

Chelan County PUD

Fifth Street Headquarters Redevelopment

Community Vision | March 2020

Chelan County PUD
Fifth Street Headquarters
Redevelopment
Community Vision | March 2020

Prepared by
Steve Moddemeyer, CollinsWoerman
With
Robert Holmes, THG Advisory
Adam Seidman, The Concord Group
Bob Stowe, Stowe Development & Strategies

206.245.2034
smoddemeyer@collinswoerman.com

710 Second Avenue
Suite 1400
Seattle, Washington 98104-1710

Contents

Introduction	5
Summary	7
Fifth Street Headquarters Redevelopment	11
Overview	12
Core Elements	21
Parcel by Parcel Description	35
Timeline	47
Development Issues and Recommendations	49
Market Analysis + Financial Analysis	51
Appendices	69
A. Market Analysis + Financial Analysis Detail	70
B. Preliminary Funding Sources	93
C. Case Study	100
D. Typical Owner Development Activities	102
E. Acknowledgements	104



View of site area along Wenatchee Avenue.

Introduction

Since June 2019, the CollinsWoerman team assisted the Fifth Street Redevelopment Core Team (Chelan County PUD, City of Wenatchee, Port of Chelan County, the Wenatchee Downtown Association and the Wenatchee Valley Chamber of Commerce) along with an approximately 40-member Community Advisory Group to develop a new future for the old Chelan Public Utility District (PUD) headquarters that aligns with market realities. The goal is to use the opportunity of the redevelopment as a catalyst for increasing value, increasing downtown business revenues, and increasing livability in Wenatchee. Through public participation, real estate savvy, and economic and financial analysis, the CollinsWoerman team has been helping the Core Team manage expectations and identify critical and desired outcomes towards achieving those goals.

The reuse and redevelopment of the Fifth Street campus is an opportunity to create a well-thought-out plan for the property that can be done in phases. The plan reflects community values and offers clear and concise choices for the Core Team. The preferred options selected were those that complemented the existing downtown businesses and connect them both physically and operationally in a manner authentic to Wenatchee.

Background

The Fifth Street Headquarters lies within the City's Central Business District and the Chelan PUD has occupied this location since 1954. The PUD is regarded as an excellent steward of this space in terms of care and upkeep of the facilities. The site today is a mix of uses required to manage a county-wide publicly-owned hydro-electric system, including offices and facilities for administration, operations, service and repairs. Because the site is large and centrally-located, the PUD's departure will leave a void in the surrounding blocks and for downtown businesses. This void can be a detriment or an opportunity. If the property sits vacant after the PUD moves to its new location in 2023, many in the business community recognize that leaving it as a large vacant site could be a drag on the City's vitality.

The same is true if unplanned or inappropriate uses were to spring up on the property. Chelan PUD has acknowledged these concerns and is working to create realistic and workable solutions that can create real value while augmenting the future of the historic downtown business core. Working hand-in-hand with the City, the Port, the Chamber and the Downtown Business Association, they engaged the CollinsWoerman consulting team to coordinate several workshops with members of the city's downtown business community. Those workshops and subsequent research have become the basis for the recommendation work reflected in this Report.



Wenatchee is blessed with a sunny climate, with beautiful natural surroundings and abundant recreational opportunities. The city is growing and poised for even more growth.

Summary

Some fear that Chelan PUD's leaving the Fifth Street Headquarters could spark an era of downtown decay. Others hope it will kickstart an era of expansion and growth.

Which will it be?

Can renewing and re-using the space the PUD has occupied for decades accelerate the potential of a richer, more diverse and stable future for the City of Wenatchee?

Certainly, investing in the necessary infrastructure will be required to attract future development. But rather than being shaped by existing conditions, we believe what's needed is to focus on the Core Elements identified in this Report. It's these Core Elements that will attract the new development that will embrace and embody the many shared values of Wenatchee.

Our conclusion emerged from a March 2019, Open house with 200 attendees and a set of Community Advisory Group workshops hosted by the Core Team in June and October 2019. The workshop participants developed integrated visions to answer a broad array of needs faced by the community. At the same time the Open house and these workshops united all these visions under a common set of shared values unique to Wenatchee.

This report spells out an adaptable, flexible, and incremental vision that complements downtown Wenatchee and that can help kickstart a neighborhood that today lies adjacent to the historic city center.

