total housing stock that is single family.
- The average household income is higher in Des Moines, as is the percentage of the housing inventory that is owner occupied.

The differences in demographic characteristics will affect the potential demand for many local retail and service businesses, but are less relevant to the potential for regional services, commercial and industrial activities.

## Employment Patterns

The employment patterns in the three communities differ more significantly than the demographic characteristics. The Nest Partners Employment Base table below summarizes their employment patterns. SeaTac has a much larger employment base than the other two, and the difference is even greater on a per capita base.

Burien	0.38 job per capita
Des Moines	0.20 job per capita
SeaTac	1.26 job per capita

The airport is the obvious employment center in the area. Approximately 60 percent of the jobs in SeaTac in 2001 are in the Wholesale, Transportation, Communications and Utilities (WTCU) sector. That sector represents only 8.5 percent of total jobs in Burien and 3.5 percent of jobs in Des Moines. The dominant sectors in the latter communities are Finance, Insurance, Real Estate, and Services (FIRES), Retail, and Education. High shares in these sectors are typical of an employment base that serves local residents and businesses.

Manufacturing is a minor sector in all three cities, although the absolute number of jobs in SeaTac was 759 in 2001.

## NEST Partners Employment Base

				Average Annual Growth		% of Total Employment		
	1995	1998	2001	1995-1998	1998-2001	1995	1998	2001
<b>Burien</b>								
Constuction/Resource	379	400	453	1.8%	4.2%	3.4%	3.8%	3.8%
FIRE*	5,396	5,010	5,597	-2.4%	3.8%	48.1%	47.9%	46.5%
Manufacturing	225	210	155	-2.3%	-9.6%	2.0%	2.0%	1.3%
Retail	3,056	2,790	2,992	-3.0%	2.4%	27.2%	26.6%	24.9%
WCTU**	763	510	1,026	-12.6%	26.2%	6.8%	4.9%	8.5%
Education	1,202	1,340	1,519	3.7%	4.3%	10.7%	12.8%	12.6%
Government	197	210	298	2.2%	12.4%	1.8%	2.0%	2.5%
<b>Total</b>	<b>11,218</b>	<b>10,470</b>	<b>12,040</b>	<b>-2.3%</b>	<b>4.8%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

				Average Annual Growth		% of Total Employment		
	1995	1998	2001	1995-1998	1998-2001	1995	1998	2001
<b>Des Moines</b>								
Constuction/Resource	246	280	368	4.4%	9.5%	4.7%	5.4%	6.3%
FIRE*	2,135	2,150	2,283	0.2%	2.0%	40.5%	41.5%	38.9%
Manufacturing	27	40	56	14.0%	11.9%	0.5%	0.8%	1.0%
Retail	1,283	900	1,349	-11.1%	14.4%	24.3%	17.4%	23.0%
WCTU**	128	310	204	34.3%	-13.0%	2.4%	6.0%	3.5%
Education	1,278	1,320	1,372	1.1%	1.3%	24.2%	25.5%	23.4%
Government	179	180	241	0.2%	10.2%	3.4%	3.5%	4.1%
<b>Total</b>	<b>5,276</b>	<b>5,180</b>	<b>5,873</b>	<b>-0.6%</b>	<b>4.3%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

				Average Annual Growth		% of Total Employment		
	1995	1998	2001	1995-1998	1998-2001	1995	1998	2001
<b>SeaTac</b>								
Constuction/Resource	362	600	495	18.3%	-6.2%	1.5%	2.2%	1.6%
FIRE*	5,745	6,510	6,604	4.3%	0.5%	23.1%	23.6%	20.8%
Manufacturing	612	690	759	4.1%	3.2%	2.5%	2.5%	2.4%
Retail	2,424	2,150	2,574	-3.9%	6.2%	9.7%	7.8%	8.1%
WCTU**	13,870	15,550	19,004	3.9%	6.9%	55.7%	56.4%	59.8%
Education	410	510	401	7.5%	-7.7%	1.6%	1.8%	1.3%
Government	1,481	1,560	1,963	1.7%	8.0%	5.9%	5.7%	6.2%
<b>Total</b>	<b>24,904</b>	<b>27,570</b>	<b>31,800</b>	<b>3.4%</b>	<b>4.9%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

\* FIRE: Finance Insurance Real Estate Services

\*\* WCTU: Wholesale Transportation Communications Utilities

Employment information is available at a greater level of detail at the zip code level. The NEST Communities Employment Statistics by Zip Code – 2001 presented in the tables on the following pages present this data for the six zip codes that cover the three cities. The zip codes are associated with the cities as follows:

98166	Primarily Burien
98168	Primarily SeaTac
98148	Primarily SeaTac
98158	The airport itself
98188	Primarily SeaTac
98198	Primarily Des Moines

For the six zip codes in total, there are 3,708 businesses with 80,424 employees. This exceeds the 48,000 jobs for the three cities themselves because the zip codes extend beyond the city limits. Retail is the largest category in terms of number of establishments, followed by accommodations and food services, other services, and wholesale trade. Approximately two-thirds of the establishments have fewer than ten employees. Within the individual zip codes, the patterns change.

- 98158, the airport itself, has only 65 establishments, but the highest number of employees per establishment, and the highest average payroll per employee at \$35,778.
- 98166 and 98178, Burien and Des Moines respectively, are lowest in terms of employees per establishment, and average payroll per employee of \$27,379 and \$24,733.
- 98188, predominately SeaTac, has the highest number of establishments, an average size of 28 employees, and average payroll of \$33,912.

A particular site's proximity to the airport will affect its development potential more than its location relative to city boundaries. However, because of the differences among its cities' economic bases, specific types of development will have more relative impact in Burien and Des Moines than in SeaTac.

**NEST Communities Employment Statistics by Zip Code-2001  
NAICS Industry Codes**

Industry Description	Code	98166 Burien Establishments			98168 Burien & SeaTac Establishments			98148 Burien & SeaTac Establishments			98158 SeaTac Establishments			98188 SeaTac Establishments			98198 Des Moines & SeaTac Establishments			Total Establishments	
		1-9	10 or More	Total	1-9	10 or More	Total	1-9	10 or More	Total	1-9	10 or More	Total	1-9	10 or More	Total	1-9	10 or More	Total	1-9	10 or More
		Empl.	More		Empl.	More		Empl.	More		Empl.	More		Empl.	More		Empl.	More		Empl.	More
Forestry, fishing, hunting, and Agriculture	11	1	-	1									3	-	3					4	-
Utilities	22	1	-	1																1	-
Construction	23	62	7	69	66	17	83	11	8	19			37	19	56	64	11	75	240	62	
Manufacturing	31	20	3	23	20	19	39	11	5	16			30	36	66	10	1	11	91	64	
Wholesale trade	42	27	5	32	42	30	72	13	4	17	-	1	99	78	177	22	4	26	203	122	
Retail Trade	44	74	18	92	59	28	87	19	18	37	1	3	163	149	312	44	14	58	360	230	
Transportation & warehousing	48	8	3	11	26	26	52	32	25	57	18	25	32	29	61	10	3	13	126	111	
Information	51	7	2	9	10	5	15	2	1	3			26	12	38	3	1	4	48	21	
Fiance & insurance	52	33	5	38	21	9	30	9	2	11	1	-	74	15	89	26	5	31	164	36	
Real estate & rental & leasing	53	25	3	28	26	11	37	19	4	23	1	-	46	23	69	27	3	30	144	44	
Professional scientific & technical services	54	69	6	75	28	10	38	19	2	21			53	27	80	30	1	31	199	46	
Management of companies & enterprises	55	2	2	4	2	6	8				1	-	17	16	33	2	2	4	24	26	
Admin, support, waste mgt, remediation ser.	56	30	6	36	32	19	51	11	5	16	-	3	41	49	90	12	4	16	126	86	
Educational services	61	4	2	6	6	3	9	6	1	7			11	4	15	4	1	5	31	11	
Health care and social assistance	62	101	30	131	29	13	42	20	5	25	-	1	52	15	67	32	12	44	234	76	
Arts entertainmant & recreation	71	11	1	12	1	5	6	1	1	2			5	5	10	5	-	5	23	12	
Accomodations and food services	72	32	19	51	30	35	65	15	24	39	1	6	28	92	120	39	21	60	145	197	
Other services	81	59	13	72	59	19	78	29	9	38	2	-	52	28	80	58	9	67	259	78	
Auxiliaries	95	1	-	1	-	4	4	-	1	1	1	-	11	7	18				13	12	
Unclassified establishments	99	8	-	8	11	1	12	3	-	3			6	1	7	6	1	7	34	3	
<b>Total</b>		<b>575</b>	<b>125</b>	<b>700</b>	<b>468</b>	<b>260</b>	<b>728</b>	<b>220</b>	<b>115</b>	<b>335</b>	<b>26</b>	<b>39</b>	<b>65</b>	<b>786</b>	<b>605</b>	<b>1,391</b>	<b>394</b>	<b>93</b>	<b>487</b>	<b>2,469</b>	<b>1,237</b>
Employment				6,104			18,952			4,002			8,088		39,267			4,011			
Avg Employees per Establishment				8.7			26.0			11.9			124.4		28.2			8.2			
Annual Payroll				167,121,000			548,740,000			111,904,000			289,357,000		1,331,622,000			99,205,000			2,540,000
Avg. Payroll per Employee				27,379			28,954			27,962			35,776		33,912			24,733			

Source: US Census Bureau, County Business Patterns

## Summary of Attributes

The area that includes the selected NEST properties enjoys several common attributes that will determine the potential for development.

### Proximity to the Airport

- Accommodate airport-related businesses
- Convenience for air travelers
- Convenience for freight shippers

### Regional Transportation Access

- Close to I-5
- Served by SR 518, SR 509, International Boulevard

### Strength of Southend Industrial District

- Large local workforce
- Strong manufacturing base
- Established transportation infrastructure

### Availability of Sites

- Commercial sites, currently used for airport parking, but suitable for conversion to higher and better uses
- Industrial sites in Runway Approach Zones

### Availability of Commercial Services

- Restaurants and lodging around airport
- Other commercial concentrations in the three cities

### Mix of Housing options for Executives and Workers

- High amenity locations with water views and access
- Affordable single family homes for sale
- Affordable rental housing inventory

# Target Sectors

## Overview

The NEST properties will provide development opportunities for a variety of businesses whose locational requirements match the characteristics of the properties. The common characteristics of the properties are their proximity to the airport, providing benefits to businesses in three broad categories.

- Airlines/airport services
- Businesses serving passengers using the airport or generating passenger activities.
- Businesses generating or facilitating freight moving through the airport.

## Airline/Airport Services

Airlines and airport services involve a variety of activities occurring both on and off the airport as identified in the Port's most recent Economic Impact Study.

- Passenger airlines
- Catering
- Skycaps
- Government Agencies
- Airport Administration
- Retail Concessions
- General Aviation/FBO's
- Custodial
- Security
- Parking

Much of this activity occurs on the airport itself, and with the exception of some administrative and support functions, these activities will not be target sectors for development of the NEST properties.

## Passenger-Related Business

In addition to the aviation services identified above, the passenger serving uses include direct services such as hotels, restaurants, rental cars, other ground transportation, retail, and entertainment. Uses that generate passenger activity include certain office uses that serve as headquarters or training centers. National or international firms that bring in their employees or customers from outside the region are attracted to airport-proximate locations.

All of these uses have a high employee or visitor density. They are not uses that are appropriate for the Approach Transition Zone (ATZ). At the same time they are appropriate uses for sites outside the ATZ. The existing hotels, restaurants, and office buildings along International Boulevard are examples of such uses. Further, the areas around the airport currently devoted to auto parking can

ultimately be converted to those kinds of uses. Market conditions for these uses are presented in the Market Analysis section of this report.

## **Freight-Related Uses**

Freight related uses include direct services such as air freight transporters and freight forwarding businesses. Other such uses are manufacturers that ship a large volume of their product or receive many of their components by air. Free Trade Zone tenants are a noteworthy example of the latter category of users. Such businesses can import components, assemble them, and re-export them without tariffs, or export the finished product at a lower tariff.

Uses in this category typically require warehouse or manufacturing facilities. The number of employees is small relative to the size of the facilities. Accordingly, they are appropriate uses for an ATZ, and the many of the NEST properties.

## **Freight-Related Use Opportunities**

### **Foreign Trade Statistics**

The freight-related uses take advantage of the foreign trade activity through the Sea-Tac airport. The region's location relative to Pacific Rim countries makes it a logical node for freight imports and exports.

The Total US Exports via Washington table below summarizes US export activity in Washington State based on 2002 dollar values. The value of all exports was somewhat constant over the period. Airplanes and other aircraft were the dominant commodity. Other commodities were far less significant, but fell into any of several categories:

- Agricultural Commodities
- Fish Products
- Forest Products
- Electrical and Electronic Components

\*The commodity values include goods shipped by waterborne as well as airborne movements.

**Total US Exports (Origin of Movement) via Washington**  
**Top 25 Commodities Based on 2002 Dollar Value**  
(in millions of dollars)

Rank	Code	Commodity	Value 1999	Value 2000	Value 2001	Value 2002	Avg Ann Gr
		Total All Commodities Via Washington	\$36,730.7	\$32,214.7	\$34,928.5	\$34,626.0	-1.5%
		Total Top 25 Commodities	\$28,859.4	\$23,762.1	\$26,675.9	\$27,747.0	-1.0%
1	880240	Airplanes & other aircraft, unladen weight > 15,000 Kg	\$23,965.4	\$18,449.8	\$21,116.5	\$21,930.0	-2.2%
2	880330	Parts of airplanes or helicopters	1,287.7	1,301.2	1,263.7	1,059.0	-4.8%
3	120100	Soybeans, whether or not broken	123.8	315.7	607.9	495.0	41.4%
4	100190	Wheat (other than Durum wheat), and Meslin	334.8	339.6	430.5	473.0	9.0%
5	440320	Coniferous wood in the rough, not treated	535.7	574.3	415.5	364.0	-9.2%
6	100590	Corn (maize), other than seed corn	654.1	581.8	508.1	354.0	-14.2%
7	284420	Uranium enriched in U235 Plutonium	251.5	253.9	261.3	334.0	7.4%
8	271019	Oil (not crude) from petroleum & bituminous minerals	-	-	-	307.0	
9	080810	Apples, fresh	206.6	242.8	263.7	257.0	5.6%
10	854221	Digital monolithic integrated circuits	-	-	-	200.0	
11	481151	Paper/paperboard, covered with plastic, weight > 150g/m2	-	-	-	189.0	
12	480100	Newsprint, in rolls or sheets	235.1	297.2	220.2	187.0	-5.6%
13	200410	Potatoes, prepared, no vinegar, frozen	153.2	167.8	169.0	178.0	3.8%
14	901812	Ultrasonic scanning apparatus	179.8	207.2	197.8	175.0	-0.7%
15	121490	Forage products (hay, clover, vetches)	75.8	109.5	112.5	145.0	17.6%
16	030380	fish livers and roes, frozen	28.6	80.2	171.6	138.0	48.2%
17	847330	Parts & accessories for Adp machines & units	103.0	144.3	146.8	137.0	7.4%
18	271312	Petroleum coke, calcined	87.3	36.3	81.7	136.0	11.7%
19	160411	Salmon, prepared or preserved, whole or pieces	149.8	109.3	113.2	118.0	-5.8%
20	847170	Automatic data processing storage units	46.7	65.2	106.3	110.0	23.9%
21	847130	Portable digital automatic data processing machines not >	39.0	38.7	58.4	95.0	24.9%
22	852510	Transmission apparatus for radio or television	53.4	80.1	139.2	93.0	14.9%
23	901819	Electro-diagnostic apparatus and parts	99.5	95.6	101.2	90.0	-2.5%
24	440710	Coniferous wood sawn, sliced, over 6 mm thick	133.5	144.1	103.2	90.0	-9.4%
25	280461	Silicon containing by weight not < 99.99% of silicon	115.1	127.5	87.6	84.0	-7.6%

Source: US Census Bureau, Foreign Trade Division

Generally the higher weight, lower value commodities are shipped by sea rather than air. The 2001 Washington State Exports – Airborne table below summarizes export data for airborne movements, ranked by value for 2001. With the exception of animal and seafood products, all the commodities in the top 25 are manufactured goods.

**2001 Washington State Exports - Airborne  
Ranked by Value**

<b>Code</b>	<b>Commodity Description</b>	<b>Value</b>
8803	Parts of balloons etc., aircraft, spacecraft, etc.	746,133,000
8542	Electronic integrated circuits & microassembl, pt	397,584,000
8471	Automatic data process machines; magn reader	351,059,000
9030	Oscilloscopes, spectrum analyzers etc., parts etc.	267,887,000
8473	Parts etc. for typewriters & other office	263,643,000
9018	Medical, surgical, dental or vet inst, no elec,	175,354,000
8411	Turbojets, turbopropellers & oth gas turbines	118,263,000
8525	Trans appar for radiotele etc.; TV camera & rec	115,547,000
8517	Electric apparatus for line telephony etc., parts	67,302,000
8479	Machines etc. having individual functions nesol, p	57,814,000
8529	Parts for television, radio, and radar apparatus	43,101,000
8528	TV recvrs, incl video monitors & projectors	33,879,000
8802	Aircraft, powered; spacecraft & launch vehicles	29,145,000
9870	Special Canadian classifications, nesol	13,017,000
2844	Radioactive chemical elements & isotopes etc.	7,178,000
8431	Parts for machinery of headings 8425 to 8430	6,215,000
9506	Artls & equip f genrl physcl exerc etc; pools; pt	6,173,000
8414	Air or vac pumps, compr & fans; hoods & fans; pts	5,145,000
8421	Centrifuges; filter etc. mach for liq or gases; pt	4,299,000
8708	Parts & access for motor vehicles (Head 8701-8705)	4,285,000
8428	Lifting, handling, loading & unload machines nesol	2,423,000
8407	Spark-ignition recip or rotary int comb piston en	2,361,000
0303	Fish, frozen (no fish fillets or other fish meat)	2,212,000
8418	Refrigerators, freezers, etc; heat pumps nesol, pt	2,003,000
0201	Meat of bovine animals, fresh or chilled	1,454,000
	All other commodities	1,039,222,000
	<b>Total</b>	<b>3,762,698,000</b>

Source: Washington Office of Trade and Economic Development, 2001 Washington State Exports and Imports

The 2001 Washington State Imports – Airborne table on the following page summarizes import data for airborne movements ranked by value for 2001. In total, import value of \$5.5 billion exceeded export value of \$3.8 billion. Aircraft components represent the highest valued commodities. Other commodities include consumer goods, apparel and various parts and components. The consumer goods are typically distributed throughout the domestic market. Parts and components are assembled into finished manufactured goods for re-export or domestic distribution.

**2001 Washington State Imports - Airborne  
Ranked by Value**

<b>Code</b>	<b>Commodity Description</b>	<b>Value</b>
8411	Turbojets, turbopropellers & oth gas turbines	2,509,876,000
9801	Expts of repaired impts; impts of returned expts	500,609,000
8803	Parts of balloons etc, aircraft, spacecraft, etc.	200,377,000
8525	Trans appar for radiotele etc; TV camera & rec	177,805,000
8471	Automatic data process machines, magn reader	167,628,000
8528	TV recvrs, incl video monitors & projectors	110,881,000
8473	Parts etc. for typewriters & other office	88,991,000
9504	Articles for arcade, table or parlor games, parts	76,915,000
8537	Boards, panels etc. elec switch and n/c appar etc.	51,965,000
8517	Electric apparatus for line telephony etc, parts	48,430,000
9401	Seats (except barber, dental, etc.) and parts	32,248,000
8536	Electrical apparatus for switching etc. nov 1000	25,074,000
8504	Elec trans, static conv & induct, adp pwr supp, p	22,678,000
8521	Video recrding/reproduc appar wheth/nt video	19,714,000
9405	Lamps & lighting fittings & parts etc. nesol	17,771,000
8544	Insulated wire, cable etc; opt sheath fib cables	14,184,000
6403	Footwear, outer sole rub, plast or lea & upper le	12,377,000
6110	Sweaters, pullovers, vests etc., knit or	10,849,000
8481	Taps, cocks, valves etc. for pipes, tanks etc. pts	10,744,000
6204	Women's or girls' suits, ensemb etc, not knit etc.	9,566,000
8519	Turntables, record & cassette players, etc.	6,716,000
6205	Men's or boys' shirts, not knitted or crocheted	6,157,000
6203	Men's or boys suits, ensembles etc, not knit etc.	5,979,000
3926	Articles of plastics (inc polymers & resins) neso	5,758,000
8483	Transmission shafts, bearings, gears etc. parts	4,963,000
8703	Motor cars & vehicles for transporting persons	4,835,000
9506	Artcl & equip f genrl physcl exerc etc; pools; pt	4,199,000
8414	Air or vac pumps, compr & fans, hoods & fans, pts	4,092,000
8527	Reception apparatus for radiotelephony etc.	4,054,000
9503	Toys nesol; scale models etc; puzzles; prts etc.	3,948,000
8409	Parts for engines of heading 8407 or 8408	3,486,000
6206	Women's or girls' blouses, shirts, etc. not knit etc	3,247,000
6402	Footwear, outer sole & upper rubber or plastic	2,739,000
9403	Furniture nesol and parts thereof	2,490,000
4203	Articles of apparel & access, leath & comp leather	2,488,000
8482	Ball or roller gearings and parts	2,368,000
8708	Parts & access for motor vehicles (head 8701 - 8705)	1,884,000
4202	Travel goods, handbags, wallets, jewelry cases	1,766,000
7318	Screws, bolts, nuts, washers etc., iron or steel	1,041,000
	All other commodities	1,310,999,000
	<b>Total</b>	<b>5,491,891,000</b>

Source: Washington Office of Trade and Economic Development, 2001 Washington State Exports and Imports.

## Export-Based Manufacturing

Manufacturers producing goods for export markets can benefit from a near-airport location, as the time and associated cost of truck transportation to the airport can be reduced. While this may be only one criterion in a manufacturer's location decision, it does provide a basis for identifying some target sectors.

The export values by commodity code can be translated into value by manufacturing sector as shown in 2001 Washington State Exports – Airborne table. While transportation equipment, primarily aerospace products and parts are still an important category, computer and electronics is the largest single category. Machinery manufacturing is also an important sector. These established manufacturing sectors are logical target sectors for NEST properties.

### 2001 Washington State Exports - Airborne Manufacturing Sector by Value

<b>Food Processing</b>	
Animal Slaughtering and Processing	1,454,000
Seafood Product Preparation and Packaging	<u>2,212,000</u>
Subtotal	3,666,000
<b>Chemicals</b>	
Pharmaceutical and Medicine	<u>7,178,000</u>
Subtotal	7,178,000
<b>Machinery Manufacturing</b>	
HVAC and Commercial Refrigeration	2,003,000
General Purpose Equipment	<u>75,854,000</u>
Subtotal	77,857,000
<b>Computer and Electronics</b>	
Computers and Peripherals	614,702,000
Communications Equipment	259,829,000
Semiconductors and Components	397,584,000
Measuring and Control Instruments	<u>443,241,000</u>
Subtotal	1,715,356,000
<b>Electrical Equipment</b>	
Machine Parts	<u>6,215,000</u>
Subtotal	6,215,000
<b>Transportation Equipment</b>	
Motor Vehicle Parts	6,646,000
Aerospace Products and Parts	<u>893,541,000</u>
Subtotal	900,187,000
<b>Other Not Classified</b>	
	13,017,000
<b>Other Commodities</b>	
	<u>1,039,222,000</u>
<b>Total Exports</b>	
	3,762,698,000

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Source: Property Counselors

The characteristics of these sectors are shown in the Manufacturing Sectors Seattle, Bellevue, Everett MSA table below. Also shown on the table is Employment data for the Seattle Bellevue Everett Metropolitan area, is available for 2001 from County Business Patterns.

- Average payroll per employee is high for manufacturing employment in total at \$51,590. Chemical, computer, and transportation equipment all have average payrolls greater than \$60,000 per employee.
- The average number of employees per business establishment is 53, varying across a range of 21 for machine parts to 810 for aerospace products. With the exception of aerospace products, approximately one-half of the establishments in each sector have fewer than 10 employees.

In summary, the businesses in this target sector can be large, but are typically small in terms of number of employees; and pay high wages.

### **Import-Based Manufacturing and Distribution**

Any business involved in manufacturing using imported components or in distributing imported goods, might appreciate the truck transportation time and cost savings of a near-airport location. There are additional potential savings associated with Foreign Trade Zones. A Foreign Trade Zone (FTZ) is an area within the United States that is considered outside the US for customs purposes. Goods and components can be imported into an FTZ without going through customs and paying import duties. Imports can be stored or assembled for re-export or import as finished products. FTZ tenants enjoy financial benefits related to:

- Deferral of duties until the merchandise leaves the FTZ and enters US commerce.
- Duty elimination if goods are re-exported from the FTZ.
- Duty reduction in cases where the duty on a finished product is lower than those on parts or components.

The Port of Seattle is authorized to create FTZ's at Sea-Tac Airport. Specific sites can be designated as Special Purpose Subzones to accommodate individual manufacturing businesses.

Foreign Trade Zone status is available at most airport industrial parks. Rickenbacker International Airport is an international logistics hub operated by the Columbus Regional Airport Authority in Columbus Ohio. Rickenbacker touts its status as an international freight handling facility, with more than 100 companies in a range of industries including electronics, optics, and telecommunications. Sixty-two of those employers are located in the FTZ. Distribution Fulfillment Services is a noteworthy tenant providing catalogue and retail distribution services for Spiegel and

**Manufacturing Sectors  
Seattle Bellevue Everett MSA - 2001**

	NAICS	Number of Employees	Annual Payroll	Total Establishments	Payroll per Employee	Employees per Establishments
<b>Manufacturing</b>	3XXX	189,835	9,793,576	3,596	51,590	53
<b>Chemicals</b>	325X	2,750	232,821	92	84,662	30
Pharmaceutical and Medicine	3254	650		18	-	36
<b>Machinery Manufacturing</b>	333X	7,340	309,863	197	42,216	37
HVAC and Commercial Refrigeration	3334	725		13	-	56
General Purpose Equipment	3339	3,869	154,745	64	39,996	60
<b>Computer and Electronics</b>	334X	35,000		268	-	131
Computers and Peripherals	3341	3,181	219,982	32	69,155	99
Communications Equipment	3342	1,100		34	-	32
Semiconductors and Components	3344	4,000		75	-	53
Measuring and Control Instruments	3345	25,787	1,621,144	95	62,867	271
<b>Electrical Equipment</b>	335X	1,576	69,632	55	44,183	29
Machine Parts	3353	492	23,408	24	47,577	21
<b>Transportation Equipment</b>	336X	90,105	5,820,115	230	64,593	392
Motor Vehicle Parts	3363	1,200		33	-	36
Aerospace Products and Parts	3364	85,000		105	-	810

**Number of Establishments by Employment Size Class**

		1-4	5-9	10-19	20-49	50-99	100-249	250-499	500-999	1000 or more
<b>Manufacturing</b>	3XXX	1411	685	497	551	224	162	40	19	7
<b>Chemicals</b>	325X	31	27	15	15	2	1	1	0	0
Pharmaceutical and Medicine	3254	7	2	6	1	0	1	1	0	0
<b>Machinery Manufacturing</b>	333X	60	44	23	40	20	7	2	0	1
HVAC and Commercial Refrigeration	3334	3	1	1	4	3	0	1	0	0
General Purpose Equipment	3339	19	14	8	12	7	3	0	0	1
<b>Computer and Electronics</b>	334X	94	30	33	45	23	22	11	7	3
Computers and Peripherals	3341	9	4	5	5	2	3	2	2	0
Communications Equipment	3342	11	5	2	9	2	5	0	0	0
Semiconductors and Components	3344	21	11	9	13	12	3	4	2	0
Measuring and Control Instruments	3345	35	7	13	13	6	11	5	2	3
<b>Electrical Equipment</b>	335X	19	6	15	9	2	3	1	0	0
Machine Parts	3353	5	2	10	5	1	1	0	0	0
<b>Transportation Equipment</b>	336X	75	36	26	43	17	19	6	5	3
Motor Vehicle Parts	3363	12	8	4	3	3	2	1	0	0
Aerospace Products and Parts	3364	28	16	8	24	7	13	3	3	3

its subsidiaries. The 1.7 million square foot facility employs 1,400 workers. Such a facility benefits from an FTZ by deferring duties until final distribution to stores and customers.

National distribution facilities in the Puget Sound area face two challenges: 1) the local consumer market is far smaller than the market in Southern California, and 2) this location is not central to other population centers of the US. For these reasons, the opportunities related to re-export via an FTZ are stronger than those related solely to domestic distribution. The major target sectors are largely the same for the export-related manufacturing sectors.

### **Freight Transportation Services**

Services related to freight transportation are a target sector itself. The Economic Impact of the Port of Seattle, a report prepared for the Port of Seattle in 2000, identified the freight transportation sector at Sea-Tac having the following direct employment impact.

Freight Airlines/Couriers	730
Freight Forwarding	<u>175</u>
Total	908

The average wage of all direct jobs, including airline/airport services, passenger ground transportation, and construction/consulting was estimated to be \$36,445.

The characteristics of the transportation sectors in the Seattle Bellevue Everett Metropolitan Statistical Area are published in County Business Patterns and summarized in the table below.

## Transportation Sectors Seattle Bellevue Everett MSA - 2001

	NAICS	Number of Employees	Annual Payroll	Total Establishments	Payroll per Employee	Employees per Establishments
<b>Air Transportation</b>	481X					
Scheduled Freight Transportation	481112	253	4,618,000	10	18,253	25
Non-scheduled Freight Transportation	481212	20-99		2		
<b>Freight Trucking</b>	484X	8,253	300,773,000	579	36,444	14
General	4841	4,652	178,513,000	285	38,373	16
Specialized	4842	3,601	122,260,000	294	33,952	12
<b>Transportation Support</b>	488X	11,066	521,049,000		47,086	
Air Transportation Support	4881	2,500-4,999		55		60
<b>Warehousing and Storage</b>	493X	1,433	46,468,000	61	32,427	23

	NAICS	Number of Establishments by Employment Size Class								
		1-4	5-9	10-19	20-49	50-99	100-249	250-499	500-999	1000 or more
<b>Air Transportation</b>	481X									
Scheduled Freight Transportation	481112	4	2	1	1	1	1			
Non-scheduled Freight Transportation	481212	1			1					
<b>Freight Trucking</b>	484X	327	80	59	71	30	9	3	-	-
General	4841	166	39	23	34	14	6	3		
Specialized	4842	161	41	36	37	16	3			
<b>Transportation Support</b>	488X									
Air Transportation Support	4881	28	9	5	4	5	2	1		1
<b>Warehousing and Storage</b>	493X	20	10	7	15	6	3			

Source: US Census Bureau, County Business Patterns

- Scheduled freight transportation has a relatively low average payroll per employee at \$18,253; transportation support services are significantly higher at \$47,086; and the remaining sectors range from \$33,427 to \$38,393.
- The average number of employees per establishment varies from 12 for specialized freight trucking to 60 for air transportation support. Over one-half of the establishments in each sector have fewer than five employees.

# Industry Profiles

The target sectors can be further described with industry profiles. These profiles provide a basis for property marketing, site planning, and economic benefit analysis. Each profile includes information on:

- Description of sector,
- Outlook for future demand,
- Performance measures such as employees, revenues, and wages, and
- Facility and Site Requirements.

## Chemical Manufacturing

### Description

The chemical industry provides a variety of products including plastics, pesticides, cleansers, and pharmaceuticals. The pharmaceutical sector is a source of export activity and a logical target sector.

### Outlook

Chemicals and products are projected by the State of Washington Department of Employment Security (Long-Term Forecast of Washington Wage and Salary Employment) to show growth above average for the manufacturing sector (-0.3 percent versus -0.9 percent for 2000 to 2010, and 0.6 percent versus 0.3 percent for 2010 to 2027). Biotechnology is a strong subsector with the rapid increase in approved biotechnology medicines and vaccines. The Seattle area is one of nine geographic clusters in the US accounting for much new biotechnology spending.

### Performance Factors

Typical Size:	20 – 99 Employees
Gross Receipts per Employee:	\$135,000
Average Wage per Employee:	\$50,000

### Facility and Site Requirements

The chemical industry and particularly the pharmaceutical and biotech subsectors have space needs for a range of manufacturing, lab, and office space. The Washington Biotechnology and Biomedical Association uses a factor of 400 square feet per employee. A facility in a business park setting would have a floor area ratio (ratio of building to land area) of 0.35 to 0.5.

Thus a typical facility might have site requirements of:

- 0.4 to 2.6 acres
- 8,000 to 40,000 square feet building

A large manufacturing facility with 250 employees would require 100,000 square feet of building on 6.5 acres.

# Machinery Manufacturing

## Description

Machinery manufacturing includes a range of products from agricultural implements, industrial machinery, office machinery, heating and air conditioning equipment, metalworking, engine equipment to other general purpose equipment and tools. Many of these products are exported by air.

## Outlook

Growth in the machinery and instruments sector is projected by the State to continue to be strong. The average annual growth rate for non-electrical machinery is -1.5 percent from 2000 to 2010, and 1.3 percent from 2010 to 2027. The rate of growth for electrical machinery is 0.7 percent from 2000 to 2010, and 2.2 percent for 2010 to 2027. Much of the growth is projected to result from increasing industrialization in Eastern Europe, Asia, and Central and South America.

## Performance Factors

Typical Size:	10 – 99 Employees
Gross Receipts per Employee:	\$175,000
Average Wage per Employee:	\$40,000

## Facility and Site Requirements

This sector requires typical manufacturing facilities. Average building area will be 600 square feet per employee. A typical floor area ratio will be 0.35 to 0.40. Thus a typical facility may have site requirements of:

- 0.3 to 3.9 acres of site area.
- 6,000 to 60,000 square feet of building.

A large manufacturing plant with 500 employees would require 300,000 square feet on 20 acres. Manufacturing facilities will require good access and maneuvering area for trucks.

# Computer and Electronics Manufacturing

## Description

This sector produces a large volume (by value) of airborne export activity. Major sub sectors include computers and peripheral equipment, communications equipment, audio and video equipment, semiconductor and other electronic component manufacturing, navigation/measuring/mechanical control/instrument manufacturing and optical equipment.

## Outlook

Despite the collapse of many high tech sectors in 2000, the long-term outlook is positive. Demands for computer hardware will remain strong as businesses strive for greater efficiencies. Telecommunications technologies and consumer expectations are advancing rapidly. The major challenges for this sector are the migration of many manufacturing activities to Asia.

## Performance Factors

Typical Size:	50 – 99 Employees
Gross Receipts per Employee:	\$150,000
Average Wage per Employee:	\$60,000

## Facility and Site Requirements

Manufacturing facilities for these uses are frequently more employment intensive than other manufacturing sectors. Average building area will be 400 square feet per employee. A typical floor area ratio will be 0.35 to 0.40.

Thus a typical facility may have site requirements of:

- 1.1 to 5.2 acres
- 20,000 to 80,000 square feet of building area.

A large facility with 500 employees would require 200,000 square feet of building on 13 acres.

# Transportation Equipment Manufacturing

## Description

Transportation equipment includes motor vehicles, motor vehicle bodies and trailers, motor vehicle parts, aerospace products and parts, railroad rolling stock, ships and boat building, motorcycles and bikes, and other equipment. Both aerospace and motor vehicle products are important airborne export sectors in this region. The major motor vehicle sub sector is trucks and parts.

## Outlook

Aerospace employment in Washington State has been highly cyclical with employment varying from 80,000 in December 1995 to 113,000 in July 1998 to 76,000 by 2002. The aerospace sector has been heavily affected by the slump in airline travel following the 9/11 terrorist attacks, and the increasing market presence of Airbus Industries. Long-term, the industry as a whole expects strong growth in world-wide demand for aircraft. Locally, the outlook is for a continued drop in aerospace employment as a result of increased productivity and reduced market shares. The decision of Boeing to assemble the 7e7 in Everett is welcome news and signals an intention by Boeing to maintain a strong presence here in spite of increased out-sourcing.

The Washington State Employment Forecasts reported that sales of heavy trucks and trailers generally follow the prevailing economic and business conditions. The largest trucks, those over 8,000 pounds, have showed the highest growth in the past year. New diesel engine regulations in October 2002 have stimulated the purchase of new vehicles.

## Performance Factors

Typical Size:	
Aerospace	50 – 249
Motor Vehicle Parts	25 – 99
Gross Revenues per Employee:	
Aerospace	\$460,000
Motor Vehicle Parts	\$80,000
Average Wage	
Aerospace	\$60,000
Motor Vehicle Parts	\$35,000

## Facility and Site Requirements

This sector requires typical manufacturing facilities at least for the manufacturers other than Boeing. Average building area will be 600 square feet per employee. A typical floor area ration will be 0.35 to 0.40. Thus a typical facility may have site requirements of:

- 2 to 10 acres
- 15,000 to 150,000 square feet of building area.
- 

A manufacturing facility such as Boeing or Kenworth is much larger.

These types of manufacturing facilities require good access and maneuverability for trucks, and assemblies of large components require rail access.

## **Air Freight Transportation**

### **Description**

Air freight transportation includes a range of activities including scheduled and non-scheduled flights, freight forwarding, freight trucking, warehousing and storage, and transportation support. The freight air operations will occur at the airport itself, but the other activities are logical candidates for the NEST properties. Freight forwarding itself encompasses a variety of activities including consolidation, storage, and distribution.

### **Outlook**

Air freight will grow with the import and export activity of the goods-producing sectors. Both inbound and outbound freight volumes at Sea-Tac grew steadily until 2001. With the reduction in aviation activity in general and passenger flights in particular, air freight volumes dropped dramatically in 2001 and 2002. With improvements in the overall economy and recovery in the aviation sector, freight volumes should resume their growth trends.

AMB, a national real estate investment trust recently purchased eight air freight distribution facilities with more than 500,000 square feet in the SeaTac area. The purchase was part of a national portfolio of air freight facilities. AMB anticipates fast growth in international trade, and is establishing a network to accommodate major customers seeking to shift activities among major ports of entry.

### **Performance Factors**

Typical Size:	10 – 99 Employees
Gross Receipts per Employee:	\$135,000
Average Wage per Employee:	\$40,000

### **Facility and Site Requirements**

Freight forwards require warehouse facilities with some office space. The typical facility would be 600 square feet per employee with a floor area ration of 0.35 to 0.40. Thus a typical business might have site requirements of:

- 0.3 to 4 acres
- 6,000 to 60,000 square feet of building area.

Several firms usually share a facility. The average size facility in the recent AMB purchase was at the high end of the range shown above, with the largest facility being 115,000 square feet. The facilities require good truck access and maneuverability.

**NEST Study**

**Highest and Best Use**



*August 5, 2004*

*Prepared by:  
Blair Howe, CCIM, GVA Kidder Mathews*

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# Summary

The real estate markets in the study area can be described as either people-oriented or product-oriented. The people-oriented markets are where office, retail, hospitality, residential, and entertainment uses are naturally located. The product-oriented markets are characterized by the industrial nature of the businesses that logically locate in these areas. The location of these markets is influenced by market demand, the State's Growth Management Act, the cities' comprehensive plans, proximity to amenities, transportation infrastructure, noise impacts, and safety issues.

All of the NEST properties are subject to noise and safety impacts from airport operations. These impacts dictate the uses for the properties that are legally permissible. The majority of the properties are under the land use jurisdiction of more than one entity. The applicable regulations are imposed by the city in which the property is located, the Port of Seattle, and the Federal Aviation Administration (FAA). Those properties that were purchased by the Port of Seattle for noise and safety mitigation purposes are restricted to uses that are less intense.

The following summarizes the highest and best use conclusion for each of the NEST properties.

- Des Moines Creek #1** Establish foreign trade zone status and develop for off-airport or general industrial uses.
- Des Moines Creek #2** Establish foreign trade zone status and develop for off-airport or general industrial uses.
- Borrow Site #3** Assemble with the adjoining WSDOT property. Establish foreign trade zone status and develop for off-airport or general industrial uses.
- S. 200<sup>th</sup> Street Parcels & Borrow #4 Remnants** Assemble vacant parcels. Establish foreign trade zone and develop for off-airport or general industrial uses.
- SW Industrial Parcels** Continued use of the existing improvements for industrial, distribution, and warehousing uses that cater to the off-airport market.
- NESPA #1** Establish foreign trade zone and pursue development to off-airport uses that are oriented toward general light industrial, industrial park, and manufacturing.
- NESPA #2** Assuming the Port of Seattle completes its condemnation acquisitions, assemble Port owned land with other commercial properties (Highline School District and Sceda) and develop the entire site for off-airport uses that are oriented toward general light industrial, industrial park, and manufacturing, with a foreign trade zone status.

<b>NESPA #3</b>	Assuming the Port of Seattle completes its condemnation acquisitions, assemble necessary commercial parcels and develop the property for distribution/logistics, warehousing, and manufacturing facilities that have foreign trade zone status.
<b>NESPA #4</b>	No action until, at some future date, demand for commercial uses warrants redevelopment.
<b>NESPA #5</b>	No action until, at some future date, demand for commercial uses warrants redevelopment.
<b>55 Acre Parcels</b>	Develop to off-airport or general industrial uses.

In general, long-term demand exists to develop the NEST properties to off-airport industrial facilities that support or require airfreight terminal access. In the interim, the highest and best use is for general industrial facilities that are designed with the flexibility to transition to the off-airport market as demand increases.

All of the NEST properties are subject to the noise and safety impacts from airport operations. For many of the properties, the regulations related to noise and safety issues dictate the uses that are legally permissible. Noise is an external influence, both real and perceived, that limits land use. Financial feasibility and maximally productive uses are those that, in the long-term, cater to the distribution/logistics, warehousing, and manufacturing in support of airfreight operations.

It can be noted that over time the demand for park and fly parking lots will continue to grow within close proximity to the airport. This use may support the highest land values, however, parking has not been considered for the NEST Properties because, in the long run, it does not promote economic growth with substantial economic benefits.

This highest and best use conclusion results in the highest land value and provides for immediate economic benefits to the surrounding communities. In addition, it brings long-term economic benefits to the region by increasing the efficiency and supporting continued growth in the airfreight business at Sea-Tac International Airport.

# Overview

## Definitions

“Highest & Best Use” is the reasonably probable and legal use(s) of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.

The four criteria “Highest and Best Use” must meet are: 1) legal permissibility, 2) physical possibility, 3) financial feasibility, and 4) maximum profitability.

Private and public restrictions, zoning, building codes, historic district controls and environmental regulations determine those uses legally permissible on a site. The size, shape, terrain, accessibility, natural constraints, and the capacity of utilities determine what uses are physically possible. Legally permissible and physically possible uses are tested to determine financial feasibility. Potential income is compared to expenses and financial obligations to determine if the income exceeds the costs of the uses and results in profitability. The test of maximum productivity is applied to the uses that have passed the first three tests. Of the financially feasible uses, the highest and best use(s) is the use that creates the highest residual land value.

## Legally Permissible

The NEST partners have indicated that one of the objectives of the study is to determine the best use of the properties in the context of the marketplace. The zoning and land use restrictions for some of the properties are complex to the extent that developers and buyers would heavily discount property value given the uncertainty associated with the entitlement process. Accordingly, to simplify screening of the uses that are legally permissible, the NEST partners have created a generic set of permitted uses for privately owned and Port of Seattle owned properties. They are shown in the table below. The uses highlighted are not permissible for any of the properties.

## NEST Property Permitted Uses

Allowed Use   
 Uses Not Allowed

### ZONING USE TABLE

#### USES:

	All Properties	Port Owned Properties
<b>A. AGRICULTURE AND NATURAL RESOURCES</b>		
Agriculture	<input type="checkbox"/>	<input type="checkbox"/>
Natural resource extraction/recovery	<input type="checkbox"/>	<input type="checkbox"/>
<b>B. ANIMALS AND RELATED USES</b>		
Animal husbandry (20 or fewer small animals per acre)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Animal husbandry (4 or fewer medium animals per acre)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Animal husbandry (maximum of 1 large animal per acre)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Greater number of animals than allowed above	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Beekeeping	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Kennels	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Kennels, hobby	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Pets, common household, up to 3 per dwelling unit or business	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Stables, commercial	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>C. RESIDENTIAL</b>		
Detached dwelling	<input type="checkbox"/>	<input type="checkbox"/>
Detached dwelling (existing legal)	<input type="checkbox"/>	<input type="checkbox"/>
Semi-attached dwelling	<input type="checkbox"/>	<input type="checkbox"/>
Attached dwellings	<input type="checkbox"/>	<input type="checkbox"/>
Flats or townhouses (existing legal)	<input type="checkbox"/>	<input type="checkbox"/>
Flats or townhouses, no greater than 2 units total per building (existing)	<input type="checkbox"/>	<input type="checkbox"/>
<b>Manufactured Homes</b>		
Manufactured homes	<input type="checkbox"/>	<input type="checkbox"/>
Manufactured homes, designated	<input type="checkbox"/>	<input type="checkbox"/>
Mobile homes	<input type="checkbox"/>	<input type="checkbox"/>
<b>D. OTHER RESIDENTIAL, LODGING AND HOME OCCUPATIONS</b>		
Accessory dwelling unit	<input type="checkbox"/>	<input type="checkbox"/>
Adult family home	<input type="checkbox"/>	<input type="checkbox"/>
Caretaker's residence	<input type="checkbox"/>	<input type="checkbox"/>
Congregate residence	<input type="checkbox"/>	<input type="checkbox"/>
Group homes I	<input type="checkbox"/>	<input type="checkbox"/>
Group homes II for 6 or less	<input type="checkbox"/>	<input type="checkbox"/>
Group homes II for 7 or more	<input type="checkbox"/>	<input type="checkbox"/>
Home occupations	<input type="checkbox"/>	<input type="checkbox"/>
Retirement residences	<input type="checkbox"/>	<input type="checkbox"/>
<b>E. SCHOOLS</b>		
K-12 educational institution (public or private)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
K-12 educational institution (public or private), existing	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Other higher education institution	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Schools/studios, arts and crafts	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Trade or vocational school	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>F. PARKS</b>		
Parks, neighborhood	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Parks, regional/community, existing	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Parks, regional/community, new	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<b>G. OTHER COMMUNITY AND PUBLIC FACILITIES</b>		
<b>Community Facilities</b>		
Cemetery	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Religious institutions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Service and social organizations	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<b>Public Facilities</b>		
City government offices	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
City government facilities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Jails, existing municipal	<input type="checkbox"/>	<input type="checkbox"/>
Secure community transition facilities	<input type="checkbox"/>	<input type="checkbox"/>
Other government offices and facilities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

<b>H. OFFICE AND CONFERENCE</b>		
Conference centers	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Medical and dental offices	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Offices, general	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Veterinary offices/clinics	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<b>I. RETAIL</b>		
Adult retail use	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Big-box retail	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Drive-in/drive-through, retail	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Eating and drinking establishments	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Horticultural nurseries	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Retail sales	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Retail sales, outdoor	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Taverns	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Vehicle sales, large	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Vehicle sales, small	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<b>J. ENTERTAINMENT AND RECREATION</b>		
<b>Entertainment</b>		
Adult entertainment business	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Card room	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Cultural facilities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Dance clubs	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Dance halls	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Gaming/gambling facilities, not-for-profit	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Movie theaters	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Sports arenas, auditoriums, exhibition halls, indoor	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<b>Recreation</b>		
Golf courses (existing)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Golf courses, new	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Marinas	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Recreational facilities, indoor & outdoor	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<b>K. SERVICES</b>		
<b>Services, General</b>		
Bed and breakfast house, accessory	<input type="checkbox"/>	<input type="checkbox"/>
Bed and breakfast house, professional	<input type="checkbox"/>	<input type="checkbox"/>
Hotel	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Motel	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Drive-in/drive-through service	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Vehicle rental, small	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Vehicle and equipment rental, large	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<b>Day Care Services</b>		
Adult day care I	<input type="checkbox"/>	<input type="checkbox"/>
Adult day care II	<input type="checkbox"/>	<input type="checkbox"/>
Day care centers	<input type="checkbox"/>	<input type="checkbox"/>
Family day care home	<input type="checkbox"/>	<input type="checkbox"/>
<b>Healthcare Services</b>		
Convalescent centers	<input type="checkbox"/>	<input type="checkbox"/>
Medical institutions	<input type="checkbox"/>	<input type="checkbox"/>
<b>L. VEHICLE RELATED ACTIVITIES</b>		
Body shops	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Car washes	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Distribution/logistics	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Express transportation services	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Fuel dealers	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Industrial engine or transmission rebuild	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Parking garage, structured, commercial or public	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Parking, surface, commercial or public	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Taxi stand	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Tow truck operation/auto impoundment yard	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Transit centers	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Truck terminals	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Vehicle fueling stations	<input type="checkbox"/>	<input type="checkbox"/>
Vehicle service and repair, large	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Vehicle service and repair, small	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Wrecking yard, auto	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

**Air Transportation Uses**

- Airplane sales and repair
- Helipads, accessory to primary use
- Helipads, commercial
- Municipal airports


**M. STORAGE**

- Hazardous material storage, onsite or offsite, including treatment
- Indoor storage
- Outdoor storage
- Self-service storage
- Vehicle storage
- Warehousing


**N. INDUSTRIAL**

**Industrial, General**

- Assembly and/or packaging operations
- Commercial laundries, existing
- Commercial laundries, new
- Construction/contractor's office
- Laboratories: light manufacturing
- Laboratories: research, development and testing
- Manufacturing and fabrication, heavy
- Manufacturing and fabrication, light
- Manufacturing and fabrication, medium


**Solid Waste/Recycling**

- Recycling collection and processing center
- Recycling collection station
- Sewage disposal and treatment plants
- Waste recycling and transfer facilities


**O. UTILITIES**

- Communication broadcast and relay towers
- Electrical power generation and cogeneration
- Utilities, small
- Utilities, medium
- Utilities, large


**P. WIRELESS COMMUNICATION FACILITIES**

- Lattice towers support structures
- Macro facility antennas
- Micro facility antennas
- Mini facility antennas
- Minor modifications to existing wireless communication facilities
- Monopole I support structures
- Monopole II support structures


**Q. GENERAL ACCESSORY USES**

- Accessory uses.



**R. TEMPORARY USES**

- Model homes in an approved residential development: one model home on
- Sales/marketing trailers, on-site
- Temporary or manufactured buildings used for construction
- Temporary uses


**Physically Possible**

It is physically possible to locate a broad range of uses on the properties. Wetlands, steep slopes, access, and the availability of utilities create physical impediments to the development of some of the properties.

