

# Economic Development Activity in Federal Way, Washington

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City of Federal Way

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Federal Way continues to witness business growth. The economic activity is unparalleled in its 25-year history and these changes are permeating the entire city.

The City of Federal Way continues to follow the Initiatives outlined by its City Council illustrated in its "Economic Development Strategy." The strategy lays out several initiatives to achieve its mission of producing solutions to attract and retain businesses, jobs and investments while improving the tax base and enhancing the quality of life. Included in the strategy are four key initiatives: Downtown Redevelopment/Town Center, Reuse of the Weyerhaeuser Corporate Campus, the University Initiative and the Branding Initiative. The efforts to accomplish these four initiatives and the economic development mission are presented below.

## Downtown Redevelopment

Town Center is nearly a 21-acre redevelopment project. The vision of this redevelopment is to create a heart of downtown. This area is bounded by 21<sup>st</sup> Ave. S and 23<sup>rd</sup> Ave. S from S 314<sup>th</sup> Street to 317<sup>th</sup>. The actions of the Mayor and City Council involved the acquisition of blighted properties of former big box stores and the subsequent redevelopment of this land.

In October of 2014, the City had an architect/planner complete a rendering illustrating opportunities for development on the site. (See the rendering Opportunities for Town Center Development)

The project involves 4 phases. (See map on following page - Town Center Development Site within Downtown)

The anchor and focal point of this redevelopment project is the City's Performing Arts and Event Center (PAEC). This project is also known as Town Center I. The Center is a 41,000 sq. ft. multi-purpose facility on three acres that includes a 700-plus-seat theater and 8,000 sq. ft. for arts, cultural, educational and community activities. Construction began in October 2015 and is expected to be completed by the summer of 2017. The cost of the project is \$32.7 million.

Another component of the Town Center development is Town Square Park. In 2014, the City began planning of this 4-acre park site known as the Town Square Park or Town Center II (completion summer 2016). The intent of the park is to enhance the Town Center development by providing open space for visitors and residents alike.