The PUD's Fifth Street Headquarters site and location will continue to play an outsized role in the life and downtown activity of Wenatchee.

The entire northern downtown district on and around the Chelan PUD can become a new natural threshold for entering the City's downtown.

We took a values-driven approach.

By this we simply mean that these recommendations emerge from the common set of values shared by the participants in the workshops and the Open house. Working together we drew out and identified those values shared by the community, then applied them in thinking of exciting, relevant and realistic futures for the PUD site.

The workshop participants identified a number of new uses for the site that were evaluated based on how well they included those shared values. These uses include possible public / non-profit, residential, educational and commercial development alternatives.

Recommendations

It's important to note that all of the possible future uses for the PUD site detailed in this report share a number of core elements needed to boost the value of the property and its surrounding areas. These elements focus on design, infrastructure and amenities.

However, the most important element is the one that sits atop and drives the others: that is, connecting the PUD headquarters site with Riverfront Park, the Convention Center and the downtown core.

When there's a strong and multi-layered connection, the new site will breathe new life into the entire business district. If there isn't, then it would be a missed opportunity with the potential for negative long-term consequences.

“Electric Avenue”*

The following Core Elements have been identified to create a memorable, vibrant and viable development.

- Parcelization, Lot Line Adjustments, Setbacks
- Environmental Assessment
- Zero-Carbon Energy District
- Develop Selection Criteria For Property Sales
- Common Areas Management Strategy
- Zoning & Environmental Review: Height/ Density/ District Energy/ Design Guidelines
- Wenatchee Avenue Pedestrian And Parking Improvements
- “Electric Avenue”
- Railroad Underpass Art Project
- Spillway Steps

**Electric Avenue is a working name for this new right-of-way. The actual future name is to be decided.*

How best to strengthen this sense of connection?

The Report contains a number of possibilities:

- Improve and connect the so-called ‘Electric Avenue’ as a new north-south spine for pedestrians, bicycles and vehicles from Fifth Street to downtown along Columbia Street to the convention center, downtown, and hotels.
- Redesign the Fifth Street Railroad Underpass to improve its attractiveness and connect the Fifth Street Campus to the river and other riverfront businesses. This would create a new east-west rib through the site that will encourage pedestrian and bicycle links down Fifth Street through to the Riverfront Park.
- Design and fund the ‘Spillway Steps’ to make an enticing connection between the heart of the redevelopment and the expanded parking and sidewalk environment along N. Wenatchee Avenue.

- Improve the pedestrian amenities and parking along N. Wenatchee Avenue in order to connect the site south to the downtown; east to the river and west up the hill to the foothills and education facilities.

With each of these initiatives, we strongly recommend using light, water and public art to reflect the history of the site and the strong creative values inherent to Wenatchee.

We have come to call these ‘Core Elements’ because they provide the building blocks to whatever kind of development the PUD site undergoes. That development could be mainly residential. It could be primarily commercial. Or both. Its focus could also be educational, cultural, or non-profit. Public or private. Or both. Or all of these combined. It can accommodate a new YMCA and a live entertainment district, and offices and apartments. The point is, no matter what the eventual focus of the site's future development, its chances of success will be enhanced if the Core Elements are already in place in order to create a unifying sense of place.

“Sense of place” is the hallmark of virtually every successful urban development in America. It is even more critical in an urban redevelopment such as what the PUD’s departure is creating.

If that sense emerges from the community’s values, the chances of it succeeding are significantly improved. On the other hand, if the property is released with ‘cut-and-paste’ upgrades or without any improvements at all, outside investors may value the land simply as a commodity rather than something special with broad local support.

There’s another essential factor in ensuring a richer future for Wenatchee brought on by the departure of one of its most enduring organizations and the arrival of new funding and ideas. That is continuing the close and ongoing collaboration among the Chelan PUD, the City of Wenatchee, the Port of Chelan, Wenatchee Chamber, and the downtown business community.

Outlined in these pages are a series of timelines and strategies to create and put the Core Elements of PUD site renewal in place. Readers will also find a financial and market analysis of the greater Wenatchee growth area. Briefly, this market analysis reveals an immediate need for more downtown housing with an absorption rate of some 200 units a year. It also predicts excellent opportunities for smaller shared-office facilities appealing to smaller businesses.