**External Influences**

Noise and safety concerns, as a result of airport operations, are an external influence on the properties. The noise impacts can be mitigated to a certain extent by insulating buildings, however, the spaces out-of-doors are subject to noise impacts of between 60dnl and 70dnl. Safety issues can only be addressed by removing people from the area. This can be accomplished by prohibiting certain land uses or limiting activities to those that are less people intensive. We define these uses as product oriented.

The image on the following page characterizes the real estate markets in the study area. The map identifies those markets that are people oriented and those that are product oriented. The people oriented markets are where office, retail, hospitality, residential, and entertainment uses are naturally located. The product oriented markets are characterized by the industrial nature of the businesses that logically locate in these areas. The location of these markets is influenced primarily by safety issues, but other factors are important and include:

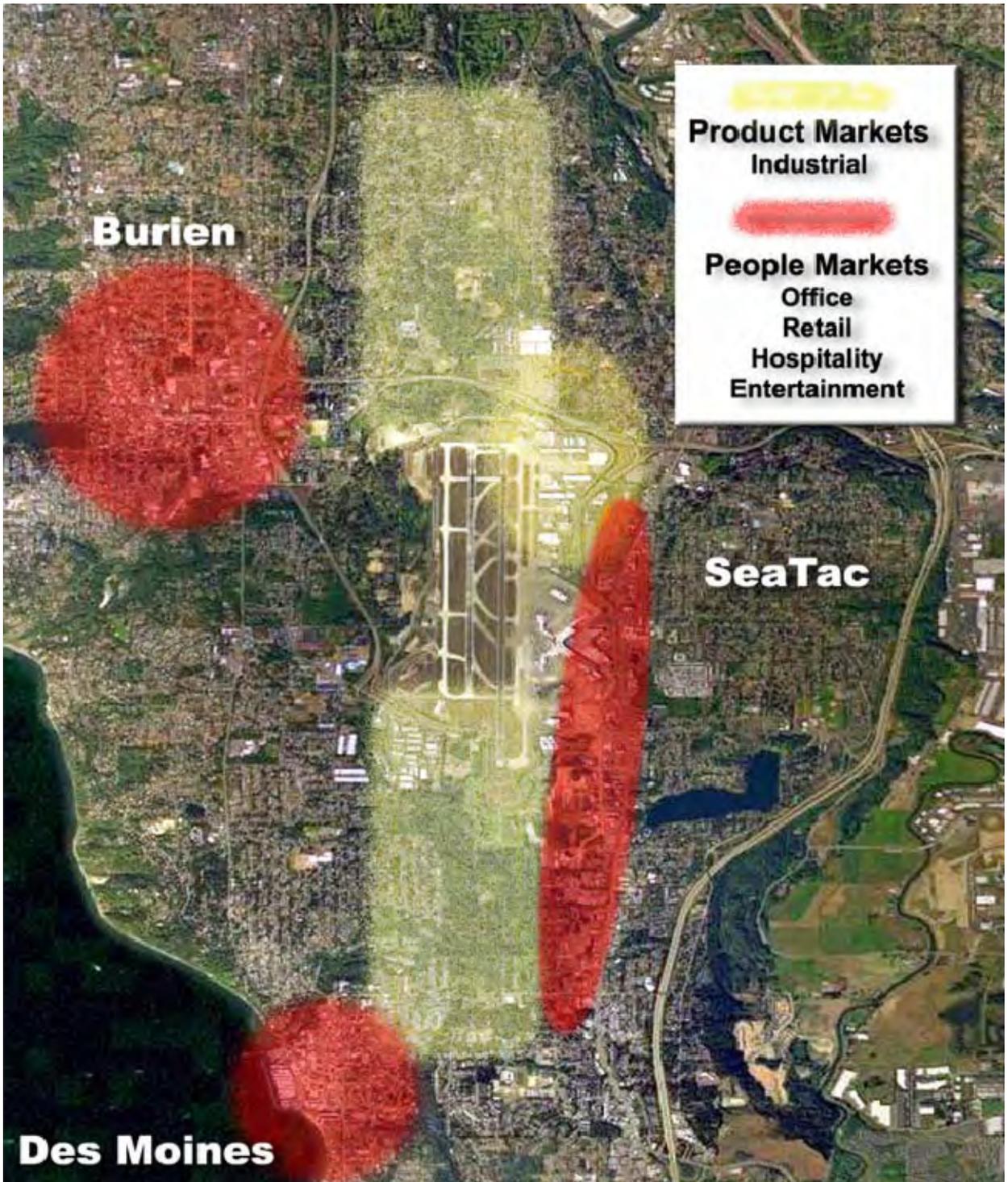
- Market demand
- Washington State Growth Management Act
- Comprehensive plans for the Cities of Burien, Des Moines, and SeaTac
- Proximity to other amenities
- Proximity to transportation infrastructure

Most market participants view the NEST properties as best suited for product-oriented uses involving few people. Those uses that are people-intensive, office, retail, hospitality, residential, biotech lab, and entertainment, are best located in the adjoining cities.

### **Financially Feasible & Maximally Productive**

The off-airport industrial market is dominated by users and tenants that require close proximity to the airfreight terminal and are willing to pay a premium for the location. As discussed in the Market Analysis report, the market has grown over the long run at between 30,000 and 40,000 square feet per year. The NEST properties are capable of supporting millions of square feet of space. What market(s) can absorb this amount of space? What types of development are feasible? Which use(s) are maximally productive? The property-by-property analysis that follows addresses these questions.

# Product Markets & People Markets



# Property By Property Highest And Best Use

## Des Moines Creek #1

The majority of the property is owned by the Port of Seattle and was purchased with FAA noise mitigation funds. The land use regulations for the property are in effect by the Cities of Des Moines and SeaTac, the Port of Seattle, and the FAA. The southern three-quarters of the property is within the City of Des Moines. The northern one-third is within SeaTac City Limits. The property is owned by the Port of Seattle, except for unused street right-of-ways that are owned by the cities. The highest and best use criteria are applied to the permitted uses in the table below. The highlighted uses are those uses that are legally permissible. The other uses have been eliminated from further discussion.

### Des Moines Creek #1 - Highest & Best Use

Legally Permissible	Physically Possible	Financially Feasible	Maximally Profitable
<b>PARKS</b>			
Parks, neighborhood	Yes	Yes	No
Parks, regional/community, existing	Yes	Yes	No
Parks, regional/community, new	Yes	Yes	No
<b>OTHER COMMUNITY AND PUBLIC FACILITIES</b>			
<b>Community Facilities</b>			
Religious institutions	Yes	Yes	No
Service and social organizations	Yes	Yes	No
<b>Public Facilities</b>			
City government offices	Yes*	Yes	Yes
City government facilities	Yes*	Yes	Yes
Other government offices and facilities	Yes*	Yes	Yes
<b>OFFICE AND CONFERENCE</b>			
Conference centers	Yes*	Yes	Yes
Medical and dental offices	Yes*	Yes	Yes
Offices, general	Yes*	Yes	Yes
Veterinary offices/clinics	Yes*	Yes	Yes
<b>RETAIL</b>			
Big-box retail	Yes	Yes	Yes
Drive-in/drive-through, retail	Yes	Yes	No
Eating and drinking establishments	Yes	Yes	No
Horticultural nurseries	Yes	Yes	No
Retail sales	Yes	Yes	No
Retail sales, outdoor	Yes	Yes	No
Taverns	Yes	Yes	No
Vehicle sales, large	Yes	Yes	No
Vehicle sales, small	Yes	Yes	No
<b>ENTERTAINMENT AND RECREATION</b>			
<b>Entertainment</b>			
Card room	Yes	Yes	No
Cultural facilities	Yes	Yes	No
Dance clubs	Yes	Yes	No
Dance halls	Yes	Yes	No
Gaming/gambling facilities, not-for-profit	Yes	Yes	No
Movie theaters	Yes	Yes	No
Sports arenas, auditoriums, exhibition halls, indoor	Yes	Yes	No
<b>Recreation</b>			
Golf courses (existing)	Yes	Yes	No
Golf courses, new	Yes	Yes	No
Recreational facilities, indoor & outdoor	Yes	Yes	No

**SERVICES****Services, General**

Vehicle rental, small	Yes	Yes	No
Vehicle and equipment rental, large	Yes	Yes	No

**VEHICLE RELATED ACTIVITIES**

Distribution/logistics	Yes	Yes	Yes
Industrial engine or transmission rebuild	Yes	Yes	Yes
Parking garage, structured, commercial or public	Yes	Yes	No
Parking, surface, commercial or public	Yes	Yes	No
Taxi stand	Yes	Yes	No
Tow truck operation/auto impoundment yard	Yes	Yes	No
Transit centers	Yes	Yes	No
Truck terminals	Yes	Yes	Yes
Vehicle service and repair, large	Yes	Yes	Yes
Vehicle service and repair, small	Yes	Yes	No
Wrecking yard, auto	Yes	Yes	No

**STORAGE**

Indoor storage	Yes	Yes	Yes
Outdoor storage	Yes	Yes	No
Self-service storage	Yes	Yes	Yes
Vehicle storage	Yes	Yes	Yes
Warehousing	Yes	Yes	Yes

**INDUSTRIAL****Industrial, General**

Assembly and/or packaging operations	Yes	Yes	Yes
Commercial laundries, new & existing	Yes	Yes	No
Construction/contractor's office	Yes	Yes	No
Laboratories: light manufacturing	Yes	Yes	Yes
Laboratories: research, development and testing	Yes	Yes	Yes
Manufacturing and fabrication, heavy	Yes	Yes	Yes
Manufacturing and fabrication, light	Yes	Yes	Yes
Manufacturing and fabrication, medium	Yes	Yes	Yes

**UTILITIES**

Communication broadcast and relay towers	Yes	Yes	No
Electrical power generation and cogeneration	Yes	Yes	Yes
Utilities, small	Yes	Yes	Yes
Utilities, medium	Yes	Yes	Yes
Utilities, large	Yes	Yes	Yes

**WIRELESS COMMUNICATION FACILITIES**

Macro facility antennas	Yes	Yes	No
Micro facility antennas	Yes	Yes	No
Mini facility antennas	Yes	Yes	No
Minor modifications to existing wireless	Yes	Yes	No
Monopole I support structures	Yes	Yes	No
Monopole II support structures	Yes	Yes	No

**GENERAL ACCESSORY USES**

Accessory uses.	Yes	Yes	No
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**TEMPORARY USES**

Sales/marketing trailers, on-site	Yes	Yes	No
Temporary or manufactured buildings used for	Yes	Yes	No
Temporary uses	Yes	Yes	No

\* Limited intensity & airport supportive.

The majority of the uses listed above are physically possible and financially feasible. Those uses that are identified as not financially feasible do not generate enough income to warrant the development of new facilities. Those uses that are maximally productive are primarily industrial in nature. They include distribution/logistics, warehousing, manufacturing, and utilities. The uses are supported by strong, long-term market fundamentals.

Other uses warrant discussion. At this time, we are not aware of large utility users in the market and do not believe long term demand is present. Should the demand present itself, consideration to the use is warranted. The other use that could be maximally productive is big box retail. The city's retail centers are in

the downtown area and along International Boulevard in the Pacific Ridge neighborhood. Big box retail is a destination retail segment, often able to locate away from other retailers. While further discussion is required, allowing big box retail on the site would appear to depart from the city's land use objectives. Special consideration is advised with respect to impact certain big box retailers have on existing retail establishments.

### *Conclusion*

The uses permitted on the site are restricted by FAA regulations that discourage high concentrations of people for noise and safety considerations. It is physically possible and to place a wide variety of uses on the property. From a financial feasibility standpoint, the list of uses with long-term market demand, strong enough to absorb several million square feet of space is limited. They include a combination of industrial uses including distribution/logistics, warehousing, and manufacturing. The maximally productive uses are described as off-airport and general industrial.

The off-airport industrial market is dominated by users and tenants that require close proximity to the airfreight terminal and are willing to pay a premium for the location. As discussed in the market analysis section of this report, the market has grown over the long run at between 30,000 and 40,000 square feet per year. Des Moines Creek #1 is capable of supporting over a million square feet of industrial space, more than the market can absorb naturally. However, the general industrial market can easily absorb the large amount of space and is a good interim use. These interim uses are best accommodated by large square/rectangular building sites with large flexibly designed buildings that could be converted to other uses sometime in the future.

This highest and best use conclusion provides for immediate economic benefits to the surrounding communities. In addition, it provides for facilities that insure the long-term economic benefits that efficient airfreight operations at Sea-Tac bring to the region.

Integrating a large amount of industrial activity into a community could be viewed as disruptive and the visual and traffic impact as liability to the city. The traffic impacts can be minimized through careful planning. If the property is accessed primarily from the 509 Extension at the north end of the property, vehicle traffic does not conflict with other uses. The visual impacts can also be limited through thoughtful design. The images of the buildings below represent examples of good design that is attractive to its neighbors.



*Pacific Gateway, Kent, WA*



*Canyon Park East, Bothell, WA*



*CIS, Redmond, WA*



*Greykon, Des Moines, WA*

In conclusion, the highest and best interim use for the Des Moines Creek #1 property is for development for off-airport and general industrial uses. The long-term highest and best use is for conversion of interim general industrial uses to off-airport industrial uses.

## **Des Moines Creek #2**

The property is owned by the Port of Seattle and was purchased with FAA noise mitigation funds. It is located in the City of Des Moines and the unused street right-of-ways are owned by the city. The land use regulations for the property are imposed by the Cities of Des Moines and the Port of Seattle, and the FAA.

The same highest and best use criteria are applied to this property as are applied to Des Moines Creek #1 property. The property's proximity to Des Moines Creek #1 results in the same conclusion for highest and best use. The uses include distribution/logistics, warehousing, and manufacturing. The highest and best interim use for the Des Moines Creek #2 property is for development for off-airport and general industrial uses. The long-term highest and best use is for conversion of the interim general industrial uses to off-airport industrial uses.

## **Borrow Site #3**

### *Legally Permissible*

The majority of the property is owned by the Port of Seattle and was purchased with FAA noise mitigation funds. The portions of the property not owned by the Port of Seattle are the unused street right-of-ways that are owned by the City of SeaTac. Land use is regulated by the City of SeaTac, the Port of Seattle, and the FAA. The highest and best use criteria are applied as shown in the Des Moines Creek #1 Highest and Best Use discussion above. The uses that result from the screening process are distribution/logistics, warehousing, and manufacturing.

### *Physically Possible*

The property is challenged by steep slopes and wetlands that reduce the size of the property from 70 acres gross, to 16 acres of net usable space. The remaining 16 acre parcel is long and irregularly shaped with uneven topography. The combination of these constraints makes development of the property inefficient and expensive.

### *Financially Feasible*

It is marginally feasible to develop the property. The return to the land is diminished by higher development costs associated with the uneven topography and irregular shape of the site. The rental income that would be required to make the project feasible is equal to the rent off-airport industrial users pay for superior locations.

### *Maximally Profitable*

The property adjoining the subject to the east consists of an unused right-of-way owned by the WSDOT. The WSDOT has indicated that the property is surplus and does not have a future intended use. The site is generally level and large enough to support a substantial amount of development. While further analysis is required, from a development standpoint it appears as if the subject property would become more efficient if it was combined with the WSDOT property.

### *Conclusion*

The highest and best use for the Borrow Site #3 property is for assemblage with the WSDOT property and development for industrial uses. The industrial uses include distribution/logistics, warehousing, and manufacturing with facilities that can be converted to off-airport uses over the long-term.

## **South 200th Street Parcels & Borrow Site #4 Remnants**

### *Legally Permissible*

Land use for the most northern portion of the subject is regulated by the City of SeaTac, Port of Seattle, and the FAA. The balance of the property is regulated by the City of SeaTac. The southern portion of the property is zoned industrial and a wide range of uses are permitted on the site. They are shown in the table in the Property Inventory report.

### *Physically Possible*

The property has varying topography including some areas that are level and well suited for development. It is large enough, at 22 acres, to physically accommodate a wide variety of uses and has good access. The property is located just south of the FAA's Airport Transition Zone for the Third Runway and is subject to noise impacts. The noise levels expected in 2010 when the Third runway is complete will range from 65dnl to 70dnl. Again, as with the other NEST properties and all things being equal, people-intensive uses are more likely to locate elsewhere. A large number of the permitted uses are not appropriate, given the noise constraints.

### *Financially Feasible*

The subject property consists of 67 separate tax parcels. Of the total number of parcels, the Port of Seattle plans to purchase 29 parcels located north of South 197<sup>th</sup> Street for noise mitigation purposes associated with the Third Runway. The remaining properties, with some exceptions, are owned by private parties and would need to be assembled to create one large development site. At assessed value, the cost to acquire the properties is approximately \$4.4 million. With a land cost basis of \$4.4 million, development is not feasible in the general industrial space market with rents for shell space in the \$.36 to \$.38 per square foot range. However, development maybe feasible with rents in excess of \$.40 per square foot. Should the cost to assemble the property exceed its assessed value, which is likely, financial feasibility is in question.

There are vacant parcels that are large enough to develop independently. One is owned by the Highline School District and the other owned by the Port of Seattle. Also, a number of smaller adjoining parcels are owned by Mr. William Looney. A simple assemblage of vacant land could result in a property where development is quite feasible.

### *Maximally Profitable*

Those uses that are maximally productive and meet the test of legal permissibility, physical possibility, and financial feasibility include distribution/logistics, warehousing, and manufacturing. These uses placed on vacant parcels that can be assembled easily represent the highest and best use. The improved parcels, unless key to vacant property assemblages, are best used for their current purposes.

## **Southwest Industrial Parcels**

### *Legally Permissible*

Land use for the northern portion of the subject is heavily regulated by the FAA and development is generally prohibited. The balance of the property is also restricted with FAA regulations, and as with the other NEST properties, permitted uses are restricted to those that are less people-intensive. As the Third Runway Project is completed, roughly 300,000 square feet of buildings will need to be removed from the northern portion of the property to meet FAA requirements for safety and noise.

### *Physically Possible*

The property is generally level and is physically well suited for a wide variety of uses.

### *Financially Feasible*

The subject property is substantially built-out with industrial buildings. While most are older and suffer some functional obsolescence, they are serviceable and have remaining economic life. It is not feasible to demolish the buildings to make way for new industrial development.

### *Maximally Profitable*

The maximally profitable use for the property is for continued use of the existing improvements for industrial, distribution, and warehousing purposes that cater to the off-airport market.

## **Northeast Special Planning Area**

The Northeast Special Planning Area consists of five sub-areas. The areas are defined by characteristics of their ownership, access, topography, and location with respect to Miller Creek. The residential properties located in sub-areas #1, #2, and #3 will be purchased by the Port of Seattle to mitigate noise impacts from Third Runway. Because of the nature of the ownership, these areas could be economically developed once the acquisitions are complete. There are a small number of commercial properties that will remain in private ownership that would need to be assembled to allow for development of the entire property. Sub-areas #4 and #5 include some unused vacant land and a few quasi-commercial uses, but residential uses currently dominate the sub-areas. To develop these parcels assemblage(s) would be required.

## **Northeast Special Planning Sub-Area #1**

### *Legally Permissible*

This sub-area measures approximately 12 gross acres and 10.5 net acres. It is surrounded by roadways, and is currently improved with an apartment building that will be removed when the Third Runway is complete. A small portion of the northeast corner of the property is within the FAA's Runway Protection Zone (RPZ), where development of any kind is prohibited by the FAA for noise and safety concerns. The balance of the

property, being purchased with FAA noise mitigation funds, is restricted to uses that are airport related and generally less intense.

The property is also regulated by the City of Burien's comprehensive plan. The allowed uses in the area include general light industrial, industrial park, and manufacturing. These uses are consistent with the permitted uses list put forth by the NEST Partners.

#### *Physically Possible*

The parcel slopes upward to the north and is triangular in shape. Its shape reduces its efficiency and presents a design challenge. In the center of the property is a Seattle City Light transformer that, for the purposes of this study, will be relocated to make way for redevelopment of the property. While the property does have constraints, it is a reasonably sized parcel that could physically accommodate a wide variety of uses.

#### *Financially Feasible*

The market will respond more favorably to improvements that have fewer occupants that are product-oriented. The location of the property, with respect to the airfreight terminal, makes it desirable for off-airport uses that are oriented toward industrial, distribution/logistics, and manufacturing. These uses are feasible and the market will pay a premium for the location.

#### *Maximally Profitable*

A combination of financially feasible uses represents the maximally profitable use.

#### *Conclusion*

The property is regulated by the FAA, Port of Seattle, and the City of Burien. It is within close proximity to the airport and the associated noise impacts. The noise level is high enough, at 65dnl, that it will impact potential uses for the site by reducing its desirability to some types of users. The highest and best use for the property is to establish foreign trade zone status and pursue development to off-airport uses that are oriented toward general light industrial, industrial park, and manufacturing.

## **Northeast Special Planning Sub-Area #2**

This sub-area measures approximately 27.2 usable acres. It is bounded by SR 518 on the south, Des Moines Memorial Drive on the east, Miller Creek on the north, and steep slopes to the west. With one exception, ownership will be vested in the Port of Seattle when it completes its noise mitigation acquisitions. It is a large parcel owned by the Highline School District used for commercial purposes and is not subject to noise mitigation acquisition by the Port.

#### *Legally Permissible*

The property is regulated by the City of Burien, the Port of Seattle, and the FAA. The allowed uses include office, general light industrial, industrial park, and manufacturing, all airport related. These uses are generally consistent with the uses allowed as put forth by the NEST Partners.

### *Physically Possible*

The topography of the property slopes slightly, requiring grading to create level areas to accommodate development. Its efficiency, for development purposes, is reduced, given its irregular shape. It is large enough to accommodate a wide range of uses and building types.

### *Financially Feasible*

All of the permitted uses are financially feasible. For the purposes of this study it is assumed that all of the parcels are assembled into a single ownership. In reality it may not be possible to create an assemblage, or the cost may be excessive, making development infeasible.

### *Maximally Profitable*

A combination of off-airport uses that are oriented toward general light industrial, industrial park, and manufacturing, overlaid with a foreign trade zone, represents the maximally profitable use.

### *Conclusion*

The highest and best use for the property, upon completion of the Port of Seattle's noise mitigation acquisitions, is to assemble the remaining commercial properties (Highline School District and Sceda) and develop the entire site for off-airport uses that are oriented toward general light industrial, industrial park, and manufacturing, with a foreign trade zone status.

## **Northeast Special Planning Sub-Area #3**

This sub-area measures approximately 26.4 usable acres. It is bounded by Miller Creek on the south and west, by Des Moines Memorial Drive on the east, and steep slopes to the west. Ownership will be vested in the Port of Seattle when it completes its noise mitigation acquisitions, with the exception of five small commercial parcels located along Des Moines Memorial Drive.

### *Legally Permissible*

The property is regulated by the City of Burien's comprehensive plan. The permitted uses under the plan are warehousing, new car sales, daytime restaurants, and convenience markets. The property is also regulated by the Port of Seattle, and the FAA. The Port of Seattle and FAA regulations limit uses to those that are airport-related activities as long as the Port of Seattle retains ownership in the property. As discussed above in the overview section of this report, the NEST partners have created a generic list of permitted uses to simplify the analysis, given the conceptual nature of the study. These uses are discussed in detail in the Des Moines Creek #1 section of this report and include office, industrial, utilities and big box retail. For this analysis, these are the legally permitted uses.

### *Physically Possible*

The topography of the site slopes slightly, requiring grading to create level areas to accommodate development. It is irregularly shaped, which reduces the efficiency. It is large enough to accommodate a wide range of uses and building types. In the event that the commercial parcels, located along Des Moines

Memorial Drive, can not be assembled with the balance of the property that will be under Port of Seattle ownership when it completes its noise mitigation acquisitions, the site could be developed without completing the assemblage. If the parcels are not acquired, the impact to the development potential of the property will not be significant. For the purposes of this study, it is assumed that the assemblage will be completed.

#### *Financially Feasible*

Given the property's location, with respect to consumers and other retail activities, it is likely that other locations would be more desirable for big box retail. Utility uses have been generically permitted by the NEST partners; however, we are not aware of large utility users in the marketplace. Office uses are inconsistent with noise and safety issues and are better suited to uses that are product oriented. Of the remaining permitted uses, it is financially feasible to develop distribution/logistics, warehousing, and manufacturing facilities that are airport related.

#### *Maximally Profitable*

A combination of off-airport uses that are oriented toward distribution/logistics, warehousing, and manufacturing, with a foreign trade zone status, represents the maximally profitable use.

#### *Conclusion*

The highest and best use for the property is to assemble remnant commercial land with Port owned land for development to distribution/logistics, warehousing, and manufacturing facilities that have foreign trade zone status, subject to the Port of Seattle completing its property acquisitions.

## **Northeast Special Planning Sub-Area #4**

This sub-area measures approximately 25.3 usable acres. It is bounded by South 138<sup>th</sup> Street on the north, Miller Creek to the west, Des Moines Memorial Drive to the east and South 140<sup>th</sup> on the south. The property consists of 44 separate parcels owned by an almost equal number of private parties.

#### *Legally Permissible*

The property is regulated by the City of Burien's comprehensive plan that allows for general light industrial, industrial park, and manufacturing, all airport related.

#### *Physically Possible*

The topography of the property is sloped enough to require extensive mass grading to create development sites.

#### *Financially Feasible & Maximally Profitable*

A large scale change of use for the property requires assemblage of the 44 parcels. It is anticipated that the cost to acquire the parcels and the existing improvements is approximately \$300,000 per parcel or \$13.2 million for the usable acreage. This figure equates to \$12 per square foot, and with land positioning and

planning the figure would raise the cost to in excess of \$14 per square foot. On a large scale basis, at this time, it is not feasible to redevelop the site to other uses. Smaller assemblages may be feasible where under-improved or vacant properties can be acquired for a lower cost. If this is the case, airport-related industrial/logistics, warehousing, and manufacturing, represent the highest and best use.

#### *Conclusion*

The highest and best use for the property is to do nothing until, at some future date, demand for commercial uses warrants higher land values.

## **Northeast Special Planning Sub-Area #5**

This sub-area measures approximately 29.8 usable acres. It is bounded by Miller Creek to the north, 8<sup>th</sup> Avenue South on the west, SR 518 on the south and by steep slopes to the east. The property consists of 97 separate parcels owned by an almost equal number of private parties. It is located outside FAA regulated airport zones; however, airport operations noise impacts are present.

#### *Legally Permissible*

The property is regulated by the City of Burien's comprehensive plan that allows for general office, office park, research and development centers, business parks, nurseries/wholesale, cemeteries, park and ride facilities, airport parking, and city parks.

#### *Physically Possible*

It is physically possible to locate a wide variety of uses on the property.

#### *Financially Feasible & Maximally Profitable*

A large scale change of use for the property requires assemblage of the up to 97 parcels. It is anticipated that the cost to acquire the parcels and the existing improvements is approximately \$300,000 per parcel, or \$29.1 million for the usable acreage. This figure equates to \$22 per square foot, with land positioning and planning raising the cost to in excess of \$24 per square foot. The \$300,000 per parcel figure is roughly equivalent to the costs the Port of Seattle has recently incurred to acquire properties for noise mitigation purposes. On a large scale basis, at this time, it is not feasible to redevelop the site to other uses.

#### *Conclusion*

The highest and best use for the property is to do nothing until, at some future date, demand for commercial uses warrants much higher land values.

## **55 Acres**

The subject property measures approximately 25 acres of useable land area. It is located north of the airport bounded by 24<sup>th</sup> Avenue to the east and S 142<sup>nd</sup> Street on the south. It is an irregularly shaped parcel with moderately diverse topography. The property was purchased many years ago by the Port of Seattle for noise

mitigation related to the first and second runways. The street right-of-ways are owned by the City of SeaTac.

#### *Legally Permissible*

Land use regulations currently in place are imposed by the City of SeaTac, the Port of Seattle, and the FAA. The property is zoned Aviation Commercial by the City of SeaTac, which is consistent with the Port of Seattle and FAA regulations. The highest and best use criteria are applied as shown in the Des Moines Creek #1 Highest and Best Use discussion above. The uses that result from the screening process are distribution/logistics, warehousing, and manufacturing. As discussed in the Development Potential report, the current interlocal agreement between the FAA, Port of Seattle, and the City of SeaTac prohibit truck access on 24<sup>th</sup> Avenue and require access to the subject to from Des Moines Memorial Drive via S. 142<sup>nd</sup>.

#### *Physically Possible*

The topography of the site requires grading to create level areas to accommodate development. It is irregularly shaped, which reduces efficiency for development; however, it is large enough to accommodate a wide range of uses and building types.

#### *Financially Feasible*

All of the permitted uses that are physically possible are financially feasible.

#### *Maximally Profitable*

A combination of off-airport uses that are oriented toward distribution/logistics, warehousing, and manufacturing, with a foreign trade zone status, are the maximally profitable uses.

#### *Conclusion*

The highest and best use for the property is to establish foreign trade zone status and pursue development to off-airport uses that are oriented toward distribution/logistics, warehousing, and manufacturing.

### **Nature of the Assignment**

This assignment is conceptual in nature and an exhaustive highest and best use analysis that tests all possible uses has not been conducted. The very nature of the properties and their highly regulated status reduce the number of uses that must be tested against the highest and best use criteria. In other words, many highest and best use analyses involve the testing of uses for financial feasibility; however, in the case of the subject properties, legal permissibility is the driving determinant.

**NEST Study**

**Development Potential**

GVA

*August 5, 2004*

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## Executive Summary

Preliminary development plans for each of the NEST Properties have been created based on the information gathered during the previous NEST study work. The plans are conceptual in nature and, with the exception of Des Moines Creek #1, only represent a single development scenario for each property; however, they do provide an indication as to which properties have near-term development potential. Those properties that have long-term potential or are not feasible have been analyzed and are presented in the body of the report.

The table below shows the achievable building square footage for those NEST Properties that have near-term development potential. It also summarizes the overall value of the projects and the implied land value. Note that these figures represent a refinement of the figures shown in the Property Inventory section of the report. They are the result of conceptual planning work versus the calculated industry standard rules of thumb. The NEST Property net usable land area totals 268 acres that are capable of supporting approximately 3.8 million square feet of industrial development. The total value of the projects is roughly \$260 million and the implied land value is \$46 million. As is discussed in the body of the report, fluctuations in development cost and market rents have a significant impact on implied land values and project feasibility.

### Development Potential

	Net Usable Area		Building Area		Project Value	Land Value
	Acres	SF	SF			
Des Moines Creek #1 - 2.0	97.80	4,259,995	1,523,350		\$101,880,000	\$20,264,000
Des Moines Creek #2	21.70	945,252	291,400		\$19,931,000	\$2,629,000
Borrow #3	16.00	696,960	164,000		\$11,217,000	\$1,423,000
S. 200th/Borrow#4	22.60	984,456	384,250		\$26,282,000	\$4,438,000
NESPA #1	10.46	455,458	154,000		\$10,767,000	\$1,846,000
NESPA #2	27.20	1,184,832	367,800		\$25,716,000	\$4,769,000
NESPA #3	26.40	1,149,984	400,000		\$27,968,000	\$4,629,000
55 Acre Parcel	46.30	2,016,828	463,550		\$33,820,000	\$5,954,000
	268.45	11,693,765	3,748,350		\$257,581,000	\$45,952,000

# Introduction

Preliminary site plans have been developed for each of the NEST Properties. The plans show the following:

- Configuration of the buildings.
- Parking and circulation areas.
- The general nature and location of the building sites.
- Size and general location of the stormwater detention/filtration facilities.
- Access points.
- Property constraints including wetlands, streams, steep slopes, and the noise impact zones.

The site plans have been used to make estimations about the development potential of each property. The information is presented in a snap shot format, referred to as a project summary. The project summaries represent a single scenario of how the properties could be developed. Sensitivity analysis has been conducted to show a range of possible outcomes. Both the review of the property constraints and the site plans are preliminary in nature.

The assumptions that apply throughout the analyses are:

- The Third Runway will be completed.
- The 509 Extension will be completed.
- The Port of Seattle will complete its noise mitigation acquisitions for the Third Runway.
- The Port of Seattle will only remove soil from the Des Moines Creek #1 property, and the work will be at its expense.
- All figures are in 2004 dollars.

## Project Summaries Overview

The project summaries are divided into five sections. They include a summary of the area calculations, project costs, rent projections, capitalized valuation, and margin calculations. The assumptions associated with the analyses are presented below on a line by line basis. Each line is numbered and a description of the line item is presented for each of the project categories.

### Area Calculations

- 1) Project Type: Describes the general nature of the development; office, industrial, retail, etc.
- 2) The Location: Is the city(s) in which the property is located.
- 3) The Site Acres/SF (gross): Represents the land area of the parcels, including the area of the on site public roads that will be vacated.
- 4) The Site SF (Unusable): Is a measurement of the sensitive areas.
- 5) The Net Useable SF: Is the difference between (3) and (4) and is the developable area including space for access roadways, and stormwater detention/filtration ponds.
- (6) The Site Curb to Curb SF: Is the area associated with the building and it's parking.
- (7) The Building Size SF: Represents the footprint area of the building.
- (8) The Office SF: Represents 10% of building footprint on a single level.

9) The Mezzanine SF: Represents office space included as a second story over the first floor office and is used to provide additional space without enlarging the footprint of the building. The analyses assume no mezzanine space is constructed.

## **Project Costs**

10) The Land Purchase Cost: The current value of the unimproved and unentitled land that is supported by the project type. These figures do not substitute for a formal appraisal of the property.

11) The Legal, Survey, Title, and Closing: Costs represent the cost incurred in purchasing the land, as if owned by a private party.

## **Master Planning & Land Positioning Costs**

The master planning and land positioning costs represent the site-specific costs of developing the property to create a building ready lot as one would find in a planned business park. It incorporates a mix of off-site and on-site hard costs, as well as soft costs associated with the positioning of the property for development.

12) Environmental Studies: Includes wetland assessment, wildlife studies, traffic studies, and soils testing, and EIS processing.

13) Entitlement and Design: Site planning, preliminary grading and storm water design, and preliminary roadway improvement work that would be needed for environmental entitlement and construction of these improvements.

14) Demolition & Abatement: The cost of removing existing infrastructure and buildings including minor asbestos abatement within the buildings.

15) Street Vacation and Utility Severance: The cost of working through the engineering, legal, and title issues relating to severing utilities which are no longer needed on site and which currently encumber the property.

16) Off-Site Road Improvements: Established as the result of traffic analysis and negotiation with the governing jurisdiction this can sometimes be a fair share of an improvement triggered by the subject developments traffic.

17) Offsite Utility extensions: This includes extending new or upsizing existing water, storm or sanitary sewer lines to service the site. The analysis assumes that the proposed improvements have minimal demand on the water and sanitary systems. More intense manufacturing uses may require additional capacity and further study would be required to determine the adequacy of the existing infrastructure.

18) Assessments & Mitigations: Includes impact fees assessed as part of system wide infrastructure relating to roads and traffic improvements.

19) Frontage Improvements: Encompasses roadway frontage improvements where the existing roadway frontage does not meet current standards; including storm water treatment and conveyance systems.

20) On-site Storm Detention and Water Quality: Assumes that stormwater will be detained and treated to meet water quality standards before leaving the site. It was assumed that the storm water detention and water quality would be provided in surface ponds.

21) Retaining Walls: Include walls to retain slopes on site created by mass grading and done in a way to maximize the curb-to-curb area.

22) Mass Grading Import and Export: Includes an allowance to move a volume of material associated with creating large building pads. Generally during mass grading, a grading plan is developed to attempt to balance the cut and fill material on-site to eliminate the cost of off-site export or import. Without geotechnical information for the properties, it is impossible to determine the suitability of the material for use as fill or to determine if weather restrictions might apply.

## Development Costs

Development Costs represent the cost to design and construct a prototypical market rate industrial building. These costs are consistent throughout the analysis. Final design, material cost fluctuations, and the availability of labor will influence the actual costs.

Site Work: The cost to improve the curb-to-curb area of the site.

- 23) Shell Construction: Equals the cost to construct the building shell, including foundation, walls, roof, and building systems.
- 23) Tenant Improvements: Include the cost to finish the interior office space.
- 23) Mezzanine: The cost to improve the second floor of the office space. None assumed in this analysis.
- 23) Special Improvements: Costs for extraordinary items.
- 23) Design and Development: Includes the cost to design the project.
- 23) Permits/Gov. Charges: The cost of buildings permits.
- 23) Sales Tax: Represents the sales tax due on the construction costs.

## Project Costs

Project Costs represent soft costs associated with development, lease up and project sale; from a merchant developer's perspective.

- 31) Brokerage Commission: Total commissions paid to the agents representing the lessor and lessee calculated as 5% of the potential gross income of a 10-year lease.
- 32) Land Interest: Interest on the land acquisition loan assuming the land is purchased and owned for 1-year period prior to development. Because the Port of Seattle owns most of the NEST properties, for the purposes of this study, interest costs for holding the land are assumed to be zero.
- 33) Real Estate Taxes: Allowance for real estate taxes for a period of 1-year prior to and during development.
- 34) Construction and Lease-up Interest: Allowance for interest on the development loan based roughly on a 12-month development schedule.
- 35) Financing Costs: Fees associated with closing on the development loan.
- 36) Legal Fees: Allowance for legal assistance for the transaction, entitlement, business, and operations.
- 37) Marketing Cost: Marketing of the property during the initial lease up phase.
- 38) Development Overhead: Developer Management Fee or Owner/builder overhead and profit to manage the project through feasibility, acquisition, development, construction and lease up.
- 39) Selling Expense: Cost of selling the property once it is fully leased and income producing.

## Rent Projections

The potential gross income for the buildings is estimated based on an achievable market rent. The rent estimates are a function of rental rates paid in the marketplace today for comparable properties located in the Kent Valley Industrial Market and in the SeaTac/Burien market and the consultant's estimate about achievable rental rates at the time the project(s) are completed. Investors typically expect that over time some vacancy will occur in most properties. Accordingly, the potential gross income is reduced by a market vacancy factor to arrive at the net operating income for the property.

- 40) Shell: The gross potential income the shell of the building can produce based on the estimated market rent. In the SeaTac/Burien marketplace, industrial rents are quoted on a monthly base.

- 41) Office: The gross potential income the office space in the building. This income is in addition to the shell rent. In the SeaTac/Burien marketplace, industrial rents are quoted on a monthly basis.
- 42) Special Improvements: Revenue produced by special improvements.
- 43) Mezzanine: Revenue produced by mezzanine office space.

## Capitalized Valuation

The Capitalized Valuation section of the summary reflects the value of the project as if it was sold upon completion. One method of valuing a property investors apply is direct capitalization. The investor applies an overall expected rate of return to the properties income – the capitalization rate. This rate, when divided by the income provides a property value.

- 44) Cap Rate: Is the capitalization rate applied to the properties net operating income. The resulting value is very sensitive to the capitalization rate selected. A range of capitalization rates, reflective of the current marketplace are utilized. Currently investors purchasing institutional grade properties, such as the developed NEST properties, would expect an overall return of 7.5%.
- 45) Capitalized Value: The value the results from the conversion of projects net operating income by the application of a capitalization rate.
- 46) Sale Price/RSF: Represents the sale price per rentable square foot of building area.

## Margin Calculation

Private real estate developers expect to receive a return for their efforts in bringing a project forward and a return on funds invested. One method of measuring return is to calculate the total margin based on the project costs.

- 47) Total Project Costs: From the Project Costs section of the summary.
- 47) Profit: The difference between the Capitalized Value and Total Project Costs.
- 47) Development Overhead: From line (38) above.

The margin represents that portion of the sale price or value that can be attributed to overhead and profit. The profit margin that is appropriate depends on the nature of the project. Projects with more uncertainty demand a greater profit margin. A successful development project completed in a good market can result in a margin in excess of 30%. A poorly conceived and executed project can result in a negative margin or losses. It is not uncommon to see projects planned with projected margins of 25% or more and actual achieved margins of 15% to 18%.

## Indicators

Real estate professionals look at several key indicators in the summary to aid their decision making.

They include:

- 1) A site coverage ratio of 35% to 45% would indicate that the site is efficient for the type of development proposed. A ratio that is lower likely reflects irregular shape, steep slopes, or sensitive areas that add no value to the site and possibly create a liability.
- 2) Typical large industrial warehouse/distribution buildings currently cost \$55 to \$60 per square foot to complete, including land. A higher cost would indicate extraordinary site preparation or off-site costs that must be borne by the project.

- 3) The returns a developer would be willing to accept are a function of the perceived risks to complete the project. The risks could be related to permitting and construction unknowns or to uncertainties about how successfully the project will lease-up or sell. As a general rule of thumb, a 15% to 25% gross margin, including development overhead, is acceptable to developers. The 15% to 18% range reflects returns actually achieved in the market for completed projects. If the project is less risky because the permitting and tenancy is certain, then a return on the lower end of the range is acceptable. If the perceived risk is great the developer may expect substantially greater return. The size of the project is also relevant and returns, as a percentage of total project costs, are often less for larger projects.

## **Land Residual**

A technique for estimating property value is the Land Residual Technique. The technique is used to determine the land value that a proposed development could support and remain profitable. It involves weighing project value against costs, as shown in the Project Summaries. Estimates are made of the projects expected income and the resulting value, the cost to develop, and a given profit margin. When all of these variables are held constant, the maximum land value that maintains the profit margin is the achievable land value or that value a developer can afford to pay for the land. The results of the land residual technique can be misleading due to the great number of assumptions that go into the analysis. The resulting land values can vary significantly with small changes in the assumptions as will be shown in the sensitivity analysis.

## **Sensitivity Analysis**

Sensitivity analysis is conducted to measure the effect of changing assumptions in the project summaries. A sensitivity analysis has been completed for the NEST Properties as appropriate. The effect on land value as a function of changes in rent, development costs, achievable building area, and useable land area have been measured. The effect of changing the variables is shown for the unentitled and the fully entitled or positioned land. An analysis shows modest increases and decreases in the variables.

The development plans, project summaries, sensitivity analysis, and a discussion of the results follow. Because the Southwest Industrial property is fully built out for industrial uses and it is not feasible to redevelop the property for the same use, an evaluation has not been conducted. In addition, a sensitivity analysis has not been conducted for the South 200<sup>th</sup> Street parcels, given the overall lack of feasibility.

## **Des Moines Creek #1**

### **Overview**

Three scenarios have been developed for the Des Moines Creek #1 property. They are reflective of the Port of Seattle's intent to possibly borrow (mine) soil from the property. The scenarios involve the different site plans that reflect varying amounts of borrow activity; 1.4 million, 2 million, and 4 million bulk cubic yards (BCY). The borrow activity will leave graded site pads for the proposed buildings. The location of the access points are driven by on-site grading and off-site traffic impacts.

## **Borrow Scenarios**

An investigation of the impact of borrowing (mining) different volumes of soil from the property has been conducted. The intent of the investigation was to determine the affect on development potential of the borrow activities. The map that follows, labeled Des Moines Site #1, found at the end of Scenario 1, shows three red lines with their radii emanating from the southeast corner of the property. They indicate the effect on the property of grading one large level area by cutting material from the southeast corner of the property. The first line represents the affected area when 1.4 million bulk cubic yards (bcy) are removed. The second and third lines represent the removal of 2.0 bcy and 4.0 bcy, respectively.

The soil specifications for the material needed by the Port of Seattle require that during the export process the top layer of soil be removed and not used. Because this is the case, the entire site would be affected by the export activity at any of the volumes. Accordingly, the development potential is not dissimilar for each level of export activity. In other words, soil is being moved anyway and could be placed so as to maximize development potential, almost regardless how much material is exported.

The three scenarios that resulted from the investigation do provide conservative, realistic, and optimistic representations of the how the site could be graded and the size and shape of the buildings.

## **Off-Site Impacts**

### **Traffic**

The Des Moines Creek #1 site is bounded by S.216th Street on the south and 24th Avenue South on the east. It is bounded on the north and west by the Des Moines Creek.

Transportation data was derived from the 1998 City of SeaTac Comprehensive Plan Update and Port of Seattle Ground Access Facility Plan Update -Joint Transportation Study (JTS) dated December 2001, the 2001 City of Des Moines Comprehensive Transportation Plan (DMCTP), and preliminary alignment plans of the SR 509 extension.

Principal access to the Des Moines Creek #1 site would be from 24th Avenue South on the east and potentially from S.216th Street on the south. It is assumed that auto access to S.216th Street is permitted; however, truck access is restricted to 24<sup>th</sup> Ave South.

S.216th Street is a two-lane minor arterial which provides access from Marine View Drive S. on the west to Military Road on the east. It currently carries about 7,500 ADT between 24th Avenue South and SR 99 and is projected carry about 15,900 ADT by 2020. S.216th Street is planned to be widened west of 24th Avenue South to a three-lane arterial with bike lanes, curb and gutters and sidewalks. East of 24th Avenue South it will be widened further to allow additional turn lanes at SR 99. A traffic signal is currently being designed and constructed at S.216th Street and 24th Avenue South.

24th Avenue South is currently a two-lane local road but it is planned to become a 4/5 lane minor arterial connecting across SR 509 to 28th Avenue South in SeaTac (known as the 24th / 28th Avenue Connector). The road will connect with the future SR 509 at the northeast corner of the Des Moines Creek #1 site. By 2020 will carry about 3,300 ADT near the intersection with S.216th Street and about 670 vehicles per hour in the PM Peak according to the JTS report. The DMCTP report predicts 2,550 vehicles per hour in the PM Peak by 2020. It is assumed for this study that the 509 Extension is completed.

The light industrial/warehousing/truck terminal land uses proposed for the Des Moines Creek #1 site range from 1.305 to 2.045 millions square feet (msf) of building area. Using a 1.4 million bulk cubic yard “borrow” scenario, the amount of building developed on the site would approximate 1.305 msf. Using that development estimate, the following traffic generation scenarios were developed:

Des Moines Creek #1 Site Traffic Generation				
	Warehouse (150)	Truck Terminal (030)	80% Warehouse / 20% Truck Terminal	60% Warehouse / 20% Truck Terminal/ 20% Light Industrial
ADT	5,152	12,852	6,762	8,073
AM Peak Hour	515	1,174	674	909
PM Peak Hour	496	1,070	630	840

The potential traffic generation for the Des Moines Creek #1 site would tend to support the long-range estimates of the DMCTP. In fact, the JTS also shows the Des Moines Creek #1 site as the South Employee Parking area generating about 3,400 ADT by 2010 (140 in the PM Peak) and about 6,400 ADT by 2020 (220 in the PM Peak).

It is anticipated that an additional lane will be needed for the 24<sup>th</sup> Avenue South roadway between SR 509 and S. 216<sup>th</sup> Street. The cost to add one-lane, the properties share of the cost, ranges between \$480,000 and \$800,000. A more detailed traffic analysis of the Des Moines Creek #1 site would be required to more precisely determine the proportionate costs of mitigation.

## Other Impacts

The cost to bring utilities to the site can influence the development potential of a property. At one time the residences were located on the property and were served by utilities. While some severance and relocation is required, the infrastructure is in place to support the proposed improvements.

## Scenario 1 - 1.4 Million BCYs

### Overview

The plan for Scenario 1 shows the 99.2 acre property graded to create two level sites for nine buildings, totaling 1.3 million square feet. (Note: As other scenarios were developed and additional information was available, the accuracy of the measurement of the property improved. Changes can be observed, however, the overall outcome is not significantly altered.) The buildings are double and single loaded industrial buildings ranging in size from 120,000 to 200,000 square feet. Access to the site is from 24<sup>th</sup> Avenue South in two locations with connection to the 509 Extension. Stormwater detention/filtration ponds are located along the western boundary of the property. The site plan and project summary are shown at the end of the discussion of Scenario 1.

### Site

This plan represents an effort to work around some of the wetlands. The site slopes from east to west and drops sharply to the north into the Des Moines Creek drainage. The mass grading required to remove 1.4 million cubic yards of soil generally calls for cutting material from the eastern side of the property and using it to fill on to the west. The

southerly building pad is large and generally rectangular, capable of accommodating a wide range of building types and configurations. The wetlands begin to influence the design to the north. Material is moved generally from east to northwest, and one large development pad is created, however, its shape is somewhat compromised. Approximately 60,000 cubic yards of material are moved to create stormwater detention/filtration facilities. Street frontage improvements total 3,500 feet in length. The plan assumes the Port of Seattle completes and pays for the mass grading.

## **Development**

Approximately 56 acres of the site are used for buildings, paved parking, and truck circulation areas. The plan includes nine buildings totaling 1.6 million square feet that range in size from 120,000 to 200,000 square feet. The land to building ratio, based on the net usable land is 30%. The buildings are flexible in terms of design and could be occupied by single or multiple users. It is possible that the buildings could be combined to create a much larger facility if needed. The estimated cost to develop the building shell is \$25 per square foot. The plan calls for 10% of the building to be office space, a figure that is slightly higher than that found in the general industrial market. Tenant improvements are expected to cost \$55 per square foot. This reflects the SeaTac/Burien market's tendency toward a higher percentage of office space than found elsewhere. The project costs, including land, total over \$77.5 million or just under \$60 per square foot of building area.

## **Rent**

Rents for industrial buildings in the area can be range between \$.40 and \$.50 per square foot per month. At 1.3 million square feet, the project represents more than one third of the inventory in the market, so much space that it would not be absorbed by the off-airport users. To absorb this much space the project will need to be marketed to the general industrial users – manufacturers, distributors, and logistics providers. New space in the Kent Valley is currently in the \$.32 to \$.34 per square foot of shell space and \$.65 for office space. To compete, establishing rental rates at a level near the Kent Valley rates will insure the space is absorbed quickly. The market will garner a slight premium given its location with respect to the sea and air ports. A rate of \$.37 per square foot per month, triple net, for shell space and \$.70 for office space is reasonable to assume can be achieved. The project produces \$6.9 million in net revenue. With a 5% vacancy factor the net operating income for the project is \$6.5 million.

## **Project Overall Value, Profit Margin and Land Value**

When capitalizing the net operating income at 7.5% the result is a project value of \$87.3 million dollars. Subtracting the project cost of \$77.5 million from this figure results in a profit of \$9.7 million dollars. Combined with development overhead the total margin on the project is over 15%.

The development scenario supports an unimproved or green land value of \$3.75 per square foot or \$16.2 million. The improved or entitled/positioned value equals \$5.34 per square foot or approximately \$23 million.