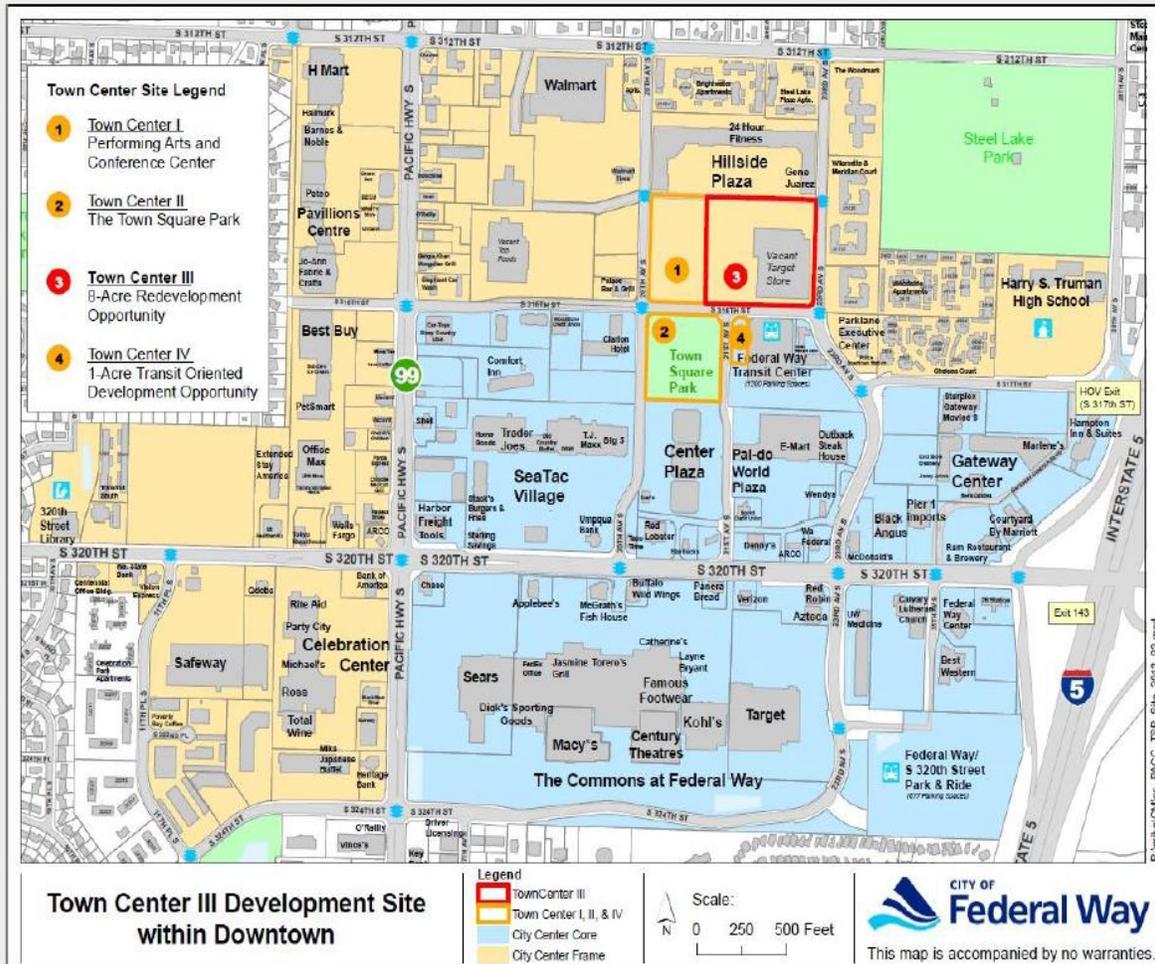
Additionally, in November of 2014, the City acquired nearly 8 acres adjacent to the PAEC. The purpose of this acquisition is to further redevelop the downtown by seeking private development and ownership interest in a mixed-use development. This property is known as Town Center III. It will be comprised of a hotel adjacent to the PAEC along with the construction of building space for restaurants, specialty retailers, galleries, and studios. In addition, space will be provided for office, education and classrooms along with housing. Residents will have views of the majestic Mt. Rainier and the imposing Olympic Mountain Range. The forecasted building size of the Town Center is 200,000 to 300,000 sq. ft. with a corresponding \$125 to \$150 million in construction value.

In August 2015, the City hired the international hotel consulting firm - Hospitality Valuation Services (HVS) to identify hotel demand. The analysis identified the demand for an Upper-Middle Scale hotel. City staff then began to research individuals and companies that build and operate hotels of this type in cities of similar size to Federal Way. Nearly 70 companies were identified including 12 to 15 from the Pacific Northwest.

In January 2016, the City began a Request for Interest, RFI for a hotel. The purpose was to ascertain development interest from owners, operators and developers of hotels. The City initiated a direct letter campaign to solicit interest. Twelve firms asked for a Request for Proposal. By the due date for the Request for Proposal, one firm, the Bozeman-based Cadius Partners, submitted a proposal for the hotel. Their proposal also includes interest in the development of all of the Town Center III development opportunity.

City staff is currently in negotiations with the development company. It is forecasted that a purchase agreement will be brought before the City Council in the fall of 2016.

The following map illustrates the four phases of the development of the Town Center.



## Concept for Opportunities for the Town Center, 2014



The Cadius Partners proposal identifies a 120 to 140-room hotel. While no brand has been selected, the proposal identifies it will be from one of three of the following chains: Hilton, Hyatt or Marriott.

The hotel will be built on a podium with four stories and, if possible, topped with a penthouse that would contain a lounge. The facility would be approximately 75,000 sq. ft. in size. It will include a restaurant, small conference room spaces, and a fitness center. It provides access to the PAEC from the west side of the hotel, along with outside dining. The proposal identifies that construction could begin in the spring of 2017 with completion in spring 2018.

It is forecasted that construction will provide 75-125 full-time jobs through the design and construction process. It is also estimated the hotel and its restaurant may employ from 45 to 60 full time jobs. Estimated cost is from \$18 to \$21 million. (See chart and rendering on following page.)