At the same time, our research indicates little to no appetite for speculative large-plate office space or retail. That said, there remains a possibility that large technology companies from dense urban cores could be encouraged to invest in Wenatchee given its low cost of living, attractive lifestyle, high-speed fiber connectivity, low energy costs, and strong environmental and social standards – the natural outgrowth from the existing carbon-free hydropower supplied by the PUD.

What could possibly attract these large far-off firms—as well as small nearer ones—is an idea that was on the fringes just a few years ago, but that has come racing into the mainstream.

That idea is to have the PUD site be the apex of a Zero-Carbon district, the first such district in the Pacific Northwest. Such a goal and designation would boost Wenatchee’s visibility and marketability, especially to outside investors who have made climate change commitments one of their top corporate priorities.

Indeed, a Zero-Carbon district could be the deciding factor for a large tech company to take a second look at Wenatchee over other similar ‘lifestyle cities’ outside the major centers.

All in all, what will likely be needed to attract investors and large companies is a community that is ready to say yes. Yes, to new uses. Yes, to the availability of necessary infrastructure. Yes to a clear pathway to permitting and entitlement. And Yes to a community that offers a high quality of life for all its citizens.

In time, a marketing and communications plan will be needed to broadcast the very real benefits of the Wenatchee lifestyle and its new northern redevelopment. We have included as an attachment some potential vehicles for marketing the PUD property to both investors and users.

In the end, the future of the PUD property and its surrounding area rests in the hands of the PUD, City, Port and downtown business interests. They can decide to invest for a bigger future. Or not.

That future is yet to be determined. But we are confident that approving the initial steps in this report will provide both the necessary and sufficient conditions for Wenatchee’s highest and best future to unfold.



Fifth Street Headquarters Redevelopment

Overview

Fifth Street Headquarters: Vision

Opportunity

The Fifth Street Headquarters is within the City of Wenatchee’s Central Business District. It is within two blocks of the historic city center and its location makes it a natural threshold for entering the city’s downtown.

The Chelan PUD has occupied this location for decades and has exhibited a high quality of stewardship and care of the facilities

The headquarters site is a mix of offices, operational, service and repair facilities required to manage a multifaceted countywide utility operation including hydropower generation, fiber, water and wastewater, and parks operations.

Because of its prominent location and size, there is strong potential for the entire site to reflect the thriving and dynamic nature of Wenatchee.

The Chelan PUD Board of Commissioners has recognized this opportunity and is working with the City of Wenatchee, Port of Chelan County, Wenatchee downtown Association, and the Wenatchee Chamber of Commerce to develop alternative solutions that augment the viability of the historic downtown business core.

Under the direction of these entities, the CollinsWoerman consulting team participated in an Open House and facilitated two intensive values-based workshops with representatives of Wenatchee’s downtown business community.

Participants identified shared values of the community and then applied those values to create interesting, exciting, and plausible potential futures for the site.

A range of residential, commercial, educational, and non-profit/public sector uses were identified that could align in whole or in part with the community’s values.

These uses all shared the identified Core Elements that include design intent, infrastructure, and amenities to increase the values of the properties as well as to best align with the shared values of the broader community.

Creating a sense of place through implementation of these Core Elements is important if the headquarters site is to maximize the market value of the properties.

The Core Elements reflect connectivity between the headquarters site and the Riverfront Park and with the Convention Center and downtown core. This includes a new north-south spine through the site that links Fifth Street through to Columbia Street on the river side of the Coast Hotel and expanded parking options and street improvements to N. Wenatchee Avenue, Fifth Street, and the Fifth Street railroad underpass.

In addition, Core Elements also include creative design elements through the use of light, water, and art to reflect the history of the site and the strong creative values within the Wenatchee community.



The best, for the most, for the longest



Many of the 200 community members shared values and ideas at the Chelan County PUD Service Center public Open House on March 18, 2019.

The CollinsWoerman consulting team also identified the potential for the headquarters redevelopment to cost-effectively provide a Zero-Carbon district energy solution that would increase the visibility and marketability to outside investors looking for solutions that could implement their climate change commitments.

Each of the residential, commercial, educational, and public sector uses or could use all or a portion of the site if the Core Elements are implemented to create a unifying sense of place.

Certain investments to prepare the property for market are needed if the intent is to maximize the chance for successfully redeveloping the property to best reflect the community's core values.

Continued collaboration between Chelan PUD, City, Port, and the downtown business community will be required to implement these Core Elements.