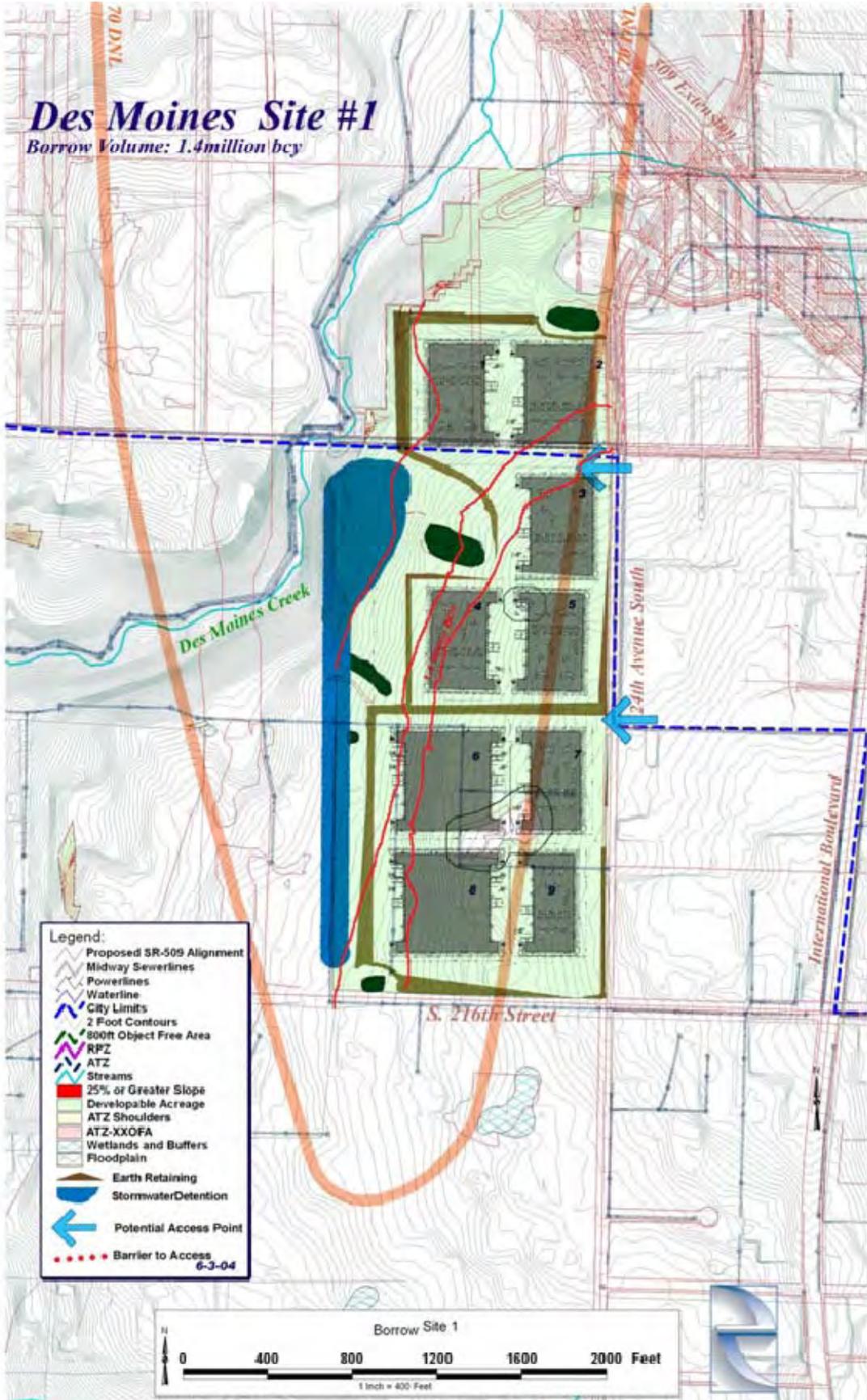
## **Conclusion**

The property, as presented in the preliminary plans is **highly marketable** and will attract a great deal of interest from users and developers subject to the following:

- 1) Complete entitlement.
- 2) Appropriately priced land.
- 3) Reasonable rental rates.
- 4) Limited off-site assessments.

# Des Moines Site #1

Borrow Volume: 1.4 million bcy



- Legend:**
- Proposed SR-505 Alignment
  - Midway Sewerlines
  - Powerlines
  - Waterline
  - City Limits
  - 2 Foot Contours
  - 800ft Object Free Area
  - RPZ
  - ATZ
  - Streams
  - 25% or Greater Slope
  - Developable Acreage
  - ATZ Shoulders
  - ATZ-XXOFA
  - Wetlands and Buffers
  - Floodplain
  - Earth Retaining
  - Stormwater Detention
  - Potential Access Point
  - Barrier to Access
- 6-3-04



**NEST - Des Moines Creek #1 (1.4 BCY Borrow)**

8/5/2004 17:50

**PROJECT SUMMARY**

(1) Project Type:	<b>Industrial / Commercial Redevelopment</b>	
(2) Location:	<b>Des Moines &amp; SeaTac, WA</b>	
(3) Site Acres/SF (gross):	4,713,628 sf	108.21 ac
(4) Site SF (unusable)	392,649 sf	9.01 ac
(5) Site SF (net useable):	4,320,979 sf	99.20 ac
(6) Site Curb to Curb	2,468,600 sf	56.67 ac
(7) Building Size (rsf):	1,304,800 rsf	0.30 far
(8) Office Size (rsf)	130,480 rsf	10.00%
(9) Mezzanine (rsf)	-	

**PROJECT COSTS**

<b>I - LAND PURCHASE</b>	Unit	x	Unit Price	=	Cost	/RSF	%
(10) Land:	4,320,978.60	sf	\$ 3.75		\$ 16,203,670	\$ 12.42	
(11) Legal, Survey, Title & Closing:	1		\$ 30,000		\$ 30,000	\$ 0.02	
Subtotal					<b>\$ 16,233,670</b>	<b>\$ 12.44</b>	<b>21%</b>
<b>II - MASTER PLANNING / LAND POSITIONING COSTS</b>							
(12) Environmental Studies	1	ls	\$ 30,000		\$ 30,000	\$ 0.02	
(13) Entitlement & Design	1	ls	\$ 25,000		\$ 25,000	\$ 0.02	
(14) Demolition, Abatement	0	ls	\$ 2.00		\$ -	\$ -	
(15) Street Vacation & Utility Severance	1	ls	\$ 100,000		\$ 100,000	\$ 0.08	
(16) Off Site Road Improvements	1	ls	\$ 700,000		\$ 700,000	\$ 0.54	
(17) Off Site Utility Extensions	1	ls	\$ -		\$ -	\$ -	
(18) Assessments/Mitigation:	1	ls	\$ -		\$ -	\$ -	
(19) Frontage Improvements	3,500	lf	\$ 50.00		\$ 175,000	\$ 0.13	Positioned
(20) Onsite Storm Detention & Water Quality	60,661	cy	\$ 8.00		\$ 485,291	\$ 0.37	Land
(21) Retaining Walls	0	sf	\$ 8.00		\$ -	\$ -	w/ 30%
(22) Mass Grading, Export & Import	0	cy	\$ 5.00		\$ -	\$ -	Profit
Subtotal					<b>\$ 1,515,291</b>	<b>\$ 1.16</b>	<b>2% \$ 5.34</b>
<b>III - DEVELOPMENT COSTS</b>							
(23) Sitework Improvements	2,468,600	sf	\$ 1.00		\$ 2,468,600	\$ 1.89	
(24) Shell Construction	1,304,800	sf	\$ 25.00		\$ 32,620,000	\$ 25.00	
(25) Tenant Improvements:	130,480	sf	\$ 55.00		\$ 7,176,400	\$ 5.50	
(26) Mezzanine:	0	sf	\$ 25.00		\$ -	\$ -	
(27) Special Improvements:	0	sf	\$ -		\$ -	\$ -	
(28) Design & Development	1,304,800	sf	\$ 1.00		\$ 1,304,800	\$ 1.00	
(29) Permits/Gov Charges	1,304,800	sf	\$ 0.35		\$ 456,680	\$ 0.35	
(30) Sales Tax:	\$ 42,265,000		8.80%		\$ 3,719,320	\$ 2.85	
Subtotal					<b>\$ 47,745,800</b>	<b>\$ 36.59</b>	<b>62%</b>
<b>IV - PROJECT COSTS</b>							
(31) Brokerage Commission:	\$ 68,893,440		5.00%		\$ 3,444,672	\$ 2.64	
(32) Land Interest (mos):	0	mo	7.00%		\$ -	\$ -	
(33) RE Taxes:	12	mo	1.00%		\$ 162,037	\$ 0.12	
(34) Const. & Lease up Interest:	12	mo	7.00%		\$ 3,342,206	\$ 2.56	
(35) Financing Costs:	\$ 47,745,800		1.00%		\$ 477,458	\$ 0.37	
(36) Legal Fees:	\$ 47,745,800		1.00%		\$ 477,458	\$ 0.37	
(37) Marketing:	\$ 47,745,800		0.50%		\$ 238,729	\$ 0.18	
(38) Development Overhead	\$ 75,273,539		3.00%		\$ 2,258,206	\$ 1.73	
(39) Selling Expense:	\$ 81,810,960		2.00%		\$ 1,636,219	\$ 1.25	
Subtotal					<b>\$ 12,036,985</b>	<b>\$ 9.23</b>	<b>16%</b>
<b>Total Project Costs:</b>					<b>\$ 77,531,745</b>	<b>\$ 59.42</b>	<b>100%</b>

**RENT PROJECTIONS**

Tenant	RSF	x	\$/RSF/MO	=	Net Rent
(40) Shell:	1,304,800		\$ 0.37		\$ 5,793,312
(41) Office:	130,480		\$ 0.70		\$ 1,096,032
(42) Special Improvements:	0		\$ -		\$ -
(43) Mezzanine:	-		\$ -		\$ -
Potential Net Income:					\$ 6,889,344
Vacancy Factor	5.00%				\$ 344,467
Net Operating Income					\$ 6,544,877
Yield on Costs:					8.44%

**CAPITALIZED VALUATION**

	Scenario 1	Scenario 2	Scenario 3
(44) Cap Rate:	7.50%	8.00%	8.50%
(45) Capitalized Value:	\$ 87,265,024	\$ 81,810,960	\$ 76,998,551
(46) Sale Price/RSF:	\$ 66.88	\$ 62.70	\$ 59.01

**MARGIN CALCULATION**

	Scenario 1	Scenario 2	Scenario 3
(47) Total Project Costs:	\$ 77,531,745	\$ 77,531,745	\$ 77,531,745
(48) Profit:	\$ 9,733,279	\$ 4,279,215	\$ (533,195)
(49) Development Overhead:	\$ 2,258,206	\$ 2,325,952	\$ 2,325,952
Total Margin:	\$ 11,991,485	\$ 6,605,167	\$ 1,792,757
Margin as %	15.47%	8.52%	2.31%

## **Scenario 2 - 2.0 Million BCYs**

### **Overview**

The plan for Scenario 2 shows the 97.8 acre property graded to create three level sites for thirteen buildings, totaling over 1.5 million square feet. The buildings are double and single loaded industrial buildings ranging in size from 69,000 to 196,000 square feet. They are designed with the loading docks away from S. 216<sup>th</sup> Street and 24<sup>th</sup> Ave South. Access to the site is from 24<sup>th</sup> Avenue South in three locations with connection to the 509 Extension. Stormwater detention/filtration ponds are located along the western boundary of the property. The site plan and project summary are located following Scenario 2 discussion.

### **Site**

This plan represents moderately intense development and assumes that the wetlands are removed under the Port of Seattle's existing permits. The site slopes from east to west and drops sharply to the north into the Des Moines Creek drainage. The mass grading required to remove 2.0 million cubic yards of soil generally calls for cutting material from the eastern side of the property and uses it to fill on to the west. The building pads are large and generally rectangular, capable of accommodating a wide range of building types and configurations. Approximately 60,000 cubic yards of material are moved to create stormwater detention/filtration facilities located along the western boundary of the property. Street frontage improvements total 3,500 feet in length. The plan assumes the Port of Seattle completes and pays for the mass grading.

### **Development**

Approximately 63 acres of the site are used for buildings, paved parking, and truck circulation areas. The plan includes thirteen buildings that range in size from 69,000 to 196,000 square feet. The land to building ratio is 36%. The buildings are flexible in terms of design and can be occupied by single users or multiple tenants. The buildings can be combined to create much larger facilities if needed. The estimated cost to develop the building shell is \$25 per square foot. The plan calls for 10% of the building to be office space, a figure that is slightly higher than that found in the general industrial market, reflecting the SeaTac/Burien market's tendency toward a higher percentage of office space than found elsewhere. Tenant improvements are expected to cost \$55 per square foot. The project costs, including land total over \$90.6 million or \$59.50 per square foot of building area.

### **Rent**

Rents for industrial buildings in the area range from between \$.40 and \$.50 per square foot per month. At 1.5 million square feet, the project represents almost one half of the inventory in the market, so much space that it would not be absorbed by the off-airport users. To absorb this much space, the project will need to be marketed to general industrial users – manufacturers, distributors, and logistics providers. New space in the Kent Valley is currently in the \$.32 to \$.34 per square foot of shell space and \$.65 for office space. To compete, establishing rental rates near those for Kent Valley properties will insure the space is absorbed quickly. The market will garner a slight premium given its location with respect to the sea and air ports. A rate of \$.37 per square foot per month, triple net, for shell space and \$.70 for office space can be achieved. The project produces \$8 million in net revenue. With a 5% vacancy factor the net operating income for the project is \$7.6 million.

## Project Overall Value, Profit Margin and Land Value

Capitalizing the net operating income at 7.5% the resulting project value is \$101.8 million dollars. From this figure the project cost of \$90.6 million is subtracted to arrive at a profit of \$11.2 million dollars. Combined with development overhead equal to \$2.6 million, the total margin on the project is \$13.8 million, or 15.3%.

The development scenario supports an unimproved or green land value of \$4.75 per square foot or \$20.3 million. The improved or entitled/positioned value equals \$6.65 per square foot or \$28.3 million.

## Sensitivity Analysis

The sensitivity analysis, shown below, demonstrates how changes in the assumptions used in the project summaries influence the outcome of the analysis. The changes are reflected in terms of their impact on land value. All variables, with one exception, are held constant and the land value is adjusted to maintain a 15% to 18% profit margin. In simple terms, a "what if" analysis is conducted. The analysis helps to answer questions like: What if the achievable rent is more or less than the scenario presented? What if the development costs are more or less than projected? What is the effect of placing fewer or more buildings on the site? And what if the usable land is more or less than anticipated? The answers are stated in terms of the impact they have on land value, both unimproved land and entitled/positioned land.

A \$.02 per square foot per month change in rent for shell space represents roughly a 20% change in land value. A 10% change in development costs means a 40% to 50% change in land value. Increasing or decreasing the building square footage by 10% results in a 10% to 15% change in land value. If a plan results in an increase or decrease in usable land, the value can be impacted by 5% to 15%.

Changes in development costs and rent have the largest impacts on the development potential of the property. The analysis demonstrates how a relatively small change in costs has a major impact on the viability of the project. Changes in the marketplace and the associated rental rates also have a significant impact on feasibility. The variability in these two variables together suggests a range in values for unentitled/green land of between \$2.75 and \$7.25 per square foot of land value. For entitled/positioned property the range is \$4.05 to \$9.57 per square foot. Based on the conceptual work completed to date, land value for this scenario for Des Moines Creek #1 is within these ranges.

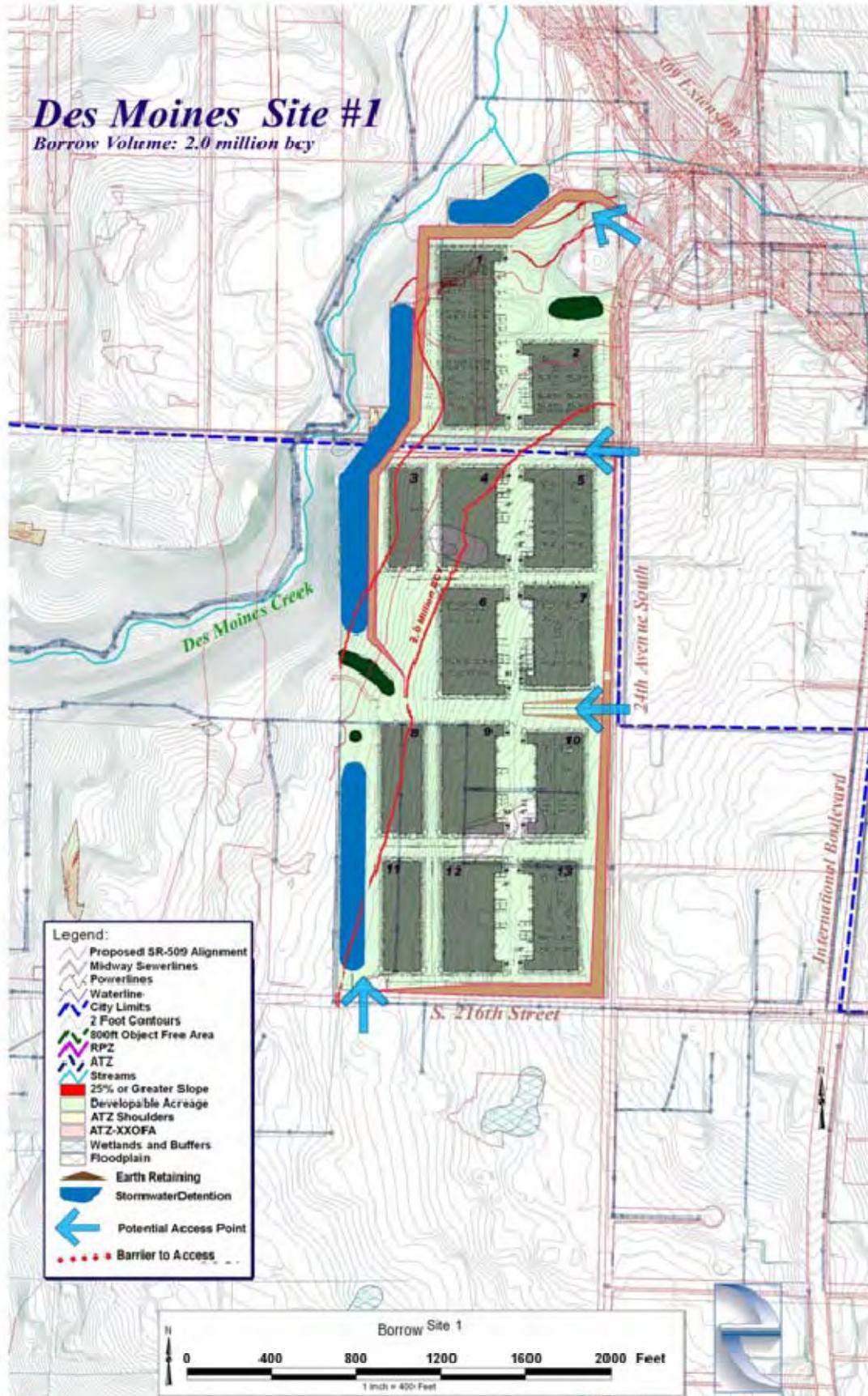
## Conclusion

The property, as presented in the preliminary plans is **highly marketable** and will attract a great deal of interest from users and developers subject to the following:

- 1) Complete entitlement.
- 2) Appropriately priced land.
- 3) Reasonable rental rates.
- 4) Limited off-site assessments.

# Des Moines Site #1

Borrow Volume: 2.0 million bcy



**NEST - Des Moines Creek #1 (2.0 BCY Borrow)**

8/5/2004 17:52

**PROJECT SUMMARY**

(1) Project Type:	<b>Industrial / Commercial Redevelopment</b>	
(2) Location:	<b>Des Moines &amp; SeaTac, WA</b>	
(3) Site Acres/SF (gross):	4,713,628 sf	108.21 ac
(4) Site SF (unusable):	453,633 sf	10.41 ac
(5) Site SF (net useable):	4,259,995 sf	97.80 ac
(6) Site Curb to Curb:	2,744,300 sf	63.00 ac
(7) Building Size (rsf):	1,523,350 rsf	0.36 far
(8) Office Size (rsf):	152,335 rsf	10.00%
(9) Mezzanine (rsf):	-	

**PROJECT COSTS**

<b>I - LAND PURCHASE</b>	Unit	x	Unit Price	=	Cost	/RSF	%	
(10) Land:	4,259,994.60	sf	\$ 4.75		\$ 20,234,974	\$ 13.28		
(11) Legal, Survey, Title & Closing:	1		\$ 30,000		\$ 30,000	\$ 0.02		
Subtotal					\$ 20,264,974	\$ 13.30	22%	
<b>II - MASTER PLANNING / LAND POSITIONING COSTS</b>								
(12) Environmental Studies	1	ls	\$ 30,000		\$ 30,000	\$ 0.02		
(13) Entitlement & Design	1	ls	\$ 25,000		\$ 25,000	\$ 0.02		
(14) Demolition, Abatement	0	ls	\$ 2.00		\$ -	\$ -		
(15) Street Vacation & Utility Severance	1	ls	\$ 100,000		\$ 100,000	\$ 0.07		
(16) Off Site Road Improvements	1	ls	\$ 700,000		\$ 700,000	\$ 0.46		
(17) Off Site Utility Extensions	1	ls	\$ -		\$ -	\$ -		
(18) Assessments/Mitigation:	1	ls	\$ -		\$ -	\$ -		
(19) Frontage Improvements	3,500	lf	\$ 50		\$ 175,000	\$ 0.11		Positioned
(20) Onsite Storm Detention & Water Quality	60,661	cy	\$ 8.00		\$ 485,291	\$ 0.32		Land
(21) Retaining Walls	0	sf	\$ 8.00		\$ -	\$ -		w/ 30%
(22) Mass Grading, Export & Import	0	cy	\$ 5.00		\$ -	\$ -		Profit
Subtotal					\$ 1,515,291	\$ 0.99	2%	\$6.65
<b>III - DEVELOPMENT COSTS</b>								
(23) Sitework Improvements	2,744,300	sf	\$ 1		\$ 2,744,300	\$ 1.80		
(24) Shell Construction	1,523,350	sf	\$ 25		\$ 38,083,750	\$ 25.00		
(25) Tenant Improvements:	152,335	sf	\$ 55		\$ 8,378,425	\$ 5.50		
(26) Mezzanine:	0	sf	\$ 25		\$ -	\$ -		
(27) Special Improvements:	0	sf	\$ -		\$ -	\$ -		
(28) Design & Development	1,523,350	sf	\$ 1.00		\$ 1,523,350	\$ 1.00		
(29) Permits/Gov Charges	1,523,350	sf	\$ 0.35		\$ 533,173	\$ 0.35		
(30) Sales Tax:	\$ 49,206,475		8.80%		\$ 4,330,170	\$ 2.84		
Subtotal					\$ 55,593,167	\$ 36.49	61%	
<b>IV - PROJECT COSTS</b>								
(31) Brokerage Commission:	\$ 80,432,880		5.00%		\$ 4,021,644	\$ 2.64		
(32) Land Interest (mos):	0	mo	7.00%		\$ -	\$ -		
(33) RE Taxes:	12	mo	1.00%		\$ 202,350	\$ 0.13		
(34) Const. & Lease up Interest:	12	mo	7.00%		\$ 3,891,522	\$ 2.55		
(35) Financing Costs:	\$ 55,593,167		1.00%		\$ 555,932	\$ 0.36		
(36) Legal Fees:	1	\$ 30,000			\$ 30,000	\$ 0.02		
(37) Marketing:	1	\$ 15,000			\$ 15,000	\$ 0.01		
(38) Development Overhead	\$ 88,000,160		3.00%		\$ 2,640,005	\$ 1.73		
(39) Selling Expense:	\$ 95,514,045		2.00%		\$ 1,910,281	\$ 1.25		
Subtotal					\$ 13,266,733	\$ 8.71	15%	
<b>Total Project Costs:</b>					\$ 90,640,165	\$ 59.50	100%	

**RENT PROJECTIONS**

Tenant	RSF	x	\$/RSF/MO	=	Net Rent
(40) Shell:	1,523,350		\$ 0.37		\$ 6,763,674
(41) Office:	152,335		\$ 0.70		\$ 1,279,614
(42) Special Improvements:	0		\$ -		\$ -
(43) Mezzanine:	-		\$ -		\$ -
Potential Net Income:					\$ 8,043,288
Vacancy Factor	5.00%				\$ 402,164
Net Operating Income					\$ 7,641,124
Yield on Costs:					8.43%

**CAPITALIZED VALUATION**

	Scenario 1	Scenario 2	Scenario 3
(44) Cap Rate:	7.50%	8.00%	8.50%
(45) Capitalized Value:	\$ 101,881,648	\$ 95,514,045	\$ 89,895,572
(46) Sale Price/RSF:	\$66.88	\$62.70	\$59.01

**MARGIN CALCULATION**

	Scenario 1	Scenario 2	Scenario 3
(47) Total Project Costs:	\$ 90,640,165	\$ 90,640,165	\$ 90,640,165
(48) Profit:	\$ 11,241,483	\$ 4,873,880	\$ (744,593)
(49) Development Overhead:	\$ 2,640,005	\$ 2,719,205	\$ 2,719,205
Total Margin:	\$ 13,881,488	\$ 7,593,085	\$ 1,974,612
Margin as %	15.31%	8.38%	2.18%

## NEST - Des Moines Creek #1 - 2.0 BCY

### Land Residual Sensitivity

#### Rent vs. Land Value

<b>Shell Rent/ SF/Mos/NNN</b>	As Is Land Value	As Is Variability	Positioned Land Value	Positioned Variability
\$0.35	\$3.75	79%	\$5.35	80%
\$0.37	\$4.75	100%	\$6.65	100%
\$0.39	\$5.50	116%	\$7.62	115%

1) All other variables held constant.

2) Entitlement includes:

Environmental Studies, Entitlement & Design,  
Demolition, Abatement, Street Vacation, Utility  
Severance, Off-Site Road Improvements, Off-Site  
Utility Extensions, Assessments/Mitigation, Frontage  
Improvements, Onsite Storm Detention & Water  
Quality, Retaining Walls, Mass Grading - Import &  
Export

#### Development Cost vs. Land Value

<b>Development Costs</b>	As Is Land Value	As Is Variability	Positioned Land Value	Entitled Variability
90%	\$7.00	147%	\$9.57	144%
100%	\$4.75	100%	\$6.65	100%
110%	\$2.75	58%	\$4.05	61%

1) All other variables held constant.

2) Shell Rent 100% = \$.37/sf nnn

#### Bldg SF vs. Land Value

<b>Building SF</b>	As Is Land Value	As Is Variability	Positioned Land Value	Entitled Variability
90%	\$4.00	84%	\$5.67	85%
100%	\$4.75	100%	\$6.65	100%
110%	\$5.25	111%	\$7.30	110%

1) All other variables held constant.

2) Shell Rent 100% = \$.37/sf nnn

#### Usable Land SF vs. Land Value

<b>Usable Land Area</b>	As Is Land Value	As Is Variability	Positioned Land Value	Entitled Variability
90%	\$5.25	111%	\$7.35	111%
100%	\$4.75	100%	\$6.65	100%
110%	\$4.25	89%	\$5.95	90%

1) All other variables held constant.

2) Shell Rent 100% = \$.37/sf nnn

## **Scenario 3 - 4.0 Million BCYs**

### **Overview**

The plan for Scenario 3 shows the 97.8 acre property graded to create three level sites for twelve buildings, totaling over 2 million square feet. The buildings are double and single loaded industrial buildings ranging in size from 86,000 to 208,000 square feet. Access to the site is from 24<sup>th</sup> Avenue South in two locations with connection to the 509 Extension. Stormwater detention/filtration ponds are located along the western boundary of the property.

### **Site**

This plan represents an aggressive build-out of the property. It assumes that the wetland at the north end of the property is removed. The mass grading required to remove 4 million cubic yards of soil calls for cutting material from the eastern side of the property and using it to fill on to the west. The building pads are large and rectangular, capable of accommodating a wide range of building types and configurations. The truck loading docks are located away from the adjoining streets. Approximately 60,000 cubic yards of material are moved to create stormwater detention/filtration facilities. Street frontage improvements total 3,500 feet in length. The plan assumes the Port of Seattle completes and pays for the mass grading.

### **Development**

Approximately 65 acres of the site are used for buildings, paved parking, and truck circulation areas. The plan includes twelve buildings totaling 2 million square feet that range in size from 86,000 to 208,000 square feet. The land to building ratio, based on the net usable land is 48%, beyond what is reasonable achievable. The buildings are flexible in terms of design and could be occupied by single or multiple users. It is possible that the buildings could be combined to create a much larger facility if needed. The estimated cost to develop the building shell is \$25 per square foot. The plan calls for 10% of the building to be office space, a figure that is slightly higher than that found in the general industrial market. Tenant improvements are expected to cost \$55 per square foot. This reflects the SeaTac/Burien market's tendency toward a higher percentage of office space than found elsewhere. The project costs, including land, total over \$121 million or just under \$60 per square foot of building area.

### **Rent**

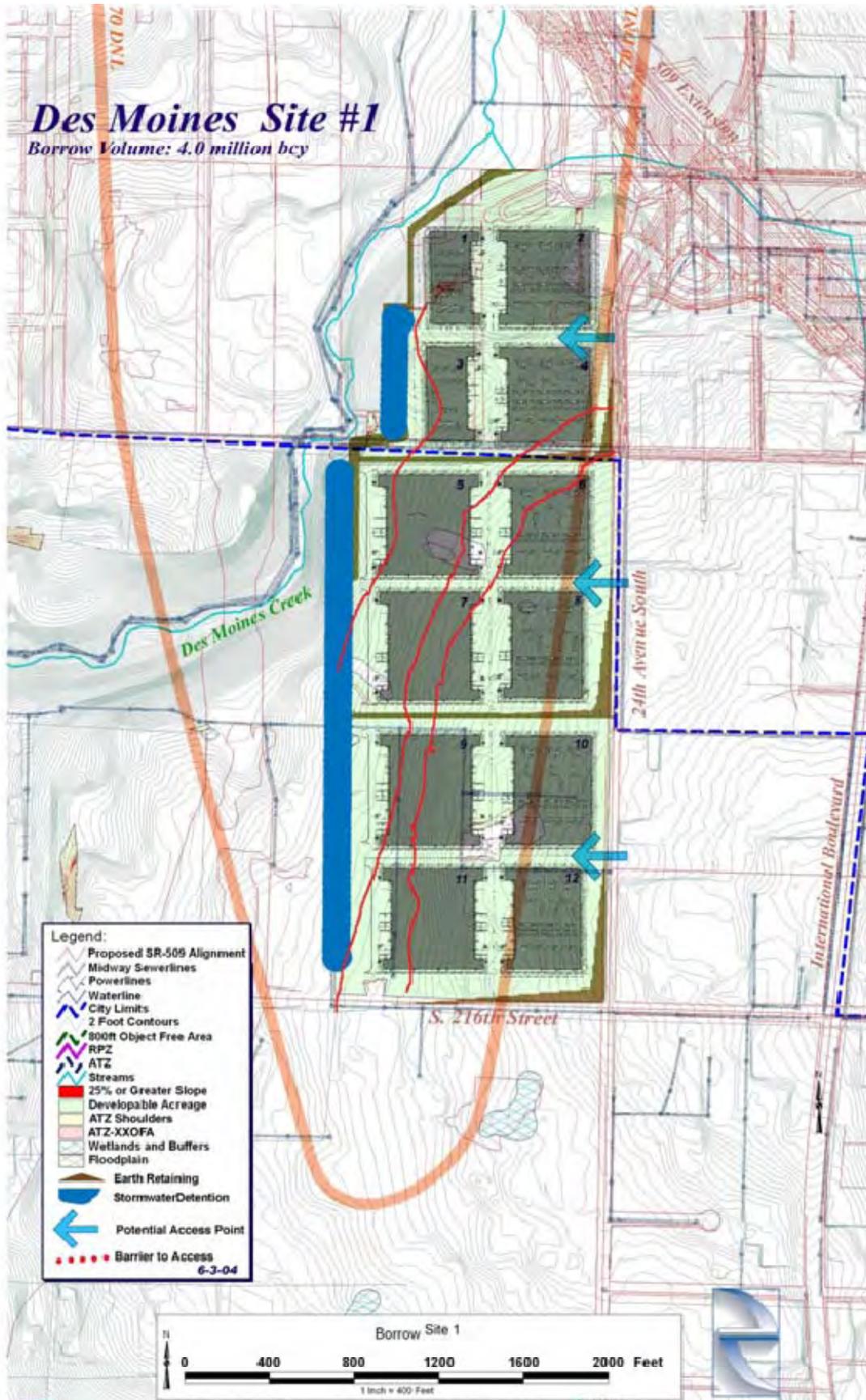
Rents for industrial buildings in the area range from between \$.40 and \$.50 per square foot per month. At 2.0 million square feet, the project represents almost two-thirds of the inventory in the market, so much space that could not be absorbed by the off-airport users. To absorb this much space the project will need to be marketed to the general industrial users – manufacturers, distributors, and logistics providers. New space in the Kent Valley is currently in the \$.32 to \$.34 per square foot of shell space and \$.65 for office space. To compete, establishing rental rates at levels near those for Kent Valley properties will insure the space is absorbed quickly. The market will garner a slight premium given its location with respect to the sea and air ports. A rate of \$.37 per square foot per month, triple net, for shell space and \$.70 for office space can be achieved. The project produces \$10.8 million in net revenue. With a 5% vacancy factor the net operating income for the project is \$10.2 million.

### **Project Overall Value, Profit Margin and Land Value**

Capitalizing the net operating income at 7.5% results in a project value of \$136.8 million dollars. Subtracting the project cost of \$121.1 million dollars from this figure results in a profit of \$15.7 million dollars. Combined with development overhead the total margin on the project is \$19.2 million or almost 16%. The development scenario supports an unimproved or green land value of \$6.60 per square foot or \$28.1 million. The improved or entitled/positioned value equals \$6.96 per square foot or approximately \$29.6 million.

# Des Moines Site #1

Borrow Volume: 4.0 million bcy



**NEST - Des Moines Creek #1 (4.0 BCY Borrow)**

8/5/2004 17:53

**PROJECT SUMMARY**

(1) Project Type:	<b>Industrial / Commercial Redevelopment</b>	
(2) Location:	<b>Des Moines &amp; SeaTac, WA</b>	
(3) Site Acres/SF (gross):	4,713,628 sf	108.21 ac
(4) Site SF (unusable)	453,633 sf	10.41 ac
(5) Site SF (net useable):	4,259,995 sf	97.80 ac
(6) Site Curb to Curb	2,841,150 sf	65.22 ac
(7) Building Size (rsf):	2,045,400 rsf	0.48 far
(8) Office Size (rsf)	204,540 rsf	10.00%
(9) Mezzanine (rsf)	-	

**PROJECT COSTS**

<b>I - LAND PURCHASE</b>	Unit	x	Unit Price	=	Cost	/RSF	%
(10) Land:	4,259,994.60	sf	\$ 6.60		\$ 28,115,964	\$ 13.75	
(11) Legal, Survey, Title & Closing:	1		\$ 30,000		\$ 30,000	\$ 0.01	
Subtotal					\$ 28,145,964	\$ 13.76	23%
<b>II - MASTER PLANNING / LAND POSITIONING COSTS</b>							
(12) Environmental Studies	1	ls	\$ 30,000		\$ 30,000	\$ 0.01	
(13) Entitlement & Design	1	ls	\$ 25,000		\$ 25,000	\$ 0.01	
(14) Demolition, Abatement	0	ls	\$ 2.00		\$ -	\$ -	
(15) Street Vacation & Utility Severance	1	ls	\$ 100,000		\$ 100,000	\$ 0.05	
(16) Off Site Road Improvements	1	ls	\$ 700,000		\$ 700,000	\$ 0.34	
(17) Off Site Utility Extensions	1	ls	\$ -		\$ -	\$ -	
(18) Assessments/Mitigation:	1	ls	\$ -		\$ -	\$ -	
(19) Frontage Improvements	3,500	lf	\$ 50		\$ 175,000	\$ 0.09	Positioned
(20) Onsite Storm Detention & Water Quality	60,661	cy	\$ 8.00		\$ 485,291	\$ 0.24	Land
(21) Retaining Walls	0	sf	\$ 8.00		\$ -	\$ -	w/ 30%
(22) Mass Grading, Export & Import	0	cy	\$ 5.00		\$ -	\$ -	Profit
Subtotal					\$ 1,515,291	\$ 0.74	1% \$ 6.96
<b>III - DEVELOPMENT COSTS</b>							
(23) Sitework Improvements	2,841,150	sf	\$ 1		\$ 2,841,150	\$ 1.39	
(24) Shell Construction	2,045,400	sf	\$ 25		\$ 51,135,000	\$ 25.00	
(25) Tenant Improvements:	204,540	sf	\$ 55		\$ 11,249,700	\$ 5.50	
(26) Mezzanine:	0	sf	\$ 25		\$ -	\$ -	
(27) Special Improvements:	0	sf	\$ -		\$ -	\$ -	
(28) Design & Development	2,045,400	sf	\$ 1.00		\$ 2,045,400	\$ 1.00	
(29) Permits/Gov Charges	2,045,400	sf	\$ 0.35		\$ 715,890	\$ 0.35	
(30) Sales Tax:	\$ 65,225,850		8.80%		\$ 5,739,875	\$ 2.81	
Subtotal					\$ 73,727,015	\$ 36.05	61%
<b>IV - PROJECT COSTS</b>							
(31) Brokerage Commission:	\$ 107,997,120		5.00%		\$ 5,399,856	\$ 2.64	
(32) Land Interest (mos):	0	mo	7.00%		\$ -	\$ -	
(33) RE Taxes:	12	mo	1.00%		\$ 281,160	\$ 0.14	
(34) Const. & Lease up Interest:	12	mo	7.00%		\$ 5,160,891	\$ 2.52	
(35) Financing Costs:	\$ 73,727,015		1.00%		\$ 737,270	\$ 0.36	
(36) Legal Fees:	1		\$ 30,000		\$ 30,000	\$ 0.01	
(37) Marketing:	1		\$ 15,000		\$ 15,000	\$ 0.01	
(38) Development Overhead	\$ 117,577,378		3.00%		\$ 3,527,321	\$ 1.72	
(39) Selling Expense:	\$ 128,246,580		2.00%		\$ 2,564,932	\$ 1.25	
Subtotal					\$ 17,716,430	\$ 8.66	15%
<b>Total Project Costs:</b>					\$ 121,104,700	\$ 59.21	100%

**RENT PROJECTIONS**

Tenant	RSF	x	\$/RSF/MO	=	Net Rent
(40) Shell:	2,045,400		\$ 0.37		\$ 9,081,576
(41) Office:	204,540		\$ 0.70		\$ 1,718,136
(42) Special Improvements:	0		\$ -		\$ -
(43) Mezzanine:	-		\$ -		\$ -
Potential Net Income:					\$ 10,799,712
Vacancy Factor	5.00%				\$ 539,986
Net Operating Income					\$ 10,259,726
Yield on Costs:					8.47%

**CAPITALIZED VALUATION**

	Scenario 1	Scenario 2	Scenario 3
(44) Cap Rate:	7.50%	8.00%	8.50%
(45) Capitalized Value:	\$ 136,796,352	\$ 128,246,580	\$ 120,702,664
(46) Sale Price/RSF:	\$66.88	\$62.70	\$59.01

**MARGIN CALCULATION**

	Scenario 1	Scenario 2	Scenario 3
(47) Total Project Costs:	\$ 121,104,700	\$ 121,104,700	\$ 121,104,700
(48) Profit:	\$ 15,691,652	\$ 7,141,880	\$ (402,036)
(49) Development Overhead:	\$ 3,527,321	\$ 3,633,141	\$ 3,633,141
Total Margin:	\$ 19,218,974	\$ 10,775,021	\$ 3,231,105
Margin as %	15.87%	8.90%	2.67%

## Conclusions

As is obvious to see from the data, there is a great variation in the overall value of the projects and the resulting value to the land. The conceptual nature of the planning and analysis only begins to frame the development potential of the property. Scenario 1 and Scenario 2 are reasonable representations of what can happen on the property. The analysis of these scenarios suggests several relevant facts.

- The Port of Seattle's permit to remove the wetlands has a substantial value – in the millions of dollars. Failure to utilize the permit would significantly reduce the development potential of the property.
- The Port of Seattle's plan to grade the property, at its expense, adds significant value to the property. At some point, additional borrow activity does not increase the development potential of the property.
- Land values for green/unentitled land are somewhere between \$3 and \$7 per square foot. Given the uncertainty a buyer would face purchasing the land unentitled; the value today is likely on the low end of the range.
- It is probable that 1.3 to 1.5 million square feet of industrial space can be developed on the property.
- A project could generate \$6 to \$8 million per year in net operating income.
- The overall value of the planned project is in the range of \$80 to \$100 million.

## Des Moines Creek #2

### Overview

The plan for Des Moines Creek #2 shows the 22.4 acre property graded to create single level sites for two buildings, totaling just over 290,000 square feet. The buildings are double and single loaded industrial buildings. Access to the site is from S. 216<sup>th</sup> Street. Stormwater detention/filtration ponds are located along the northern boundary of the property in an area where the topography slopes downward toward Des Moines Creek.

### Off-Site Impacts

The Des Moines Creek #2 site is north of S.216<sup>th</sup> approximately between 16<sup>th</sup> and 18<sup>th</sup> Avenues South. It is bounded on the north by the Des Moines Creek.

Transportation data was derived from the 1998 City of SeaTac Comprehensive Plan Update and Port of Seattle Ground Access Facility Plan Update -Joint Transportation Study (JTS) dated December 2001, the 2001 City of Des Moines Comprehensive Transportation Plan (DMCTP), and preliminary alignment plans of the SR 509 extension.

The only access to Des Moines Creek #2 site would be from S.216<sup>th</sup> Street on the south.

S.216<sup>th</sup> Street is a two-lane minor arterial which provides access from Marine View Drive S. on the west to Military Road on the east. It currently carries about 7,500 ADT between 24<sup>th</sup> Avenue South and SR 99 and is projected carry about 15,900 ADT by 2020. S.216<sup>th</sup> Street is planned to be widened west of 24<sup>th</sup> Avenue South to a three-lane arterial with bike lanes, curb and gutters and sidewalks. East of 24<sup>th</sup> Avenue South it will be widened further to allow additional turn lanes at SR 99. A traffic signal is currently being designed and constructed at S.216<sup>th</sup> Street and 24<sup>th</sup> Avenue South.

The land uses proposed for the Des Moines Creek #2 site measure about 291,400 square feet. The following traffic generation scenarios were developed:

	Borrow Area #2 Site Traffic Generation			
	Warehouse (150)	Truck Terminal (030)	80% Warehouse / 20% Truck Terminal	60% Warehouse / 20% Truck Terminal/ 20% Light Industrial
ADT	1,423	2,870	1,782	1,974
AM Peak Hour	178	262	204	228
PM Peak Hour	152	239	175	206

The potential traffic generation for the Des Moines Creek #2 site is not significant and could be readily handled by the proposed improvements to S.216<sup>th</sup> Street.

The cost to bring utilities to the site can influence the development potential of a property. At one time the residences were located on the property and were served by utilities. While some severance and relocation is required, the infrastructure is in place to support the proposed improvements.

## Site

The site slopes downward to the north and west. There two small wetlands located on the site and for the purposes of this study it is assumed that they can be removed. The plan shows mass grading removing roughly 140,000 cubic yards of material from the eastern property boundary and placing it along the north and west property lines to create a single level rectangular site, capable of accommodating a wide range of building types and configurations. The truck loading docks are located toward the street in this plan, however, to create better street appeal; they could be located to the interior of the project. Approximately 14,000 cubic yards of material are moved to create stormwater detention/filtration facilities. Retaining walls totaling 40,000 square feet are used to support the grading. Street frontage improvements total 700 feet in length.

## Development

Approximately 13.4 acres of the site are used for buildings, paved parking, and truck circulation areas. The plan includes two buildings measuring 63,000 to 228,000 square feet for a total 291,000 square feet. The land to building ratio, based on the net usable land is 31%, and well within the expected range of 30% to 40% for the site. The buildings are flexible in terms of design and could be occupied by a single or multiple user. It is possible that the buildings could be combined to create a single larger facility, if needed. The estimated cost to develop the building shell is \$25 per square foot. The plan calls for 10% of the building to be office space, a figure that is slightly higher than that found in the general industrial market, but consistent with the SeaTac Burien market. Tenant improvements are expected to cost \$55 per square foot. The project costs, including land total approximately \$17.6 million or over \$60 per square foot of building area.

## Rent

Rents for industrial buildings in the area can be range between \$.40 and \$.50 per square foot per month in the SeaTac/Burien market. The NEST properties, when fully developed, represent approximately 3.8 million square feet, or a doubling of the size of the existing market. To absorb this much space the project will need to be marketed to the

general industrial users – manufacturers, distributors, and logistics providers. New space in the Kent Valley is currently in the \$.32 to \$.34 per square foot of shell space and \$.65 for office space. To compete, establishing rental rates near Kent Valley properties will insure the space is absorbed quickly. The market will garner a slight premium given its location with respect to the sea and air ports. In addition, the property offers views to the west that warrant a slight premium. A rate of \$.38 per square foot per month, triple net, for shell space and \$.70 for office space can be achieved. The project produces \$1.6 million in net revenue. With a 5% vacancy factor, the net operating income for the project is \$1.5 million.

### **Project Overall Value, Profit Margin and Land Value**

Capitalizing the net operating income at 7.5% results in a project value of \$19.9 million dollars. Subtracting the project cost of \$17.6 million from this figure results in a profit of \$2.2 million dollars. Combined with development overhead the total margin on the project is just under 16%.

The development scenario supports an unimproved or green land value of \$2.75 per square foot or \$2.6 million. The improved or entitled/positioned value equals \$5.96 per square foot or approximately \$5.6 million.

### **Sensitivity Analysis**

The sensitivity analysis, shown below, demonstrates how changes in the assumptions used in the project summaries influence the outcome of the analysis. The changes are reflected in terms of their impact on land value. All variables, with one exception, are held constant and the land value is adjusted to maintain a 16% to 18% profit margin. In simple terms, a “what if” analysis is conducted. The analysis helps to answer questions like: What if the achievable rent is more or less than the scenario presented? What if the development costs are more or less than projected? What is the effect of placing fewer or more buildings on the site? And what if the usable land is more or less than anticipated? The answers are stated in terms of the impact they have on land value, both unimproved land and entitled/positioned land.

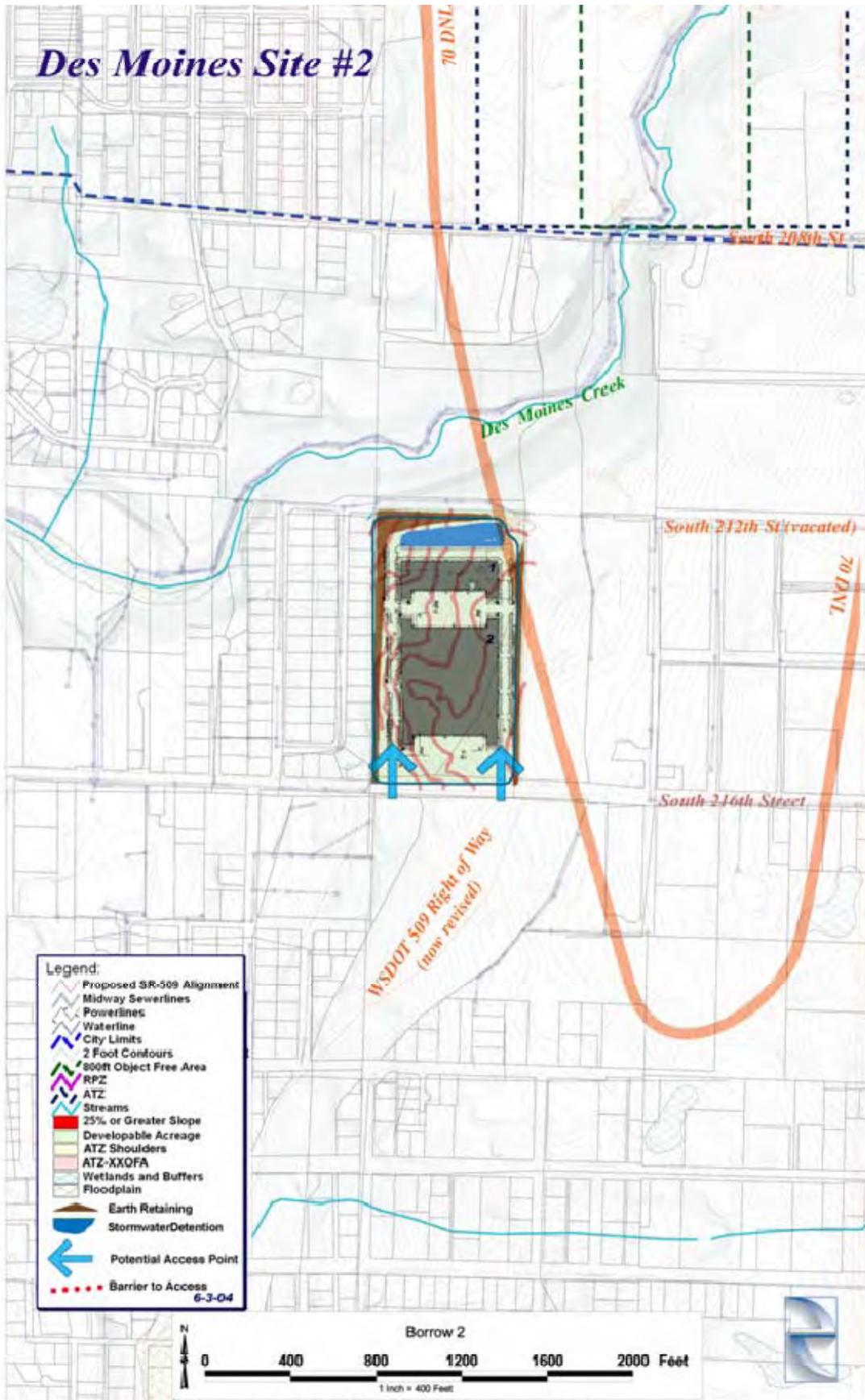
A \$.02 per square foot per month change in rent for shell space represents 15% to 25% change in land value. A 10% change in development costs can create a 70% change in land value. Increasing or decreasing the building square footage by 10% results in a 10% to 25% change in land value. If a plan results in an increase or decrease in usable land the value can be impacted by 10% to 15%.