The proposal also includes Cadius Partners concept for their development of Town Center III. It identifies buildings for residential, retail, office, space for public offices such as a satellite university campus or a city hall. Additionally, there is a design for a grand staircase and a promenade along the southern edge of the property. It has roundabouts, turnabouts, open space, and connectivity for pedestrians to Town Square Park and the Transit Center.

**Overhead view of proposed hotel development and Town Center, 2016**



**Rendering of proposed hotel development and Town Center, 2016**



## **Reuse of Weyerhaeuser Corporate Campus**

In the summer of 2014, the business stalwart of Federal Way, the Fortune 500 Company – Weyerhaeuser announced that they would be downsizing from their 425 acre campus to a 250,000 sq. ft. office building in downtown Seattle by the end of 2016.

During 2014, the Mayor’s staff researched and analyzed the elements of the 425 acre corporate campus. The outcome was a publication entitled “Conditions and Considerations: Existing Public Sector Services to and through the Weyerhaeuser Site Which Affect Next Use Effort.” This report provided insightful information to those interested in purchasing the property.

In the meantime Weyerhaeuser spent a year marketing their property. In February 2016, it was announced that the Los Angeles-based Industrial Realty Group (IRG) purchased the property for \$70 million. They have not announced plans for its reuse as of yet. However, they are actively seeking end-users either as buyers or tenants. Meanwhile, Weyerhaeuser is currently leasing back space until their move to Seattle but will also lease space at their previous Tech Center facility for the next ten years.

City staff is working with IRG to help identify tenants and provide information in the recruitment of companies.

## **University Initiative**

The City of Federal Way is actively recruiting a branch campus of a university. The purpose is to help improve workforce development of Federal Way residents but also act as a catalyst for investment in Federal Way.

According to the Census Bureau, only 26% of Federal Way residents possess a four-year-degree or higher. This percentage is lower than the state and King County averages at 31 percent. Additionally, Seattle has over 50 percent of its population that possesses a four-year-degree. While no research has been done on the value of increased education and its implications on the Federal Way economy, prior development by universities to “un-anchor” themselves from their “hallowed halls,” to engage and create relationships with local industries and communities have proven fruitful. This is true even for those institutions already in cities but which have not always valued their location and, in times past, could be as gated as a secluded high-end housing development.

Additionally, universities change lives for good with high quality, relevant and lifelong education. The value of recruitment of an institute of higher education can leverage catalytic public and private investments to redevelop an urban landscape or a suburban landscape such as Federal Way.

## **Branding Initiative**

The City of Federal Way has begun a branding strategy in the effort to attract positive attention in the midst of a glut of information. The City has entered into an agreement with a consulting firm, the Tacoma-based Rusty George, to help identify a brand product and assist with positioning, targeting and identifying ways to enhance Federal Way’s business climate and community. As of the date of this publication, no date has been identified for release.

## **Retail**

The following provides information on the latest retail activity as it pertains to openings, site locations, expansions and construction for retail development in Federal Way.

### **The Commons Mall**

At the Commons Mall (located along 320<sup>th</sup>) interest has been focused upon the sale of the facility. The owner, the Irvine, California – based Steadfast Companies, hired a team of retail experts to sell the Commons Mall but also the Everett Mall during the summer of 2015. According to Philip Voorhees, Executive Vice President of the real estate brokerage CBRE hired to perform the sale, he identified that the selected buyer did not approve contingencies and canceled escrow during the holidays. The buyer was in a 1031 exchange, but the buyer dropped The Commons to pursue another acquisition. “This was a disappointment. However, the property will be marketed again in January and we expect to close a transaction during the first half of 2016”, said Voorhees. UPDATE: Currently, the Mall is not listed for sale. Meanwhile, the following activities have or are taking place at The Commons:

**Macy’s** will stay in Federal Way. The retailer announced in late 2015 that it would close stores to improve efficiencies. The retailer specifically named the closing of 36 stores on January 6, 2016 and the elimination of 2600 Jobs. Only one store, downtown Spokane, was announced for closure in Washington.

**Daiso**, the Japanese merchandiser is expanding across from Dick’s Sporting Goods.

**Red Robin** will begin demolition of their existing facility and rebuild a new product at the same location in what now appears to be in 2017.