This report includes timelines and strategies to implement those Core Elements. A financial and market analysis of the larger Wenatchee growth area also is included. The market analysis shows immediate need for additional downtown housing and an absorption rate of approximately 200 units a year. It shows excellent opportunity in shared office spaces for small businesses requiring small office facilities. The analysis also indicates low demand

for speculative large floorplate office spaces.

There is a modest potential that large technology companies from dense urban cores could be encouraged to invest in Wenatchee given the lifestyle, local costs, availability of fiber connectivity, and certain environmental and social standards.

The CollinsWoerman team believes that a Zero-Carbon district is probably the most compelling reason for a large tech company to take a second look at Wenatchee over other competing lifestyle-cities outside the Interstate 5 corridor.

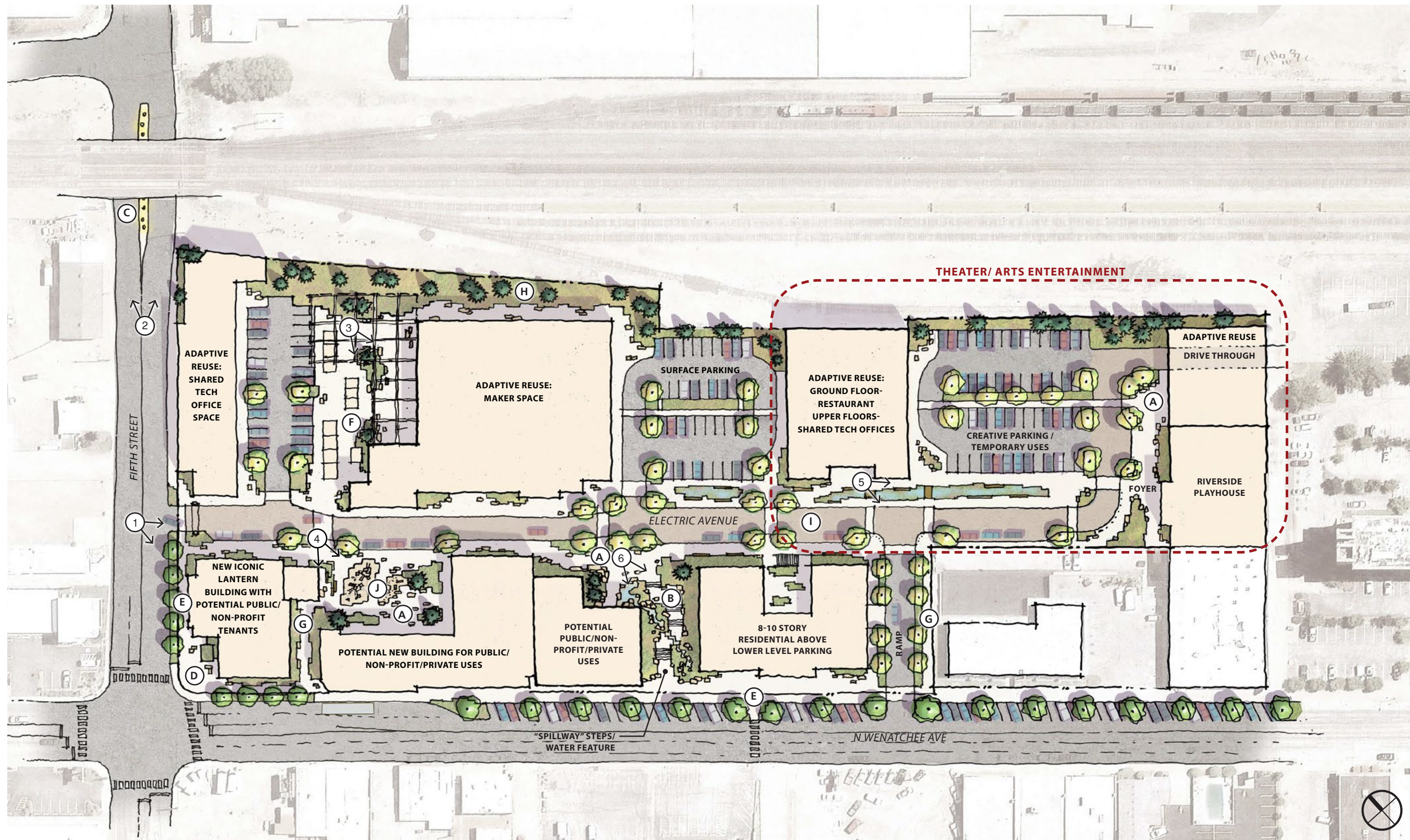
Incentives and a marketing and communication plan that leverages the benefits of the Wenatchee lifestyle should be provided to potential outside investors who may be looking for larger downtown properties.