Changes in development costs have the largest impact on the development potential of the property. The analysis demonstrates how a relatively small change in costs has a major impact on the viability of the project. The variability in development costs suggests a range in values for unentitled/green land of between \$1.00 and \$4.75 per square foot of land value. For entitled/positioned property the range is \$3.68 to \$8.56 per square foot. Based on the conceptual work completed to date, land value for this scenario for Des Moines Creek #2 is within these ranges.

### **Conclusion**

The property, as presented in the preliminary plans is highly marketable and will attract a great deal of interest from users and developers subject to the following:

- 1) Complete entitlement.
- 2) Appropriately priced land.
- 3) Reasonable rental rates.
- 4) Limited off-site assessments.



**NEST - Des Moines Creek #2**

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**PROJECT SUMMARY**

(1) Project Type:	<b>Industrial / Commercial Redevelopment</b>	
(2) Location:	<b>Des Moines, WA</b>	
(3) Site Acres/SF (gross):	978,358 sf	22.46 ac
(4) Site SF (unusable):	33,106 sf	0.76 ac
(5) Site SF (net useable):	945,252 sf	21.70 ac
(6) Site Curb to Curb:	583,825 sf	13.40 ac
(7) Building Size (rsf):	291,400 rsf	0.31 far
(8) Office Size (rsf)	29,140 rsf	10.00%
(9) Mezzanine (rsf)	-	rsf

**PROJECT COSTS**

<b>I - LAND PURCHASE</b>	<u>Unit</u>	<u>x</u>	<u>Unit Price</u>	=	<u>Cost</u>	<u>/RSF</u>	<u>%</u>	
(10) Land:	945,252.00		\$ 2.75		\$ 2,599,443	\$ 8.92		
(11) Legal, Survey, Title & Closing:	1		\$ 30,000		\$ 30,000	\$ 0.10		
Subtotal					<b>\$ 2,629,443</b>	<b>\$ 9.02</b>	<b>15%</b>	
<b>II - MASTER PLANNING / LAND POSITIONING COSTS</b>								
(12) Environmental Studies		1 ls	\$ 30,000		\$ 30,000	\$ 0.10		
(13) Entitlement & Design		1 ls	\$ 25,000		\$ 25,000	\$ 0.09		
(14) Demolition, Abatement		200,000 ls	\$ 2.00		\$ 400,000	\$ 1.37		
(15) Street Vacation & Utility Severance		1 ls	\$ 80,000		\$ 80,000	\$ 0.27		
(16) Off Site Road Improvements		1 ls	\$ -		\$ -	\$ -		
(17) Off Site Utility Extensions		1 ls	\$ -		\$ -	\$ -		
(18) Assessments/Mitigation:		1 ls	\$ -		\$ -	\$ -		
(19) Frontage Improvements		700 lf	\$ 50.00		\$ 35,000	\$ 0.12		Positioned
(20) Onsite Storm Detention & Water Quality		13,891 cy	\$ 8.00		\$ 111,126	\$ 0.38		Land
(21) Retaining Walls		40,000 sf	\$ 8.00		\$ 320,000	\$ 1.10		w/ 30%
(22) Mass Grading, Export & Import		140,037 cy	\$ 5.00		\$ 700,187	\$ 2.40		Profit
Subtotal					<b>\$ 1,701,313</b>	<b>\$ 5.84</b>	<b>10%</b>	<b>\$5.96</b>
<b>III - DEVELOPMENT COSTS</b>								
(23) Sitework Improvements		583,825 sf	\$ 1.00		\$ 583,825	\$ 2.00		
(24) Shell Construction		291,400 sf	\$ 25.00		\$ 7,285,000	\$ 25.00		
(25) Tenant Improvements:		29,140 sf	\$ 55.00		\$ 1,602,700	\$ 5.50		
(26) Mezzanine:		0 sf	\$ 25.00		\$ -	\$ -		
(27) Special Improvements:		0 sf	\$ -		\$ -	\$ -		
(28) Design & Development		291,400 sf	\$ 1.00		\$ 291,400	\$ 1.00		
(29) Permits/Gov Charges		29,140 sf	\$ 0.35		\$ 10,199	\$ 0.04		
(30) Sales Tax:		\$ 9,471,525	8.80%		\$ 833,494	\$ 2.86		
Subtotal					<b>\$ 10,606,618</b>	<b>\$ 36.40</b>	<b>60%</b>	
<b>IV - PROJECT COSTS</b>								
(31) Brokerage Commission:		\$ 15,735,600	5.00%		\$ 786,780	\$ 2.70		
(32) Land Interest (mos):		0 mo	7.00%		\$ -	\$ -		
(33) RE Taxes:		12 mo	1.00%		\$ 25,994	\$ 0.09		
(34) Const. & Lease up Interest:		12 mo	7.00%		\$ 742,463	\$ 2.55		
(35) Financing Costs:		\$ 10,606,618	1.00%		\$ 106,066	\$ 0.36		
(36) Legal Fees:		\$ 10,606,618	1.00%		\$ 106,066	\$ 0.36		
(37) Marketing:		\$ 10,606,618	0.50%		\$ 53,033	\$ 0.18		
(38) Development Overhead		\$ 17,131,498	3.00%		\$ 513,945	\$ 1.76		
(39) Selling Expense:		\$ 18,686,025	2.00%		\$ 373,721	\$ 1.28		
Subtotal					<b>\$ 2,708,069</b>	<b>\$ 9.29</b>	<b>15%</b>	
<b>Total Project Costs:</b>					<b>\$ 17,645,443</b>	<b>\$ 60.55</b>	<b>100%</b>	

**RENT PROJECTIONS**

<u>Tenant</u>	<u>RSF</u>	<u>x</u>	<u>\$/RSF/MO</u>	=	<u>Net Rent</u>
(40) Shell:	291,400		\$ 0.38		\$ 1,328,784
(41) Office:	29,140		\$ 0.70		\$ 244,776
(42) Special Improvements:	0		\$ -		\$ -
(43) Mezzanine:	-		\$ -		\$ -
Potential Net Income:					\$ 1,573,560
Vacancy Factor		5.00%			\$ 78,678
Net Operating Income					\$ 1,494,882
Yield on Costs:					8.47%

**CAPITALIZED VALUATION**

	<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>
(44) Cap Rate:	7.50%	8.00%	8.50%
(45) Capitalized Value:	\$19,931,760	\$ 18,686,025	\$ 17,586,847
(46) Sale Price/RSF:	\$68.40	\$64.13	\$60.35

**MARGIN CALCULATION**

	<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>
(47) Total Project Costs:	\$17,645,443	\$ 17,645,443	\$ 17,645,443
(48) Profit:	\$2,286,317	\$ 1,040,582	\$ (58,596)
(49) Development Overhead:	\$513,945	\$ 529,363	\$ 529,363
Total Margin:	\$2,800,262	\$ 1,569,945	\$ 470,767
Margin as %	15.87%	8.90%	2.67%

## NEST - Des Moines Creek #2

### Land Residual Sensitivity

#### Rent vs. Land Value

<b>Shell Rent/ SF/Mos/NNN</b>	As Is Land Value	As Is Variability	Positioned Land Value	Entitled Variability
\$0.36	\$2.00	73%	\$4.98	84%
\$0.38	\$2.75	100%	\$5.96	100%
\$0.40	\$3.50	127%	\$6.93	116%

1) All other variables held constant.

2) Entitlement includes: Environmental Studies, Entitlement & Design, Demolition, Abatement, Street Vacation, Utility Severance, Off-Site Road Improvements, Off-Site Utility Extensions, Assessments/Mitigation, Frontage Improvements, Onsite Storm Detention & Water Quality, Retaining Walls, Mass Grading - Import & Export.

#### Development Cost vs. Land Value

<b>Development Costs</b>	As Is Land Value	As Is Variability	Positioned Land Value	Entitled Variability
90%	\$4.75	173%	\$8.56	144%
100%	\$2.75	100%	\$5.96	100%
110%	\$1.00	36%	\$3.68	62%

1) All other variables held constant.

2) Shell Rent 100% = \$.38/sf nnn

#### Bldg SF vs. Land Value

<b>Building SF</b>	As Is Land Value	As Is Variability	Positioned Land Value	Entitled Variability
90%	\$2.00	73%	\$4.98	84%
100%	\$2.75	100%	\$5.96	100%
110%	\$3.25	118%	\$6.61	111%

1) All other variables held constant.

2) Shell Rent 100% = \$.38/sf nnn

#### Usable Land SF vs. Land Value

<b>Usable Land Area</b>	As Is Land Value	As Is Variability	Positioned Land Value	Entitled Variability
90%	\$3.25	118%	\$6.76	114%
100%	\$2.75	100%	\$5.96	100%
110%	\$2.50	91%	\$5.50	92%

1) All other variables held constant.

2) Shell Rent 100% = \$.38/sf nnn

## Conclusions

There is a great variation in the overall value of the project and the resulting value to the land. The conceptual nature of the planning and analysis only begins to frame the development potential of the property. The analysis does suggest several relevant facts.

- Land values for green/unentitled land are somewhere between \$1.00 and \$4.75 per square foot. The variation is due in a large part to unknowns relating to the topography and the cost of mass grading. The value today is likely in the middle of the range.
- It is probable that approximately 300,000 square feet of industrial space can be developed on the property.
- A project could generate approximately \$1.5 million per year in income.
- The overall value of the planned project is roughly \$20 million.

# Borrow Site #3

## Overview

The Borrow Site #3 measures just over 70 acres. Because much of the property is encumbered by steep slopes and wetlands, the usable area of the site measures only 16 acres. The grading plan shows a single building pad located on the northern portion of the property. A single building measuring 164,000 square feet is situated on the site. The building is a single loaded industrial building. Access to the site is from S. 200<sup>th</sup> Street via 18<sup>th</sup> Avenue South. Stormwater detention/filtration ponds are located on the southern half of the property adjacent to two wetlands.

## Off-Site Impacts

The Borrow Area #3 site is south of S. 200<sup>th</sup> on the alignment of 18<sup>th</sup> Avenue South. It is effectively bounded by topographical constraints.

Transportation data was derived from the 1998 City of SeaTac Comprehensive Plan Update and Port of Seattle Ground Access Facility Plan Update -Joint Transportation Study (JTS) dated December 2001, the 2001 City of Des Moines Comprehensive Transportation Plan (DMCTP), and preliminary alignment plans of the SR 509 extension.

Principal access to the Borrow Area #3 site is from S. 200<sup>th</sup> Street on the north. S. 200<sup>th</sup> Street is a two-lane principal arterial which provides access from 1<sup>st</sup> Avenue South east to SR 99, Military Road and I-5. It currently carries about 8,000 ADT in the vicinity of the sites and is projected to carry up to 13,000 ADT by 2020. It is planned for widening to 4 or 5 lanes east of SR 509 and for widening to at least 3 lanes west of SR 509 at about the same time as the SR 509 extension occurs.

DMMD is a two-lane principal arterial and currently carries about 12,000 ADT in the vicinity of the site which is projected to increase to about 16,000 ADT by 2020. The intersection of DMMD and S. 200<sup>th</sup> Street is described as the most critical in the JTS. It is planned for widening to accommodate left turn lanes in all directions.

Regional access is currently available to both sites by existing connections of DMMD to SR 509 S.188<sup>th</sup> Street and via S. 200<sup>th</sup> Street to SR 99 and I-5. With the SR 509 extension, new ramps to and from the north are planned to intersect S. 200<sup>th</sup> Street at about 18<sup>th</sup> Avenue South. Access to and from SR 509 to the southeast is also planned from S. 200<sup>th</sup> Street via an interchange with the Airport South Access Road at about 22<sup>nd</sup> Avenue South. The SR 509 project will provide excellent regional access to the site.

The land uses proposed for the Borrow Area #3 site measure about 164,000 square feet. The following traffic generation scenarios were developed:

Borrow Area #3 Site Traffic Generation				
	Warehouse (150)	Truck Terminal (030)	80% Warehouse / 20% Truck Terminal	60% Warehouse / 20% Truck Terminal/20% Light Industrial
ADT	954	1,615	1,156	1,264
AM Peak Hour	118	148	130	141
PM Peak Hour	96	134	82	123

The estimated traffic volumes are not significant and could all be accommodated within the proposed road improvements. A single access from S. 200<sup>th</sup> Street, particularly if it is opposite the proposed SR 509 ramps, would be more than adequate for the site.

The cost to bring utilities to the site can influence the development potential of a property. At one time the residences were located on the property and were served by utilities. While some severance and relocation is required, the infrastructure is in place to support the proposed improvements.

## **Site**

The site is on the western slope of the Des Moines Creek drainage and slopes downward from west to east. The plan shows mass grading moving roughly 103,000 cubic yards of material to create the single level rectangular site. The site is capable of accommodating a wide range of building types and configurations; however, its long narrow shape creates limitations. The truck loading docks are located away from the street. Approximately 24,000 cubic yards of material are moved to create stormwater detention/filtration facilities. Retaining walls totaling 22,000 square feet are used to support the grading. Street frontage improvements total 600 feet in length.

## **Development**

Approximately 8.7 acres of the site are used for buildings, paved parking, and truck circulation areas. The plan includes one building measuring 164,000 square feet. The land to building ratio, based on the net usable land is 24%, below the expected range of 30% to 40% for the site. The low site coverage is attributable to the shape of the property and its challenging topography. The building could be occupied by single or multiple users. The estimated cost to develop the building shell is \$25 per square foot. The plan calls for 10% of the building to be office space, a figure that is slightly higher than that found in the general industrial market, but consistent with the SeaTac Burien market. Tenant improvements are expected to cost \$55 per square foot. The project costs, including land total approximately \$10 million or just over \$61 per square foot of building area.

## **Rent**

Rents for industrial buildings in the area range between \$.40 and \$.50 per square foot per month. The NEST Properties, when fully developed, represent approximately 3.8 million square feet, or a doubling of the size of the existing market. To absorb this much space the project will need to be marketed to the general industrial users – manufacturers, distributors, and logistics providers. New space in the Kent Valley is currently in the \$.32 to \$.34 per square foot of shell space and \$.65 for office space. To compete, establishing rental rates at levels near those for Kent Valley properties will insure the space is absorbed quickly. The market will garner a slight premium given its location with respect to the sea and air ports. A rate of \$.38 per square foot per month, triple net, for shell space and \$.70 for office space can be achieved. The project produces \$885,000 in net revenue. With a 5% vacancy factor the net operating income for the project is \$841,000.

## **Project Overall Value, Profit Margin and Land Value**

Capitalizing the net operating income at 7.5% results in a project value of \$11.2 million dollars. Subtracting the project cost of \$10 million from this figure results in a profit of approximately \$1.2 million dollars. Combined with development overhead, of \$290,000, the total margin on the project is \$1.5 million or just under 15%.

The development scenario supports an unimproved or green land value of \$2.00 per square foot or \$1.4 million. The improved or entitled/positioned value equals \$3.51 per square foot or approximately \$2.4 million.

## **Sensitivity Analysis**

The sensitivity analysis, shown below, demonstrates how changes in the assumptions used in the project summaries influence the outcome of the analysis. The changes are reflected in terms of their impact on land value. All variables, with one exception, are held constant and the land value is adjusted to maintain a 15% to 18% profit margin. In simple terms, a "what if" analysis is conducted. The analysis helps to answer questions like: What if the achievable rent is more or less than the scenario presented? What if the development costs are more or less than projected? What is the effect of placing fewer or more buildings on the site? And what if the usable land is more or less than anticipated? The answers are stated in terms of the impact they have on land value, both unimproved land and entitled/positioned land.

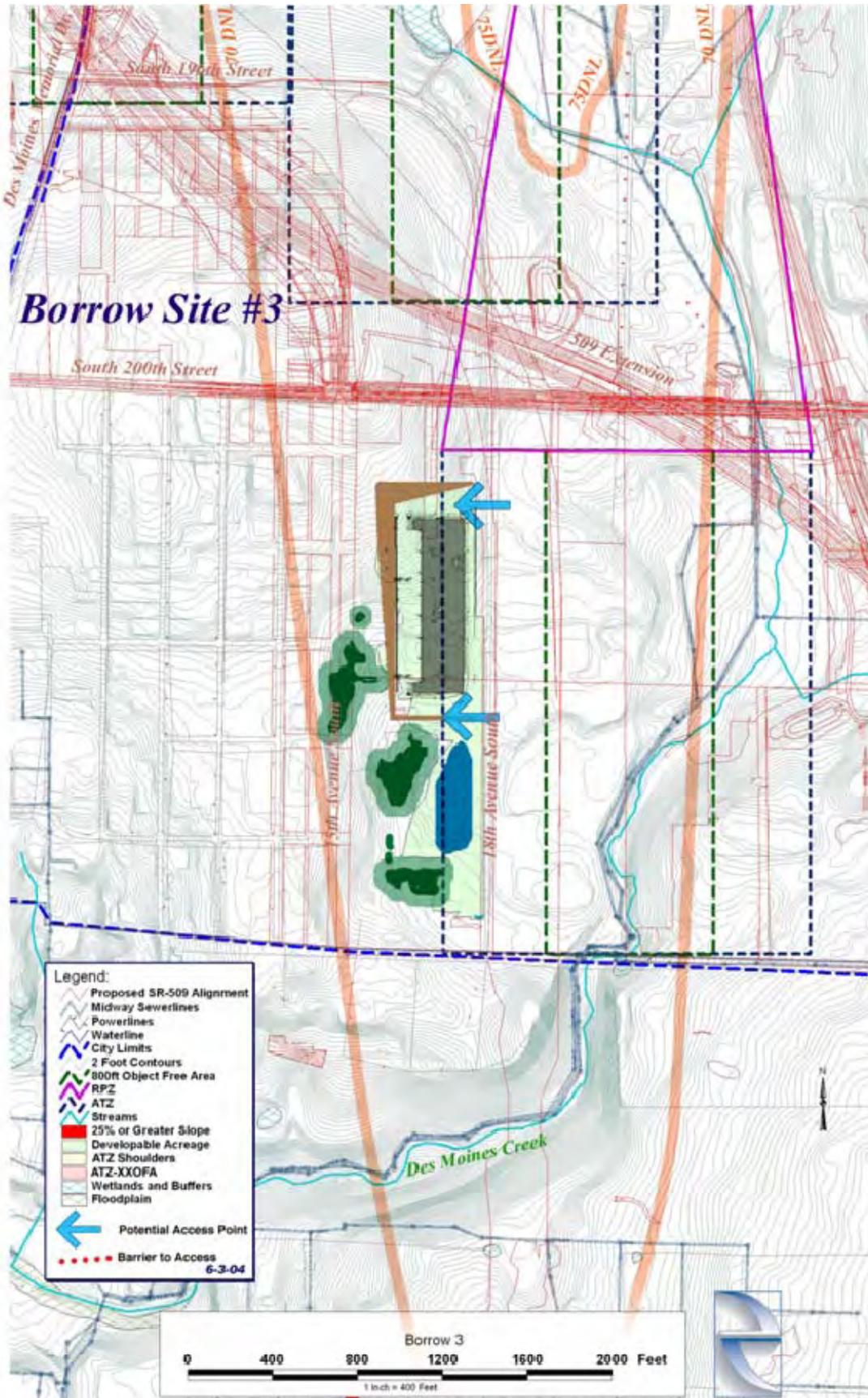
A \$.02 per square foot per month change in shell space rent represents 25% to 40% change in land value. A 10% change in development costs can create roughly 70% change in land value. Increasing or decreasing the building square footage by 10% results in a 10% to 25% change in land value. If a plan results in an increase or decrease in usable land, the value can be impacted by 10% to 25%.

Changes in development costs have the largest impact on the development potential of the property. The analysis demonstrates how a relatively small change in costs has a major impact on the viability of the project. The variability in development costs suggests a range in values for unentitled/green land of between \$.65 and \$3.5 per square foot of land value. For entitled/positioned property the range is approximately \$2.15 to \$5.00 per square foot. Based on the conceptual work completed to date, land value for this scenario for Borrow Area #3 is within these ranges.

## **Conclusion**

The property, as presented in the preliminary plans is highly marketable and will attract a great deal of interest from users and developers subject to the following:

- 1) Acquisition of the adjoining WSDOT property.
- 2) Complete entitlement.
- 3) Appropriately priced land.
- 4) Reasonable rental rates.
- 5) Limited off-site assessments.



**NEST - SeaTac Borrow Site #3**

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**PROJECT SUMMARY**

(1) Project Type:	<b>Industrial / Commercial Redevelopment</b>		
(2) Location:	<b>SeaTac, WA</b>		
(3) Site Acres/SF (gross):	3,055,298 sf	70.14 ac	
(4) Site SF (unusable):	2,358,338 sf	54.14 ac	
(5) Site SF (net useable):	696,960 sf	16.00 ac	
(6) Site Curb to Curb	380,000 sf	8.72 ac	
(7) Building Size (rsf):	164,000 rsf	0.24 far	
(8) Office Size (rsf)	16,400 rsf	10.00%	
(9) Mezzanine (rsf)	-	rsf	

**PROJECT COSTS**

<b>I - LAND PURCHASE</b>	Unit	x	Unit Price	=	Cost	/RSF	%	
(10) Land:	696,960.00	sf	\$ 2.00		\$ 1,393,920	\$ 8.50		
(11) Legal, Survey, Title & Closing:	1		\$ 30,000		\$ 30,000	\$ 0.18		
Subtotal					\$ 1,423,920	\$ 8.68	14%	
<b>II - MASTER PLANNING / LAND POSITIONING COSTS</b>								
(12) Environmental Studies	1	ls	\$ 30,000		\$ 30,000	\$ 0.18		
(13) Entitlement & Design	1	ls	\$ 25,000		\$ 25,000	\$ 0.15		
(14) Demolition, Abatement	0	ls	\$ 2.00		\$ -	\$ -		
(15) Street Vacation & Utility Severance	1	ls	\$ 50,000		\$ 50,000	\$ 0.30		
(16) Off Site Road Improvements	1	ls	\$ -		\$ -	\$ -		
(17) Off Site Utility Extensions	1	ls	\$ -		\$ -	\$ -		
(18) Assessments/Mitigation:	1	ls	\$ -		\$ -	\$ -		
(19) Frontage Improvements	600	lf	\$ 50		\$ 30,000	\$ 0.18		Positioned
(20) Onsite Storm Detention & Water Quality	24,281	cy	\$ 8.00		\$ 194,245	\$ 1.18		Land
(21) Retaining Walls	22,000	sf	\$ 8.00		\$ 176,000	\$ 1.07		w/ 30%
(22) Mass Grading, Export & Import	103,253	cy	\$ 5.00		\$ 516,267	\$ 3.15		Profit
Subtotal					\$ 1,021,512	\$ 6.23	10%	\$3.51
<b>III - DEVELOPMENT COSTS</b>								
(23) Sitework Improvements	380,000	sf	\$ 1.00		\$ 380,000	\$ 2.32		
(24) Shell Construction	164,000	sf	\$ 25.00		\$ 4,100,000	\$ 25.00		
(25) Tenant Improvements:	16,400	sf	\$ 55.00		\$ 902,000	\$ 5.50		
(26) Mezzanine:	0	sf	\$ 25.00		\$ -	\$ -		
(27) Special Improvements:	0	sf	\$ -		\$ -	\$ -		
(28) Design & Development	164,000	sf	\$ 1.00		\$ 164,000	\$ 1.00		
(29) Permits/Gov Charges	164,000	sf	\$ 0.35		\$ 57,400	\$ 0.35		
(30) Sales Tax:	\$ 5,382,000		8.80%		\$ 473,616	\$ 2.89		
Subtotal					\$ 6,077,016	\$ 37.05	61%	
<b>IV - PROJECT COSTS</b>								
(31) Brokerage Commission:	\$ 8,856,000		5.00%		\$ 442,800	\$ 2.70		
(32) Land Interest (mos):	0	mo	7.00%		\$ -	\$ -		
(33) RE Taxes:	12	mo	1.00%		\$ 13,939	\$ 0.08		
(34) Const. & Lease up Interest:	12	mo	7.00%		\$ 425,391	\$ 2.59		
(35) Financing Costs:	\$ 6,077,016		1.00%		\$ 60,770	\$ 0.37		
(36) Legal Fees:	\$ 6,077,016		0.50%		\$ 30,385	\$ 0.19		
(37) Marketing:	\$ 6,077,016		0.50%		\$ 30,385	\$ 0.19		
(38) Development Overhead	\$ 9,736,449		3.00%		\$ 292,093	\$ 1.78		
(39) Selling Expense:	\$ 10,516,500		2.00%		\$ 210,330	\$ 1.28		
Subtotal					\$ 1,506,094	\$ 9.18	15%	
<b>Total Project Costs:</b>					\$ 10,028,542	\$ 61.15	100%	

**RENT PROJECTIONS**

Tenant	RSF	x	\$/RSF/MO	=	Net Rent
(40) Shell:	164,000		\$ 0.38		\$ 747,840
(41) Office:	16,400		\$ 0.70		\$ 137,760
(42) Special Improvements:	0		\$ -		\$ -
(43) Mezzanine:	-		\$ -		\$ -
Potential Net Income:					\$ 885,600
Vacancy Factor	5.00%				\$ 44,280
Net Operating Income					\$ 841,320
Yield on Costs:					8.39%

**CAPITALIZED VALUATION**

	Scenario 1	Scenario 2	Scenario 3
(44) Cap Rate:	7.50%	8.00%	8.50%
(45) Capitalized Value:	\$ 11,217,600	\$ 10,516,500	\$ 9,897,882
(46) Sale Price/RSF:	\$68.40	\$64.13	\$60.35

**MARGIN CALCULATION**

	Scenario 1	Scenario 2	Scenario 3
(47) Total Project Costs:	\$ 10,028,542	\$ 10,028,542	\$ 10,028,542
(48) Profit:	\$ 1,189,058	\$ 487,958	\$ (130,660)
(49) Development Overhead:	\$ 292,093	\$ 300,856	\$ 300,856
Total Margin:	\$ 1,481,151	\$ 788,814	\$ 170,197
Margin as %	14.77%	7.87%	1.70%

## NEST - Borrow Area #3

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### Land Residual Sensitivity

#### Rent vs. Land Value

<b>Shell Rent/ SF/Mos/NNN</b>	As Is	As Is	Positioned	Positioned
	Land Value	Variability	Land Value	Variability
\$ 0.36	\$1.25	63%	\$2.76	79%
\$ 0.38	\$2.00	100%	\$3.51	100%
\$ 0.40	\$2.50	125%	\$4.01	114%

1) All other variables held constant.

2) Entitlement includes:

Environmental Studies, Entitlement & Design, Demolition, Abatement, Street Vacation, Utility Severance, Off-Site Road Improvements, Off-Site Utility Extensions, Assessments/Mitigation, Frontage Improvements, Onsite Storm Detention & Water Quality, Retaining Walls, Mass Grading - Import & Export.

#### Development Cost vs. Land Value

<b>Development Costs</b>	As Is	As Is	Positioned	Positioned
	Land Value	Variability	Land Value	Variability
90%	\$3.50	175%	\$5.01	143%
100%	\$2.00	100%	\$3.51	100%
110%	\$0.65	33%	\$2.16	62%

1) All other variables held constant.

2) Shell Rent 100% = \$.38/sf nnn

#### Bldg SF vs. Land Value

<b>Building SF</b>	As Is	As Is	Positioned	Positioned
	Land Value	Variability	Land Value	Variability
90%	\$1.50	75%	\$3.01	86%
100%	\$2.00	100%	\$3.51	100%
110%	\$2.25	113%	\$3.76	107%

1) All other variables held constant.

2) Shell Rent 100% = \$.38/sf nnn

#### Usable Land SF vs. Land Value

<b>Usable Land Area</b>	As Is	As Is	Positioned	Positioned
	Land Value	Variability	Land Value	Variability
90%	\$2.25	113%	\$3.84	110%
100%	\$2.00	100%	\$3.51	100%
110%	\$1.50	75%	\$2.94	84%

1) All other variables held constant.

2) Shell Rent 100% = \$.38/sf nnn

## Conclusions

There is significant variation in the overall value of the project and the resulting value to the land. The conceptual nature of the planning and analysis only begins to frame the development potential of the property. The analysis suggests several conclusions.

- Land values for green/unentitled land are somewhere between \$.65 and \$5.00 per square foot. The variation is due in a large part to unknowns relating to the topography and the cost of mass grading. The value today is likely at the middle to low end of the range. As discussed in the highest and best use section of this report, the relative size of the project and the high cost to develop make it marginally feasible. The adjoining surplus property, owned by WSDOT, is generally level and when combined with the subject could create a regular shaped property with lower development costs. The combined properties create a more attractive development site.
- It is possible to construct approximately 160,000 square feet of industrial space on the property.
- The project could generate approximately \$800,000 per year in income.
- The overall value of the planned project is roughly \$11 million.

# South 200th Street Parcels & Borrow Site #4 Remnants

## Overview

The South 200<sup>th</sup> Street Parcels & Borrow Site #4 Remnants measure 68 acres. When the 509 extension is completed the property will be reduced to a triangular shaped parcel measuring 22 acres. The grading plan shows a single irregular shaped building pad with two single loaded industrial buildings measuring a total of 384,000 square feet. Access to the site is from S. 200<sup>th</sup> Street and Des Moines Memorial Drive. Stormwater detention/filtration ponds are located along the 509 Extension right-of-way.

## Off-Site Impacts

The S. 200<sup>th</sup> Street Parcels & Borrow Site #4 Remnants site is bounded by S. 200th Street on the south and DMMD on the west.

Transportation data was derived from the 1998 City of SeaTac Comprehensive Plan Update and Port of Seattle Ground Access Facility Plan Update - Joint Transportation Study (JTS) dated December 2001, the 2001 City of Des Moines Comprehensive Transportation Plan (DMCTP), and preliminary alignment plans of the SR 509 extension.

Principal access to the S. 200<sup>th</sup> Street Parcels & Borrow Site #4 Remnants site is from S. 200th Street on the south and DMMD on the west.

S. 200th Street is a two-lane principal arterial which provides access from 1st Avenue South east to SR 99, Military Road and I-5. It currently carries about 8,000 ADT in the vicinity of the sites and is projected to carry up to 13,000 ADT by 2020. It is planned for widening to 4 or 5 lanes east of SR 509 and for widening to at least 3 lanes west of SR 509 at about the same time as the SR 509 extension occurs.

DMMD is a two-lane principal arterial and currently carries about 12,000 ADT in the vicinity of the sites which is projected to increase to about 16,000 ADT by 2020. The intersection of DMMD and S.200th Street is described as the most critical in the JTS. It is planned for widening to accommodate left turn lanes in all directions.

Regional access is currently available to both sites by existing connections of DMMD to SR 509 S.188th Street and via S.200th Street to SR 99 and I-5. With the SR 509 extension, new ramps to and from north are planned to intersect S.200th Street at about 18th Avenue South. Access to and from SR 509 to the southeast is also planned from S.200th Street via an interchange with the Airport South Access Road at about 22nd Avenue South. The SR 509 project will provide excellent regional access to the site.

The truck terminal/freight forwarding land uses proposed for the S. 200<sup>th</sup> Street Parcels & Borrow Site #4 Remnants site is about 386,000 square feet. The following traffic generation scenarios were developed:

S. 200 <sup>th</sup> Street Parcels & Borrow Site #4 Remnants Site Traffic Generation				
	Warehouse (150)	Truck Terminal (030)	80% Warehouse / 20% Truck Terminal	60% Warehouse / 20% Truck Terminal/20% Light Industrial
ADT	1,772	3,805	2,248	2,502
AM Peak Hour	217	348	255	290
PM Peak Hour	190	317	222	266

The estimated traffic volumes are not significant and could all be accommodated within the proposed road improvements. If S. 200<sup>th</sup> Street Parcels & Borrow Site #4 Remnants use an access from DMMD, a separate southbound left turn lane might be required at the access point.

The cost to bring utilities to the site can influence the development potential of a property. Sewer service is not available to the S. 200<sup>th</sup> Street site. The cost to bring the sewer service to the site is estimated to be \$400,000. It is assumed that the other utilities are available with capacity to serve the proposed uses. Infrastructure needed for extraordinary uses may not exist.

## **Site**

The plan shows mass grading moving roughly 145,000 cubic yards of material to create the single level triangular site. The site is capable of accommodating a wide range of building types and configurations; however, its shape reduces efficiency. Approximately 16,000 cubic yards of material are moved to create stormwater detention/filtration facilities. Retaining walls totaling 25,000 square feet are used to support the grading. Street frontage improvements total 2,700 feet in length.

## **Development**

Approximately 16.43 acres of the site are used for buildings, paved parking, and truck circulation areas. The plan includes two buildings measuring 162,000 and 222,000 square feet. The truck loading docks are located away from the street to reduce the visual impacts on the surrounding neighborhood. The land to building ratio, based on the net usable land is 39%, within expected range of 30% to 40% for the site. The building could be occupied by single or multiple users. The estimated cost to develop the building shell is \$25 per square foot. The plan calls for 10% of the building to be office space, a figure that is slightly higher than that found in the general industrial market, but consistent with the SeaTac Burien market. Tenant improvements are expected to cost \$55 per square foot. The project costs, including land total approximately \$24 million or just over \$62 per square foot of building area.

## **Rent**

Rents for industrial buildings in the area can be range between \$.40 and \$.50 per square foot per month. The NEST properties, when fully developed, represent approximately 3.8 million square feet, or a doubling of the size of the existing market. To absorb this much space the project will need to be marketed to the general industrial users – manufacturers, distributors, and logistics providers. New space in the Kent Valley is currently in the \$.32 to \$.34 per square foot of shell space and \$.65 for office space. To compete effectively for tenants, establishing rental rates near those for comparable properties located in the Kent Valley will insure the space is absorbed quickly. The market will garner a slight premium given its location with respect to the sea and air ports. A rate of \$.38 per square foot per month, triple net, for shell space and \$.70 for office space can be achieved. The project produces \$2.07 million in net revenue. With a 5% vacancy factor the net operating income for the project is \$1.97 million.

## **Project Overall Value, Profit Margin and Land Value**

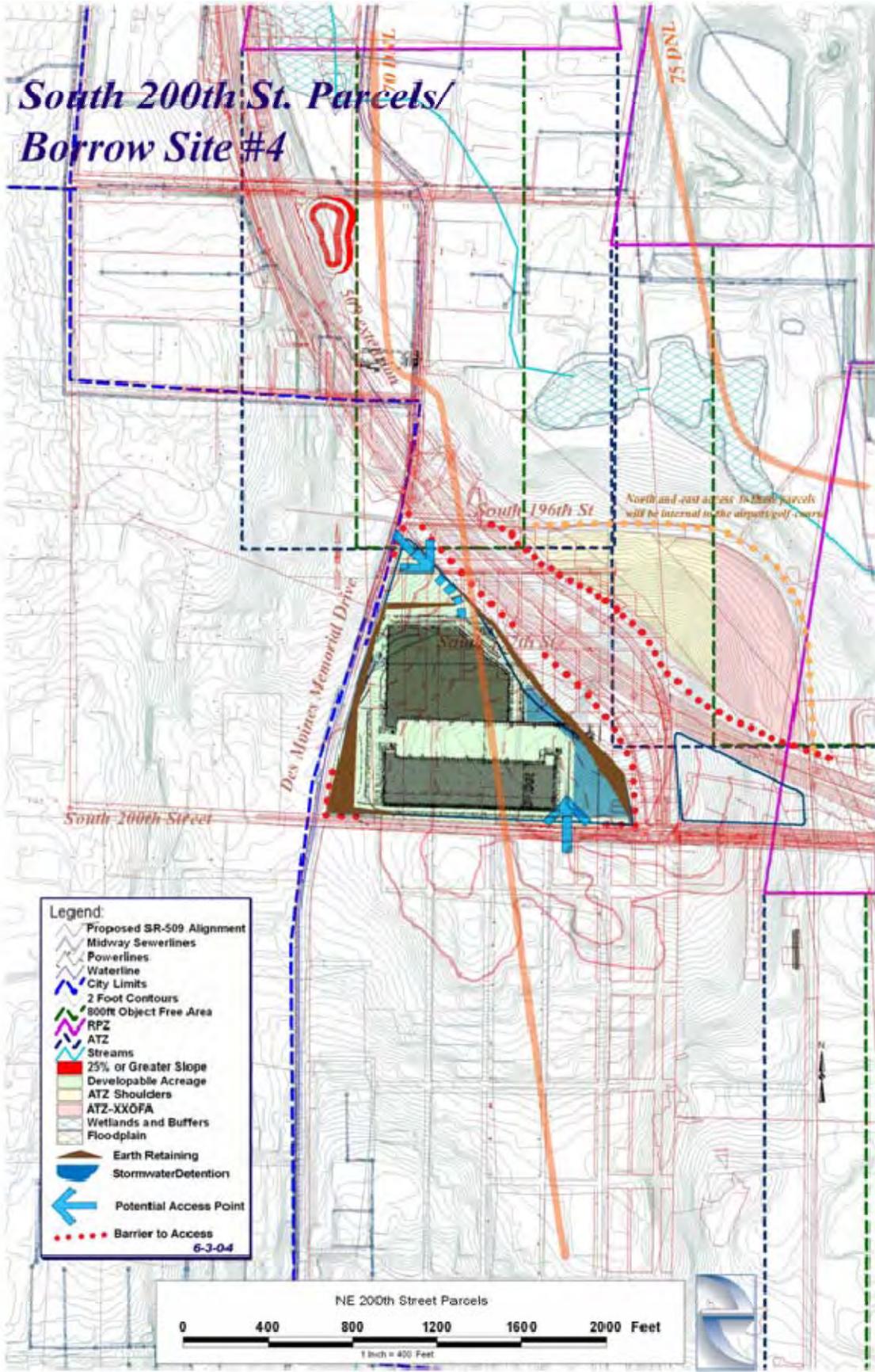
Capitalizing the net operating income at 7.5% results in a project value of \$26.2 million dollars. Subtracting the project cost of \$24 million from this figure results in a profit of approximately \$2.3 million dollars. Combined with development overhead, of \$700,000, the total margin on the project is \$3 million, or approximately 12.4%.

The project is not feasible because the land is currently improved and under private ownership consisting of 38 separate parcels. The project summary assumes the land is assembled at a cost equal to its assessed value or \$4.4

million, likely an aggressive assumption. As discussed in the Economic Benefits and Strategy sections of this report, exploring the viability of using a public subsidy to assemble the properties warrants further analysis and discussion.

Alternatively, a more realistic plan calls for an assemblage of smaller number of parcels. The Highline School District property could form the nucleolus for a smaller development. Additional parcels could be added to the District's property when available for a reasonable cost to create a larger development site. Two courses of action are worthy of further investigation. They are the assemblage by the private sector or the creation of a public sector initiative to assemble the land.

# South 200th St. Parcels/ Borrow Site #4



- Legend:**
- Proposed SR-509 Alignment
  - Midway Sewerlines
  - Powerlines
  - Waterline
  - City Limits
  - 2 Foot Contours
  - 900ft Object Free Area
  - RPZ
  - ATZ
  - Streams
  - 25% or Greater Slope
  - Developable Acreage
  - ATZ Shoulders
  - ATZ-XXöFA
  - Wetlands and Buffers
  - Floodplain
  - Earth Retaining
  - Stormwater Detention
  - Potential Access Point
  - Barrier to Access
- 6-3-04



**NEST - South 200th / Borrow Site #4 Remnants**

8/5/2004 18:01

**PROJECT SUMMARY**

(1) Project Type:	<b>Industrial / Commercial Redevelopment</b>		
(2) Location:	<b>SeaTac, WA</b>		
(3) Site Acres/SF (gross):	2,965,652 sf	68.08 ac	
(4) Site SF (unusable):	1,981,196 sf	45.48 ac	
(5) Site SF (net useable):	984,456 sf	22.60 ac	
(6) Site Curb to Curb:	715,500 sf	16.43 ac	
(7) Building Size (rsf):	384,250 rsf	0.39 far	
(8) Office Size (rsf):	38,425 rsf	10.00%	
(9) Mezzanine (rsf):	- rsf		

**PROJECT COSTS**

<i>I - LAND PURCHASE</i>	Unit	x	Unit Price	=	Cost	/RSF	%	/usf land
(10) Land Assemblage:	38.00	ls	\$ 116,000.00		\$ 4,408,000	\$ 11.47		\$ 4.48
(11) Legal, Survey, Title & Closing:	1	ls	\$ 30,000		\$ 30,000	\$ 0.08		
Subtotal					<b>\$ 4,438,000</b>	<b>\$ 11.55</b>	<b>18%</b>	

**II - MASTER PLANNING / LAND POSITIONING COSTS**

(12) Environmental Studies	1	ls	\$ 30,000		\$ 30,000	\$ 0.08		
(13) Entitlement & Design	1	ls	\$ 25,000		\$ 25,000	\$ 0.07		
(14) Demolition, Abatement	1	ls	\$ 250,000		\$ 250,000	\$ 0.65		
(15) Street Vacation & Utility Severance	1	ls	\$ 80,000		\$ 80,000	\$ 0.21		
(16) Off Site Road Improvements	1	ls	\$ -		\$ -	\$ -		
(17) Off Site Utility Extensions	1	ls	\$ 400,000		\$ 400,000	\$ 1.04		
(18) Assessments/Mitigation:	1	ls	\$ -		\$ -	\$ -		
(19) Frontage Improvements	2,700	lf	\$ 50		\$ 135,000	\$ 0.35		Positioned
(20) Onsite Storm Detention & Water Quality	16,037	cy	\$ 8.00		\$ 128,292	\$ 0.33		Land
(21) Retaining Walls	25,500	sf	\$ 8.00		\$ 204,000	\$ 0.53		w/ 30%
(22) Mass Grading, Export & Import	145,845	cy	\$ 5.00		\$ 729,227	\$ 1.90		Profit
Subtotal					<b>\$ 1,981,519</b>	<b>\$ 5.16</b>	<b>8%</b>	<b>\$ 8.48</b>

**III - DEVELOPMENT COSTS**

(23) Sitework Improvements	715,500	sf	\$ 1.00		\$ 715,500	\$ 1.86		
(24) Shell Construction	384,250	sf	\$ 25.00		\$ 9,606,250	\$ 25.00		
(25) Tenant Improvements:	38,425	sf	\$ 55.00		\$ 2,113,375	\$ 5.50		
(26) Mezzanine:	0	sf	\$ 25.00		\$ -	\$ -		
(27) Special Improvements:	0	sf	\$ -		\$ -	\$ -		
(28) Design & Development	384,250	sf	\$ 1.00		\$ 384,250	\$ 1.00		
(29) Permits/Gov Charges	384,250	sf	\$ 0.35		\$ 134,488	\$ 0.35		
(30) Sales Tax:	\$ 12,435,125		8.80%		\$ 1,094,291	\$ 2.85		
Subtotal					<b>\$ 14,048,154</b>	<b>\$ 36.56</b>	<b>59%</b>	

**IV - PROJECT COSTS**

(31) Brokerage Commission:	\$ 20,749,500		5.00%		\$ 1,037,475	\$ 2.70		
(32) Land Interest (mos):	0	mo	7.00%		\$ -	\$ -		
(33) RE Taxes:	12	mo	1.00%		\$ 44,080	\$ 0.11		
(34) Const. & Lease up Interest:	12	mo	7.00%		\$ 983,371	\$ 2.56		
(35) Financing Costs:	\$ 14,048,154		1.00%		\$ 140,482	\$ 0.37		
(36) Legal Fees:	\$ 14,048,154		0.50%		\$ 70,241	\$ 0.18		
(37) Marketing:	\$ 14,048,154		0.50%		\$ 70,241	\$ 0.18		
(38) Development Overhead	\$ 23,306,362		3.00%		\$ 699,191	\$ 1.82		
(39) Selling Expense:	\$ 24,640,031		2.00%		\$ 492,801	\$ 1.28		
Subtotal					<b>\$ 3,537,880</b>	<b>\$ 9.21</b>	<b>15%</b>	

**Total Project Costs:**

**\$ 24,005,553 \$ 62.47 100%**

**RENT PROJECTIONS**

Tenant	RSF	x	\$/RSF/MO	=	Net Rent
(40) Shell:	384,250		\$ 0.38		\$ 1,752,180
(41) Office:	38,425		\$ 0.70		\$ 322,770
(42) Special Improvements:	0		\$ -		\$ -
(43) Mezzanine:	-		\$ -		\$ -
Potential Net Income:					\$ 2,074,950
Vacancy Factor	5.00%				\$ 103,748
Net Operating Income					<b>\$ 1,971,203</b>
Yield on Costs:					8.21%

**CAPITALIZED VALUATION**

	Scenario 1	Scenario 2	Scenario 3
(44) Cap Rate:	7.50%	8.00%	8.50%
(45) Capitalized Value:	\$ 26,282,700	\$ 24,640,031	\$ 23,190,618
(46) Sale Price/RSF:	\$68.40	\$64.13	\$60.35

**MARGIN CALCULATION**

	Scenario 1	Scenario 2	Scenario 3
(47) Total Project Costs:	\$ 24,005,553	\$ 24,005,553	\$ 24,005,553
(48) Profit:	\$ 2,277,147	\$ 634,479	\$ (814,935)
(49) Development Overhead:	\$ 699,191	\$ 720,167	\$ 720,167
Total Margin:	\$ 2,976,338	\$ 1,354,645	\$ (94,769)
Margin as %	12.40%	5.64%	-0.39%

# Burien Northeast Special Planning Area

## Overview

The Northeast Special Planning Area consists of five distinct development areas as shown on the plan below. The areas have established based on the physical characteristics, regulatory constraints, and existing land uses. As will be shown by the analysis, it is prohibitively expensive to develop areas 4 and 5; accordingly the following discussion will focus on areas 1, 2, and 3.

## Off-Site Impacts

### Traffic

The Northeast Special Planning Area (NESPA) site is bounded by Des Moines Memorial Drive (DMMD) on the east, S.138th Street on the north and 8th Avenue on the west.

Transportation data was derived from the City of Burien's Northeast Special Planning Area Final SEIS (NESPA FSEIS) dated November 2002, the SR 518 Route Development Plan (RDP) dated June 2002, and the 1998 City of SeaTac Comprehensive Plan Update and Port of Seattle Ground Access Facility Plan Update -Joint Transportation Study (JTS) dated December 2001.

Principal access to the NESPA site would be from DMMD, which is a two-lane north-south minor arterial street that connects from SR 99 near S.96th Street on the north to SR 509 near S.200th Street on the south. DMMD is designated as an Arterial Truck Route from S.144th to S.156th Streets and currently has an average daily traffic (ADT) load of about 10,000 vehicles in the vicinity of the site; only about 2% of the traffic is classified as trucks. DMMD has traffic signals in the area at its intersections with S. 128th, S.136th, S.144th, and S.156th Streets; which currently operate at level of service (LOS) A to LOS C. DMMD is scheduled for reconstruction from S.136th Street to S.156th Street with widening at key intersections, bicycle lanes, curb and gutter and sidewalks. The SR 518 RDP reviewed alternative interchange configurations at the DMMD location but concluded that improving the interchange at 24th Avenue South was a better investment. Ramps to and from the west could be added at some future date.

8th Avenue South is a two-lane collector arterial with about 2,800 ADT. It is not a truck route. S.146th / 144th / 142nd Street is also a two-lane collector arterial which provides access to 1st Avenue South, SR 509 and east to 24th Avenue South. Widening of S.146th / 144th / 142nd Street to three lanes is proposed between DMMD and 24th Avenue South.

Regional access is provided via SR 518 which has ramp connections with DMMD to and from the east and therefore provides direct access to the Sea-Tac Airport, I-5 and I-405. The westbound off-ramp intersection at DMMD has been recently signalized. Regional access is also available to SR 509 through interchanges at S.128th Street and a half-diamond (to and from the north) at S.146th Street.

The industrial land uses proposed for the NESPA site measure about 1.45 million square feet. The following traffic generation scenarios were developed:

	NESPA Site Traffic Generation			
	Warehouse (150)	Truck Terminal (030)	80% Warehouse / 20% Truck Terminal	60% Warehouse / 20% Truck Terminal/20% Light Industrial
ADT	5,820	14,642	7,655	8,005
AM Peak Hour	565	1,338	749	928
PM Peak Hour	550	1,219	705	873

According to the NESPA FSEIS, however, there are about 424 housing units that would be replaced by the proposed development. This could account for about 4,000 existing ADT that would be replaced by the development, producing a net gain of between about 650 and 7,500 ADT. Peak hour volumes would have an even greater net traffic effect, as the 424 housing units that would be replaced probably produce an equal volume of peak hour traffic.

In fact, most land use scenarios developed for the NESPA FSEIS would have significantly greater traffic generation than the proposed truck terminals. Land use Alternative 1 was calculated to produce 2,850 PM Peak trips; Alternative 2 to produce 2,260 PM Peak trips and Alternative 3 to produce 1,010 PM Peak trips. The NESPA FSEIS analysis concluded that the only mitigations required would be a traffic signal at DMMD and 8th Avenue South, left turn channelization at EMMD and S.144th (already signalized) and a signal at EMMD and the westbound off-ramps from SR 518 (already signalized).

It is concluded that development of the NESPA site will not cause significant traffic impacts and minimal mitigation would be required.

It should be noted, however, that truck traffic would be discouraged on 8th Avenue South, which might require revisions to the access scheme for truck terminals fronting 8th Avenue South (eg: using access through eastern parcels from DMMD) or reclassification for non-truck generators, such as low-rise office or retail.

### **Other Off-sites**

The cost to bring utilities to the site can influence the development potential of a property. At one time the residences were located on the property and were served by utilities. While some severance and relocation is required, the infrastructure is in place to support the proposed improvements.