**Honor Coffee** has opened at the former Starbuck’s site at the Main Entrance on the north side of the Mall.

### **Walmart**

Walmart announced on January 15, 2016 that it would close 159 stores in the nation and Puerto Rico. No stores in Washington State are scheduled for closure. A total of 269 stores are to be closed globally out of some 11,000. States that will see major closures include Alabama, Arkansas, California, North Carolina, and Texas.

As it pertains to the two stores in Federal Way, the smaller of the two, the 312<sup>th</sup> and 21<sup>st</sup> store, is used as a training center for the company. Walmart managers stay for multiple weeks. The Clarion Hotel has a long-term contract to house these visiting managers.

### **City Center Plaza**

The new owner of the City Center Plaza, Mark MacDonald, is making quick changes to his center. He is submitting permits for improved signage, lighting and landscaping. Additionally, he is entering into contracts to build new establishments.

**Mod Pizza**, the Bellevue-based chain will be opening a store at the City Center Plaza in 2016. The chain opened 61 locations in eight states creating over 1300 jobs in 2015 and plans to expand into six states and nearly double the number of establishments in the chain in 2016. The company was created by a husband and wife team- Scott and Ally Svenson.

**Jazzercise**, a studio for physical fitness opened at Suite C in the Center in April 2016.

## **Celebration Center**

The Center is located on the southwestern corner of 320<sup>th</sup> and Pacific Highway. It is owned by the Portland-based Harsch Investments and continues to attract businesses to their different centers. As it pertains to retail activity at the center, the following will be locating there.

**Legendary Donuts**, the Puget Sound-based retailer has opened. The company is founded, owned and operated by the husband and wife team of Shannon and Kenny Patton. This will be their third store. No information on employment.

**Chick-fil-A** has submitted permits to build a new facility on the eastern side of the center, just off of Pacific Highway. No date for opening has been identified. No information on employment.

**Fitness Center**, an independent fitness center has opened its doors in the western building at the center. No information on employment.

**Humana Clinic** is currently under construction opening a facility for its Medicare and Medicaid customers. Opening is expected in the third or fourth quarter of 2016.

**I Love Kick Boxing** is currently under construction in the western building at the center. No information on employment.

## **Pavilions Centre**

This Centre is located along Pacific Highway from 320<sup>th</sup> to 312<sup>th</sup>. The Center is owned by the Portland-based Harsch Investments. They continue to attract businesses. One such business is CityMD, (See Medical)

## **SeaTac Village**

The Center is located along 320<sup>th</sup> and 21<sup>st</sup>. It is owned by the Portland-based Harsch Investments and continues to attract businesses. Several new businesses are in the process of opening facilities. These include:

**Café Rio** is a self-serve eatery dishing up Mexican classics including hand-rolled tortillas, burritos & tacos. They opened in June 2016. No information on employment.

**Maurice's**, the Duluth, Minnesota – based women's clothing retail chain. The chain comprises more than 900 stores in the U.S. and Canada, primarily located in shopping malls and smaller towns. No information on an opening date or employment.

**Ulta Cosmetics** opened a new store in 2015. It is located on a pad site, a stand-alone facility. Estimated value of construction was \$2 million.

## **Hong Kong Market**

Brian Hoang, of West Principles Investment opened the doors of his Hong Kong Market (grocery store chain) at 356<sup>th</sup> and 21<sup>st</sup> in January 2016. The market employs 55. Brian and his partners also purchased the entire retail center which includes: Ace Hardware, a pet store, Pizza Hut, a hair salon, a dry cleaners and Jersey's Pub.

## **Former Albertson's – Status**

A former Albertson's store located at SW Campus Drive and 21<sup>st</sup> has been purchased and is being converted to a storage unit facility.

### **Former Metropolitan Market - Status**

Located along Dash Point Rd and 312<sup>th</sup>, the former Metropolitan Market is being marketed for reuse and repurposing. Listing agent, Brynn Telkamp of JSH Properties identified in November before the Mayor and Council that they are making headway with several tenants, including a general merchandise store, a pet shop and they are still looking at a third tenant. They had intended to lease to a fitness center, however, the property owner of the rest of the center entered into an agreement with another fitness chain. Thus they are working to secure another tenant. Meanwhile, in 2016, **Anytime Fitness** has opened at the Dash Point Center along with the expansion of **H&R Block**.