An example of vehicles for marketing the property to potential buyers is included as an attachment.

Like the original construction of the historic downtown Wenatchee district, the opportunity for the Fifth Street Headquarters to become a catalyst for the next phase of Wenatchee downtowns development is high. The transition from the Chelan PUD headquarters to its new incarnation will have impacts for generations.

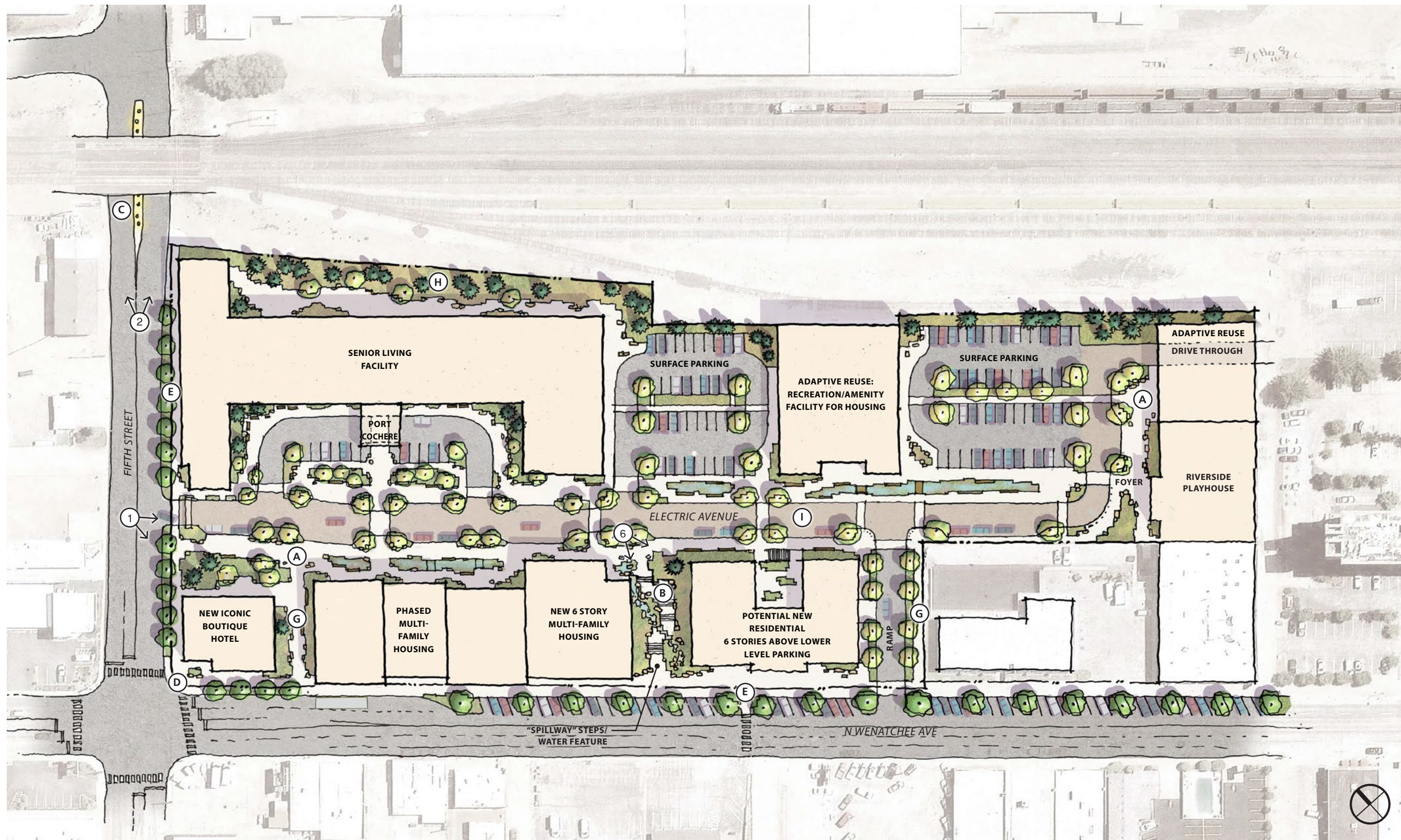
The Core Elements are described in more detail in the following section.