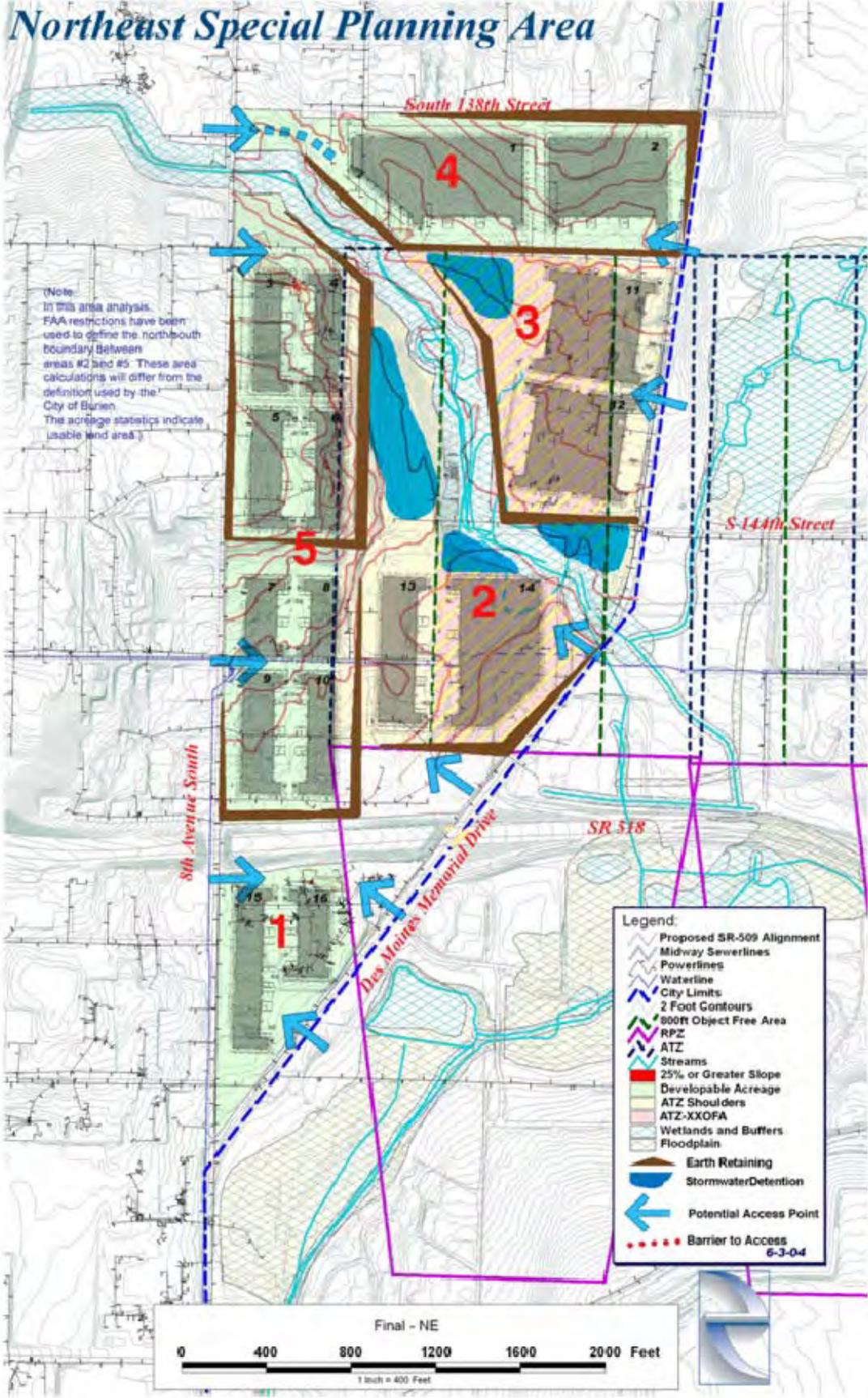
### **Conclusion**

The property, as presented in the preliminary plans is highly marketable and will attract a great deal of interest from users and developers subject to the following:

- 1) Complete entitlement.
- 2) Appropriately priced land.
- 3) Reasonable rental rates.
- 4) Limited off-site assessments.

# Northeast Special Planning Area

(Note: In this area analysis, FAA restrictions have been used to define the north-south boundary between areas #2 and #5. These area calculations will differ from the definition used by the City of Burien. The acreage statistics indicate usable land area.)



## **NESPA #1**

### **Overview**

The plan on the previous page shows the NESPA #1 area as a 10.46 acre property graded to create one level site for two buildings, totaling 154,000 square feet. The buildings are double and single loaded industrial buildings ranging in size from 60,000 and 94,000 square feet. They are designed with the loading docks away from 8<sup>th</sup> Avenue S. and Des Moines Memorial Drive. Access to the site is from 8<sup>th</sup> Avenue S. and Des Moines Memorial Drive. Stormwater detention/filtration ponds are located either in the RPZ zone on the east side of the site or on the southern tip of the property.

### **Site**

The site slopes upward from south to north. Grading involves moving 33,000 cubic feet of material from the northern portion of the property to the southern portion. The building pads are generally rectangular, capable of accommodating a range of building types and configurations. Demolition of the Lora Lake apartments is estimated, on the most preliminary basis, to cost \$400,000. Approximately 3,000 cubic yards of material are moved to create stormwater detention/filtration facilities. Street frontage improvements total 2,200 feet in length.

### **Development**

Approximately 5.77 acres of the site are used for buildings, paved parking, and truck circulation areas. The plan includes two buildings that measure 60,000 and 94,000 square feet. The land to building ratio is 34%. The buildings are flexible in terms of design and can be occupied by single or multiple tenants. The buildings can be combined to create a larger facility if needed. The estimated cost to develop the building shell is \$25 per square foot. The plan calls for 10% of the building to be office space, a figure that is slightly higher than that found in the general industrial market, reflecting the SeaTac/Burien market's tendency toward a higher percentage of office space than found elsewhere. Tenant improvements are expected to cost \$55 per square foot. The project costs, including land total over \$9.6 million or approximately \$62 per square foot of building area.

### **Rent**

Rents for industrial buildings in the area can range from between \$.40 and \$.50 per square foot per month. The NEST properties, when fully developed, represent approximately 3.8 million square feet, or a doubling of the size of the existing market. To absorb this much space the project will need to be marketed to the general industrial users – manufacturers, distributors, and logistics providers. New space in the Kent Valley is currently in the \$.32 to \$.34 per square foot range for shell space and \$.65 for office space. To compete, establishing rental rates comparable with Kent Valley properties will insure the space is absorbed quickly. The market will garner a slight premium given its location with respect to the sea and air ports. The subject is located reasonably close to the airfreight terminals and a rental rate of \$.39 per square foot per month, triple net, for shell space and \$.70 for office space can be achieved. The project produces \$850,000 in net revenue. With a 5% vacancy factor the net operating income for the project is \$807,000.

### **Project Overall Value, Profit Margin and Land Value**

Capitalizing the net operating income at 7.5% results in a project value of \$10.8 million dollars. Subtracting the project cost of \$9.4 million from this figure results in a profit of \$1.3 million dollars. Combined with development

overhead equal to \$280,000, the total margin on the project is approximately \$1.5 million, or 16.31% of the total project costs.

The development scenario supports an unimproved or green land value of \$3.75 per square foot or \$1.7 million. The improved or entitled/positioned value equals \$7.00 per square foot or \$3.1 million.

## **Sensitivity Analysis**

The sensitivity analysis, shown below, demonstrates how changes in the assumptions used in the project summaries influence the outcome of the analysis. The changes are reflected in terms of their impact on land value. All variables, with one exception, are held constant and the land value is adjusted to maintain a 15% to 18% profit margin. In simple terms, a "what if" analysis is conducted. The analysis helps to answer questions like: What if the achievable rent is more or less than the scenario presented? What if the development costs are more or less than projected? What is the effect of placing fewer or more buildings on the site? And what if the usable land is more or less than anticipated? The answers are stated in terms of the impact they have on land value, both unimproved land and entitled/positioned land.

A \$.02 per square foot per month change in rent for shell space represents roughly a 15% to 25% change in land value. A 10% change in development costs can create a 50% change in the as is land value. Increasing or decreasing the building square footage by 10% results in a 10% to 20% change in land value. If a plan results in an increase or decrease in usable land the value can be impacted by 5% to 10%.

Changes in development costs and rent have the largest impacts on the development potential of the property. The analysis demonstrates how a relatively small change in costs has a major impact on the viability of the project. Changes in the marketplace and the associated rental rates also have a significant impact on feasibility. Changing these two variables results in values for unentitled/green land of \$2.00 to over \$6.00 per square foot of land value. For entitled/positioned property the range is \$4.72 to almost \$9.92 per square foot. Based on the conceptual work completed to date, land value for this scenario for NESPA #1 falls within these ranges.

## **Conclusion**

The property, as presented in the preliminary plans is highly marketable and will attract a great deal of interest from users and developers subject to the following:

- 1) Complete entitlement.
- 2) Appropriately priced land.
- 3) Competitive rental rates.
- 4) Limited off-site assessments.

**NEST - Burien NESPA Site #1**

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**PROJECT SUMMARY**

(1) Project Type:	<b>Industrial / Commercial Redevelopment</b>		
(2) Location:	<b>Burien, WA</b>		
(3) Site Acres/SF (gross):	535,788 sf	12.30 ac	
(4) Site SF (unusable):	80,330 sf	1.84 ac	
(5) Site SF (net useable):	455,458 sf	10.46 ac	
(6) Site Curb to Curb:	251,489 sf	5.77 ac	
(7) Building Size (rsf):	154,000 rsf	0.34 far	
(8) Office Size (rsf):	15,400 rsf	10.00%	
(9) Mezzanine (rsf):	-	rsf	

**PROJECT COSTS**

<b>I - LAND PURCHASE</b>	<b>Unit</b>	<b>x</b>	<b>Unit Price</b>	<b>=</b>	<b>Cost</b>	<b>/RSF</b>	<b>%</b>
(10) Land:	455,458.00 sf		\$ 3.75		\$ 1,707,968	\$ 11.09	
(11) Legal, Survey, Title & Closing:	1		\$ 25,000		\$ 25,000	\$ 0.16	
Subtotal					<b>\$ 1,732,968</b>	<b>\$ 11.25</b>	<b>18%</b>
<b>II - MASTER PLANNING / LAND POSITIONING COSTS</b>							
(12) Environmental Studies	1 ls		\$ 30,000		\$ 30,000	\$ 0.19	
(13) Entitlement & Design	1 ls		\$ 25,000		\$ 25,000	\$ 0.16	
(14) Demolition, Abatement	200,000 ls		\$ 2.00		\$ 400,000	\$ 2.60	
(15) Street Vacation & Utility Severance	1 ls		\$ 20,000		\$ 20,000	\$ 0.13	
(16) Off Site Road Improvements	1 ls		\$ -		\$ -	\$ -	
(17) Off Site Utility Extensions	1 ls		\$ -		\$ -	\$ -	
(18) Assessments/Mitigation:	1 ls		\$ -		\$ -	\$ -	
(19) Frontage Improvements	2,200 lf		\$ 25.00		\$ 55,000	\$ 0.36	Positioned
(20) Onsite Storm Detention & Water Quality	2,902 cy		\$ 7.00		\$ 20,317	\$ 0.13	Land
(21) Retaining Walls	0 sf		\$ 8.00		\$ -	\$ -	w/ 30%
(22) Mass Grading, Export & Import	33,738 cy		\$ 5.00		\$ 168,688	\$ 1.10	Profit
Subtotal					<b>\$ 719,005</b>	<b>\$ 4.67</b>	<b>8% \$ 7.00</b>
<b>III - DEVELOPMENT COSTS</b>							
(23) Sitework Improvements	251,489 sf		\$ 1.00		\$ 251,489	\$ 1.63	
(24) Shell Construction	154,000 sf		\$ 25.00		\$ 3,850,000	\$ 25.00	
(25) Tenant Improvements:	15,400 sf		\$ 55.00		\$ 847,000	\$ 5.50	
(26) Mezzanine:	0 sf		\$ 25.00		\$ -	\$ -	
(27) Special Improvements:	0 sf		\$ -		\$ -	\$ -	
(28) Design & Development	154,000 sf		\$ 1.00		\$ 154,000	\$ 1.00	
(29) Permits/Gov Charges	154,000 sf		\$ 0.35		\$ 53,900	\$ 0.35	
(30) Sales Tax:	\$ 4,948,489		8.80%		\$ 435,467	\$ 2.83	
Subtotal					<b>\$ 5,591,856</b>	<b>\$ 36.31</b>	<b>59%</b>
<b>IV - PROJECT COSTS</b>							
(31) Brokerage Commission:	\$ 8,500,800		5.00%		\$ 425,040	\$ 2.76	
(32) Land Interest (mos):	0 mo		7.00%		\$ -	\$ -	
(33) RE Taxes:	12 mo		1.00%		\$ 17,080	\$ 0.11	
(34) Const. & Lease up Interest:	12 mo		7.00%		\$ 391,430	\$ 2.54	
(35) Financing Costs:	\$ 5,591,856		1.00%		\$ 55,919	\$ 0.36	
(36) Legal Fees:	\$ 5,591,856		1.00%		\$ 55,919	\$ 0.36	
(37) Marketing:	\$ 5,591,856		0.50%		\$ 27,959	\$ 0.18	
(38) Development Overhead	\$ 9,219,068		3.00%		\$ 276,572	\$ 1.80	
(39) Selling Expense:	\$ 10,094,700		2.00%		\$ 201,894	\$ 1.31	
Subtotal					<b>\$ 1,451,812</b>	<b>\$ 9.43</b>	<b>15%</b>
<b>Total Project Costs:</b>					<b>\$ 9,495,640</b>	<b>\$ 61.66</b>	<b>100%</b>

**RENT PROJECTIONS**

<b>Tenant</b>	<b>RSF</b>	<b>x</b>	<b>\$/RSF/MO</b>	<b>=</b>	<b>Net Rent</b>
(40) Shell:	154,000		\$ 0.390		\$ 720,720
(41) Office:	15,400		\$ 0.70		\$ 129,360
(42) Special Improvements:	0		\$ -		\$ -
(43) Mezzanine:	-		\$ -		\$ -
Potential Net Income:					\$ 850,080
Vacancy Factor	5.00%				\$ 42,504
Net Operating Income					<b>\$ 807,576</b>
Yield on Costs:					8.50%

**CAPITALIZED VALUATION**

	<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>
(44) Cap Rate:	7.50%	8.00%	8.50%
(45) Capitalized Value:	\$10,767,680	\$ 10,094,700	\$ 9,500,894
(46) Sale Price/RSF:	\$69.92	\$65.55	\$61.69

**MARGIN CALCULATION**

	<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>
(47) Total Project Costs:	\$9,495,640	\$ 9,495,640	\$ 9,495,640
(48) Profit:	\$1,272,040	\$ 599,060	\$ 5,254
(49) Development Overhead:	\$276,572	\$ 284,869	\$ 284,869
Total Margin:	\$1,548,612	\$ 883,929	\$ 290,123
Margin as %	16.31%	9.31%	3.06%

**NEST - NESPA #1**

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**Land Residual Sensitivity**

**Rent vs. Land Value**

<b>Shell Rent/ SF/Mos/NNN</b>	As Is Land Value	As Is Variability	Positioned Land Value	Positioned Variability
\$0.37	\$ 3.00	80%	\$ 6.02	86%
\$0.39	\$ 3.75	100%	\$ 7.00	100%
\$0.41	\$ 4.75	127%	\$ 8.30	119%

1) All other variables held constant.

2) Entitlement includes:

Environmental Studies, Entitlement & Design, Demolition, Abatement, Street Vacation, Utility Severance, Off-Site Road Improvements, Off-Site Utility Extensions, Assessments/Mitigation, Frontage Improvements, Onsite Storm Detention & Water Quality, Retaining Walls, Mass Grading - Import & Export.

**Development Cost vs. Land Value**

<b>Development Costs</b>	As Is Land Value	As Is Variability	Positioned Land Value	Positioned Variability
90%	\$ 6.00	160%	\$ 9.92	142%
100%	\$ 3.75	100%	\$ 7.00	100%
110%	\$ 2.00	53%	\$ 4.72	67%

1) All other variables held constant.

2) Shell Rent 100% = \$.39/sf nnn

**Bldg SF vs. Land Value**

<b>Building SF</b>	As Is Land Value	As Is Variability	Positioned Land Value	Positioned Variability
90%	\$ 3.25	87%	\$ 6.35	91%
100%	\$ 3.75	100%	\$ 7.00	100%
110%	\$ 4.50	120%	\$ 7.97	114%

1) All other variables held constant.

2) Shell Rent 100% = \$.39/sf nnn

**Usable Land SF vs. Land Value**

<b>Usable Land Area</b>	As Is Land Value	As Is Variability	Positioned Land Value	Positioned Variability
90%	\$ 4.25	113%	\$ 7.83	112%
100%	\$ 3.75	100%	\$ 7.00	100%
110%	\$ 3.50	93%	\$ 6.52	93%

1) All other variables held constant.

2) Shell Rent 100% = \$.39/sf nnn

## **NESPA #2**

### **Overview**

NESPA #2 measures 27.2 acres. The plan shows one level site for two buildings, totaling almost 370,000 square feet. The buildings are single loaded industrial buildings measuring 111,000 and 256,000 square feet. They are designed with the loading docks away from Des Moines Memorial Drive. Access to the site is from Des Moines Memorial Drive. Stormwater detention/filtration ponds are located either in the RPZ zone at the south end of the property or on the northern edge of the property adjacent to Miller Creek.

### **Site**

The property generally slopes up and away from Des Moines Memorial Drive. Mass grading involves moving approximately 87,000 cubic yards of material from the northern portion of the property to the southern portion. Retaining walls measuring 42,000 square feet are used to support the relocated material. The building pad is generally rectangular, capable of accommodating a range of building types and configurations. Approximately 5,800 cubic yards of material are moved to create stormwater detention/filtration facilities. Street frontage improvements total 700 feet in length.

### **Development**

Approximately 11.8 acres of the site are used for buildings, paved parking, and truck circulation areas. The plan includes two buildings that measure 111,000 and 256,000 square feet. The land to building ratio is 31%. The buildings are flexible in terms of design and can be occupied by single or multiple tenants. The buildings can be combined to create a larger facility if needed. The estimated cost to develop the building shell is \$25 per square foot. The plan calls for 10% of the building to be office space, a figure that is slightly higher than that found in the general industrial market, reflecting the SeaTac/Burien market's tendency toward a higher percentage of office space than found elsewhere. Tenant improvements are expected to cost \$55 per square foot. The project costs, including land total over \$22.6 million or approximately \$61 per square foot of building area.

### **Rent**

Rents for industrial buildings in the area can range from between \$.40 and \$.50 per square foot per month. The NEST properties, when fully developed, represent approximately 3.8 million square feet, or a doubling of the size of the existing market. To absorb this much space the project will need to be marketed to the general industrial users – manufacturers, distributors, and logistics providers. New space in the Kent Valley is currently in the \$.32 to \$.34 per square foot of shell space and \$.65 for office space. To compete, establishing rental rates near the level achieved in Kent Valley properties will insure the space is absorbed quickly. The market will garner a slight premium given its location with respect to the sea and air ports. The subject is located reasonably close to the airfreight terminals and a rental rate of \$.39 per square foot per month, triple net, for shell space and \$.70 for office space is achievable. The project produces \$2.03 million in net revenue. With a 5% vacancy factor the net operating income for the project is \$1.93 million.

### **Project Overall Value, Profit Margin and Land Value**

Capitalizing the net operating income at 7.5% results in a project value of \$25.7 million dollars. Subtracting the project cost of \$22.6 million from this figure results in a profit of \$3.1 million dollars. Combined with development

overhead equal to \$660,000, the total margin on the project is approximately \$3.8 million, or 16.8% of the total project costs.

The development scenario supports an unimproved or green land value of \$4.00 per square foot or \$4.8 million. The improved or entitled/positioned value equals \$6.43 per square foot or \$7.6 million.

## **Sensitivity Analysis**

The sensitivity analysis, shown below, demonstrates how changes in the assumptions used in the project summaries influence the outcome of the analysis. The changes are reflected in terms of their impact on land value. All variables, with one exception, are held constant and the land value is adjusted to maintain a 15% to 18% profit margin. In simple terms, a “what if” analysis is conducted. The analysis helps to answer questions like: What if the achievable rent is more or less than the scenario presented? What if the development costs are more or less than projected? What is the effect of placing fewer or more buildings on the site? And what if the usable land is more or less than anticipated? The answers are stated in terms of the impact they have on land value, both unimproved land and entitled/positioned land.

A \$.02 per square foot per month change in rent for shell space represents roughly a 15% to 25% change in land value. A 10% change in development costs can create a 40% to 70% change in the as is land value. Increasing or decreasing the building square footage by 10% results in a 10% to 20% change in land value. If a plan results in an increase or decrease in usable land the value can be impacted by 10% to 20%.

Changes in development costs and rent have the largest impacts on the development potential of the property. The analysis demonstrates how a relatively small change in costs has a major impact on the viability of the project. Changing these two variables results in values for unentitled/green land of \$2.50 to over \$6.25 per square foot of land value. For entitled/positioned property the range is \$4.48 to almost \$9.36 per square foot. Based on the conceptual work completed to date, land value for this scenario for NESPA #2 falls within these ranges.

## **Significant Assumptions**

The preceding analysis assumes that the property is under one ownership. In reality, a large portion of the property is designated commercial and is owned by other parties; the Highline School District and Sceda. The analysis only holds true if the commercial properties are combined with the Port of Seattle owned properties that bound it to the south, east, and north. If the assemblage does not occur, smaller developments are possible. For the purposed of this study it is assumed that the property could be acquired for a value that would support industrial development.

## **Conclusion**

The property, as presented in the preliminary plans is highly marketable and will attract a great deal of interest from users and developers subject to the following:

- 1) Assemblage.
- 2) Complete entitlement.
- 3) Appropriately priced land.
- 4) Competitive rental rates.
- 5) Limited off-site assessments.

**NEST - Burien NESPA Site #2**

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**PROJECT SUMMARY**

(1) Project Type:	<b>Industrial / Commercial Redevelopment</b>	
(2) Location:	<b>Burien WA</b>	
(3) Site Acres/SF (gross):	NA sf	NA ac
(4) Site SF (unusable):	0 sf	- ac
(5) Site SF (net useable):	1,184,832 sf	27.20 ac
(6) Site Curb to Curb:	515,515 sf	11.83 ac
(7) Building Size (rsf):	367,800 rsf	0.31 far
(8) Office Size (rsf):	36,780 rsf	10.00%
(9) Mezzanine (rsf):	- rsf	

**PROJECT COSTS**

<b>I - LAND PURCHASE</b>	Unit	x	Unit Price	=	Cost	/RSF	%
(10) Land:	1,184,832.00	sf	\$ 4.00		\$ 4,739,328	\$ 12.89	
(11) Legal, Survey, Title & Closing:	1		\$ 30,000		\$ 30,000	\$ 0.08	
Subtotal					\$ 4,769,328	\$ 12.97	21%
<b>II - MASTER PLANNING / LAND POSITIONING COSTS</b>							
(12) Environmental Studies	1	ls	\$ 30,000		\$ 30,000	\$ 0.08	
(13) Entitlement & Design	1	ls	\$ 25,000		\$ 25,000	\$ 0.07	
(14) Demolition, Abatement	20,000	sf	\$ 4.00		\$ 80,000	\$ 0.22	
(15) Street Vacation & Utility Severance	1	ls	\$ 100,000		\$ 100,000	\$ 0.27	
(16) Off Site Road Improvements	1	ls	\$ -		\$ -	\$ -	
(17) Off Site Utility Extensions	1	ls	\$ -		\$ -	\$ -	
(18) Assessments/Mitigation:	1	ls	\$ -		\$ -	\$ -	
(19) Frontage Improvements	700	lf	\$ 50.00		\$ 35,000	\$ 0.10	Positioned
(20) Onsite Storm Detention & Water Quality	5,805	cy	\$ 8.00		\$ 46,438	\$ 0.13	Land
(21) Retaining Walls	42,000	sf	\$ 8.00		\$ 336,000	\$ 0.91	w/ 30%
(22) Mass Grading, Export & Import	87,765	cy	\$ 5.00		\$ 438,827	\$ 1.19	Profit
Subtotal					\$ 1,091,265	\$ 2.97	5% \$ 6.430
<b>III - DEVELOPMENT COSTS</b>							
(23) Sitework Improvements	515,515	sf	\$ 1.00		\$ 515,515	\$ 1.40	
(24) Shell Construction	367,800	sf	\$ 25.00		\$ 9,195,000	\$ 25.00	
(25) Tenant Improvements:	36,780	sf	\$ 55.00		\$ 2,022,900	\$ 5.50	
(26) Mezzanine:	0	sf	\$ 25.00		\$ -	\$ -	
(27) Special Improvements:	0	sf	\$ -		\$ -	\$ -	
(28) Design & Development	367,800	sf	\$ 1.00		\$ 367,800	\$ 1.00	
(29) Permits/Gov Charges	367,800	sf	\$ 0.35		\$ 128,730	\$ 0.35	
(30) Sales Tax:	\$ 11,733,415		8.80%		\$ 1,032,541	\$ 2.81	
Subtotal					\$ 13,262,486	\$ 36.06	59%
<b>IV - PROJECT COSTS</b>							
(31) Brokerage Commission:	\$ 20,302,560		5.00%		\$ 1,015,128	\$ 2.76	
(32) Land Interest (mos):	0	mo	7.00%		\$ -	\$ -	
(33) RE Taxes:	12	mo	1.00%		\$ 47,393	\$ 0.13	
(34) Const. & Lease up Interest:	12	mo	7.00%		\$ 928,374	\$ 2.52	
(35) Financing Costs:	\$ 13,262,486		1.00%		\$ 132,625	\$ 0.36	
(36) Legal Fees:	\$ 13,262,486		1.00%		\$ 132,625	\$ 0.36	
(37) Marketing:	\$ 13,262,486		0.50%		\$ 66,312	\$ 0.18	
(38) Development Overhead	\$ 21,927,722		3.00%		\$ 657,832	\$ 1.79	
(39) Selling Expense:	\$ 24,109,290		2.00%		\$ 482,186	\$ 1.31	
Subtotal					\$ 3,462,475	\$ 9.41	15%
<b>Total Project Costs:</b>					\$ 22,585,553	\$ 61.41	100%

**RENT PROJECTIONS**

Tenant	RSF	x	\$/RSF/MO	=	Net Rent
(40) Shell:	367,800		\$ 0.39		\$ 1,721,304
(41) Office:	36,780		\$ 0.70		\$ 308,952
(42) Special Improvements:	0		\$ -		\$ -
(43) Mezzanine:	-		\$ -		\$ -
Potential Net Income:					\$ 2,030,256
Vacancy Factor	5.00%				\$ 101,513
Net Operating Income					\$ 1,928,743
Yield on Costs:					8.54%

**CAPITALIZED VALUATION**

	Scenario 1	Scenario 2	Scenario 3
(44) Cap Rate:	7.50%	8.00%	8.50%
(45) Capitalized Value:	\$25,716,576	\$ 24,109,290	\$ 22,691,096
(46) Sale Price/RSF:	\$69.92	\$65.55	\$61.69

**MARGIN CALCULATION**

	Scenario 1	Scenario 2	Scenario 3
(47) Total Project Costs:	\$22,585,553	\$ 22,585,553	\$ 22,585,553
(48) Profit:	\$3,131,023	\$ 1,523,737	\$ 105,543
(49) Development Overhead:	\$657,832	\$ 677,567	\$ 677,567
Total Margin:	\$3,788,854	\$ 2,201,303	\$ 783,110
Margin as %	16.78%	9.75%	3.47%

**NEST - Burien NESPA Site #2**

**Land Residual Sensitivity**

**Rent vs. Land Value**

<b>Shell Rent/ SF/Mos/NNN</b>	As Is Land Value	As Is Variability	Positioned Land Value	Positioned Variability
\$ 0.37	\$ 3.50	73%	\$5.78	84%
\$ 0.39	\$ 4.00	100%	\$6.43	100%
\$ 0.41	\$ 5.00	127%	\$7.73	116%

- 1) All other variables held constant.  
 2) Entitlement includes:

Environmental Studies, Entitlement & Design,  
 Demolition, Abatement, Street Vacation, Utility  
 Severance, Off-Site Road Improvements, Off-Site  
 Utility Extensions, Assessments/Mitigation, Frontage  
 Improvements, Onsite Storm Detention & Water  
 Quality, Retaining Walls, Mass Grading - Import &  
 Export

**Development Cost vs. Land Value**

<b>Development Costs</b>	As Is Land Value	As Is Variability	Positioned Land Value	Positioned Variability
90%	\$ 6.25	173%	\$ 9.36	144%
100%	\$ 4.00	100%	\$ 6.43	100%
110%	\$ 2.50	36%	\$ 4.48	62%

- 1) All other variables held constant.  
 2) Shell Rent 100% = \$.39/sf nnn

**Bldg SF vs. Land Value**

<b>Building SF</b>	As Is Land Value	As Is Variability	Positioned Land Value	Positioned Variability
90%	\$ 3.50	73%	\$ 5.78	84%
100%	\$ 4.00	100%	\$ 6.43	100%
110%	\$ 4.75	118%	\$ 7.41	111%

- 1) All other variables held constant.  
 2) Shell Rent 100% = \$.39/sf nnn

**Usable Land SF vs. Land Value**

<b>Usable Land Area</b>	As Is Land Value	As Is Variability	Positioned Land Value	Positioned Variability
90%	\$ 4.75	118%	\$ 7.49	114%
100%	\$ 4.00	100%	\$ 6.43	100%
110%	\$ 3.75	91%	\$ 6.04	92%

- 1) All other variables held constant.  
 2) Shell Rent 100% = \$.39/sf nnn

## **NESPA #3**

### **Overview**

NESPA #3 measures 26.4 acres. It is graded to create one level site for two buildings, totaling almost 400,000 square feet. The buildings are double loaded industrial buildings measuring 200,000 square feet each. Access to the site is from Des Moines Memorial Drive. Stormwater detention/filtration ponds are located adjacent to Miller Creek on the northern and southern portions of the property.

### **Site**

The property generally slopes away from Des Moines Memorial Drive toward Miller Creek. Mass grading involves moving approximately 170,000 cubic yards of material from the northeast portion of the property to the area along Miller Creek. Retaining walls measuring 26,000 square feet are used to support the relocated material. The building pad is generally rectangular, capable of accommodating a range of building types and configurations. Approximately 6,400 cubic yards of material are moved to create stormwater detention/filtration facilities. Street frontage improvements total 2,500 feet in length.

### **Development**

Approximately 12.8 acres of the property are used for buildings, paved parking, and truck circulation areas. The plan includes two buildings that measure 200,000 square feet each. The land to building ratio is 35%. The buildings are flexible in terms of design and can be occupied by single users or multiple tenants. The buildings can be combined to create a larger facility if needed. The estimated cost to develop the building shell is \$25 per square foot. The plan calls for 10% of the building to be office space, a figure that is slightly higher than that found in the general industrial market, reflecting the SeaTac/Burien market's tendency toward a higher percentage of office space than found elsewhere. Tenant improvements are expected to cost \$55 per square foot. The project costs, including land total over \$24.8 million or approximately \$62 per square foot of building area.

### **Rent**

Rents for industrial buildings in the area can range from between \$.40 and \$.50 per square foot per month. The NEST properties, when fully developed, represent approximately 3.8 million square feet, or a doubling of the size of the existing market. To absorb this much space the project will need to be marketed to the general industrial users – manufacturers, distributors, and logistics providers. New space in the Kent Valley is currently in the \$.32 to \$.34 per square foot of shell space and \$.65 for office space. Applying rental rates to the NEST Properties that are comparable to those for Kent Valley properties will insure the space is absorbed quickly. The market will garner a slight premium given its location with respect to the sea and air ports. The subject is located reasonably close to the airfreight terminals and a rental rate of \$.39 per square foot per month, triple net, for shell space and \$.70 for office space is achievable. The project produces \$2.2 million in net revenue. With a 5% vacancy factor the net operating income for the project is \$2.1 million.

### **Project Overall Value, Profit Margin and Land Value**

Capitalizing the net operating income at 7.5% results in a project value of approximately \$28 million dollars. Subtracting the project cost of \$24.8 million from this figure results in a profit of \$3.15 million dollars. Combined with development overhead equal to \$720,000, the total margin on the project is approximately \$3.9 million, or 15.6% of the total project costs.

The development scenario supports an unimproved or green land value of \$4.00 per square foot or \$4.6 million. The improved or entitled/positioned value equals \$7.49 per square foot or \$8.6 million.

## **Sensitivity Analysis**

The sensitivity analysis, shown below, demonstrates how changes in the assumptions used in the project summaries influence the outcome of the analysis. The changes are reflected in terms of their impact on land value. All variables, with one exception, are held constant and the land value is adjusted to maintain a 15% to 18% profit margin. In simple terms, a “what if” analysis is conducted. The analysis helps to answer questions like: What if the achievable rent is more or less than the scenario presented? What if the development costs are more or less than projected? What is the effect of placing fewer or more buildings on the site? And what if the usable land is more or less than anticipated? The answers are stated in terms of the impact they have on land value, both unimproved land and entitled/positioned land.

A \$.02 per square foot per month change in rent for shell space represents roughly a 15% to 25% change in land value. A 10% change in development costs can create a 40% to 70% change in the as is land value. Increasing or decreasing the building square footage by 10% results in a 10% to 20% change in land value. If a plan results in an increase or decrease in usable land the value can be impacted by 10% to 20%.

Changes in development costs and rent have the largest impacts on the development potential of the property. The analysis demonstrates how a relatively small change in costs has a major impact on the viability of the project. Changing these two variables results in values for unentitled/green land of \$2.00 to over \$6.25 per square foot of land value. For entitled/positioned property the range is \$4.89 to \$10.42 per square foot. Based on the conceptual work completed to date, land value for this scenario for NESPA #3 falls within these ranges.

## **Special Assumptions**

The Port of Seattle does not intend to purchase the commercial properties located along Des Moines Memorial Drive. The development as shown on the conceptual plan could likely proceed without assembling the properties at the intersection of Des Moines Memorial Way and S. 144<sup>th</sup>. The development would likely be impacted by the small commercial property, currently used as a medical clinic owned by Mcrae, located further north along Des Moines Memorial Drive. For the purposed of this study it is assumed that the property could be acquired for a value that would support industrial development.

## **Conclusion**

The property, as presented in the preliminary plans is highly marketable and will attract a great deal of interest from users and developers subject to the following:

- 1) Complete entitlement.
- 2) Appropriately priced land.
- 3) Competitive rental rates.
- 4) Limited off-site assessments.

**NEST - Burien NESPA Site #3**

8/5/2004 18:14

PROJECT SUMMARY			
(1) Project Type:	Industrial / Commercial Redevelopment		
(2) Location:	Burien, WA		
(3) Site Acres/SF (gross):	NA sf	NA ac	
(4) Site SF (unusable)	0 sf	- ac	
(5) Site SF (net useable):	1,149,984 sf	26.40 ac	
(6) Site Curb to Curb	560,647 sf	12.87 ac	
(7) Building Size (rsf):	400,000 rsf	0.35 far	
(8) Office Size (rsf)	40,000 rsf	10.00%	
(9) Mezzanine (rsf)	- rsf		

PROJECT COSTS							
I - LAND PURCHASE	Unit	x	Unit Price	=	Cost	/RSF	%
(10) Land:	1,149,984.00	sf	\$ 4.00		\$ 4,599,936	\$ 11.50	
(11) Legal, Survey, Title & Closing:	1		\$ 30,000		\$ 30,000	\$ 0.08	
Subtotal					\$ 4,629,936	\$ 11.57	19%

II - MASTER PLANNING / LAND POSITIONING COSTS							
(12) Environmental Studies	1	ls	\$ 30,000		\$ 30,000	\$ 0.08	
(13) Entitlement & Design	1	ls	\$ 25,000		\$ 25,000	\$ 0.06	
(14) Demolition, Abatement	45	ea	\$ 15,000		\$ 675,000	\$ 1.69	
(15) Street Vacation & Utility Severance	1	ls	\$ 30,000		\$ 30,000	\$ 0.08	
(16) Off Site Road Improvements	1	ls	\$ -		\$ -	\$ -	
(17) Off Site Utility Extensions	1	ls	\$ -		\$ -	\$ -	
(18) Assessments/Mitigation:	1	ls	\$ -		\$ -	\$ -	
(19) Frontage Improvements	2,500	lf	\$ 50.00		\$ 125,000	\$ 0.31	Positioned
(20) Onsite Storm Detention & Water Quality	6,385	cy	\$ 8.00		\$ 51,082	\$ 0.13	Land
(21) Retaining Walls	26,000	sf	\$ 8.00		\$ 208,000	\$ 0.52	w/ 30%
(22) Mass Grading, Export & Import	170,368	cy	\$ 5.00		\$ 851,840	\$ 2.13	Profit
Subtotal					\$ 1,995,922	\$ 4.99	8% \$ 7.49

III - DEVELOPMENT COSTS							
(23) Sitework Improvements	560,647	sf	\$ 1.00		\$ 560,647	\$ 1.40	
(24) Shell Construction	400,000	sf	\$ 25.00		\$ 10,000,000	\$ 25.00	
(25) Tenant Improvements:	40,000	sf	\$ 55.00		\$ 2,200,000	\$ 5.50	
(26) Mezzanine:	0	sf	\$ 25.00		\$ -	\$ -	
(27) Special Improvements:	0	sf	\$ -		\$ -	\$ -	
(28) Design & Development	400,000	sf	\$ 1.00		\$ 400,000	\$ 1.00	
(29) Permits/Gov Charges	400,000	sf	\$ 0.35		\$ 140,000	\$ 0.35	
(30) Sales Tax:	\$ 12,760,647		8.80%		\$ 1,122,937	\$ 2.81	
Subtotal					\$ 14,423,584	\$ 36.06	58%

IV - PROJECT COSTS							
(31) Brokerage Commission:	\$ 22,080,000		5.00%		\$ 1,104,000	\$ 2.76	
(32) Land Interest (mos):	0	mo	7.00%		\$ -	\$ -	
(33) RE Taxes:	12	mo	1.00%		\$ 45,999	\$ 0.11	
(34) Const. & Lease up Interest:	12	mo	7.00%		\$ 1,009,651	\$ 2.52	
(35) Financing Costs:	\$ 14,423,584		1.00%		\$ 144,236	\$ 0.36	
(36) Legal Fees:	\$ 14,423,584		1.00%		\$ 144,236	\$ 0.36	
(37) Marketing:	\$ 14,423,584		0.50%		\$ 72,118	\$ 0.18	
(38) Development Overhead	\$ 24,094,082		3.00%		\$ 722,822	\$ 1.81	
(39) Selling Expense:	\$ 26,220,000		2.00%		\$ 524,400	\$ 1.31	
Subtotal					\$ 3,767,462	\$ 9.42	15%
<b>Total Project Costs:</b>					<b>\$ 24,816,904</b>	<b>\$ 62.04</b>	<b>100%</b>

RENT PROJECTIONS					
Tenant	RSF	x	\$/RSF/MO	=	Net Rent
(40) Shell:	400,000		\$ 0.39		\$ 1,872,000
(41) Office:	40,000		\$ 0.70		\$ 336,000
(42) Special Improvements:	0		\$ -		\$ -
(43) Mezzanine:	-		\$ -		\$ -
Potential Net Income:					\$ 2,208,000
Vacancy Factor	5.00%				\$ 110,400
Net Operating Income					\$ 2,097,600
Yield on Costs:					8.45%

CAPITALIZED VALUATION			
	Scenario 1	Scenario 2	Scenario 3
(44) Cap Rate:	7.50%	8.00%	8.50%
(45) Capitalized Value:	\$27,968,000	\$ 26,220,000	\$ 24,677,647
(46) Sale Price/RSF:	\$69.92	\$65.55	\$61.69

MARGIN CALCULATION			
	Scenario 1	Scenario 2	Scenario 3
(47) Total Project Costs:	\$24,816,904	\$ 24,816,904	\$ 24,816,904
(48) Profit:	\$3,151,096	\$ 1,403,096	\$ (139,257)
(49) Development Overhead:	\$722,822	\$ 744,507	\$ 744,507
Total Margin:	\$3,873,918	\$ 2,147,603	\$ 605,250
Margin as %	15.61%	8.65%	2.44%

**NEST - Burien NESPA Site #3**

**Land Residual Sensitivity**

**Rent vs. Land Value**

<b>Shell Rent/ SF/Mos/NNN</b>	As Is		Positioned	
	Land Value	Variability	Land Value	Variability
\$ 0.37	\$ 3.25	73%	\$ 6.52	84%
\$ 0.39	\$ 4.00	100%	\$ 7.49	100%
\$ 0.41	\$ 4.75	127%	\$ 8.47	116%

- 1) All other variables held constant.  
 2) Entitlement includes:

Environmental Studies, Entitlement & Design,  
 Demolition, Abatement, Street Vacation, Utility  
 Severance, Off-Site Road Improvements, Off-Site  
 Utility Extensions, Assessments/Mitigation, Frontage  
 Improvements, Onsite Storm Detention & Water  
 Quality, Retaining Walls, Mass Grading - Import &  
 Export.

**Development Cost vs. Land Value**

<b>Development Costs</b>	As Is		Positioned	
	Land Value	Variability	Land Value	Variability
90%	\$ 6.25	173%	10.42	144%
100%	\$ 4.00	100%	7.49	100%
110%	\$ 2.00	36%	4.89	62%

- 1) All other variables held constant.  
 2) Shell Rent 100% = \$.39/sf nnn

**Bldg SF vs. Land Value**

<b>Building SF</b>	As Is		Positioned	
	Land Value	Variability	Land Value	Variability
90%	\$ 3.25	73%	6.52	84%
100%	\$ 4.00	100%	7.49	100%
110%	\$ 4.75	118%	8.47	111%

- 1) All other variables held constant.  
 2) Shell Rent 100% = \$.39/sf nnn

**Usable Land SF vs. Land Value**

<b>Usable Land Area</b>	As Is		Positioned	
	Land Value	Variability	Land Value	Variability
90%	\$ 4.50	118%	8.29	114%
100%	\$ 7.49	100%	7.49	100%
110%	\$ 3.50	91%	6.72	92%

- 1) All other variables held constant.  
 2) Shell Rent 100% = \$.39/sf nnn

## **NESPA #4**

NESPA #4 measures 25.34 acres. The plan shows the property graded to create one level site for two buildings, totaling almost 472,000 square feet. The buildings are single loaded industrial buildings measuring 202,000 and 272,000 square feet. Access to the site is from Des Moines Memorial Drive and 8<sup>th</sup> Ave South. Stormwater detention/filtration ponds are located across S. 14<sup>th</sup> Street adjacent to Miller Creek.

### **Site**

The plan shows mass grading moving roughly 163,000 cubic yards of material to create the single level site. The site is capable of accommodating a wide range of building types and configurations; however, its topography increases costs and reduces efficiency. Approximately 6,000 cubic yards of material are moved to create stormwater detention/filtration facilities. Retaining walls totaling 60,000 square feet are used to support the grading. Street frontage improvements total 5,200 feet in length.

### **Development**

Approximately 15.25 acres of the site are used for buildings, paved parking, and truck circulation areas. The plan includes two buildings measuring 202,000 and 272,000 square feet. The truck loading docks are located away from the street to reduce the visual impacts on the surrounding neighborhood. The land to building ratio, based on the net usable land is 43%. The buildings could be occupied by single or multiple tenants. The estimated cost to develop the building shell is \$25 per square foot. The plan calls for 10% of the building to be office space, a figure that is slightly higher than that found in the general industrial market, but consistent with the SeaTac Burien market. Tenant improvements are expected to cost \$55 per square foot. To develop the site 44 parcels of land, many with improvements would be acquired. Using an average cost of \$300,000 per parcel, the total land acquisition cost is \$13.2 million or \$11.95 per usable square foot of land. The project costs, including land total is approximately 37.4 million or \$79 per square foot of building area.

### **Rent**

Rents for industrial buildings in the area can be range between \$.40 and \$.50 per square foot per month. The NEST properties, when fully developed, represent approximately 3.8 million square feet, or a doubling of the size of the existing market. To absorb this much space the project will need to be marketed to the general industrial users – manufacturers, distributors, and logistics providers. New space in the Kent Valley is currently in the \$.32 to \$.34 per square foot of shell space and \$.65 for office space. To compete, establishing rental rates near Kent Valley properties will insure the space is absorbed quickly. The market will garner a slight premium given its location with respect to the sea and air ports. In addition, the property is especially well located with respect to the airport freight terminal. It is reasonable to assume a rate of \$.39 per square foot per month, triple net, for shell space and \$.70 for office space can be achieved. The project produces \$2.6 million in net revenue. With a 5% vacancy factor the net operating income for the project is \$2.5 million.

### **Project Overall Value, Profit Margin and Land Value**

Capitalizing the net operating income at 7.5% results in a project value of \$33.1 million. Subtracting the project cost of \$37.4 million from this figure results in a loss of approximately \$4.3 million. Combined with development overhead, of \$1.1 million, the total margin on the project is negative \$3.2 million, or approximately negative 8.5%.

The project is not feasible because the land is currently improved and under private ownership, making acquisition expensive. In addition, due to the property's uneven topography development costs are prohibitively high.

**NEST - Burien NESPA Site #4**

8/15/2004 10:26

**PROJECT SUMMARY**

(1) PROJECT TYPE:	<b>Industrial / Commercial Redevelopment</b>	
(2) LOCATION:	<b>Burien, WA</b>	
(3) SITE ACRES / SF (gross):	NA SF	NA AC
(4) SITE SF (unusable)	0 SF	- AC
(5) SITE SF (net useable):	1,103,810 SF	25.34 AC
(6) SITE CURB TO CURB	664,366 SF	15.25 AC
(7) BUILDING SIZE (RSF):	474,000 SF	0.43 FAR
(8) OFFICE SIZE (RSF)	47,400 SF	10.00%
(9) MEZZANINE (RSF)	- SF	

**PROJECT COSTS**

<b>I - LAND PURCHASE</b>	Unit	x	Unit Price	=	Cost	/RSF	%
(10) Land Assemblage:	11.96		\$ 1,103,810.40		\$ 13,200,001	\$ 27.85	
(11) Legal, Survey, Title & Closing:	1		\$ 30,000		\$ 30,000	\$ 0.06	
Subtotal					\$ <b>13,230,001</b>	\$ 27.91	35%

**II - MASTER PLANNING / LAND POSITIONING COSTS**

(12) Environmental Studies	1 ls		\$ 30,000		\$ 30,000	\$ 0.06	
(13) Entitlement & Design	1 ls		\$ 25,000		\$ 25,000	\$ 0.05	
(14) Demolition, Abatement	44 ea		\$ 15,000		\$ 660,000	\$ 1.39	
(15) Street Vacation & Utility Severance	1 ls		\$ 20,000		\$ 20,000	\$ 0.04	
(16) Off Site Road Improvements	1 ls		\$ -		\$ -	\$ -	
(17) Off Site Utility Extensions	1 ls		\$ -		\$ -	\$ -	
(18) Assessments/Mitigation:	1 lot		\$ -		\$ -	\$ -	
(19) Frontage Improvements	5,200 lf		\$ 50.00		\$ 260,000	\$ 0.55	
(20) Onsite Storm Detention & Water Quality	6,095 cy		\$ 8.00		\$ 48,760	\$ 0.10	
(21) Retaining Walls	60,000 sf		\$ 8.00		\$ 480,000	\$ 1.01	
(22) Mass Grading, Export & Import	163,527 cy		\$ 5.00		\$ 817,637	\$ 1.72	
Subtotal					\$ <b>2,341,397</b>	\$ 4.94	6%

**III - DEVELOPMENT COSTS**

(23) Sitework Improvements	664,366 sf		\$ 1.00		\$ 664,366	\$ 1.40	
(24) Shell Construction	474,000 sf		\$ 25.00		\$ 11,850,000	\$ 25.00	
(25) Tenant Improvements:	47,400 sf		\$ 55.00		\$ 2,607,000	\$ 5.50	
(26) Mezzanine:	0 sf		\$ 25.00		\$ -	\$ -	
(27) Special Improvements:	0 sf		\$ -		\$ -	\$ -	
(28) Design & Development	474,000 sf		\$ 1.00		\$ 474,000	\$ 1.00	
(29) Permits/Gov Charges	474,000 sf		\$ 0.35		\$ 165,900	\$ 0.35	
(30) Sales Tax:	\$ 15,121,366		8.80%		\$ 1,330,680	\$ 2.81	
Subtotal					\$ <b>17,091,946</b>	\$ 36.06	46%

**IV - PROJECT COSTS**

(31) Brokerage Commission:	\$ 26,164,800		5.00%		\$ 1,308,240	\$ 2.76	
(32) Land Interest (mos):	0 mo		7.00%		\$ -	\$ -	
(33) RE Taxes:	12 mo		1.00%		\$ 132,000	\$ 0.28	
(34) Const. & Lease up Interest:	12 mo		7.00%		\$ 1,196,436	\$ 2.52	
(35) Financing Costs:	\$ 17,091,946		1.00%		\$ 170,919	\$ 0.36	
(36) Legal Fees:	\$ 17,091,946		1.00%		\$ 170,919	\$ 0.36	
(37) Marketing:	\$ 17,091,946		0.50%		\$ 85,460	\$ 0.18	
(38) Development Overhead	\$ 36,348,733		3.00%		\$ 1,090,462	\$ 2.30	
(39) Selling Expense:	\$ 31,070,700		2.00%		\$ 621,414	\$ 1.31	
Subtotal					\$ <b>4,775,851</b>	\$ 10.08	13%

**Total Project Costs:**

**\$ 37,439,195 \$ 78.99 100%**

**RENT PROJECTIONS**

Tenant	RSF	x	\$/RSF/MO	=	Net Rent
(40) Shell:	474,000		\$ 0.39		\$ 2,218,320
(41) Office:	47,400		\$ 0.70		\$ 398,160
(42) Special Improvements:	0		\$ -		\$ -
(43) Mezzanine:	-		\$ -		\$ -
Potential Net Income:					\$ 2,616,480
Vacancy Factor	5.00%				\$ 130,824
Net Operating Income					\$ 2,485,656
Yield on Costs:					6.64%

**CAPITALIZED VALUATION**

	Scenario 1	Scenario 2	Scenario 3
(44) Cap Rate:	7.50%	8.00%	8.50%
(45) Capitalized Value:	\$ 33,142,080	\$ 31,070,700	\$ 29,243,012
(46) Sale Price/RSF:	\$ 69.92	\$ 65.55	\$ 61.69

**MARGIN CALCULATION**

	Scenario 1	Scenario 2	Scenario 3
(47) Total Project Costs:	\$ 37,439,195	\$ 37,439,195	\$ 37,439,195
(48) Profit:	\$ (4,297,115)	\$ (6,368,495)	\$ (8,196,183)
(49) Development Overhead:	\$ 1,090,462	\$ 1,123,176	\$ 1,123,176
Total Margin:	\$ (3,206,653)	\$ (5,245,319)	\$ (7,073,007)
Margin as %	-8.56%	-14.01%	-18.89%

## **NESPA #5**

NESPA #5 measures 29.8 net usable acres. The plan shows the property graded to create two level sites for eight buildings, totaling roughly 560,000 square feet. The buildings are single loaded industrial buildings measuring 49,000 and 81,000 square feet. Access to the site is from 8<sup>th</sup> Ave South. Stormwater detention/filtration ponds are located at the base of the hill below the property on NESPA #2, adjacent to Miller Creek.