### **Haggen's Grocery Store**

The former grocery store located on 312<sup>th</sup> and Pacific Highway has closed. The property is owned by the Florida based company that has yet provided any future plans for the property.

### **Other**

Wild Willy's Uniforms located at 31430 Pacific Highway has opened its doors. No employment numbers available.

**Christine Alexander**, a global women's clothing manufacturer is closing its outlet store summer/fall of 2016. The company owned by Christine Carlson and Alexander Dehaan employs about 75 at this location.

## **HOTEL/MOTEL**

The following provides information on the latest hotel/motel activity as it pertains to openings, site locations, expansions, renovations and construction in Federal Way.

In 2015, ownership of the Clarion began \$2 million in interior renovations. However, in June of 2016, it was sold. At the time of this publication, no available public documents illustrate the price.

In 2015, the motel chain, Super 8 changed hands and was converted to a Red Lion brand. \$2 million in interior and exterior renovations plus construction of an indoor pool occurred.

In 2015, Richard Song owner of the Comfort Inn began and completed \$1 million in interior renovations.

In 2016, the City of Federal Way released a Request for Interest and a Request for Proposals for a hotel to be built adjacent to the Performing Arts and Event Center. Selection of an hotelier/developer is currently underway as identified above.

## MEDICAL

The Seattle Children's Hospital opened a clinic in 2015. Total cost of the facility was \$15 million. It employs 45.

The New York-based CityMD, an urgent care facility working in concert with CHI Franciscan, is opening one of its proposed centers in Federal Way fall 2016/winter 2017. The facility will be located along Pac Highway at the former Arby's site at the pavilion's shopping Center.



## **INVESTMENT**

In 2015, Mark MacDonald, a Puget Sound developer purchased the City Center Plaza facility for \$14 million. As identified above, he is making changes.

Winson Investments of Bellevue purchased the Evergreen Shopping Center for \$11 million in 2015.

Mike McClure of the Kirkland-based MJR Development purchased the 55,000 sq. ft. Heron Building in 2014 and the adjacent Talon Building, also 55,000 sq. ft., in the city's East Campus area.

## **OFFICE**

The following provides information on the latest office activity as it pertains to openings, site locations, expansions and construction for office development in Federal Way.

### **7-Eleven**

The 7-Eleven Corporation has relocated their regional real estate offices for the Pacific Northwest to Federal Way. The main reason for their move was the low cost of doing business, this according to Jeff Brown Senior Real Estate Representative. They have located to 33915 1st Way, South, Suite 205 - not far from City Hall. They will also be doing renovations on their four existing stores and are looking for one or two more sites in Federal Way.

### **Prominence Health**

Prominence Health has opened a facility on the East Campus in the Heron building off of South Weyerhaeuser Way. A division of Catholic Healthcare, the facility will employ nearly 100. The operations involve processing Medicare and Medicaid claims.

Additionally, Mike McClure of MJR Development has attracted in his East Campus area facilities a 17,000 lease with the State of Washington DHHS. This project is currently in the building permit process. No word yet on number of employees.

### **Progressive Insurance**

In 2015, Progressive Insurance relocated to a facility built specifically for them along Pacific Highway. The value of the project was \$10 million.

### **Trinity Glass International**

In late 2014, Trinity Glass International opened their doors of their administrative offices at 33615 1st Way S. They employ and estimated 60 people at this facility.

## HOUSING

The following provides information on the latest housing activity as it pertains to openings, site locations, expansions and construction for office development in Federal Way.

### **A multi-family housing development**

This proposed development will be located 348<sup>th</sup> and 1<sup>st</sup>. This is a proposed 170-unit multi-family and neighborhood retail center. No time schedule for development. Estimated construction cost is \$30 million.

**Uptown Square** is a project located at 320<sup>th</sup> and 11<sup>th</sup>. It is nearly 10 acres in size. It includes 300 housing units and nearly 30,000 sq. ft. of ground floor retail mixed use center. It is currently under construction.

Estimated construction cost is \$50 million.