### **Site**

The plan shows mass grading moving roughly 192,000 cubic yards of material to create two levels. The site is capable of accommodating a wide range of building types and configurations; however, its topography increases costs and reduces efficiency. Approximately 7,200 cubic yards of material are moved to create stormwater detention/filtration facilities. Retaining walls totaling 72,000 square feet are used to support the grading. Street frontage improvements total 2,200 feet in length.

### **Development**

Approximately 18.17 acres of the site are used for buildings, paved parking, and truck circulation areas. The plan includes eight buildings measuring between 49,000 and 81,000 square feet. The truck loading docks are located away from the street to reduce the visual impacts on the surrounding neighborhood. The land to building ratio, based on the net usable land is 43%. The buildings could be occupied by single or multiple tenants. The estimated cost to develop the building shell is \$25 per square foot. The plan calls for 10% of the building to be office space, a figure that is slightly higher than that found in the general industrial market, but consistent with the SeaTac Burien market. Tenant improvements are expected to cost \$55 per square foot. To develop the site 97 parcels of land, many with improvements, would be acquired. Using an average cost of \$300,000 per parcel, the total land acquisition cost is \$29.1 million or \$22.41 per usable square foot of land. The project costs, including land total is approximately 58.2 million or \$103 per square foot of building area.

### **Rent**

Rents for industrial buildings in the area can range between \$.40 and \$.50 per square foot per month. The NEST properties, when fully developed, represent approximately 3.8 million square feet, or a doubling of the size of the existing market. To absorb this much space the project will need to be marketed to the general industrial users – manufacturers, distributors, and logistics providers. New space in the Kent Valley is currently in the \$.32 to \$.34 per square foot of shell space and \$.65 for office space. To compete, establishing rental rates near Kent Valley properties will insure the space is absorbed quickly. The market will garner a slight premium given its location with respect to the sea and air ports. In addition, the property is especially well located with respect to the airport freight terminal. It is reasonable to assume a rate of \$.39 per square foot per month, triple net, for shell space and \$.70 for office space can be achieved. The project produces \$3.1 million in net revenue. With a 5% vacancy factor the net operating income for the project is \$2.96 million.

### **Project Overall Value, Profit Margin and Land Value**

Capitalizing the net operating income at 7.5% results in a project value of \$39.5 million. Subtracting the project cost of \$58.2 million from this figure results in a loss of approximately \$18.7 million. Combined with development overhead, of \$1.7 million, the total margin on the project is negative \$17 million, or approximately negative 29%.

The project is not feasible because the land is currently improved and under private ownership, making acquisition expensive. In addition, due to the property's uneven topography development costs are high.

**NEST - Burien NESPA Site #5**

8/15/2004 10:30

**PROJECT SUMMARY**

(1) Project Type:	<b>Industrial / Commercial Redevelopment</b>		
(2) Location:	<b>Burien, WA</b>		
(3) Site Acres/SF (gross):	NA sf	NA ac	
(4) Site SF (unusable):	0 sf	-	ac
(5) Site SF (net useable):	1,298,088 sf	29.80 ac	
(6) Site Curb to Curb:	791,423 sf	18.17 ac	
(7) Building Size (rsf):	564,650 rsf	0.43 far	
(8) Office Size (rsf):	56,465 rsf	10.00%	
(9) Mezzanine (rsf):	-	rsf	

**PROJECT COSTS**

<b>I - LAND PURCHASE</b>	<u>Unit</u>	x	<u>Unit Price</u>	=	<u>Cost</u>	<u>/RSF</u>	<u>%</u>
(10) Land Assemblage:	\$ 22.42		\$ 1,298,088.00		\$ 29,100,018	\$ 51.54	
(11) Legal, Survey, Title & Closing:	1		\$ 30,000		\$ 30,000	\$ 0.05	
Subtotal					<b>\$ 29,130,018</b>	<b>\$ 51.59</b>	<b>50%</b>

**II - MASTER PLANNING / LAND POSITIONING COSTS**

(12) Environmental Studies	1 ls	\$	30,000	\$	30,000	\$ 0.05	
(13) Entitlement & Design	1 ls	\$	25,000	\$	25,000	\$ 0.04	
(14) Demolition, Abatement	53 ea	\$	15,000	\$	795,000	\$ 1.41	
(15) Street Vacation & Utility Severance	1 ls	\$	60,000	\$	60,000	\$ 0.11	
(16) Off Site Road Improvements	1 ls	\$	-	\$	-	\$ -	
(17) Off Site Utility Extensions	1 ls	\$	-	\$	-	\$ -	
(18) Condemnation Costs:	1 lot	\$	-	\$	-	\$ -	
(19) Frontage Improvements	2,200 lf	\$	20.00	\$	44,000	\$ 0.08	
(20) Onsite Storm Detention & Water Quality	7,256 cy	\$	8.00	\$	58,048	\$ 0.10	
(21) Retaining Walls	72,000 sf	\$	8.00	\$	576,000	\$ 1.02	
(22) Mass Grading, Export & Import	192,309 cy	\$	5.00	\$	961,547	\$ 1.70	
Subtotal					<b>\$ 2,549,594</b>	<b>\$ 4.52</b>	<b>4%</b>

**III - DEVELOPMENT COSTS**

(23) Sitework Improvements	791,423 sf	\$	1.00	\$	791,423	\$ 1.40	
(24) Shell Construction	564,650 sf	\$	25.00	\$	14,116,250	\$ 25.00	
(25) Tenant Improvements:	56,465 sf	\$	55.00	\$	3,105,575	\$ 5.50	
(26) Mezzanine:	0 sf	\$	25.00	\$	-	\$ -	
(27) Special Improvements:	0 sf	\$	-	\$	-	\$ -	
(28) Design & Development	564,650 sf	\$	1.00	\$	564,650	\$ 1.00	
(29) Permits/Gov Charges	564,650 sf	\$	0.35	\$	197,628	\$ 0.35	
(30) Sales Tax:	\$ 18,013,248		8.80%	\$	1,585,166	\$ 2.81	
Subtotal					<b>\$ 20,360,691</b>	<b>\$ 36.06</b>	<b>35%</b>

**IV - PROJECT COSTS**

(31) Brokerage Commission:	\$ 31,168,680		5.00%	\$	1,558,434	\$ 2.76	
(32) Land Interest (mos):	0 mo		7.00%	\$	-	\$ -	
(33) RE Taxes:	12 mo		1.00%	\$	291,000	\$ 0.52	
(34) Const. & Lease up Interest:	12 mo		7.00%	\$	1,425,248	\$ 2.52	
(35) Financing Costs:	\$ 20,360,691		1.00%	\$	203,607	\$ 0.36	
(36) Legal Fees:	\$ 20,360,691		1.00%	\$	203,607	\$ 0.36	
(37) Marketing:	\$ 20,360,691		0.50%	\$	101,803	\$ 0.18	
(38) Development Overhead	\$ 56,564,259		3.00%	\$	1,696,928	\$ 3.01	
(39) Selling Expense:	\$ 37,012,808		2.00%	\$	740,256	\$ 1.31	
Subtotal					<b>\$ 6,220,884</b>	<b>\$ 11.02</b>	<b>11%</b>

**Total Project Costs:**

**\$ 58,261,187 \$ 103.18 100%**

**RENT PROJECTIONS**

<u>Tenant</u>	<u>RSF</u>	x	<u>\$/RSF/MO</u>	=	<u>Net Rent</u>
(40) Shell:	564,650		\$ 0.39	\$	2,642,562
(41) Office:	56,465		\$ 0.70	\$	474,306
(42) Special Improvements:	0		\$ -	\$	-
(43) Mezzanine:	-		\$ -	\$	-
Potential Net Income:				\$	3,116,868
Vacancy Factor	5.00%			\$	155,843
Net Operating Income				\$	2,961,025
Yield on Costs:					5.08%

**CAPITALIZED VALUATION**

	<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>
(44) Cap Rate:	7.50%	8.00%	8.50%
(45) Capitalized Value:	\$ 39,480,328	\$ 37,012,808	\$ 34,835,584
(46) Sale Price/RSF:	\$ 69.92	\$ 65.55	\$ 61.69

**MARGIN CALCULATION**

	<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>
(47) Total Project Costs:	\$ 58,261,187	\$ 58,261,187	\$ 58,261,187
(48) Profit:	\$ (18,780,859)	\$ (21,248,380)	\$ (23,425,604)
(49) Development Overhead:	\$ 1,696,928	\$ 1,747,836	\$ 1,747,836
Total Margin:	\$ (17,083,931)	\$ (19,500,544)	\$ (21,677,768)
Margin as %	-29.32%	-33.47%	-37.21%

## 55 Acre Parcels

The property measures 55 gross acres and 27.8 net acres. It is graded into two level building sites that accommodate buildings. The buildings are single loaded industrial buildings measuring between 72,000 and 110,000 square feet. Access to the site is from S. 142<sup>nd</sup> Street, with truck access from SR 518 only. Stormwater detention facilities are located on the westerly portion of the property.

### Off-Site Impacts

#### Traffic

The 55 Acre site is bounded by S.144<sup>th</sup> / 142<sup>nd</sup> Street on the south and 24<sup>th</sup> Avenue South on the east. Parts of the site are close to S.136<sup>th</sup> on the north and they are separated from DMMD on the west by wetlands.

Transportation data was derived from the 1998 City of SeaTac Comprehensive Plan Update and Port of Seattle Ground Access Facility Plan Update - Joint Transportation Study (JTS) dated December 2001, the SR 518 Route Development Plan (RDP) dated June 2002, and draft concepts from the ongoing North End Arterial Study (NEAS).

Principal access to the 55 Acre site would be from S.144<sup>th</sup> / 142<sup>nd</sup> Street on the south. S.146<sup>th</sup> / 144<sup>th</sup> / 142<sup>nd</sup> Street is a two-lane collector arterial which provides access to 1<sup>st</sup> Avenue South, SR 509. Widening of S.146<sup>th</sup> / 144<sup>th</sup> / 142<sup>nd</sup> Street to three lanes is proposed between DMMD and 24<sup>th</sup> Avenue South.

Regional access is currently available from SR 518 in both directions via DMMD to the east and via 24<sup>th</sup> Avenue South / S.154<sup>th</sup> Street to the west. Significant interchange improvements are proposed at 24<sup>th</sup> Avenue South and SR 518 in the SR 518 RDP.

Some concepts in NEAS also show alternatives that would deviate S.146<sup>th</sup> / 144<sup>th</sup> / 142<sup>nd</sup> to the south as a S.146<sup>th</sup> / 144<sup>th</sup> / 146<sup>th</sup> Street alignment west to 24<sup>th</sup> Avenue South. The local access to S.142<sup>nd</sup> Street would be preserved, however. The outcome of the NEAS will influence access patterns, particularly the use of 24<sup>th</sup> Avenue.

The land uses proposed for the SeaTac 55 Acre site is about 465,000 square feet. However, a significant area is not available for buildings and could only support parking facilities. The following traffic generation scenarios for warehousing, truck terminal and light industrial were developed:

	SeaTac 55 Acre Site Traffic Generation			
	Warehouse (150)	Truck Terminal (030)	80% Warehouse / 20% Truck Terminal	60% Warehouse / 20% Truck Terminal/20% Light Industrial
ADT	2,056	4,566	2,628	2,933
AM Peak Hour	247	417	294	339
PM Peak Hour	219	380	260	313

According to the JTS, the site was analyzed for employee parking. The preferred alternative 2A generated about 2,800 ADT in 2010 (235 PM Peak) and about 4,100 ADT in 2020 (325 PM Peak).

Access to the northerly parcel could be provided through the parking lot area from S.142<sup>nd</sup> Street; access from S.136<sup>th</sup> would not likely be required.

The potential peak hour traffic volumes are probably in the order of 350 vehicles per hour. This would not likely in itself require major improvements to the regional roads. Access to the site from S.142<sup>nd</sup> Street would be adequate, requiring minor modifications costing from \$50,000 to \$80,000. .

Improvements to S.146<sup>th</sup> / 144<sup>th</sup> / 142<sup>nd</sup> or 146<sup>th</sup> alignment would occur for the entire development of the northeast arterial area in SeaTac. Channelization improvements on DMMD at S.144<sup>th</sup> Street are programmed by the City of Burien. The 55 Acre site would pay its fair share of these improvements, however for this analysis it the improvements are not implemented and truck access is via the existing S 142<sup>nd</sup> to SR 518.

### **Other Costs.**

The cost to bring utilities to the site can influence the development potential of a property. At one time the residences were located on the property and were served by utilities. While some severance and relocation is required, the infrastructure is in place to support the proposed improvements.

### **Site**

The site is irregular shaped, has irregular topography, and irregular street access. The plan shows mass grading involving moving approximately 175,000 cubic yards of material to form two level building sites. Retaining walls measuring 38,000 square feet are used to support the relocated material. The building pads are large enough to accommodating a range of building types, providing they are not too large. Approximately 47,000 cubic yards of material are moved to create stormwater detention/filtration facilities. Street frontage improvements total 4,200 feet in length.

### **Development**

Approximately 25.75 acres of the property are used for buildings, paved parking, and truck circulation areas. A portion of the site is located within the ATZ and is subject to FAA restrictions. For the purposes of this study it is assumed the area is used for parking for the buildings located on the balance of the site. The development plan includes five buildings that measure between 72,000 and 110,000 square feet. The land to building ratio is 39%. The buildings are flexible in terms of design and can be occupied by single or multiple tenants. The buildings can be combined to create a larger facility if needed. The estimated cost to develop the building shell is \$25 per square foot. The plan calls for 10% of the building to be office space, a figure that is slightly higher than that found in the general industrial market, reflecting the SeaTac/Burien market's tendency toward a higher percentage of office space than found elsewhere. Tenant improvements are expected to cost \$55 per square foot. The project costs, including land total over \$29.8 million or approximately \$64 per square foot of building area.

### **Rent**

Rents for industrial buildings in the area can range from between \$.40 and \$.50 per square foot per month. The NEST properties, when fully developed, represent approximately 3.8 million square feet, or a doubling of the size of the existing market. To absorb this much space the project will need to be marketed to the general industrial users – manufacturers, distributors, and logistics providers. New space in the Kent Valley is currently in the \$.32 to \$.34 per square foot of shell space and \$.65 for office space. Establishing rental rates for the NEST Properties at levels comparable to Kent Valley properties will insure the space is absorbed quickly. The property will garner a premium given its location with respect to the sea and air ports. The subject is located close to the airfreight terminals and a rental rate of \$.41 per square foot per month, triple net, for shell space and \$.70 for office space is achievable. The project produces \$2.7 million in net revenue. With a 5% vacancy factor the net operating income for the project is \$2.5 million.

## **Project Overall Value, Profit Margin and Land Value**

Capitalizing the net operating income at 7.5% results in a project value of \$33.8 million dollars. Subtracting the project cost of \$29.8 million from this figure results in a profit of \$4.0 million dollars. Combined with development overhead equal to \$870,000, the total margin on the project is approximately \$4.9 million, or 16.3% of the total project costs.

The development scenario supports an unimproved or green land value of \$5.00 per square foot or \$6.0 million. The improved or entitled/positioned value equals \$8.85 per square foot or \$10.4 million.

## **Sensitivity Analysis**

The sensitivity analysis, shown below, demonstrates how changes in the assumptions used in the project summaries influence the outcome of the analysis. The changes are reflected in terms of their impact on land value. All variables, with one exception, are held constant and the land value is adjusted to maintain a 15% to 18% profit margin. In simple terms, a "what if" analysis is conducted. The analysis helps to answer questions like: What if the achievable rent is more or less than the scenario presented? What if the development costs are more or less than projected? What is the effect of placing fewer or more buildings on the site? And what if the usable land is more or less than anticipated? The answers are stated in terms of the impact they have on land value, both unimproved land and entitled/positioned land.

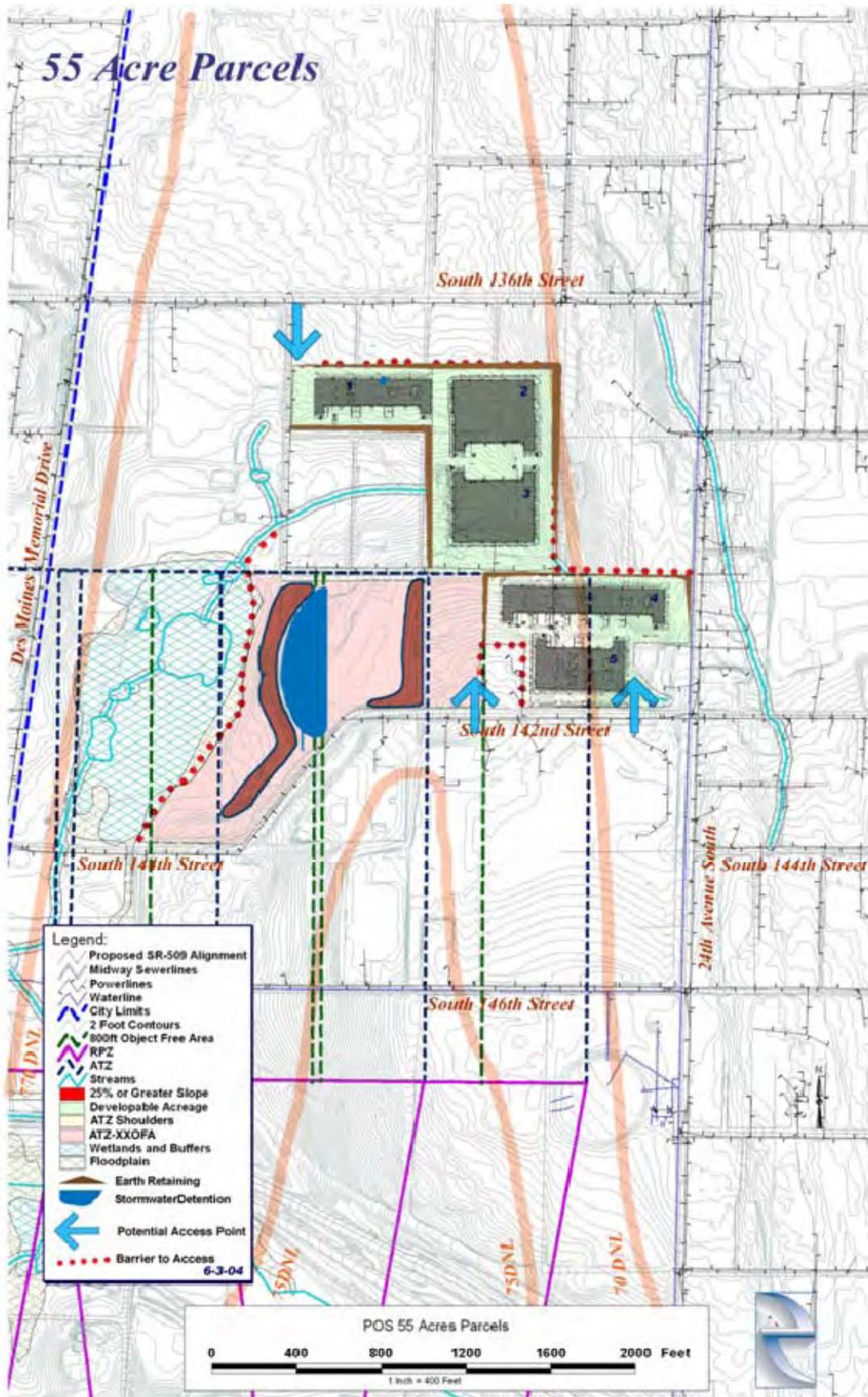
A \$.02 per square foot per month change in rent for shell space represents roughly a 15% to 25% change in land value. A 10% change in development costs can create a 40% to 70% change in the "as is" land value. Increasing or decreasing the building square footage by 10% results in a 10% to 20% change in land value. If a plan results in an increase or decrease in usable land the value can be impacted by 10% to 20%.

Changes in development costs and rent have the largest impacts on the development potential of the property. The analysis demonstrates how a relatively small change in costs has a major impact on the viability of the project. Changes in development costs result in values for unentitled/green land of \$3.00 to over \$8.00 per square foot of land value. For entitled/positioned property the range is \$6.25 to \$12.75 per square foot. Based on the conceptual work completed to date, land value for this scenario for the 55 Acre Parcels falls within these ranges.

## **Conclusion**

The property, as presented in the preliminary plans is highly marketable and will attract a great deal of interest from users and developers subject to the following:

- 1) Complete entitlement.
- 2) Appropriately priced land.
- 3) Competitive rental rates.
- 4) Limited off-site assessments.



**NEST - 55 Acre Parcels**

8/5/2004 19:17

<b>PROJECT SUMMARY</b>			
(1) Project Type:	<b>Industrial / Commercial Redevelopment</b>		
(2) Location:	<b>SeaTac, WA</b>		
(3) Site Acres/SF (gross):	2,395,800 sf	55.00 ac	
(4) Site SF (unusable):	1,210,968 sf	27.80 ac	
(5) Site SF (net useable):	1,184,832 sf	27.20 ac	
(6) Site Curb to Curb:	1,121,825 sf	25.75 ac	
(7) Building Size (rsf):	463,550 rsf	0.39 far	
(8) Office Size (rsf)	46,355 rsf	10.00%	
(9) Mezzanine (rsf)	- rsf		

<b>PROJECT COSTS</b>							
<b>I - LAND PURCHASE</b>	Unit	x	Unit Price	=	Cost	/RSF	%
(10) Land:	1,184,832.00	sf	\$ 5.00		\$ 5,924,160	\$ 12.78	
(11) Legal, Survey, Title & Closing:	1		\$ 30,000		\$ 30,000	\$ 0.06	
Subtotal					<b>\$ 5,954,160</b>	<b>\$ 12.84</b>	<b>20%</b>

<b>II - MASTER PLANNING / LAND POSITIONING COSTS</b>							
(12) Environmental Studies	1	ls	\$ 30,000	\$	30,000	\$ 0.06	
(13) Entitlement & Design	1	ls	\$ 25,000	\$	25,000	\$ 0.05	
(14) Demolition, Abatement	1	ls	\$ 100,000.00	\$	100,000	\$ 0.22	
(15) Street Vacation & Utility Severance	1	ls	\$ 100,000	\$	100,000	\$ 0.22	
(16) Off Site Road Improvements	1	ls	\$ 80,000	\$	80,000	\$ 0.17	
(17) Off Site Utility Extensions	1	ls	\$ -	\$	-	\$ -	
(18) Assessments/Mitigation:	1	ls	\$ -	\$	-	\$ -	
(19) Frontage Improvements	4,200	lf	\$ 50	\$	210,000	\$ 0.45	Positioned
(20) Onsite Storm Detention & Water Quality	47,658	cy	\$ 8.00	\$	381,263	\$ 0.82	Land
(21) Retaining Walls	38,000	sf	\$ 8.00	\$	304,000	\$ 0.66	w/ 30%
(22) Mass Grading, Export & Import	175,531	cy	\$ 5.00	\$	877,653	\$ 1.89	Profit
Subtotal					<b>\$ 2,107,916</b>	<b>\$ 4.55</b>	<b>7% \$ 8.85</b>

<b>III - DEVELOPMENT COSTS</b>							
(23) Sitework Improvements	1,121,825	sf	\$ 1.00	\$	1,121,825	\$ 2.42	
(24) Shell Construction	463,550	sf	\$ 25.00	\$	11,588,750	\$ 25.00	
(25) Tenant Improvements:	46,355	sf	\$ 55.00	\$	2,549,525	\$ 5.50	
(26) Mezzanine:	0	sf	\$ 25.00	\$	-	\$ -	
(27) Parking:	0	st	\$ 1,000	\$	-	\$ -	
(28) Design & Development	463,550	sf	\$ 1.00	\$	463,550	\$ 1.00	
(29) Permits/Gov Charges	463,550	sf	\$ 0.35	\$	162,243	\$ 0.35	
(30) Sales Tax:	\$ 15,260,100		8.80%	\$	1,342,889	\$ 2.90	
Subtotal					<b>\$ 17,228,781</b>	<b>\$ 37.17</b>	<b>58%</b>

<b>IV - PROJECT COSTS</b>							
(31) Brokerage Commission:	\$ 26,700,480		5.00%	\$	1,335,024	\$ 2.88	
(32) Land Interest (mos):	0	mo	7.00%	\$	-	\$ -	
(33) RE Taxes:	12	mo	1.00%	\$	59,242	\$ 0.13	
(34) Const. & Lease up Interest:	12	mo	7.00%	\$	1,206,015	\$ 2.60	
(35) Financing Costs:	\$ 17,228,781		1.00%	\$	172,288	\$ 0.37	
(36) Legal Fees:	\$ 17,228,781		1.00%	\$	172,288	\$ 0.37	
(37) Marketing:	\$ 17,228,781		0.50%	\$	86,144	\$ 0.19	
(38) Development Overhead	\$ 28,955,994		3.00%	\$	868,680	\$ 1.87	
(39) Selling Expense:	\$ 31,706,820		2.00%	\$	634,136	\$ 1.37	
Subtotal					<b>\$ 4,533,816</b>	<b>\$ 9.78</b>	<b>15%</b>

**Total Project Costs: \$ 29,824,674 \$ 64.34 100%**

<b>RENT PROJECTIONS</b>					
Tenant	RSF	x	\$/RSF/MO	=	Net Rent
(40) Shell:	463,550		\$ 0.41	\$	2,280,666
(41) Office:	46,355		\$ 0.70	\$	389,382
(42) Parking/Yard Storage:	360,000		\$ -	\$	-
(43) Mezzanine:	-		\$ -	\$	-
Potential Net Income:				\$	2,670,048
Vacancy Factor	5.00%			\$	133,502
Net Operating Income				\$	2,536,546
Yield on Costs:					8.50%

<b>CAPITALIZED VALUATION</b>			
	Scenario 1	Scenario 2	Scenario 3
(44) Cap Rate:	7.50%	8.00%	8.50%
(45) Capitalized Value:	\$33,820,608	\$ 31,706,820	\$ 29,841,713
(46) Sale Price/RSF:	\$72.96	\$68.40	\$64.38

<b>MARGIN CALCULATION</b>			
	Scenario 1	Scenario 2	Scenario 3
(47) Total Project Costs:	\$ 29,824,674	\$ 29,824,674	\$ 29,824,674
(48) Profit:	\$ 3,995,934	\$ 1,882,146	\$ 17,039
(49) Development Overhead:	\$ 868,680	\$ 894,740	\$ 894,740
Total Margin:	\$ 4,864,614	\$ 2,776,887	\$ 911,780
Margin as %	16.31%	9.31%	3.06%



**NEST Study**

## **Economic Benefits**

*August 5, 2004*

*Prepared by:  
Greg Easton, Property Counselors*

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# Introduction

Development of the NEST properties will create an inventory of facilities that can attract airport-related businesses. To the extent that the new businesses would not be attracted to the local area or King County in the absence of the availability of these sites, development will create new money impacts for the area. The new money impacts take the form of gross receipts, jobs, personal income (wages), and tax revenues. The economic benefits of development of each site are presented in this section in terms of:

Methodology and Assumptions

Summary of Results

## Methodology and Assumptions

### Overview

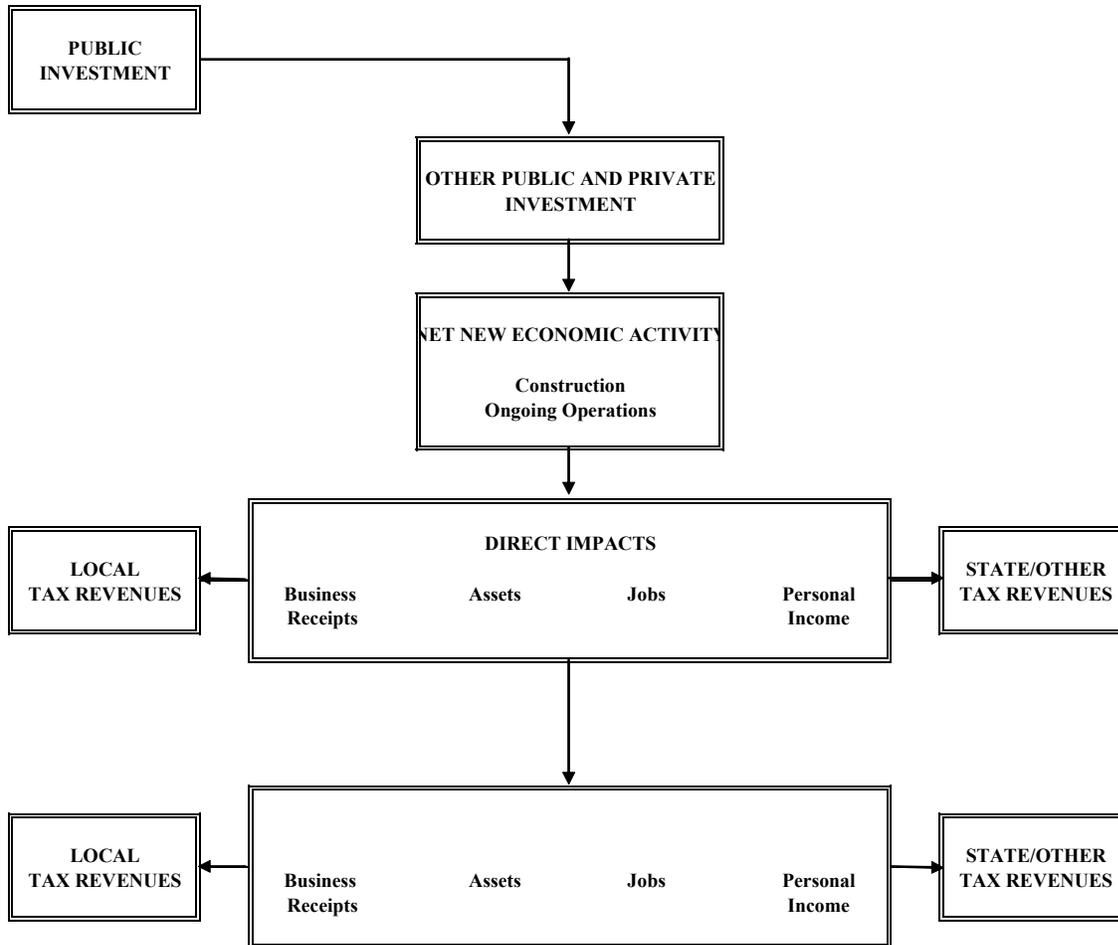
The economic benefits model is summarized briefly in the figure on the following page.

Public Investment attracts private investment and new business spending. The new money is attributable to both construction and ongoing operations.

The Direct Impacts take the form of new business receipts, assets, jobs, and personal income; which in turn create tax revenues for the City, State, and other jurisdictions.

Indirect and Induced Impacts are the additional spending created by purchases of goods and services by the primary activity as well as spending by the employees of the primary employers. This circulation of the new money through the economy is often referred as the multiplier effect. The indirect and induced business receipts, assets, jobs, and personal income also generate tax revenues for the City, State, and other local jurisdictions.

**Figure 1**  
**ECONOMIC BENEFITS MODEL**



## Assumptions

The factors used to estimate the different benefits are summarized below.

## Direct Benefits

The key direct benefits are gross receipts, jobs, and wages. Jobs are estimated from the development plans for each site using a jobs per square foot factor. Gross receipts and earnings are estimated on a per employee basis. The factors were derived for a series of target industry sectors as described in the Economic analysis.

	Construction	Chemical Manufacturing	Machinery Manufacturing	Electronics Manufacturing	Transportation Equipment Manufacturing	Freight Transportation	Warehousing
Gross Receipts per Employee	100,000	135,000	175,000	150,000	100,000	135,000	100,000
Employees per Square Foot		400	600	400	600	600	600
Earnings per Employee	50,000	50,000	40,000	60,000	45,000	40,000	40,000

**Indirect and Induced Impacts** are estimated by simulating how spending works its way throughout the various sectors of the economy. Input-output models with detailed descriptions of the interrelationships can provide estimates of impacts in all sectors. The models can also be used to derive multipliers which summarize the ratio of total impacts (direct, indirect and induced impacts) to direct impact in specific sectors. The Regional Input-Output Modeling System (RIMS II) from the United States Bureau of Economic Analysis, reports multipliers at County levels for 60 sector and 475 sector (more detailed) levels. The reported multipliers for output (gross receipts), earnings (personal income) and jobs for King County are as follows.

	Construction	Chemical Manufacturing	Machinery Manufacturing	Electronics Manufacturing	Transportation Equipment Manufacturing	Freight Transportation	Warehousing
Gross Receipts Multiplier	1.8415	1.7609	1.6494	1.7411	1.6083	1.7973	1.6998
Employment Multiplier	1.8190	2.9015	2.0508	2.0131	2.2269	2.1269	1.6175
Earnings Multiplier	2.0596	6.1457	2.1853	2.6055	2.4183	2.1488	1.5725

As noted, those multipliers apply at the County level. Multipliers become smaller at smaller levels of geography because of the increased leakage of economic activity beyond jurisdiction boundaries. Conversely, the multipliers for State-level impacts are higher.

**Tax Base** increases are estimated using a series of factors.

- Assessed Valuation: Based on development plan proformas with cross check to King County Assessor data. Values vary from \$60 to \$85 per square foot of building.
- Gross Receipts: Based on output projections.

- Taxable Sales: Based on proformas for construction taxable sales, and adjusted gross receipts for ongoing economic activity. Adjustment uses average taxable sales factors for statewide data. Since goods exported from the State are exempt from retail sales tax, the factor for most sections is assumed to be 0 percent.
- Utilities Consumption: Based on average utility charges per square foot of building area.

	<u>Manufacturing</u>	<u>Warehousing</u>
Electrical	\$1.00/square foot	\$.10/square foot
Garbage/Gas/Telephone/Cable	\$1.00/square foot	\$.10/square foot

Water and sewer are provided by other public utilities and are not subject to the utilities tax.

- Property Sales: Assuming initial sale of property to developer or end-user.
- Contract Rent: is the rent charged by a public agency under a building or ground lease. The contract rent is taken from the proformas for the various development plans. Generally, public agencies will sell or lease the land, but not develop the buildings. A comparison of the difference in taxes collected under a public lease versus privately owned case is shown in Appendix 1.
- Tax Rates: Tax rates are assumed at current levels:

	<b>Burien</b>	<b>Des Moines</b>	<b>SeaTac</b>
<b>Property Tax (\$/1000)</b>			
City	1.44756	1.54171	2.81779
County	1.66863	1.66863	1.66863
Port	0.25402	0.25402	0.25402
Library District	0.53653	0.49246	0.53653
Fire District	1.40472	1.68774	
School District	3.98005	3.98005	3.98005
State	2.75678	2.75678	2.75678
<b>Total</b>	<b>12.04829</b>	<b>12.38139</b>	<b>12.01380</b>
<b>Retail Sales Tax</b>			
City	0.84%	0.84%	0.84%
County (incl. Criminal Justic	0.25%	0.25%	0.25%
Transit	1.20%	1.20%	1.20%
State	6.51%	6.51%	6.51%
<b>Total</b>	<b>8.80%</b>	<b>8.80%</b>	<b>8.80%</b>
<b>Business and Occupation</b>			
City	0.050%		
State	0.484%	0.484%	0.484%
<b>Utilities</b>			
Electric	3.0%	6.0%	0.0%
Garbage/Gas/Telephone/Cat	6.0%	6.0%	0.0%
<b>Real Estate Excise</b>	<b>0.5%</b>	<b>0.5%</b>	<b>0.5%</b>
<b>Leasehold Excise</b>			
City	4.00%	4.00%	4.00%
County	2.00%	2.00%	2.00%
State	6.84%	6.84%	6.84%
<b>Total</b>	<b>12.84%</b>	<b>12.84%</b>	<b>12.84%</b>

## **Summary of Results**

The results of the analysis vary by jurisdiction, by the intensity of development, and by the type of use identified for each site. Table 1 summarizes the benefits at full buildout of each site in a range for lower contribution uses (all sites developed for warehousing) to high contribution uses (all sites developed for electronics manufacturing). In fact, each site may be developed for a variety of uses, so the benefit at full buildout will fall somewhere within the range. All results, both on-going annual and one-time benefits, reflect full buildout in constant 2004 dollars.

# Table 1

## NEST Properties Benefit Analysis

### Summary of Benefits-Potential Buildout-Low Contribution Uses

	Burien NESPA Site #1	Burien NESPA Site #2	Burien NESPA Site #3	Burien NESPA Site #4	Burien NESPA Site #5	Des Moines Site #1 2.0 BCY	Des Moines Site #2	SeaTac 55 Acres	SeaTac Borrow 3	SeaTac S. 200th
<b>Site Acres-Net Usable</b>	10.5	27.2	26.4	25.3	29.8	97.8	21.7	46.3	16.0	22.6
Building Sq. Ft.	154,000	367,800	400,000	474,000	564,650	1,523,350	291,400	463,550	164,000	384,250
Total Project Cost	9,614,094	22,585,553	24,816,904	37,439,195	58,261,169	90,640,165	17,645,443	24,005,553	10,028,542	24,005,553
<b>Direct Benefits-Ongoing</b>										
Gross Receipts	25,666,667	61,300,000	66,666,667	79,000,000	94,108,333	253,891,667	48,566,667	77,258,333	27,333,333	64,041,667
Employees	257	613	667	790	941	2,539	486	773	273	640
Earnings	10,266,667	24,520,000	26,666,667	31,600,000	37,643,333	101,556,667	19,426,667	30,903,333	10,933,333	25,616,667
<b>Direct Indirect and Induced-Ongoing</b>										
Gross Receipts	43,628,200	104,197,740	113,320,000	134,284,200	159,965,345	431,565,055	82,553,620	131,323,715	46,461,200	108,858,025
Employees	415	992	1,078	1,278	1,522	4,107	786	1,250	442	1,036
Earnings	16,144,333	38,557,700	41,933,333	49,691,000	59,194,142	159,697,858	30,548,433	48,595,492	17,192,667	40,282,208
<b>Direct Tax Revenues-Annual Ongoing</b>										
City	27,595	65,905	71,675	95,227	121,612	170,937	32,698	84,902	30,038	70,378
County (incl. Criminal Justice)	15,418	36,823	40,047	59,320	80,086	165,224	31,606	50,277	17,788	41,676
Transit	-	-	-	-	-	-	-	-	-	-
Port	2,347	5,606	6,096	9,030	12,192	25,152	4,811	6,126	2,323	6,344
Other Local	54,713	130,671	142,111	210,502	284,194	609,974	116,681	108,920	41,311	112,807
State	149,699	357,529	388,829	480,364	587,797	1,501,806	287,279	456,994	161,681	378,816
<b>Total</b>	<b>249,772</b>	<b>596,534</b>	<b>648,759</b>	<b>854,443</b>	<b>1,085,881</b>	<b>2,473,093</b>	<b>473,075</b>	<b>707,219</b>	<b>253,140</b>	<b>610,021</b>

### Summary of Benefits-Potential Buildout-High Contribution Uses

	Burien NESPA Site #1	Burien NESPA Site #2	Burien NESPA Site #3	Burien NESPA Site #4	Burien NESPA Site #5	Des Moines Site #1 2.0 BCY	Des Moines Site #2	SeaTac 55 Acres	SeaTac Borrow 3	SeaTac S. 200th
<b>Site Acres-Net Usable</b>	10.5	27.2	26.4	25.3	29.8	97.8	21.7	46.3	16.0	22.6
Building Sq. Ft.	154,000	367,800	400,000	474,000	564,650	1,523,350	291,400	463,550	164,000	384,250
Total Project Cost	9,614,094	22,585,553	24,816,904	37,439,195	58,261,169	90,640,165	17,645,443	24,005,553	10,028,542	24,005,553
<b>Direct Benefits-Ongoing</b>										
Gross Receipts	57,750,000	137,925,000	150,000,000	177,750,000	211,743,750	571,256,250	109,275,000	173,831,250	61,500,000	144,093,750
Employees	385	920	1,000	1,185	1,412	3,808	729	1,159	410	961
Earnings	23,100,000	55,170,000	60,000,000	71,100,000	84,697,500	228,502,500	43,710,000	69,532,500	24,600,000	57,637,500
<b>Direct Indirect and Induced-Ongoing</b>										
Gross Receipts	100,548,525	240,141,218	261,165,000	309,480,525	368,667,043	994,614,257	190,258,703	302,657,589	107,077,650	250,881,628
Employees	775	1,851	2,013	2,386	2,842	7,667	1,467	2,333	825	1,934
Earnings	60,187,050	143,745,435	156,330,000	185,251,050	220,679,336	595,363,264	113,886,405	181,166,929	64,095,300	150,174,506
<b>Direct Tax Revenues-Annual Ongoing</b>										
City	56,110	134,009	145,741	182,996	226,166	335,459	64,170	84,902	30,038	70,378
County (incl. Criminal Justice)	15,418	36,823	40,047	59,320	80,086	165,224	31,606	50,277	17,788	41,676
Transit	-	-	-	-	-	-	-	-	-	-
Port	2,347	5,606	6,096	9,030	12,192	25,152	4,811	6,126	2,323	6,344
Other Local	54,713	130,671	142,111	210,502	284,194	609,974	116,681	108,920	41,311	112,807
State	304,983	728,394	792,163	958,314	1,157,152	3,037,850	581,107	924,407	327,047	766,268
<b>Total</b>	<b>433,571</b>	<b>1,035,503</b>	<b>1,126,159</b>	<b>1,420,162</b>	<b>1,759,791</b>	<b>4,173,660</b>	<b>798,375</b>	<b>1,174,632</b>	<b>418,506</b>	<b>997,473</b>

The estimates for all uses are included in Appendix 2.

The results indicate that the potential economic benefits of development of the sites are great.

- A 367,800 square foot electronics manufacturing facility (high contribution use) developed on the 27 net usable acre NESPA #2 site could support \$138 million in annual gross receipts and 920 jobs paying \$55 million. The total potential impact including multiplier effect would be \$240 million in gross receipts and 1,900 jobs paying \$144 million in wages. In addition there would be \$22 million in one-time gross receipts and over 200 jobs paying \$12 million as a result of construction activity. Finally, the manufacturing facility would generate \$134,000 in direct tax revenues to the City annually.
- A 1.6 million square foot electronics manufacturing facility (high contribution use) developed on the 98 net usable acre Des Moines Creek #1 site could support \$570 million in annual gross receipts and 3,800 jobs paying \$230 million. The total potential impact including multiplier effect would be one billion in gross receipts and 7,700 jobs paying \$600 million in wages. In addition there would be \$95 million in one-time gross receipts and over 900 jobs paying \$53 million as a result of construction activities. Finally, the manufacturing facility would generate \$351,000 in direct tax revenues to the City annually.
- A 164,000 square foot electronics manufacturing facility (high contribution use) developed on the 16 net usable acre Borrow 3 site could support \$62 million in annual gross receipts and 400 jobs paying \$25 million. The total potential impact including multiplier effect would be \$107 million in gross receipts and 825 jobs paying \$64 million in wages. In addition there would be \$10 million in one-time gross receipts and almost 100 jobs paying over \$5 million as a result of construction activities. Finally, the manufacturing facility would generate \$30,000 in direct tax revenues to the City annually.

The results are summarized for each city in total in Table 2.

**Table 2****NEST Properties  
Benefit Analysis****Summary of Benefits-Potential Buildout-Low Contribution Uses**

	<b>Burien Properties</b>	<b>Des Moines Properties</b>	<b>SeaTac Properties</b>	<b>Total</b>
<b>Site Acres-Net Usable</b>	119.2	119.5	84.9	323.6
Building Sq. Ft.	1,960,450	1,814,750	1,011,800	4,787,000
Total Project Cost	152,716,914	108,285,608	58,039,648	319,042,170
<b>Direct Benefits-Ongoing</b>				
Gross Receipts	326,741,667	302,458,333	168,633,333	797,833,333
Employees	3,267	3,025	1,686	7,978
Earnings	130,696,667	120,983,333	67,453,333	319,133,333
<b>Direct Indirect and Induced-Ongoing</b>				
Gross Receipts	555,395,485	514,118,675	286,642,940	1,356,157,100
Employees	5,285	4,892	2,728	12,905
Earnings	205,520,508	190,246,292	106,070,367	501,837,167
<b>Direct Tax Revenues-Annual Ongoing</b>				
City	382,013	203,635	185,318	770,966
County (incl. Criminal Justice)	231,695	196,830	109,741	538,265
Transit	-	-	-	-
Port	35,272	29,964	14,794	80,029
Other Local	822,192	726,655	263,037	1,811,884
State	1,964,218	1,789,085	997,490	4,750,793
<b>Total</b>	<b>3,435,389</b>	<b>2,946,169</b>	<b>1,570,380</b>	<b>7,951,937</b>

**Summary of Benefits-Potential Buildout-High Contribution Uses**

	<b>Burien Properties</b>	<b>Des Moines Properties</b>	<b>SeaTac Properties</b>	<b>Total</b>
<b>Site Acres-Net Usable</b>	119.2	119.5	84.9	323.6
Building Sq. Ft.	1,960,450	1,814,750	1,011,800	4,787,000
Total Project Cost	152,716,914	108,285,608	58,039,648	319,042,170
<b>Direct Benefits-Ongoing</b>				
Gross Receipts	735,168,750	680,531,250	379,425,000	1,795,125,000
Employees	4,901	4,537	2,530	11,968
Earnings	294,067,500	272,212,500	151,770,000	718,050,000
<b>Direct Indirect and Induced-Ongoing</b>				
Gross Receipts	1,280,002,311	1,184,872,959	660,616,868	3,125,492,138
Employees	9,866	9,133	5,092	24,092
Earnings	766,192,871	709,249,669	395,436,735	1,870,879,275
<b>Direct Tax Revenues-Annual Ongoing</b>				
City	745,023	399,628	185,318	1,329,969
County (incl. Criminal Justice)	231,695	196,830	109,741	538,265
Transit	-	-	-	-
Port	35,272	29,964	14,794	80,029
Other Local	822,192	726,655	263,037	1,811,884
State	3,941,005	3,618,958	2,017,722	9,577,684
<b>Total</b>	<b>5,775,186</b>	<b>4,972,035</b>	<b>2,590,611</b>	<b>13,337,832</b>

The key results can be interpreted as follows:

1. Benefits vary with the scale and type of development:
  - Even relatively small developments such as NESPA #1, Borrow 3 and Des Moines Creek #2 are estimated to support over 250 direct jobs and \$35 million in direct annual gross receipts. Larger developments such as Des Moines Creek #1 support even greater levels of direct benefits.
  - Manufacturing has greater benefits than freight forwarding or warehousing, with more employees per square foot of building, and equal or greater gross receipts and earnings per employee.
2. Significant tax benefits would flow to the State and local governments. The primary revenues to cities are property taxes since most revenues from businesses sending their product out of State are exempt from sales tax, and only Burien has a gross receipts tax. In the case of a ground lease from a public agency, tax revenue would be no less than under a private ownership case, as shown in Appendix 1.
3. All of the benefits are net benefits to the extent that no public investment is assumed in the proforma feasibility analysis. In that analysis, all development concepts supported the full cost of development, except for NESPA #4, NESPA #5, and South 200<sup>th</sup>. In the NESPA cases, it is unrealistic to expect that public investment in the property, either through write-down of the land cost or funding of off-site improvements, would be sufficient to make the private investment feasible. In the case of South 200<sup>th</sup>, public funding of off-site improvements and demolition would increase the private developer's margin into the acceptable range. In that case, a \$650,000 investment would generate 640 on-going direct jobs, a rate of \$1,000 per job.
4. The economic benefits are estimated assuming full build out for each component. The total level of development is large in comparison to the existing inventory of space in the areas, and the annual absorption for the surrounding market area. The development would have to be phased over a lengthy time horizon.

# Appendix 1- Comparison of Leasehold Tax Versus Property Tax

## NESPA 1

The taxes generated for any site vary with the form of ownership of the property. For a privately owned site, the value of the land and improvements are subject to property tax; for a private development on publicly leased land, the land rent is subject to leasehold excise tax and the improvements are subject to property tax; and a publicly owned building is subject to a leasehold tax on the building rents.

Using NESPA #1 as an example, the tax revenues can be compared for the three forms of ownership.

### Comparison of Leasehold versus Property Tax NESPA #1

	Privately Owned	Public Ground Lease	Public Building Lease
<b>Building Square Feet</b>	154,000	154,000	154,000
<b>Assessed Valuation</b>	10,010,000	8,008,000	-
<b>Contract Rent</b>		184,683	807,576
<b>City Tax Rates</b>			
Property Tax	1.44756	1.44756	1.44756
Leasehold Excise Tax	4.0%	4.0%	4.0%
<b>City Tax Revenues</b>			
Property Tax	14,490	11,592	-
Leasehold Excise Tax	-	7,387	32,303
<b>Total</b>	<u>14,490</u>	<u>18,979</u>	<u>32,303</u>

NOTE: Leasehold excise tax is capped at amount due if property were subject to property tax.

In the example shown, the leasehold excise tax on building rent would greatly exceed the property tax as a privately owned building. In fact, the leasehold excise tax is capped at the amount that would be due if the improvements were subject to property tax.

The leasehold excise tax is a tax in lieu of property tax, and is intended to generate a comparable level of revenue. The fact that such a large disparity exists in this example is a result of the City tax rate being so much lower than the stationary maximum rate of \$3.375/1,000 for cities not providing fire service pensions.