**Mirror Lake Village** is a senior housing located at 840 SW 312<sup>th</sup>. It is a total of 98 units of which 80 are for assisted living and 18 are for independent living. No estimated construction cost.

**SHAG Celebration Senior Housing** located at 1524 328<sup>th</sup> - on the northwest corner of Pacific Highway and 328<sup>th</sup>. The project will consist of 380 affordable independent rental units in two 65-foot towers joined by a sky bridge. The east tower is completed. The west tower is currently under construction. Cost of construction is estimated at \$40 million.

**Kitt's Corner** is a 208-unit multifamily apartment complex on 27 acres located at S. 336th Street just west of Pacific Highway S.

## BUSINESS RECRUITMENT AND RETENTION

The City completed the first ever economic development strategy: the Mayor's strategy entitled, "Some Assembly Required." It identified key targeted industries for recruitment and retention. These included Professional Business Services, Construction, Information and Communication Technology, Life Sciences & Healthcare, Entrepreneurialism, Arts & Tourism and International Trade and Investment.

During this period, business recruitment material was developed and used in partnership with property owners and the real estate brokerage community to help locate business.

The Mayor began a direct mail campaign to the 400 largest firms in the state to message the Federal Way business climate for their growth and expansion.

Additionally, in the spring of 2015, the Mayor began recruitment missions in California, specifically the San Francisco Bay/Silicon Valley region. The Mayor has been welcomed by high tech companies, including many Fortune 500 firms.

Today, the City is following up his visits by responding to questions from these companies in the effort to assist them in their expansion decisions. Key to this effort has been his dissemination of information on the opportunities of reuse of the Weyerhaeuser Campus and the potential at the Town Center.

In addition to business recruitment, the Mayor reaches out to existing businesses. He makes regular contact with the nearly 3,000 businesses located in Federal Way. The Mayor works with the Chamber of Commerce and other community partners to ensure a business environment conducive for growth of local businesses.



Mayor Ferrell recruiting businesses in "Silicon Valley", visiting officials with ebay about locating to Federal Way



Mayor Ferrell starting the presses for the Wall Street Journal (western edition) at Dow Jones in Federal Way



Mayor Ferrell is joined by Deputy Mayor Jeanne Burbidge and Councilmember Susan Honda at the Grand Opening of Hong Kong Market

## Major Tourism Attractions

Currently the City will be entering into an agreement with the Chamber of Commerce to provide services in hospitality education and training to owners, general managers of hotels, restaurants and tourism-related businesses in the effort to help their frontline employees understand the tourism venues in Federal Way, in the effort to enhance the growth of the area's tourism sector and an overall satisfactory experience yielding returning customers.

During 2015, extensive work has taken place in the organization and promotion of tourism. The City coupled with hoteliers and the Chamber of Commerce, began to analyze opportunities. This effort began wholeheartedly with the presentation of the AT&T Winter National Swimming Championships. Many Olympians, including Michael Phelps and Missy Franklin, participated. Both the city and chamber took copious notes to begin a process of how to enhance the tourist experience.

The City of Federal Way will be working with its community and regional partners to help bring major amateur sporting events to the area.

Because of the asset of the King County Aquatics Center, the Seattle Sports Commission, in concert with the City, will again be applying to host the 2020 US Olympic Dive Trials. A delegation recently completed a trip to view and evaluate this year's Trials in Indianapolis.

Additionally, from 2018 to 2019, the Seattle Sports Commission and the City of Federal Way will also be applying for the NCAA Men's and Women's Swimming and Diving Championship.

One success story of attracting a tourism activity is that the City will serve as a satellite venue for the National Special Olympics Games in 2018. The Special Olympics are planning to use multiple venues for competitions. These venues include the King County Aquatic Center, Todd Beamer High School and Celebration Park. In addition to the sporting events, the Special Olympics will host community activities, events and award ceremonies in Federal Way at the Town Square park and the Performing Arts and Event Center. It is estimated that more than 20% of the Games competitions will be held in Federal Way. Families and friends of 1,000 athletes and delegates will be spending time and money in Federal Way during the fourth of July week in 2018.



ATT Winter National Swimming Championships, 2015