## Appendix 2 - Benefit Projections for All Uses

### Burien Properties

- NESPA #1
- NESPA #2
- NESPA #3
- NESPA #4
- NESPA #5

### Des Moines Properties

Des Moines Creek #1	1.4 BCY
Des Moines Creek #1	2.0 BCY
Des Moines Creek #1	4.0 BCY
Des Moines Creek #2	

### SeaTac Properties

- 55 Acre Parcel
- Borrow 3
- South 200<sup>th</sup>

**NEST Properties  
Benefit Analysis  
NESPA Site 1**

**Summary of Benefits**

	<b>Warehouse</b>	<b>Freight Forwarding</b>	<b>Transp. Equip. Manufacturing</b>	<b>Machinery Manufacturing</b>	<b>Chemical Manufacturing</b>	<b>Electronics Manufacturing</b>
<b>Use Type</b>	Industrial	Industrial	Industrial	Industrial	Industrial	Industrial
<b>User Type</b>	Warehouse	Freight Forwarding	Transp. Equip.	Machinery Manufactu	Chemical Manufactur	Electronics Manufact
<b>Site Acres-Net Usable</b>	10.5	10.5	10.5	10.5	10.5	10.5
<b>Building Sq. Ft.</b>	154,000	154,000	154,000	154,000	154,000	154,000
<b>Total Project Cost</b>	9,614,094	9,614,094	9,614,094	9,614,094	9,614,094	9,614,094
<b>Direct Benefits-Ongoing</b>						
Gross Receipts	25,666,667	34,650,000	25,666,667	44,916,667	51,975,000	57,750,000
Employees	257	257	257	257	385	385
Earnings	10,266,667	10,266,667	11,550,000	10,266,667	19,250,000	23,100,000
<b>Direct Indirect and Induced-Ongoing</b>						
Gross Receipts	43,628,200	62,276,445	41,279,700	74,085,550	91,522,778	100,548,525
Employees	415	546	572	526	1,117	775
Earnings	16,144,333	22,061,013	27,931,365	22,435,747	118,304,725	60,187,050
<b>Direct Benefits-Construction</b>						
Gross Receipts	4,948,489	4,948,489	4,948,489	4,948,489	4,948,489	4,948,489
Employees	49	49	49	49	49	49
Earnings	2,474,245	2,474,245	2,474,245	2,474,245	2,474,245	2,474,245
<b>Direct Indirect and Induced-Construction</b>						
Gross Receipts	9,112,642	9,112,642	9,112,642	9,112,642	9,112,642	9,112,642
Employees	90	90	90	90	90	90
Earnings	5,095,954	5,095,954	5,095,954	5,095,954	5,095,954	5,095,954
<b>Direct Tax Revenues-Annual Ongoing</b>						
City	27,595	32,086	40,069	49,694	53,223	56,110
County (incl. Criminal Justice)	15,418	15,418	15,418	15,418	15,418	15,418
Transit	-	-	-	-	-	-
Port	2,347	2,347	2,347	2,347	2,347	2,347
Other Local	54,713	54,713	54,713	54,713	54,713	54,713
State	149,699	193,179	149,699	242,869	277,032	304,983
<b>Total</b>	<b>249,772</b>	<b>297,743</b>	<b>262,246</b>	<b>365,041</b>	<b>402,733</b>	<b>433,571</b>
<b>Direct Tax Revenues-One Time</b>						
City	50,801	50,801	50,801	50,801	50,801	50,801
County (incl. Criminal Justice)	12,371	12,371	12,371	12,371	12,371	12,371
Transit	59,382	59,382	59,382	59,382	59,382	59,382
State	322,147	322,147	322,147	322,147	322,147	322,147
<b>Total</b>	<b>444,701</b>	<b>444,701</b>	<b>444,701</b>	<b>444,701</b>	<b>444,701</b>	<b>444,701</b>

**NEST Properties  
Benefit Analysis  
NESPA Site 2**

**Summary of Benefits**

	<b>Warehouse</b>	<b>Freight Forwarding</b>	<b>Transp. Equip. Manufacturing</b>	<b>Machinery Manufacturing</b>	<b>Chemical Manufacturing</b>	<b>Electronics Manufacturing</b>
<b>Use Type</b>	Industrial	Industrial	Industrial	Industrial	Industrial	Industrial
<b>User Type</b>	Warehouse	Freight Forwarding	Transp. Equip. Manu	Machinery Manufact.	Chemical Manufactur	Electronics Manufac
<b>Site Acres-Net Usable</b>	27.2	27.2	27.2	27.2	27.2	27.2
<b>Building Sq. Ft.</b>	367,800	367,800	367,800	367,800	367,800	367,800
<b>Total Project Cost</b>	22,585,553	22,585,553	22,585,553	22,585,553	22,585,553	22,585,553
<b>Direct Benefits-Ongoing</b>						
Gross Receipts	61,300,000	82,755,000	61,300,000	107,275,000	124,132,500	137,925,000
Employees	613	613	613	613	920	920
Earnings	24,520,000	24,520,000	27,585,000	24,520,000	45,975,000	55,170,000
<b>Direct Indirect and Induced-Ongoing</b>						
Gross Receipts	104,197,740	148,735,562	98,588,790	176,939,385	218,584,919	240,141,218
Employees	992	1,304	1,365	1,257	2,668	1,851
Earnings	38,557,700	52,688,576	66,708,806	53,583,556	282,548,558	143,745,435
<b>Direct Benefits-Construction</b>						
Gross Receipts	11,733,415	11,733,415	11,733,415	11,733,415	11,733,415	11,733,415
Employees	117	117	117	117	117	117
Earnings	5,866,708	5,866,708	5,866,708	5,866,708	5,866,708	5,866,708
<b>Direct Indirect and Induced-Construction</b>						
Gross Receipts	21,607,084	21,607,084	21,607,084	21,607,084	21,607,084	21,607,084
Employees	213	213	213	213	213	213
Earnings	12,083,071	12,083,071	12,083,071	12,083,071	12,083,071	12,083,071
<b>Direct Tax Revenues-Annual Ongoing</b>						
City	65,905	76,632	95,697	118,684	127,113	134,009
County (incl. Criminal Justice)	36,823	36,823	36,823	36,823	36,823	36,823
Transit	-	-	-	-	-	-
Port	5,606	5,606	5,606	5,606	5,606	5,606
Other Local	130,671	130,671	130,671	130,671	130,671	130,671
State	357,529	461,371	357,529	580,048	661,638	728,394
<b>Total</b>	<b>596,534</b>	<b>711,104</b>	<b>626,326</b>	<b>871,832</b>	<b>961,851</b>	<b>1,035,503</b>
<b>Direct Tax Revenues-One Time</b>						
City	122,407	122,407	122,407	122,407	122,407	122,407
County (incl. Criminal Justice)	29,334	29,334	29,334	29,334	29,334	29,334
Transit	140,801	140,801	140,801	140,801	140,801	140,801
State	763,845	763,845	763,845	763,845	763,845	763,845
<b>Total</b>	<b>1,056,387</b>	<b>1,056,387</b>	<b>1,056,387</b>	<b>1,056,387</b>	<b>1,056,387</b>	<b>1,056,387</b>

**NEST Properties  
Benefit Analysis  
NESPA Site 3**

**Summary of Benefits**

	<b>Warehouse</b>	<b>Freight Forwarding</b>	<b>Transp. Equip. Manufacturing</b>	<b>Machinery Manufacturing</b>	<b>Chemical Manufacturing</b>	<b>Electronics Manufacturing</b>
<b>Use Type</b>	Industrial	Industrial	Industrial	Industrial	Industrial	Industrial
<b>User Type</b>	Warehouse	Freight Forwarding	Transp. Equip. Manu	Machinery Manufact.	Chemical Manufactur	Electronics Manufact
<b>Site Acres-Net Usable</b>	26.4	26.4	26.4	26.4	26.4	26.4
<b>Building Sq. Ft.</b>	400,000	400,000	400,000	400,000	400,000	400,000
<b>Total Project Cost</b>	24,816,904	24,816,904	24,816,904	24,816,904	24,816,904	24,816,904
<b>Direct Benefits-Ongoing</b>						
Gross Receipts	66,666,667	90,000,000	66,666,667	116,666,667	135,000,000	150,000,000
Employees	667	667	667	667	1,000	1,000
Earnings	26,666,667	26,666,667	30,000,000	26,666,667	50,000,000	60,000,000
<b>Direct Indirect and Induced-Ongoing</b>						
Gross Receipts	113,320,000	161,757,000	107,220,000	192,430,000	237,721,500	261,165,000
Employees	1,078	1,418	1,485	1,367	2,902	2,013
Earnings	41,933,333	57,301,333	72,549,000	58,274,667	307,285,000	156,330,000
<b>Direct Benefits-Construction</b>						
Gross Receipts	12,760,647	12,760,647	12,760,647	12,760,647	12,760,647	12,760,647
Employees	128	128	128	128	128	128
Earnings	6,380,324	6,380,324	6,380,324	6,380,324	6,380,324	6,380,324
<b>Direct Indirect and Induced-Construction</b>						
Gross Receipts	23,498,731	23,498,731	23,498,731	23,498,731	23,498,731	23,498,731
Employees	232	232	232	232	232	232
Earnings	13,140,914	13,140,914	13,140,914	13,140,914	13,140,914	13,140,914
<b>Direct Tax Revenues-Annual Ongoing</b>						
City	71,675	83,341	104,075	129,075	138,241	145,741
County (incl. Criminal Justice)	40,047	40,047	40,047	40,047	40,047	40,047
Transit	-	-	-	-	-	-
Port	6,096	6,096	6,096	6,096	6,096	6,096
Other Local	142,111	142,111	142,111	142,111	142,111	142,111
State	388,829	501,763	388,829	630,829	719,563	792,163
<b>Total</b>	<b>648,759</b>	<b>773,359</b>	<b>681,159</b>	<b>948,159</b>	<b>1,046,059</b>	<b>1,126,159</b>
<b>Direct Tax Revenues-One Time</b>						
City	130,339	130,339	130,339	130,339	130,339	130,339
County (incl. Criminal Justice)	31,902	31,902	31,902	31,902	31,902	31,902
Transit	153,128	153,128	153,128	153,128	153,128	153,128
State	830,718	830,718	830,718	830,718	830,718	830,718
<b>Total</b>	<b>1,146,087</b>	<b>1,146,087</b>	<b>1,146,087</b>	<b>1,146,087</b>	<b>1,146,087</b>	<b>1,146,087</b>

**NEST Properties  
Benefit Analysis  
NESPA Site 4**

**Summary of Benefits**

	<b>Warehouse</b>	<b>Freight Forwarding</b>	<b>Transp. Equip. Manufacturing</b>	<b>Machinery Manufacturing</b>	<b>Chemical Manufacturing</b>	<b>Electronics Manufacturing</b>
<b>Use Type</b>	Industrial	Industrial	Industrial	Industrial	Industrial	Industrial
<b>User Type</b>	Warehouse	Freight Forwarding	Transp. Equip. Manu	Machinery Manufact	Chemical Manufactur	Electronics Manufact
<b>Site Acres-Net Usable</b>	25.3	25.3	25.3	25.3	25.3	25.3
<b>Building Sq. Ft.</b>	474,000	474,000	474,000	474,000	474,000	474,000
<b>Total Project Cost</b>	37,439,195	37,439,195	37,439,195	37,439,195	37,439,195	37,439,195
<b>Direct Benefits-Ongoing</b>						
Gross Receipts	79,000,000	106,650,000	79,000,000	138,250,000	159,975,000	177,750,000
Employees	790	790	790	790	1,185	1,185
Earnings	31,600,000	31,600,000	35,550,000	31,600,000	59,250,000	71,100,000
<b>Direct Indirect and Induced-Ongoing</b>						
Gross Receipts	134,284,200	191,682,045	127,055,700	228,029,550	281,699,978	309,480,525
Employees	1,278	1,680	1,759	1,620	3,438	2,386
Earnings	49,691,000	67,902,080	85,970,565	69,055,480	364,132,725	185,251,050
<b>Direct Benefits-Construction</b>						
Gross Receipts	15,121,366	15,121,366	15,121,366	15,121,366	15,121,366	15,121,366
Employees	151	151	151	151	151	151
Earnings	7,560,683	7,560,683	7,560,683	7,560,683	7,560,683	7,560,683
<b>Direct Indirect and Induced-Construction</b>						
Gross Receipts	27,845,995	27,845,995	27,845,995	27,845,995	27,845,995	27,845,995
Employees	275	275	275	275	275	275
Earnings	15,571,983	15,571,983	15,571,983	15,571,983	15,571,983	15,571,983
<b>Direct Tax Revenues-Annual Ongoing</b>						
City	95,227	109,052	133,621	163,246	174,108	182,996
County (incl. Criminal Justice)	59,320	59,320	59,320	59,320	59,320	59,320
Transit	-	-	-	-	-	-
Port	9,030	9,030	9,030	9,030	9,030	9,030
Other Local	210,502	210,502	210,502	210,502	210,502	210,502
State	480,364	614,190	480,364	767,134	872,283	958,314
<b>Total</b>	<b>854,443</b>	<b>1,002,094</b>	<b>892,837</b>	<b>1,209,232</b>	<b>1,325,243</b>	<b>1,420,162</b>
<b>Direct Tax Revenues-One Time</b>						
City	193,169	193,169	193,169	193,169	193,169	193,169
County (incl. Criminal Justice)	37,803	37,803	37,803	37,803	37,803	37,803
Transit	181,456	181,456	181,456	181,456	181,456	181,456
State	984,401	984,401	984,401	984,401	984,401	984,401
<b>Total</b>	<b>1,396,830</b>	<b>1,396,830</b>	<b>1,396,830</b>	<b>1,396,830</b>	<b>1,396,830</b>	<b>1,396,830</b>

**NEST Properties  
Benefit Analysis  
NESPA Site 5**

**Summary of Benefits**

	<b>Warehouse</b>	<b>Freight Forwarding</b>	<b>Transp. Equip. Manufacturing</b>	<b>Machinery Manufacturing</b>	<b>Chemical Manufacturing</b>	<b>Electronics Manufacturing</b>
<b>Use Type</b>	Industrial	Industrial	Industrial	Industrial	Industrial	Industrial
<b>User Type</b>	Warehouse	Freight Forwarding	Transp. Equip. Manu	Machinery Manufact	Chemical Manufactur	Electronics Manufacturing
<b>Site Acres-Net Usable</b>	29.8	29.8	29.8	29.8	29.8	29.8
<b>Building Sq. Ft.</b>	564,650	564,650	564,650	564,650	564,650	564,650
<b>Total Project Cost</b>	58,261,169	58,261,169	58,261,169	58,261,169	58,261,169	58,261,169
<b>Direct Benefits-Ongoing</b>						
Gross Receipts	94,108,333	127,046,250	94,108,333	164,689,583	190,569,375	211,743,750
Employees	941	941	941	941	1,412	1,412
Earnings	37,643,333	37,643,333	42,348,750	37,643,333	70,581,250	84,697,500
<b>Direct Indirect and Induced-Ongoing</b>						
Gross Receipts	159,965,345	228,340,225	151,354,433	271,638,999	335,573,612	368,667,043
Employees	1,522	2,002	2,096	1,930	4,096	2,842
Earnings	59,194,142	80,887,995	102,411,982	82,261,976	433,771,188	220,679,336
<b>Direct Benefits-Construction</b>						
Gross Receipts	18,013,248	18,013,248	18,013,248	18,013,248	18,013,248	18,013,248
Employees	180	180	180	180	180	180
Earnings	9,006,624	9,006,624	9,006,624	9,006,624	9,006,624	9,006,624
<b>Direct Indirect and Induced-Construction</b>						
Gross Receipts	33,171,396	33,171,396	33,171,396	33,171,396	33,171,396	33,171,396
Employees	328	328	328	328	328	328
Earnings	18,550,043	18,550,043	18,550,043	18,550,043	18,550,043	18,550,043
<b>Direct Tax Revenues-Annual Ongoing</b>						
City	121,612	138,081	167,349	202,639	215,579	226,166
County (incl. Criminal Justice)	80,086	80,086	80,086	80,086	80,086	80,086
Transit	-	-	-	-	-	-
Port	12,192	12,192	12,192	12,192	12,192	12,192
Other Local	284,194	284,194	284,194	284,194	284,194	284,194
State	587,797	747,216	587,797	929,410	1,054,668	1,157,152
<b>Total</b>	<b>1,085,881</b>	<b>1,261,770</b>	<b>1,131,618</b>	<b>1,508,522</b>	<b>1,646,720</b>	<b>1,759,791</b>
<b>Direct Tax Revenues-One Time</b>						
City	296,961	296,961	296,961	296,961	296,961	296,961
County (incl. Criminal Justice)	45,033	45,033	45,033	45,033	45,033	45,033
Transit	216,159	216,159	216,159	216,159	216,159	216,159
State	1,172,662	1,172,662	1,172,662	1,172,662	1,172,662	1,172,662
<b>Total</b>	<b>1,730,816</b>	<b>1,730,816</b>	<b>1,730,816</b>	<b>1,730,816</b>	<b>1,730,816</b>	<b>1,730,816</b>

**NEST Properties  
Benefit Analysis  
Des Moines Crk 1 1.4 BCY**

**Summary of Benefits**

	<b>Warehouse</b>	<b>Freight Forwarding</b>	<b>Transp. Equip. Manufacturing</b>	<b>Machinery Manufacturing</b>	<b>Chemical Manufacturing</b>	<b>Electronics Manufacturing</b>
<b>Use Type</b>	Industrial	Industrial	Industrial	Industrial	Industrial	Industrial
<b>User Type</b>	Warehouse	Freight Forwarding	Transp. Equip. Manu	Machinery Manufact.	Chemical Manufactur	Electronics Manufact
<b>Site Acres-Net Usable</b>	99.2	99.2	99.2	99.2	99.2	99.2
<b>Building Sq. Ft.</b>	1,304,800	1,304,800	1,304,800	1,304,800	1,304,800	1,304,800
<b>Total Project Cost</b>	77,531,745	77,531,745	77,531,745	77,531,745	77,531,745	77,531,745
<b>Direct Benefits-Ongoing</b>						
Gross Receipts	217,466,667	293,580,000	217,466,667	380,566,667	440,370,000	489,300,000
Employees	2,175	2,175	2,175	2,175	3,262	3,262
Earnings	86,986,667	86,986,667	97,860,000	86,986,667	163,100,000	195,720,000
<b>Direct Indirect and Induced-Ongoing</b>						
Gross Receipts	369,649,840	527,651,334	349,751,640	627,706,660	775,447,533	851,920,230
Employees	3,518	4,625	4,843	4,460	9,465	6,567
Earnings	136,786,533	186,916,949	236,654,838	190,091,963	1,002,363,670	509,948,460
<b>Direct Benefits-Construction</b>						
Gross Receipts	42,265,000	42,265,000	42,265,000	42,265,000	42,265,000	42,265,000
Employees	423	423	423	423	423	423
Earnings	21,132,500	21,132,500	21,132,500	21,132,500	21,132,500	21,132,500
<b>Direct Indirect and Induced-Construction</b>						
Gross Receipts	77,830,998	77,830,998	77,830,998	77,830,998	77,830,998	77,830,998
Employees	769	769	769	769	769	769
Earnings	43,524,497	43,524,497	43,524,497	43,524,497	43,524,497	43,524,497
<b>Direct Tax Revenues-Annual Ongoing</b>						
City	146,413	146,413	287,332	287,332	287,332	287,332
County (incl. Criminal Justice)	141,520	141,520	141,520	141,520	141,520	141,520
Transit	-	-	-	-	-	-
Port	21,544	21,544	21,544	21,544	21,544	21,544
Other Local	522,463	522,463	522,463	522,463	522,463	522,463
State	1,286,347	1,654,735	1,286,347	2,075,751	2,365,199	2,602,020
<b>Total</b>	<b>2,118,287</b>	<b>2,486,675</b>	<b>2,259,205</b>	<b>3,048,609</b>	<b>3,338,057</b>	<b>3,574,878</b>
<b>Direct Tax Revenues-One Time</b>						
City	436,194	436,194	436,194	436,194	436,194	436,194
County (incl. Criminal Justice)	105,663	105,663	105,663	105,663	105,663	105,663
Transit	507,180	507,180	507,180	507,180	507,180	507,180
State	2,751,452	2,751,452	2,751,452	2,751,452	2,751,452	2,751,452
<b>Total</b>	<b>3,800,488</b>	<b>3,800,488</b>	<b>3,800,488</b>	<b>3,800,488</b>	<b>3,800,488</b>	<b>3,800,488</b>

**NEST Properties  
Benefit Analysis  
Des Moines Crk 1 2.0 BCY**

**Summary of Benefits**

	<b>Warehouse</b>	<b>Freight Forwarding</b>	<b>Transp. Equip. Manufacturing</b>	<b>Machinery Manufacturing</b>	<b>Chemical Manufacturing</b>	<b>Electronics Manufacturing</b>
<b>Use Type</b>	Industrial	Industrial	Industrial	Industrial	Industrial	Industrial
<b>User Type</b>	Warehouse	Freight Forwarding	Transp. Equip.	Machinery Manufactur	Chemical Manufactur	Electronics Manufact
<b>Site Acres-Net Usable</b>	97.8	97.8	97.8	97.8	97.8	97.8
<b>Building Sq. Ft.</b>	1,523,350	1,523,350	1,523,350	1,523,350	1,523,350	1,523,350
<b>Total Project Cost</b>	90,640,165	90,640,165	90,640,165	90,640,165	90,640,165	90,640,165
<b>Direct Benefits-Ongoing</b>						
Gross Receipts	253,891,667	342,753,750	253,891,667	444,310,417	514,130,625	571,256,250
Employees	2,539	2,539	2,539	2,539	3,808	3,808
Earnings	101,556,667	101,556,667	114,251,250	101,556,667	190,418,750	228,502,500
<b>Direct Indirect and Induced-Ongoing</b>						
Gross Receipts	431,565,055	616,031,315	408,333,968	732,845,601	905,332,618	994,614,257
Employees	4,107	5,400	5,654	5,207	11,050	7,667
Earnings	159,697,858	218,224,965	276,293,798	221,931,784	1,170,256,512	595,363,264
<b>Direct Benefits-Construction</b>						
Gross Receipts	51,373,500	51,373,500	51,373,500	51,373,500	51,373,500	51,373,500
Employees	514	514	514	514	514	514
Earnings	25,686,750	25,686,750	25,686,750	25,686,750	25,686,750	25,686,750
<b>Direct Indirect and Induced-Construction</b>						
Gross Receipts	94,604,300	94,604,300	94,604,300	94,604,300	94,604,300	94,604,300
Employees	934	934	934	934	934	934
Earnings	52,904,430	52,904,430	52,904,430	52,904,430	52,904,430	52,904,430
<b>Direct Tax Revenues-Annual Ongoing</b>						
City	170,937	170,937	335,459	335,459	335,459	335,459
County (incl. Criminal Justice)	165,224	165,224	165,224	165,224	165,224	165,224
Transit	-	-	-	-	-	-
Port	25,152	25,152	25,152	25,152	25,152	25,152
Other Local	609,974	609,974	609,974	609,974	609,974	609,974
State	1,501,806	1,931,898	1,501,806	2,423,433	2,761,362	3,037,850
<b>Total</b>	<b>2,473,093</b>	<b>2,903,186</b>	<b>2,637,615</b>	<b>3,559,242</b>	<b>3,897,172</b>	<b>4,173,660</b>
<b>Direct Tax Revenues-One Time</b>						
City	532,862	532,862	532,862	532,862	532,862	532,862
County (incl. Criminal Justice)	128,434	128,434	128,434	128,434	128,434	128,434
Transit	616,482	616,482	616,482	616,482	616,482	616,482
State	3,344,415	3,344,415	3,344,415	3,344,415	3,344,415	3,344,415
<b>Total</b>	<b>4,622,193</b>	<b>4,622,193</b>	<b>4,622,193</b>	<b>4,622,193</b>	<b>4,622,193</b>	<b>4,622,193</b>

**NEST Properties  
Benefit Analysis  
Des Moines Crk 1 4.0 BCY**

**Summary of Benefits**

	<b>Warehouse</b>	<b>Freight Forwarding</b>	<b>Transp. Equip. Manufacturing</b>	<b>Machinery Manufacturing</b>	<b>Chemical Manufacturing</b>	<b>Electronics Manufacturing</b>
<b>Use Type</b>	Industrial	Industrial	Industrial	Industrial	Industrial	Industrial
<b>User Type</b>	Warehouse	Freight Forwarding	Transp. Equip. Manu	Machinery Manufact	Chemical Manufactur	Electronics Manufact
<b>Site Acres-Net Usable</b>	97.8	97.8	97.8	97.8	97.8	97.8
<b>Building Sq. Ft.</b>	2,045,400	2,045,400	2,045,400	2,045,400	2,045,400	2,045,400
<b>Total Project Cost</b>	121,104,700	121,104,700	121,104,700	121,104,700	121,104,700	121,104,700
<b>Direct Benefits-Ongoing</b>						
Gross Receipts	340,900,000	460,215,000	340,900,000	596,575,000	690,322,500	767,025,000
Employees	3,409	3,409	3,409	3,409	5,114	5,114
Earnings	136,360,000	136,360,000	153,405,000	136,360,000	255,675,000	306,810,000
<b>Direct Indirect and Induced-Ongoing</b>						
Gross Receipts	579,461,820	827,144,420	548,269,470	983,990,805	1,215,588,890	1,335,467,228
Employees	5,514	7,251	7,592	6,991	14,837	10,294
Earnings	214,426,100	293,010,368	370,979,312	297,987,508	1,571,301,848	799,393,455
<b>Direct Benefits-Construction</b>						
Gross Receipts	65,225,850	65,225,850	65,225,850	65,225,850	65,225,850	65,225,850
Employees	652	652	652	652	652	652
Earnings	32,612,925	32,612,925	32,612,925	32,612,925	32,612,925	32,612,925
<b>Direct Indirect and Induced-Construction</b>						
Gross Receipts	120,113,403	120,113,403	120,113,403	120,113,403	120,113,403	120,113,403
Employees	1,186	1,186	1,186	1,186	1,186	1,186
Earnings	67,169,580	67,169,580	67,169,580	67,169,580	67,169,580	67,169,580
<b>Direct Tax Revenues-Annual Ongoing</b>						
City	229,517	229,517	450,420	450,420	450,420	450,420
County (incl. Criminal Justice)	221,846	221,846	221,846	221,846	221,846	221,846
Transit	-	-	-	-	-	-
Port	33,772	33,772	33,772	33,772	33,772	33,772
Other Local	819,011	819,011	819,011	819,011	819,011	819,011
State	2,016,473	2,593,957	2,016,473	3,253,940	3,707,678	4,078,918
<b>Total</b>	<b>3,320,619</b>	<b>3,898,104</b>	<b>3,541,522</b>	<b>4,778,989</b>	<b>5,232,727</b>	<b>5,603,967</b>
<b>Direct Tax Revenues-One Time</b>						
City	688,627	688,627	688,627	688,627	688,627	688,627
County (incl. Criminal Justice)	163,065	163,065	163,065	163,065	163,065	163,065
Transit	782,710	782,710	782,710	782,710	782,710	782,710
State	4,246,203	4,246,203	4,246,203	4,246,203	4,246,203	4,246,203
<b>Total</b>	<b>5,880,605</b>	<b>5,880,605</b>	<b>5,880,605</b>	<b>5,880,605</b>	<b>5,880,605</b>	<b>5,880,605</b>

**NEST Properties  
Benefit Analysis  
Des Moines Crk 2**

**Summary of Benefits**

	<b>Warehouse</b>	<b>Freight Forwarding</b>	<b>Transp. Equip. Manufacturing</b>	<b>Machinery Manufacturing</b>	<b>Chemical Manufacturing</b>	<b>Electronics Manufacturing</b>
<b>Use Type</b>	Industrial	Industrial	Industrial	Industrial	Industrial	Industrial
<b>User Type</b>	Warehouse	Freight Forwarding	Transp. Equip. Manu	Machinery Manufact.	Chemical Manufact.	Electronics Manufact.
<b>Site Acres-Net Usable</b>	21.7	21.7	21.7	21.7	21.7	21.7
<b>Building Sq. Ft.</b>	291,400	291,400	291,400	291,400	291,400	291,400
<b>Total Project Cost</b>	17,645,443	17,645,443	17,645,443	17,645,443	17,645,443	17,645,443
<b>Direct Benefits-Ongoing</b>						
Gross Receipts	48,566,667	65,565,000	48,566,667	84,991,667	98,347,500	109,275,000
Employees	486	486	486	486	729	729
Earnings	19,426,667	19,426,667	21,855,000	19,426,667	36,425,000	43,710,000
<b>Direct Indirect and Induced-Ongoing</b>						
Gross Receipts	82,553,620	117,839,975	78,109,770	140,185,255	173,180,113	190,258,703
Employees	786	1,033	1,082	996	2,114	1,467
Earnings	30,548,433	41,744,021	52,851,947	42,453,095	223,857,123	113,886,405
<b>Direct Benefits-Construction</b>						
Gross Receipts	9,471,525	9,471,525	9,471,525	9,471,525	9,471,525	9,471,525
Employees	95	95	95	95	95	95
Earnings	4,735,763	4,735,763	4,735,763	4,735,763	4,735,763	4,735,763
<b>Direct Indirect and Induced-Construction</b>						
Gross Receipts	17,441,813	17,441,813	17,441,813	17,441,813	17,441,813	17,441,813
Employees	172	172	172	172	172	172
Earnings	9,753,776	9,753,776	9,753,776	9,753,776	9,753,776	9,753,776
<b>Direct Tax Revenues-Annual Ongoing</b>						
City	32,698	32,698	64,170	64,170	64,170	64,170
County (incl. Criminal Justice)	31,606	31,606	31,606	31,606	31,606	31,606
Transit	-	-	-	-	-	-
Port	4,811	4,811	4,811	4,811	4,811	4,811
Other Local	116,681	116,681	116,681	116,681	116,681	116,681
State	287,279	369,551	287,279	463,576	528,218	581,107
Total	473,075	555,347	504,547	680,844	745,486	798,375
<b>Direct Tax Revenues-One Time</b>						
City	92,708	92,708	92,708	92,708	92,708	92,708
County (incl. Criminal Justice)	23,679	23,679	23,679	23,679	23,679	23,679
Transit	113,658	113,658	113,658	113,658	113,658	113,658
State	616,596	616,596	616,596	616,596	616,596	616,596
Total	846,641	846,641	846,641	846,641	846,641	846,641

**NEST Properties  
Benefit Analysis  
SeaTac 55 Acres**

**Summary of Benefits**

	<b>Warehouse</b>	<b>Freight Forwarding</b>	<b>Transp. Equip. Manufacturing</b>	<b>Machinery Manufacturing</b>	<b>Chemical Manufacturing</b>	<b>Electronics Manufacturing</b>
<b>Use Type</b>	Industrial	Industrial	Industrial	Industrial	Industrial	Industrial
<b>User Type</b>	Warehouse	Freight Forwarding	Transp. Equip. Manu	Machinery Manufact	Chemical Manufactur	Electronics Manufact
<b>Site Acres-Net Usable</b>	46.3	46.3	46.3	46.3	46.3	46.3
<b>Building Sq. Ft.</b>	463,550	463,550	463,550	463,550	463,550	463,550
<b>Total Project Cost</b>	29,824,674	29,824,674	29,824,674	29,824,674	29,824,674	29,824,674
<b>Direct Benefits-Ongoing</b>						
Gross Receipts	77,258,333	104,298,750	77,258,333	135,202,083	156,448,125	173,831,250
Employees	773	773	773	773	1,159	1,159
Earnings	30,903,333	30,903,333	34,766,250	30,903,333	57,943,750	69,532,500
<b>Direct Indirect and Induced-Ongoing</b>						
Gross Receipts	131,323,715	187,456,143	124,254,578	223,002,316	275,489,503	302,657,589
Employees	1,250	1,643	1,720	1,584	3,362	2,333
Earnings	48,595,492	66,405,083	84,075,222	67,533,054	356,104,904	181,166,929
<b>Direct Benefits-Construction</b>						
Gross Receipts	15,260,100	15,260,100	15,260,100	15,260,100	15,260,100	15,260,100
Employees	153	153	153	153	153	153
Earnings	7,630,050	7,630,050	7,630,050	7,630,050	7,630,050	7,630,050
<b>Direct Indirect and Induced-Construction</b>						
Gross Receipts	28,101,474	28,101,474	28,101,474	28,101,474	28,101,474	28,101,474
Employees	278	278	278	278	278	278
Earnings	15,714,851	15,714,851	15,714,851	15,714,851	15,714,851	15,714,851
<b>Direct Tax Revenues-Annual Ongoing</b>						
City	84,902	84,902	84,902	84,902	84,902	84,902
County (incl. Criminal Justice)	50,277	50,277	50,277	50,277	50,277	50,277
Transit	-	-	-	-	-	-
Port	6,126	6,126	6,126	6,126	6,126	6,126
Other Local	108,920	108,920	108,920	108,920	108,920	108,920
State	456,994	587,870	456,994	737,442	840,273	924,407
Total	707,219	838,094	707,219	987,666	1,090,497	1,174,632
<b>Direct Tax Revenues-One Time</b>						
City	128,185	128,185	128,185	128,185	128,185	128,185
County (incl. Criminal Justice)	38,150	38,150	38,150	38,150	38,150	38,150
Transit	183,121	183,121	183,121	183,121	183,121	183,121
State	993,433	993,433	993,433	993,433	993,433	993,433
Total	1,342,889	1,342,889	1,342,889	1,342,889	1,342,889	1,342,889

## NEST - 55 Acre Parcels

### Land Residual Sensitivity

#### Rent vs. Land Value

<b>Shell Rent/ SF/Mos/NNN</b>	As Is Land Value	As Is Variability	Positioned Land Value	Positioned Variability
\$ 0.39	\$ 4.25	73%	\$7.87	84%
\$ 0.41	\$ 5.00	100%	\$8.85	100%
\$ 0.43	\$ 6.25	127%	\$10.47	116%

1) All other variables held constant.

2) Entitlement includes:

Environmental Studies, Entitlement & Design,  
Demolition, Abatement, Street Vacation, Utility  
Severance, Off-Site Road Improvements, Off-Site  
Utility Extensions, Assessments/Mitigation, Frontage  
Improvements, Onsite Storm Detention & Water  
Quality, Retaining Walls, Mass Grading - Import &  
Export.

#### Development Cost vs. Land Value

<b>Development Costs</b>	As Is Land Value	As Is Variability	Positioned Land Value	Positioned Variability
90%	\$ 8.00	173%	\$12.75	144%
100%	\$ 5.00	100%	\$8.85	100%
110%	\$ 3.00	36%	\$6.25	62%

1) All other variables held constant.

2) Shell Rent 100% = \$.41/sf nnn

#### Bldg SF vs. Land Value

<b>Building SF</b>	As Is Land Value	As Is Variability	Positioned Land Value	Positioned Variability
90%	\$ 4.25	73%	\$7.87	84%
100%	\$ 5.00	100%	\$8.85	100%
110%	\$ 6.00	118%	\$10.15	111%

1) All other variables held constant.

2) Shell Rent 100% = \$.41/sf nnn

#### Usable Land SF vs. Land Value

<b>Usable Land Area</b>	As Is Land Value	As Is Variability	Positioned Land Value	Positioned Variability
90%	\$ 5.75	118%	\$9.97	114%
100%	\$ 5.00	100%	\$8.85	100%
110%	\$ 4.75	91%	\$8.40	92%

1) All other variables held constant.

2) Shell Rent 100% = \$.41/sf nnn

**NEST Properties  
Benefit Analysis  
SeaTac Borrow 3**

**Summary of Benefits**

	<b>Warehouse</b>	<b>Freight Forwarding</b>	<b>Transp. Equip. Manufacturing</b>	<b>Machinery Manufacturing</b>	<b>Chemical Manufacturing</b>	<b>Electronics Manufacturing</b>
<b>Use Type</b>	Industrial	Industrial	Industrial	Industrial	Industrial	Industrial
<b>User Type</b>	Warehouse	Freight Forwarding	Transp. Equip. Manu	Machinery Manufact	Chemical Manufactur	Electronics Manufact
<b>Site Acres-Net Usable</b>	16.0	16.0	16.0	16.0	16.0	16.0
<b>Building Sq. Ft.</b>	164,000	164,000	164,000	164,000	164,000	164,000
<b>Total Project Cost</b>	10,028,542	10,028,542	10,028,542	10,028,542	10,028,542	10,028,542
<b>Direct Benefits-Ongoing</b>						
Gross Receipts	27,333,333	36,900,000	27,333,333	47,833,333	55,350,000	61,500,000
Employees	273	273	273	273	410	410
Earnings	10,933,333	10,933,333	12,300,000	10,933,333	20,500,000	24,600,000
<b>Direct Indirect and Induced-Ongoing</b>						
Gross Receipts	46,461,200	66,320,370	43,960,200	78,896,300	97,465,815	107,077,650
Employees	442	581	609	561	1,190	825
Earnings	17,192,667	23,493,547	29,745,090	23,892,613	125,986,850	64,095,300
<b>Direct Benefits-Construction</b>						
Gross Receipts	5,382,000	5,382,000	5,382,000	5,382,000	5,382,000	5,382,000
Employees	54	54	54	54	54	54
Earnings	2,691,000	2,691,000	2,691,000	2,691,000	2,691,000	2,691,000
<b>Direct Indirect and Induced-Construction</b>						
Gross Receipts	9,910,953	9,910,953	9,910,953	9,910,953	9,910,953	9,910,953
Employees	98	98	98	98	98	98
Earnings	5,542,384	5,542,384	5,542,384	5,542,384	5,542,384	5,542,384
<b>Direct Tax Revenues-Annual Ongoing</b>						
City	30,038	30,038	30,038	30,038	30,038	30,038
County (incl. Criminal Justice)	17,788	17,788	17,788	17,788	17,788	17,788
Transit	-	-	-	-	-	-
Port	2,323	2,323	2,323	2,323	2,323	2,323
Other Local	41,311	41,311	41,311	41,311	41,311	41,311
State	161,681	207,983	161,681	260,901	297,281	327,047
<b>Total</b>	<b>253,140</b>	<b>299,442</b>	<b>253,140</b>	<b>352,360</b>	<b>388,740</b>	<b>418,506</b>
<b>Direct Tax Revenues-One Time</b>						
City	45,209	45,209	45,209	45,209	45,209	45,209
County (incl. Criminal Justice)	13,455	13,455	13,455	13,455	13,455	13,455
Transit	64,584	64,584	64,584	64,584	64,584	64,584
State	350,368	350,368	350,368	350,368	350,368	350,368
<b>Total</b>	<b>473,616</b>	<b>473,616</b>	<b>473,616</b>	<b>473,616</b>	<b>473,616</b>	<b>473,616</b>



**NEST Study**

## **Strategic Recommendations**



*August 5, 2004*

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## Overall Strategy for the NEST Properties

The NEST Properties are located in areas that are influenced by airport operations. Land use regulations and market evidence suggests that the properties are best suited for product oriented uses involving fewer people. These uses, collectively known as industrial uses, are housed in distribution/logistics, warehousing, and manufacturing facilities. When located on the NEST Properties, the uses create jobs and economic benefits that flow to the local communities and to create benefits for the region by improving freight mobility. In other words, the flow of goods to and from the Sea-Tac Airport freight terminal can be improved by developing the NEST Properties. Further, the NEST Properties can be used to attract new businesses to the area that utilize Sea-Tac Airport's position in the Asian/Pacific marketplace and foreign trade zone status.

The Burien, Des Moines, and SeaTac industrial marketplaces consist of approximately 3.3 million square feet of industrial space. When fully developed, the NEST Properties represent an opportunity to create approximately 3.8 million square feet of new space. If the properties were entitled for development, roughly 800,000 square feet of space could be developed within three years. If the development timeline is accelerated, this figure could increase substantially. The existing market is experiencing vacancy suggesting that it is elastic. The effect of the large amount of new space on the market will bring oversupply unless the properties are priced and marketed appropriately.

However, before the properties can be marketed effectively, they must be entitled for development. To complete entitlement agreements among the participants need to take place that:

- Identify permitted uses, define height and bulk.
- Provide for the completion of SEPA review and documentation.
- Specify required mitigation and costs.
- Name a single jurisdiction for permit processing.
- Provide certainty of time and process for the owner and developer.

Failure to complete entitlement prior to marketing the properties reduces demand by limiting the pool of potential users and investors. Further, the properties get a reputation in the marketplace as "challenged." In seeking out investments, buyers and brokers will not give the properties serious consideration and the highest benefit is not achieved.

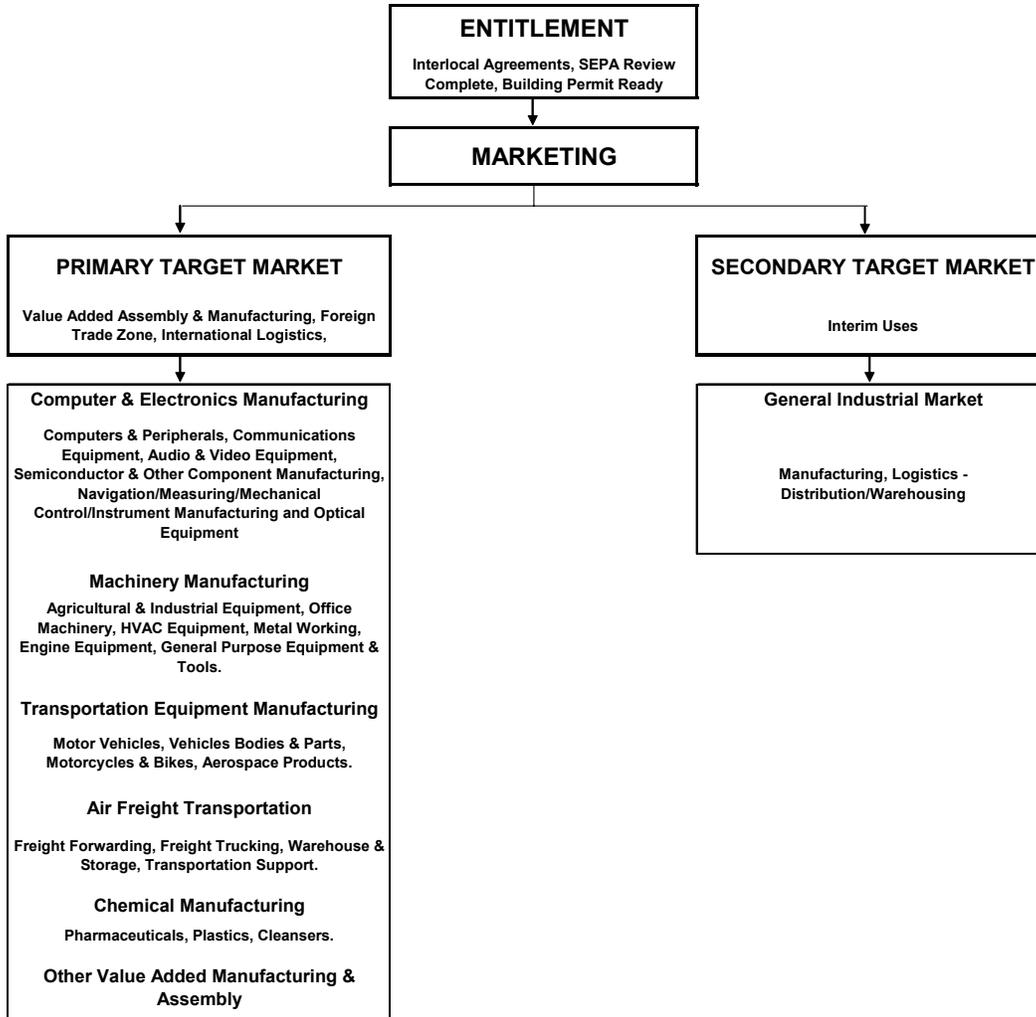
Once the properties are entitled, they can be marketed effectively. The **primary target** market is made up of **off-airport** users. These are businesses that must be located adjacent to the airport freight terminal and generate greatest economic benefits to the local communities (family wage jobs, etc). They include businesses shipping or receiving products by air. Predicting when these uses will come to the market is difficult at best, and accordingly, a **secondary interim target** market can absorb the potential supply. The interim market that can easily absorb the supply, in good times and bad, is the **general industrial** market. By harnessing the size and the strength of the general industrial market, economic benefits can begin to flow as soon as the properties are developed. When off-airport uses come to the market at a later date, if developed properly, the sites and facilities created for the general industrial market can be converted for off-airport uses

Development that offers the flexibility to accommodate both the primary and secondary markets has two characteristics. The first involves developing large rectangular sites capable of accommodating large buildings. The second characteristic involves buildings that are designed to serve single users or multiple

users and function for a variety of uses. To gain the greatest long-term benefit, the best overall strategy is to develop the NEST Properties with flexibility as a driving theme, and conduct marketing that is primarily focused on the off-airport market and secondarily on the general industrial market.

The table below outlines the development strategy and identifies the primary and secondary target markets.

## NEST PROPERTIES OVERALL DEVELOPMENT STRATEGY



The nature of ownership has an influence on the implementation of the strategy. If the properties are owned by private parties, the shift from interim general industrial uses to higher and better off-airport uses is less certain. In the future, when the opportunity to shift to higher and better uses presents itself, a private owner's investment objectives may not align with those that are best for the region. Alternatively, if ownership remains vested in a public entity, the shift to off-airport uses can be facilitated and the related benefits can be captured for the communities at large.

Further, it is advisable to create public/private partnerships, whereby land is leased to the private developers who develop, own and operate the facilities. The result is control of the outcome through public ownership and the transfer of risk from the public sector to the private sector.

The timing of development of the NEST Properties can generally occur as follows:

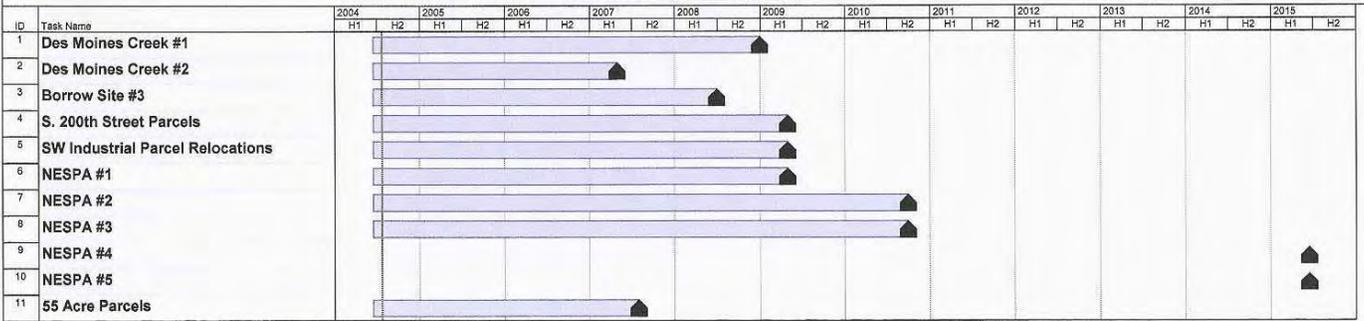
Time Period	Property	Approx. Potential Bldg. SF
2006-2007	Des Moines Creek #2 Portions of NESPA #1 55 Acre Parcels	± 800,000
2008-2009	Des Moines Creek #1 Borrow Site 3 South 200 <sup>th</sup> Street Parcels Remaining portions of NESPA #1 SW Industrial Parcels Relocations	± 2,150,000
2010-2011	NESPA #2 NESPA #3	± 770,000
Beyond	NESPA #4 NESPA #5	Not applicable – revisit market in 2015.

During 2006 and 2007, if entitlement occurs in the reasonably near future, development of Des Moines Creek #2, Portions of NESPA #1, and the 55 Acre Parcels can be completed, bringing approximately 800,000 square feet of space on line. In 2008 and 2009, again provided entitlement is completed without delay, development of Des Moines Creek #1, Borrow Site 3, South 200th Street Parcels, and Remaining portions of NESPA #1 can be completed, adding over 2.15 million square feet of space to the market. In 2010 and 2011 the Port will have completed its land acquisitions paving the way for the development of NESPA #4 and NESPA #5, resulting in the addition of approximately 770,000 square feet of new space.

The timing of development is based on an estimation of tasks and events that occur several years in the future and, as with most projections, will prove inaccurate in hindsight, however, the timing has been estimated based on the available information and does provide a general picture of when development can occur. As is discussed later in this report, actions can be taken that will accelerate the development schedule. The following chart shows the timing of development and property specific schedules are presented later in the report.

In conclusion, the overall strategy leverages unutilized assets, proven markets, and the most limited public investment to create substantial economic benefits. As discussed in the Economic Benefits section of this study, the economic benefits are high in relation to their costs.

### NEST Development Timeline



Project: Timeline Date: Wed 7/21/04	Task: [Light Blue Bar]	Milestone: [Black Diamond]	Rolled Up Split: [Dashed Line]	External Tasks: [Grey Bar]	Split: [Dashed Line]	Summary: [Black Arrow]	Rolled Up Milestone: [Black Diamond]	Project Summary: [Grey Arrow]
	Progress: [Black Bar]	Rolled Up Task: [Light Blue Bar]	Rolled Up Progress: [Black Bar]					

# Property Specific Strategies and Implementation

## Des Moines Creek #1

### Strategy

The overall development strategy applies.

### Implementation

The Port of Seattle is currently in possession of permits that allow for the relocation of the wetlands located on the property. The permits were issued to allow for the mining of fill material for the construction of the Third Runway. From a development perspective it is important that these permits are retained; otherwise the development potential of the property is greatly reduced. The impact of failing to use the permits has not been formally estimated, however, if the wetlands and their uplands remain untouched, large portions of the property cannot be developed. A cooperative posture by all parties must be undertaken to retain the permits, remove the wetlands, and complete the grading.

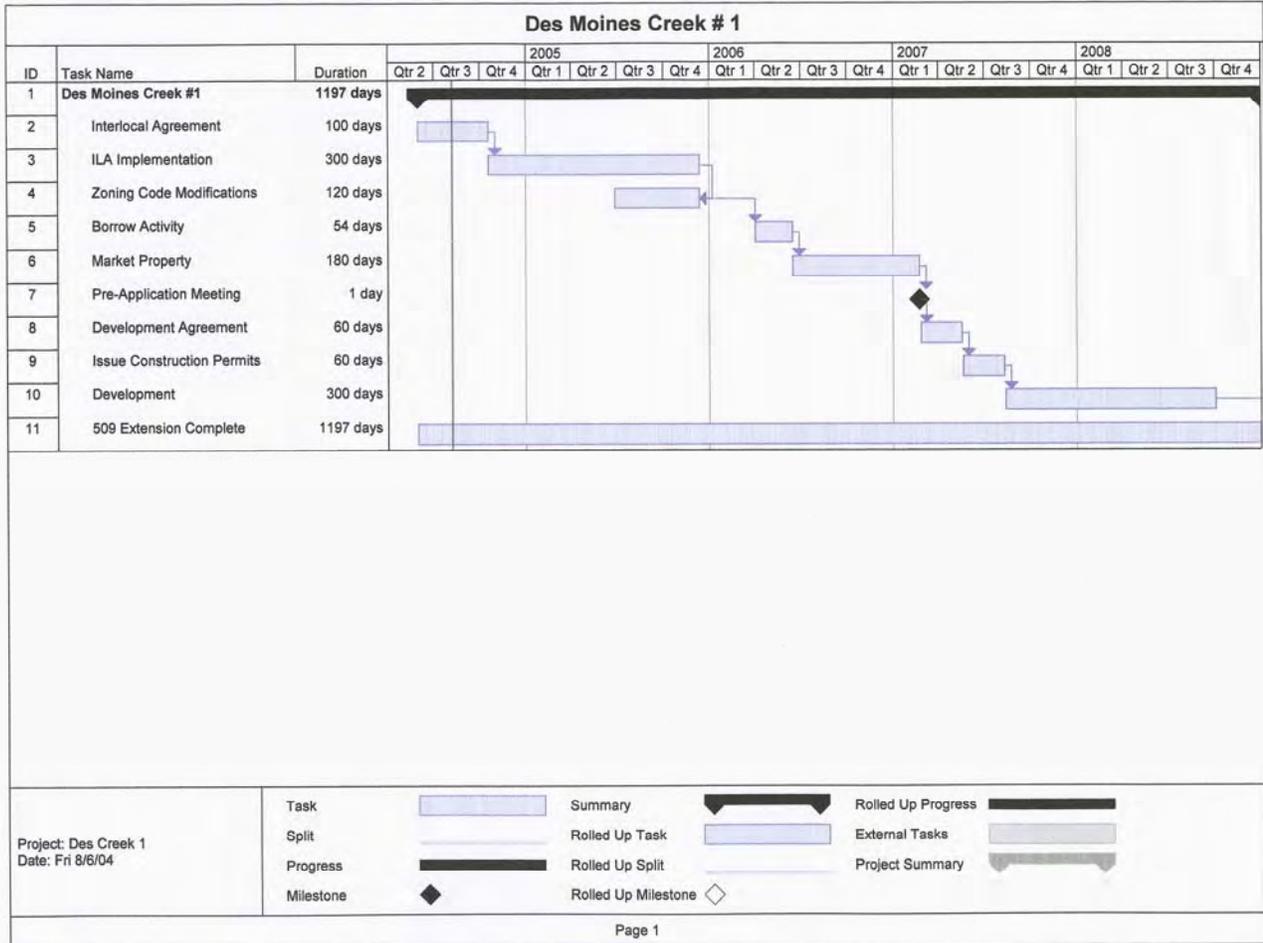
The City of Des Moines, City of SeaTac, Port of Seattle, and the FAA all have jurisdictional authority over the site. An interlocal agreement between the parties that allows mass grading to move forward and the subsequent development to occur is essential to maximizing the properties value.

The following is a check list of recommended tasks that need to be completed to facilitate the development of the property:

1. Execution of an interlocal agreement (ILA) between the City of Des Moines, City of SeaTac, Port of Seattle, and the FAA that provides certainty by resolving all entitlement issues and includes implementation of the following:
  - a) Agreement on jurisdictional authority.
  - b) A timeline for completing tasks.
  - c) Creation of general site plans that identify limits on density, height, bulk and setbacks.
  - d) Identification of allowed uses.
  - e) Completion of SEPA review and documentation.
  - f) Identification of mitigation requirements.
  - g) A binding methodology for vacating streets.
  - h) A plan to connect 24<sup>th</sup> Ave. South to the property.
  - i) Resolution of parkland set-asides issues.
2. Change City of Des Moines zoning to broaden the range of allowed uses under the Business Park zoning designation.
3. Borrow soil and mass grade the property.
4. Market the property.
5. Pre application meeting.
6. Execute development agreement with the developer.
7. Issue construction permits.
8. As needed, vacate the unused road right-of-ways, utilities easements and/or obtain out parcels.
9. Completion of the 509 Extension.

## Implementation Schedule

The schedule below reflects the scenario in which completion of development and the completion of the 509 Extension occur simultaneously.



### Schedule Acceleration

A primary assumption of this study is that the 509 Extension is completed. The 509 Extension has a major influence on the development of the site. The 509 Extension EIS is completed, the design is finalized, and some property acquisitions have taken place, however, to date the project has not been funded.

It is possible the site could be developed prior to the completion of the 509 Extension. While the analysis of the impacts is beyond the scope of work for this assignment., if the traffic impacts were acceptable to the surrounding communities, International Blvd. could absorb the traffic until such time as the 509 Extension is completed. Development prior to the completion of the 509 Extension could accelerate the development schedule by several years. When the 509 Extension is completed the property will be highly desirable to potential investors, developers, and users, however, prior to its completion access to the site is likely to be viewed as less than perfect.

## **Des Moines Creek #2**

### **Strategy**

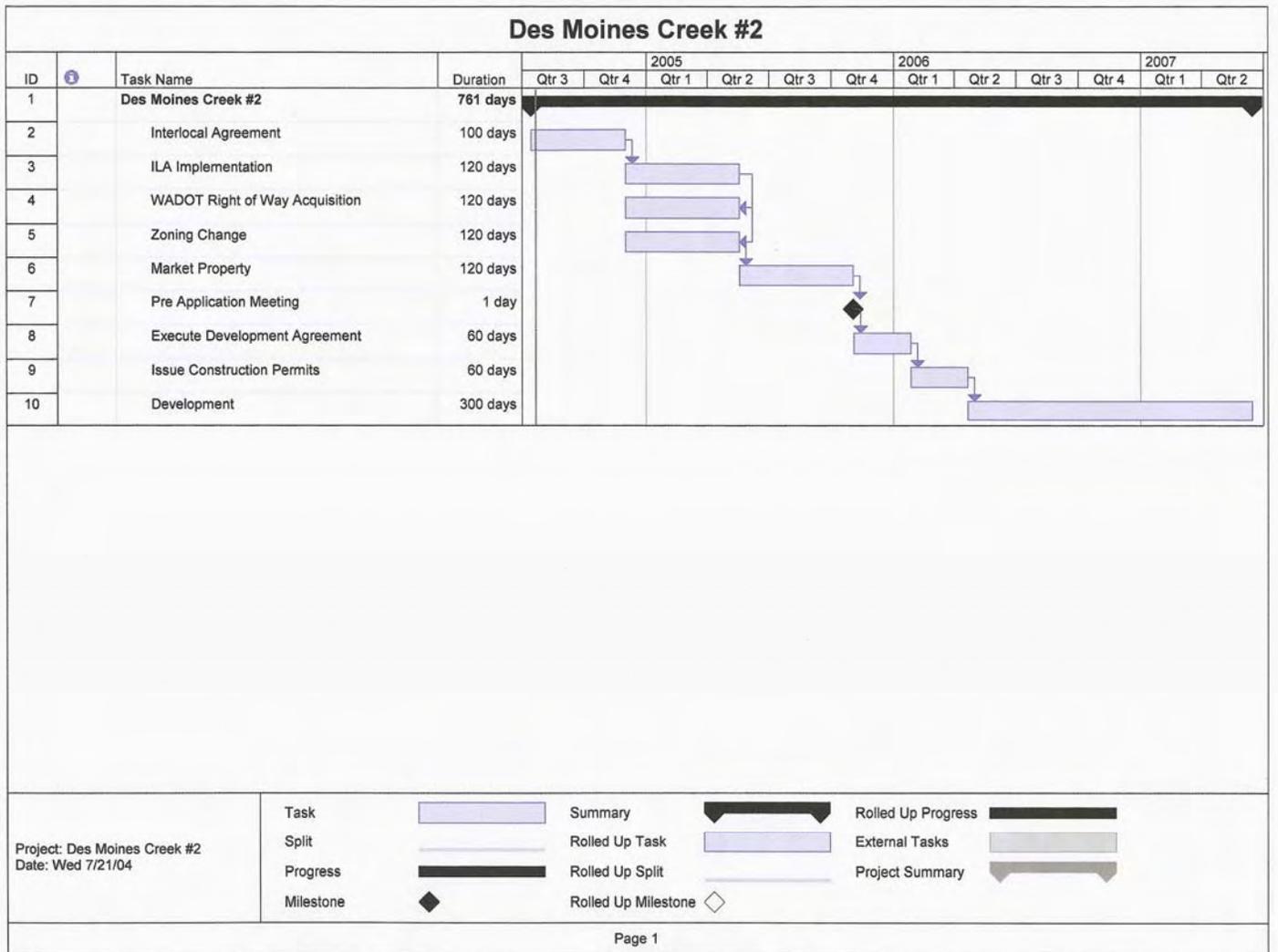
The overall development strategy applies to this property.

### **Implementation**

The Des Moines Creek #2 property is ready for immediate development subject to the following.

1. Execution of an interlocal agreement (ILA) between the City of Des Moines, Port of Seattle, and the FAA that provides certainty by resolving all entitlement issues and includes implementation of the following:
  - a) Agreement on jurisdictional authority.
  - b) A timeline for completing tasks.
  - c) Creation of general site plans that identify limits on density, height, bulk and setbacks.
  - d) Identification of allowed uses.
  - e) Completion of SEPA review and documentation.
  - f) Identification of mitigation requirements.
  - g) A binding methodology for vacating streets.
  - h) Resolution of parkland set-asides issues.
2. Acquisition of WSDOT land to create additional street frontage along S. 216<sup>th</sup> Street.
3. Zoning change from residential suburban estates to Business Park that allows for a broad range of uses.
4. Market property.
5. Pre application meeting.
6. Execute development agreement with the developer.
7. Issue construction permits.
8. As needed, vacate utilities easements.
9. Development.

## Implementation Schedule



### Schedule Acceleration

The schedule can be accelerated by reducing the time for tasks required to entitle the property (Tasks #1 through #4).

## **Borrow Site #3**

### **Strategy**

The constraints on this property limit its development potential. The property could be developed as-is, however, the scale of the development will be relatively small and the costs high. The best development strategy calls for acquisition of the adjoining parcel owned by WSDOT and development of the assembled parcels. The timing of the development is contingent on completion of the items listed below. It can be noted that the completion of the 509 Extension will make access to the property easy and contribute to its marketability. An argument can be made for waiting until the 509 Extension is completed to develop the property, however, given the uncertainty about its completion, it is beneficial to develop as soon as possible.

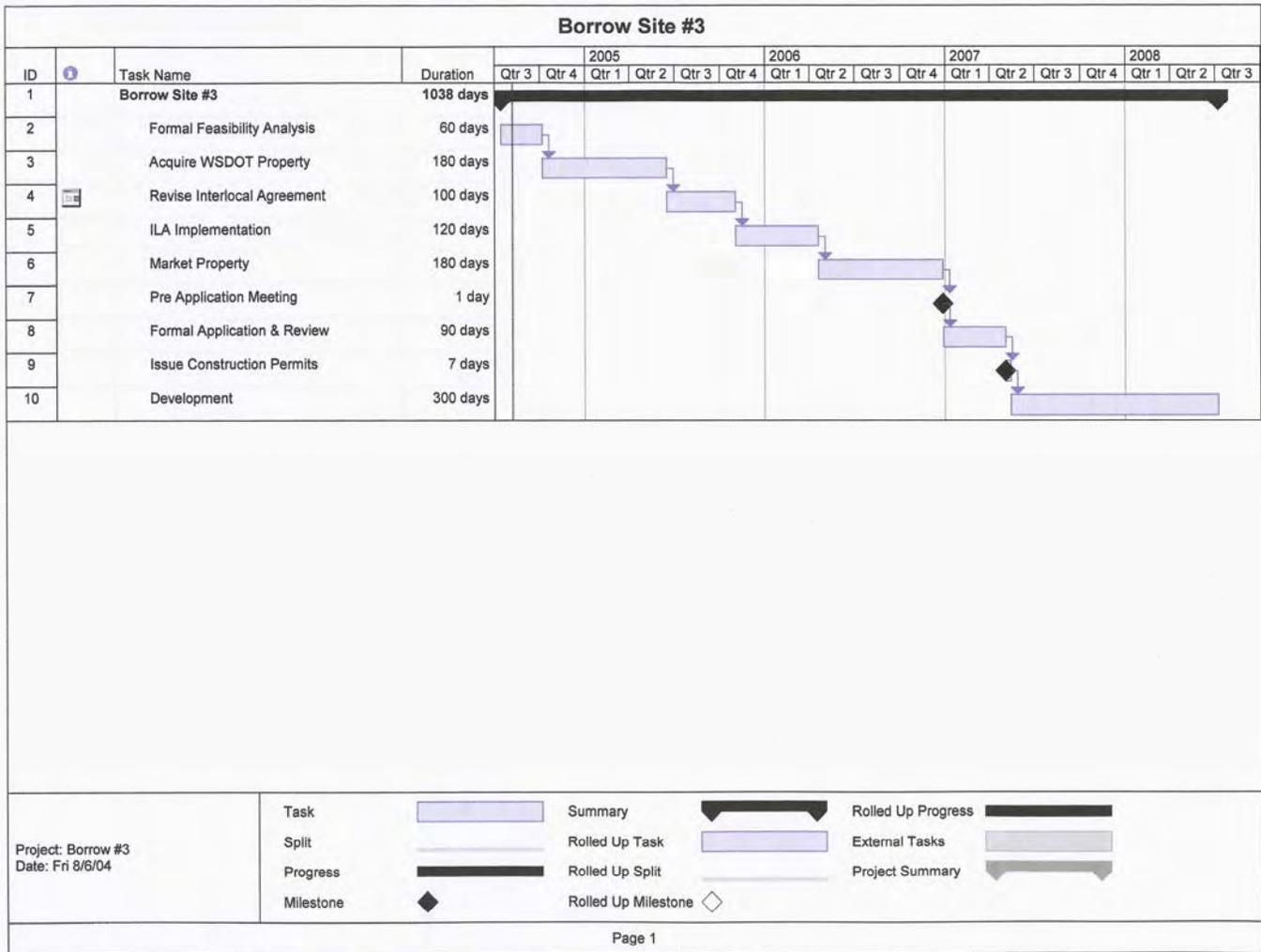
Should the acquisition of the WSDOT property prove feasible, it is likely the overall development strategy applies to the property.

### **Implementation**

The tasks to implement the development strategy are:

1. Conduct formal feasibility study prior to acquiring the WSDOT property.
2. If development is feasible proceed to WSDOT property acquisition.
3. Revise the interlocal agreement (ILA) between the City of SeaTac, Port of Seattle, and the FAA that provides certainty by resolving all entitlement issues and includes implementation of the following:
  - a) Agreement on jurisdictional authority.
  - b) A timeline for completing tasks.
  - c) Creation of general site plans that identify limits on density, height, bulk and setbacks.
  - d) Identification of allowed uses.
  - e) Completion of SEPA review and documentation.
  - f) Identification of mitigation requirements.
  - g) If necessary create a binding methodology for vacating streets.
4. Market property.
5. Pre application meeting.
6. Formal application.
7. Vacation of unused road right-of-ways if needed.
8. Issue construction permits.
9. Development.

## Implementation Schedule



### Schedule Acceleration

The primary opportunities for accelerating the schedule are to expedite the WSDOT property acquisition and/or put the revision of the ILA on a parallel track with the property acquisition.

## **S. 200th Street Parcels & Borrow #4 Remnants**

### **Strategy**

Development of the entire property calls for the completion of a large assemblage including properties that are yet to be acquired for noise mitigation purposes by the Port of Seattle. The Port of Seattle has scheduled the acquisition of the properties north of S. 197<sup>th</sup> Street to occur when the Third Runway is completed or shortly thereafter, currently estimated for 2009. As discussed in the Development Potential report, the assemblage of all parcels in the area so expensive as to render the proposed project infeasible. Accordingly, two strategies warrant further discussion and analysis.

The first strategy involves a smaller assemblage, beginning with acquisition of the Highline School District property, followed by acquisitions of the adjoining properties. This strategy is financially feasible providing the properties can be acquired at a price that can be supported by industrial development.

Alternatively, a government entity could choose to complete the property assemblage to further economic development objectives. As shown in the Development Potential Report and as discussed in the Economic Benefits Report, the project falls short of feasible by \$600,000 to \$700,000. If economic development funds were available, an injection of funds equal to this amount could make the project feasible. Because the shortfall and the cost to assemble the land are based on the current assessed values, the actual acquisition costs may be higher. In which case, a greater economic stimulus would be required. This alternative is worthy of further analysis.

Once the properties are entitled, the marketing strategy outlined in the overall development strategy can be applied.

### **Implementation**

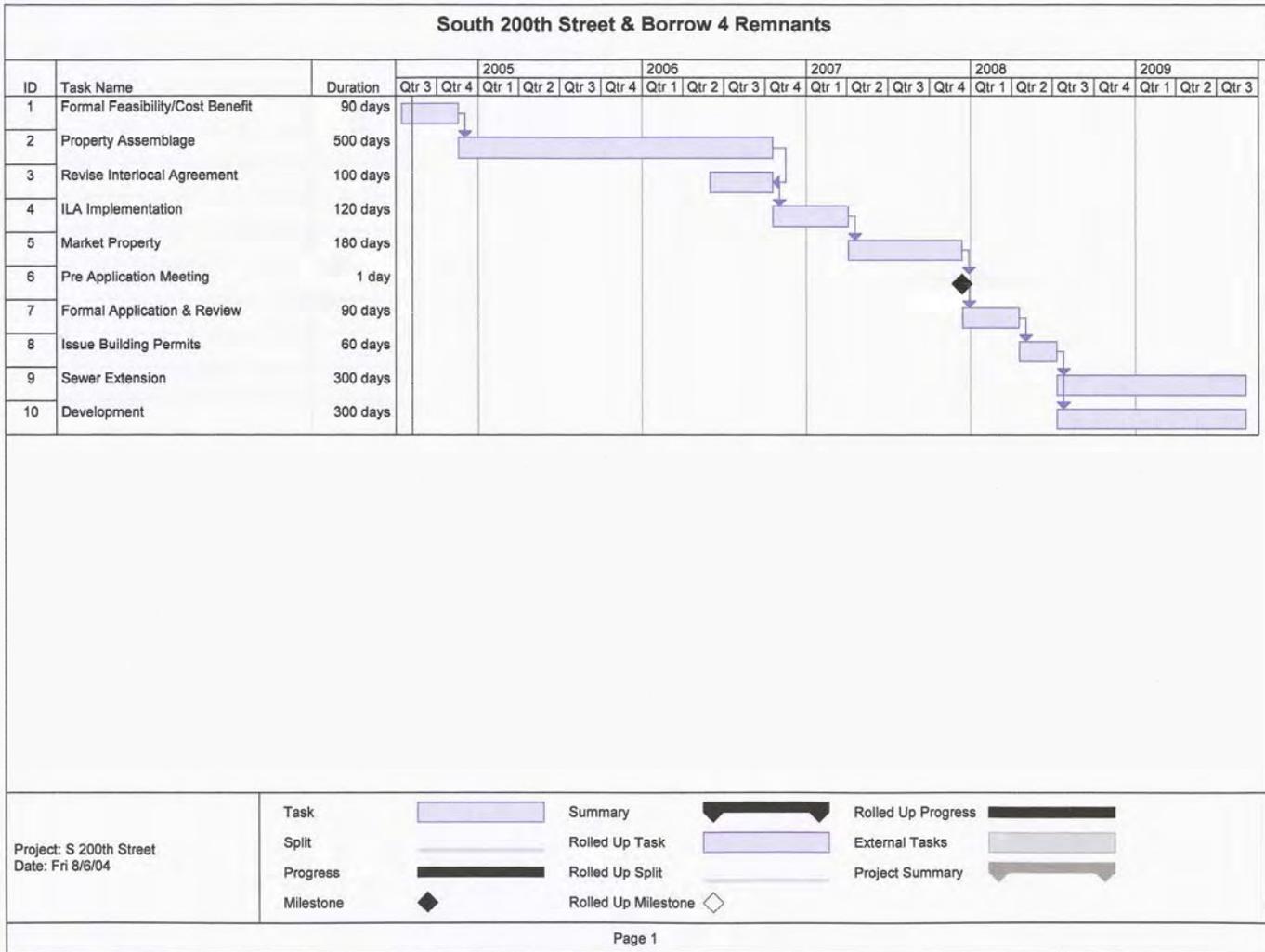
If the alternative strategy was pursued, and economic development funding was used to assemble the sites, the following would be needed to implement the strategy:

1. Complete a formal feasibility study.
2. Estimate the costs to assemble the land (range – low to high).
3. Conduct cost benefit analysis.
4. Initiate the assemblage.
5. Create an interlocal agreement (ILA) between the City of SeaTac, Port of Seattle, and the FAA that provides certainty by resolving all entitlement issues and includes implementation of the following:
  - a) Agreement on jurisdictional authority.
  - b) A timeline for completing tasks.
  - c) Creation of general site plans that identify limits on density, height, bulk and setbacks.
  - d) Identification of allowed uses.
  - e) Completion of SEPA review and documentation.
  - f) Identification of mitigation requirements.
  - g) A binding methodology for vacating streets.
6. Market property.
7. Pre application meeting.
8. Formal application.

9. Vacation of unused road right-of-ways if needed.
10. Issue construction permits.
11. Sewer extension.
12. Development.

It should be noted that this strategy and schedule are contingent on the existing property owners selling their properties.

### Implementation Schedule



### Schedule Acceleration

If the private sector and free market are allowed to complete the limited assemblage it could occur at any time. The comprehensive plan and zoning code support industrial uses and the property offers the opportunity for users to own rather than lease.

## **SW Industrial Parcels**

### **Strategy**

The Southwest Industrial parcels are fully developed. The Port of Seattle will be relocating or obtaining aviation easements from businesses in the area to accommodate the Third Runway, affecting up to 300,000 square feet of the existing buildings. The majority of the existing improvements on the property will continue to represent the highest and best use. Demolition to make way for new buildings is not feasible.

### **Implementation**

Many of the existing tenants in the area are off-airport tenants that see a direct benefit in locating within close proximity to the airport. They are highly desirable and represent a long-term benefit to the area because they do business with airport, and depend on the airport. An aggressive tenant/user retention strategy can be adopted to insure that the existing tenants/users remain in the area. It is far easier and less expensive to retain existing tenants/users than it is to bring new users to the area. The NEST Properties can provide an excellent alternative for businesses that must be relocated.

## **NESPA #1**

### **Strategy**

This property was purchased by the Port of Seattle for noise mitigation purposes and has been cleared of all improvements except the Lora Lake Apartments and a Seattle City Light transformer. The apartments are owned by the King County Housing Authority and are operating on a temporary basis. The current operating agreement between the Port of Seattle, the King County Housing Authority, and the City of Burien has recently been extended through 2008. The intent of the agreement is to operate the apartments until such time as they must be removed when the Third Runway is completed or sooner as the parties determine. The apartments currently generate approximately \$500,000 of combined net annual cash flow for the City of Burien and the Port of Seattle. The City of Burien's share of the cash flow is \$200,000 per year and the Port of Seattle receives the balance. In a very cursory fashion the land value can be derived by capitalizing the cash flow. At 8% the resulting value of the land is \$6,250,000, or approximately \$13.70 per square foot for the 10.46 acres of usable land, greater than the current as vacant value. Further, the south half of the property is currently available for redevelopment. If the southern portion of the property were developed, the resulting land value would increase significantly.

The best strategy for the property is to leave the Lora Lake Apartments in place for as long as possible. When it is time to develop the property, actions guided by the overall development strategy, are appropriate.

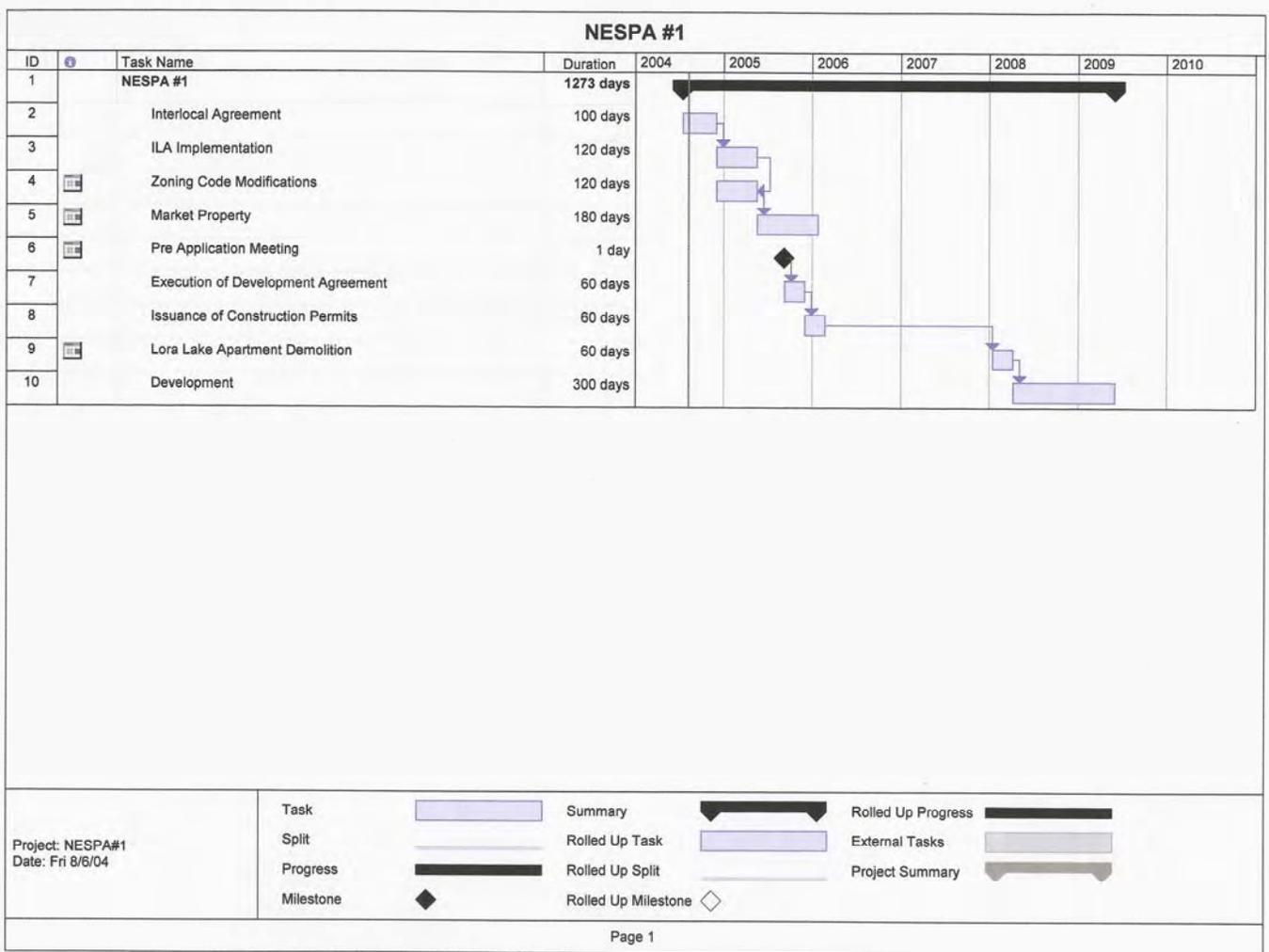
### **Implementation**

The following actions are needed to bring development to the property:

1. Create an interlocal agreement (ILA) between the City of Burien, Port of Seattle, and the FAA that provides certainty by resolving all entitlement issues and includes implementation of the following:
  - a) Agreement on jurisdictional authority.
  - b) A timeline for completing tasks.
  - c) Creation of general site plans that identify limits on density, height, bulk and setbacks.
  - d) Identification of allowed uses. (Specific attention to determination of permitted uses in the portion of the property with stringent FAA requirements.)
  - e) Completion of SEPA review and documentation.
  - f) Identification of mitigation requirements.
2. Market property.
3. Pre application meeting.
4. Execution of a development agreement.
5. Issuance of construction permits.
6. Demolition of the Lora Lake Apartments.
7. Development.

## Implementation Schedule

The following chart shows the preliminary schedule of tasks needed to complete the development.



### Schedule Acceleration

Providing the plan for development of the entire property is not compromised, the southern portion of the property could be developed prior to the demolition of the Lora Lake Apartments. Or alternatively, a portion of the Lora Lake Apartments could be removed to accommodate redevelopment of the southern portion of the site.

## **NESPA #2**

### **Strategy**

The southern portion of the property is located within an area known as the Runway Protection Zone where land use is regulated by the FAA. The FAA restrictions on land use that apply to this area are highly restrictive and prohibit almost all development activity.

The balance of the property lies within another area regulated by the FAA known as the Runway Approach Zone which carries another set of use restrictions. Within this area residential uses are prohibited and the Port of Seattle, with funding from the FAA, is acquiring the properties used for residential purposes in the area. The remaining parcels that are used for commercial purposes will not be acquired by the Port of Seattle. The commercial parcels include a large parcel strategically located in the center of the property.

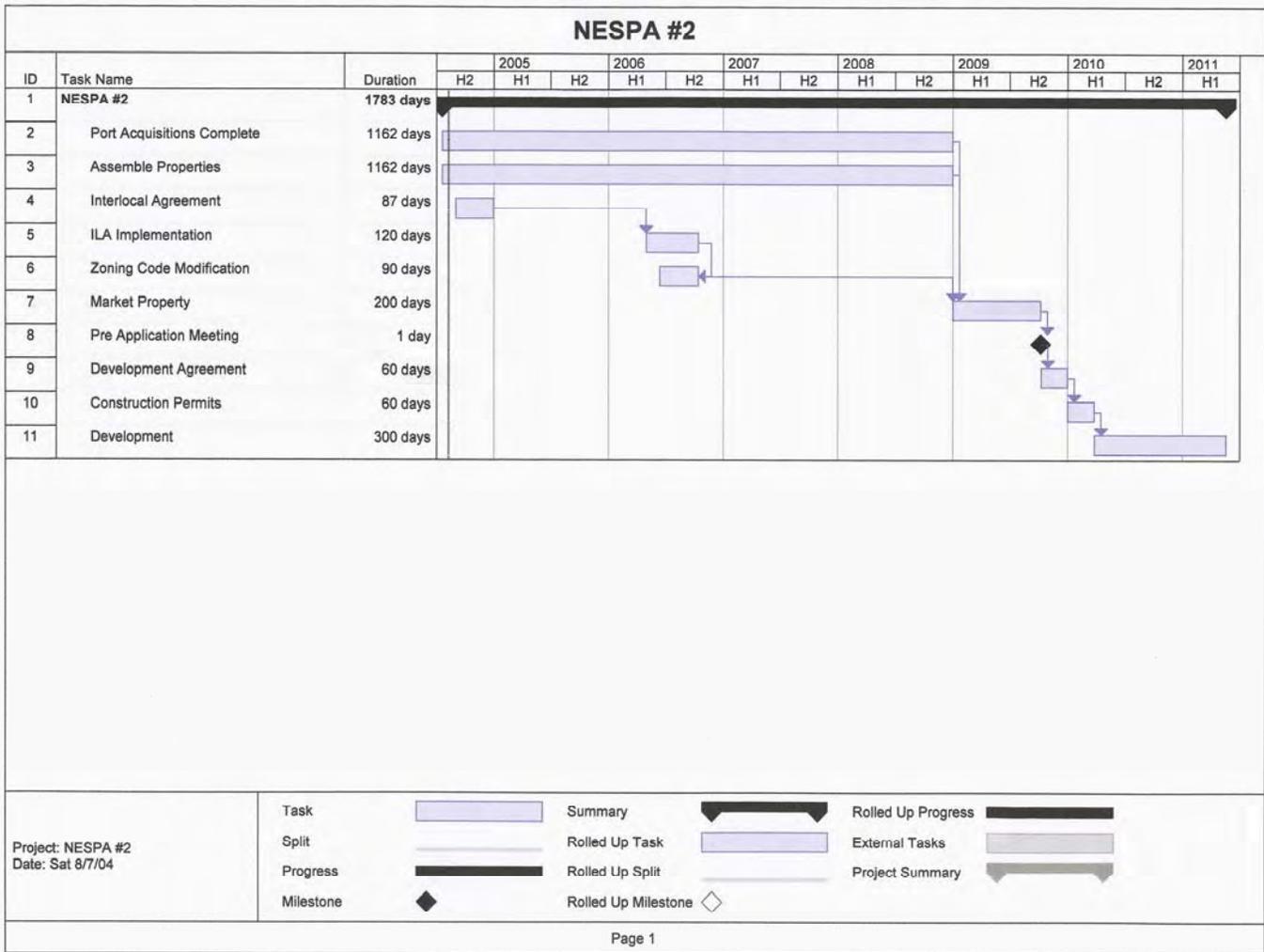
The site is limited geographically and the constraints include streams, steep slopes, and the property's irregular shape. Subject to acquisition of the larger commercial parcel the property has development potential for approximately 360,000 square feet of industrial buildings. Providing the assemblage can be completed and the Port of Seattle completes its noise mitigation acquisitions, the overall development strategy applies.

### **Implementation**

The following implementation strategy assumes the following: 1) Port of Seattle will finish its acquisitions when the Third Runway is complete, which is currently scheduled to occur in 2009. 2) An assemblage of the commercial properties will be completed. The following actions are needed to entitle the property for development.

1. Create an interlocal agreement (ILA) between the City of Burien, Port of Seattle, the City of SeaTac, and the FAA that provides certainty by resolving all entitlement issues and includes implementation of the following:
  - a) Agreement on jurisdictional authority.
  - b) A timeline for completing tasks.
  - c) Creation of general site plans that identify limits on density, height, bulk and setbacks.
  - d) Identification of allowed uses. (Specific attention to determination of permitted uses in the portion of the property with FAA requirements.)
  - e) Completion of SEPA review and documentation.
  - f) Identification of mitigation requirements.
  - g) A binding methodology for street vacations.
2. Assemble the property not owned by the Port.
3. Market property.
4. Pre application meeting.
5. Execution of a development agreement.
6. Issuance of construction permits.
7. Development.

## Implementation Schedule



### Schedule Acceleration

The project can be accelerated if the Port of Seattle were to complete its noise mitigation acquisitions on an expedited schedule. If this strategy is pursued completion of the assemblage would need to coincide with the Port's acquisitions.

## **NESPA #3**

### **Strategy**

The property lies within an area which carries use restrictions imposed by the FAA known as the Runway Transition Zone. Residential uses are prohibited and the Port of Seattle, with funding from the FAA, is acquiring the residences located on the property. The portions of the property that are used for commercial purposes, located along Des Moines Memorial Drive, are not scheduled for acquisition by the Port of Seattle. The property can be developed without acquiring the commercial parcels or alternatively the parcels could be acquired and assembled with the Port of Seattle owned properties. The site has the potential for development of approximately 400,000 square feet of industrial buildings. Subject to the completion of the Port of Seattle noise mitigation acquisitions, the overall development strategy applies.

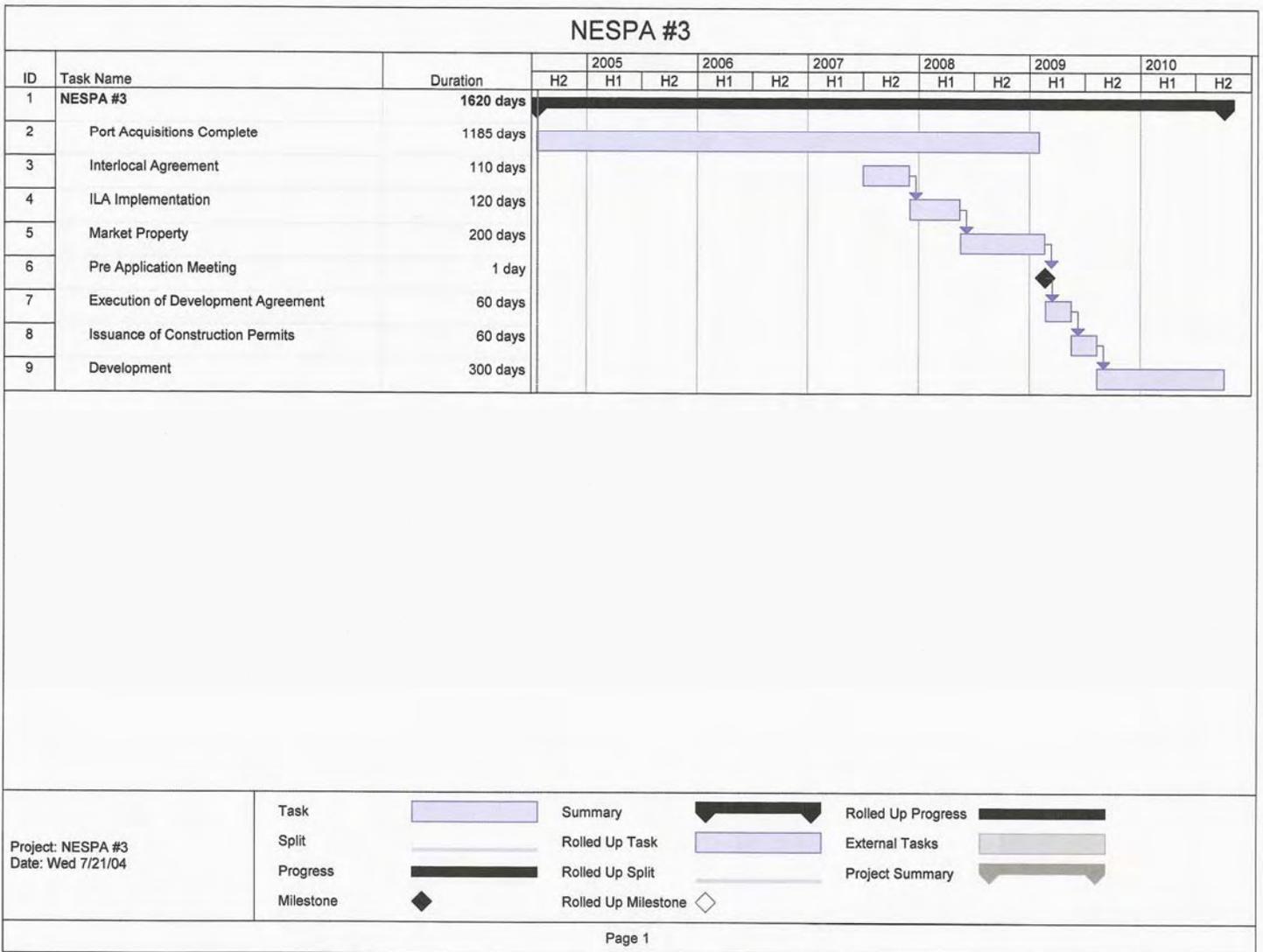
### **Implementation**

The Port of Seattle has indicated that it will complete its acquisitions when the Third Runway is complete, which is currently scheduled to occur in 2009.

The following actions are needed to entitle the property for development:

1. Create an interlocal agreement (ILA) between the City of Burien, Port of Seattle, the City of SeaTac, and the FAA that provides certainty by resolving all entitlement issues and includes implementation of the following:
  - a) Agreement on jurisdictional authority.
  - b) A timeline for completing tasks.
  - c) Creation of general site plans that identify limits on density, height, bulk and setbacks.
  - d) Identification of allowed uses. (Specific attention to determination of permitted uses in the portion of the property with FAA requirements.)
  - e) Completion of SEPA review and documentation.
  - f) Identification of mitigation requirements.
  - g) A binding methodology for street vacations.
2. Market property.
3. Pre application meeting.
4. Execution of a development agreement.
5. Issuance of construction permits.
6. Development.

## Implementation Schedule



### Schedule Acceleration

The schedule could be moved forward by accelerating the Port of Seattle noise mitigation acquisitions.

## **NESPA #4 & NESPA #5**

The best strategy for development of NESPA #4 and NESPA #5 is to encourage conversion of the existing uses to the target market uses described in the overall strategy. The NESPA #4 property is currently segregated into 44 separate parcels, many of which are improved. The cost to acquire the land through condemnation, at \$300,000 per parcel, is approximately \$13 million. To make development feasible on the property, the acquisition would need to be subsidized by approximately \$7 million. The NESPA #5 property consists of 97 separate parcels, many of which are improved. The cost to acquire the land through condemnation, at \$300,000 per parcel, is approximately \$29 million. To make development feasible on this property, the acquisition would need to be subsidized by approximately \$22 million. The reader must keep in mind that these estimates are the most rudimentary and are designed only to provide a sense of magnitude.

At this time, the facilitation of the change in use by acquiring the properties for redevelopment would be prohibitively expensive. At some time in the future the conversion may be feasible. In the interim, the use of public policy to encourage the private sector to convert the properties to the target uses as they become available is appropriate.

## **55 Acre Parcels**

### **Strategy**

The southern portion of the property is located within an area known as the Runway Protection Zone where land use is regulated by the FAA. The FAA restrictions on land use that apply to this area are highly restrictive and prohibit almost all development activity, except roadways and parking. The northern portion of the property was purchased with FAA noise mitigation funds and accordingly development is limited to airport compatible uses. The property has the potential for development of approximately 460,000 square feet of industrial buildings. Subject to the completion of the following tasks, the property is ready for development consistent with the overall development strategy.

### **Implementation**

The following actions are needed to entitle the property for development.

1. Revision of the interlocal agreement (ILA) between the Port of Seattle, the City of SeaTac, and the FAA that provides certainty by resolving all entitlement issues and includes implementation of the following:
  - a) Agreement on jurisdictional authority.
  - b) A timeline for completing tasks.
  - c) Creation of general site plans that identify limits on density, height, bulk and setbacks.
  - d) Identification of allowed uses. (Specific attention to determination of permitted uses in the portion of the property with FAA requirements.)
  - e) Completion of SEPA review and documentation.
  - f) Identification of mitigation requirements.
  - g) Complete street vacations.
2. Market property.
3. Pre application meeting.
4. Formal application.
5. Vacation of unused road right-of-ways if needed.
6. Issue construction permits.
7. Development.

## Implementation Schedule



### Schedule Acceleration

The schedule could be moved forward by expediting the creation and implementation of the interlocal agreement.

# Addendum

## Marketing Channels

It is beyond the scope of work for this assignment to prepare a marketing plan for the NEST Properties. However, it is advisable to prepare marketing and advertising plans and then systematically implement their strategies. The following channels have been identified to provide the reader perspective on the types of marketing channels that are available to reach potential targets. The list is intended for illustrative purpose only and is not intended as a substitute for a completed work.

## Foreign Trade Organizations

Trade & Economic Alliance of Greater Seattle – [http://www.cityofseattle.net/tda/tools\\_trade.htm](http://www.cityofseattle.net/tda/tools_trade.htm)  
State of Washington, Department of Trade & Economic Development –  
<http://www.cted.wa.gov/DesktopDefault.aspx?tabid=4>

## International Real Estate Brokerage Companies

GVA Kidder Mathews  
CB Richard Ellis  
Cushman & Wakefield  
Colliers International

## Industry Links (Partial Sample List)

Chemical Manufactures – <http://www.liv.ac.uk/Chemistry/Links/chemcomps1.html>  
Chemical Manufactures –  
<http://www.searchmanufacturing.com/Manufacturing/Materials/organizations.htm>  
Biotechnology Associations –  
[http://www.business.com/directory/pharmaceuticals\\_and\\_biotechnology/biotechnology/associations/](http://www.business.com/directory/pharmaceuticals_and_biotechnology/biotechnology/associations/)  
Pharmaceutical Associations –  
[http://www.business.com/directory/pharmaceuticals\\_and\\_biotechnology/associations/](http://www.business.com/directory/pharmaceuticals_and_biotechnology/associations/)  
Agricultural Biotechnology Associations –  
<http://www.business.com/directory/agriculture/biotechnology/associations/>  
Electrical & Electronics Manufactures Associations –  
<http://www.business.com/directory/agriculture/biotechnology/associations/>  
Machinery Manufacturing Associations –  
<http://search.looksmart.com/p/browse/us1/us317829/us317864/us77825/us319549/us319574>

## News Services

Company	URL	Contact	Phone
@Property.com	<a href="http://www.property.com">www.property.com</a>	Ann O'Neal	609-587-3511
Cahners Business Information Resources	<a href="http://www.bizsites.com">www.bizsites.com</a>	Nancy Kay	800-753-2660
Commercial Real Estate Direct	<a href="http://www.commercialrealestatedirect.com">www.commercialrealestatedirect.com</a>	Craig O. Allsopp	215-504-4288
CoStar Group	<a href="http://www.costargroup.com">www.costargroup.com</a>	Andrew Florence	301-215-8300
F.W. Dodge/The McGraw-Hill Companies	<a href="http://www.fwdodge.com">www.fwdodge.com</a>	Burleigh Morton	781-860-6880
GlobeSt.com	<a href="http://www.globest.com">www.globest.com</a>	Johnathan Schein	212-929-6900
RENTV.com	<a href="http://www.rentv.com">www.rentv.com</a>	Steve Bloom	310-414-0404

## Listing Services

Company	URL	Contact	Phone
1031Xchange.com	<a href="http://www.1031Xchange.com">www.1031Xchange.com</a>	Janet Zajac-Spade	719-667-1031
CityFeet.com	<a href="http://www.CityFeet.com">www.CityFeet.com</a>	Guy Shanon	212-924-6450
Comro.com	<a href="http://www.comro.com">www.comro.com</a>	Bob Spoerri	312-496-8000
Equity Properties, Inc.	<a href="http://www.knr.com/">www.knr.com/</a>	Edward Ginn	610-645-7700
eSpace CONNEXIONS	<a href="http://www.e-space.com">www.e-space.com</a>	Maurice Gatien	416-363-8062
Estates Today	<a href="http://www.estatestoday.co.uk">www.estatestoday.co.uk</a>	Anthony Slumbers	+44-020-7439-7575
Location-net	<a href="http://www.location-net.com">www.location-net.com</a>	Kathryn Huber	415-339-2700
Lookingforspace.com	<a href="http://www.Lookingforspace.com">www.Lookingforspace.com</a>	Neal Lerner	212-986-9100
LoopNet, Inc.	<a href="http://www.loopnet.com">www.loopnet.com</a>	Dennis DeAndre	415-216-1600
MrOfficeSpace.com	<a href="http://www.Mrofficespace.com">www.Mrofficespace.com</a>	Henry Robbins	212-683-5700
OfficeGuide.com	<a href="http://www.officeguide.com">www.officeguide.com</a>	Dennis Alexander	888-243-3434
OfficeQuest	<a href="http://www.officequest.com">www.officequest.com</a>	Mark Wiatrowski	202-857-9799
OfficeSpace.com	<a href="http://www.officespace.com">www.officespace.com</a>	John D Suryan	425-957-1479
Propertyfirst.com	<a href="http://propertyfirst.com">propertyfirst.com</a>	Mark Meyer	212-509-5005
PropertyFirst.com	<a href="http://www.PropertyFirst.com">www.PropertyFirst.com</a>	John Stanfill Stanfill	800-725-3872
PropertyRover	<a href="http://www.propertyrover.com">www.propertyrover.com</a>	Laurence Ross	917-421-8611
RealtyIQ.com	<a href="http://www.realtyiq.com">www.realtyiq.com</a>	Bruce Weisseberg	212-457-8000
SmallBizRealty	<a href="http://www.office2share.com">www.office2share.com</a>	Jeffrey Landers	212-867-1888
Sublease.com	<a href="http://www.sublease.com">www.sublease.com</a>	Aldon Cole	949-723-7900
WebRealEstate.com	<a href="http://www.webrealestate.com">www.webrealestate.com</a>	Jack Diamond	877-748-3496
Xceligent, Inc.	<a href="http://www.xceligent.com">www.xceligent.com</a>	Shane Gretsinger	816-303-5300

## Publications

[Area Development](#) – Magazine for ...*site and facility planning*, that reports on industrial sectors and world markets and offers specialty publications, such as an [annual location guide](#). *Area Development Online* shows [links](#) to US state incentives, a global guide to EDOs (economic development organizations), and other resources.

### [Business Facilities](#)

<http://www.sitelocationassistance.com/search/cn/sspublications.htm> - [akak#akak](#) – *National (USA) site selection magazine ... The Location Advisor* provides corporate executives with monthly news and information resources. It offers [information on states](#) and has a [global section](#) as well at its website. Also, you will find links to information about [real estate](#) sites, [select locations](#), and [guidance](#) for site selectors at its website – see [Enterprise Development Toolset Links](#) in The Network's Site Location Assistance website (not related to *Business Facilities*). A Facility City button located in the top-left corner of the website entry page allows you go straight to a [directory of enterprise development resources](#).

[Corporate Real Estate Leader](#) – Official publication of the [CoreNet Global](#) – *the corporate real estate network*, an association of [corporate real estate executives](#). It has service providers to the site location process as associate members and they advertise in the magazine. [CoreNet meetings](#) are heavily attended by real estate consultants and brokers. Its active members are usually the ones who oversee facilities planning and become [economic development prospects](#) when involved in site selection projects.

[Development Magazine](#) – Official publication of the [National Association of Industrial and Office Properties](#). Check the magazine's archives for the last time it published a ...*Guide to Economic Development Programs*; also, NAIOP has published a special supplement, *The Capital Connection: Who's Who in Finance*, that listed real estate investors and venture capitalists. [CLICK HERE](#) for a NAIOP business card.

[Expansion Management](#) – We accessed the magazine website and got a pop-up screen that asked, *Do you need relocation or expansion assistance?* There is also a [Expansion and relocation directory](#) link to a directory search application that says ...(information from) *companies/organizations that provide relocation and expansion services. ...locate companies by the type of service ...company name*. Your use of the application can include a search by geographic location. There are buttons for access to real estate information and featured properties

[Plant Sites & Parks](#) – *PS&P* magazine has websites [Bizsites.com](#) and [BizsitesDATA.com](#). The latter is a location information brokerage service. *Bizsites.com* has a [Location Partners](#) section for finding real estate and economic development contacts. There is also a *Business Location Sourcebook* ([Business Location Guide](#)) that lists ...*thousands of public and private resources for location decisions*.

[Plant Site Locations](#) – A site guide for manufacturers – first introduced in conjunction with the manufacturers' location/site selection services unit of the *National Association of Manufacturers*

[Site Selection Directory](#) – Publishing tool for site selectors and others involved in gathering location data or planning for a facility location, or relocation. Users publish [selection criteria](#) or other announcements and virtually reach out for [location data](#) as well as for introductions, proposals, or assistance from local and area economic development organizations. This low-cost, effective, publishing tool can handle confidential announcements. It is supported by data gathering services that can handle confidential distributions and contacts off the Web also.

[Site Selection Magazine](#) – Official publication of the [Industrial Asset Management Council](#). Also its publisher is partnered with the [International Economic Development Council](#) through the [Development Alliance](#) and the magazine is partnered with [WSJ.com Real Estate Journal](#), *The Wall Street Journal Guide to property* (commercial real estate)

[U.S. Real Estate Register](#) – An annual publication that lists real estate contacts for American companies, commercial and industrial properties for sale or lease, and real estate services as well as economic development contacts. If you are looking for economic development resources, the *USRER* list of corporate real estate directors is more comprehensive than those of either *CoreNet Global* or the *Industrial Asset Management Council*. Also, both associations restrict access to their online membership directories.

\* These magazines are highly competitive and advertising driven in order to be able to provide free subscriptions to targeted businesses – the magazines develop lists of leads for their advertisers through their free subscription programs. Although features and links at the publishers' websites may be described differently, resources are essentially the same