THIS PAGE LEFT INTENTIONALLY BLANK



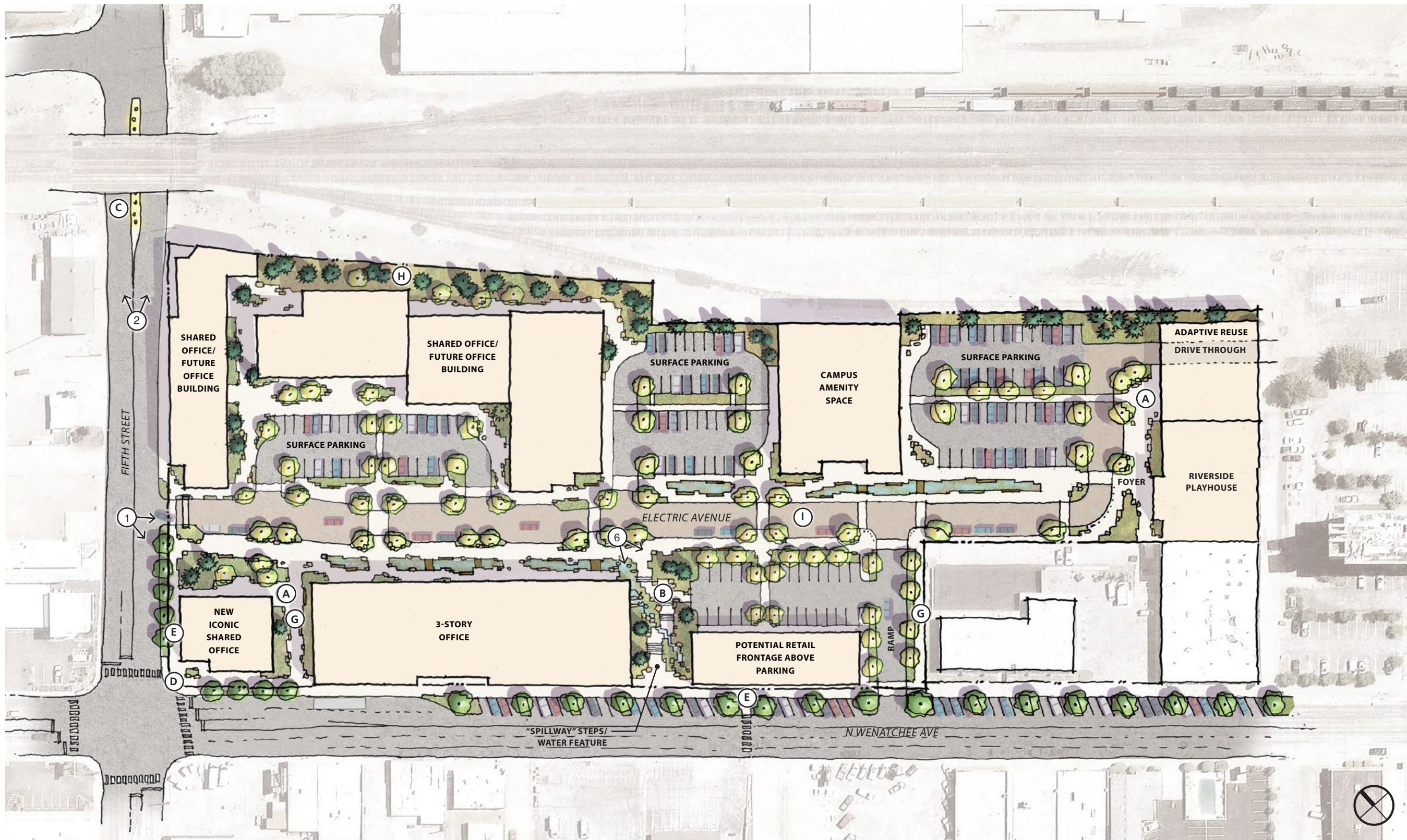
DEVELOPMENT SCENARIO A: PUBLIC / NON-PROFIT FOCUS

THIS PAGE LEFT INTENTIONALLY BLANK



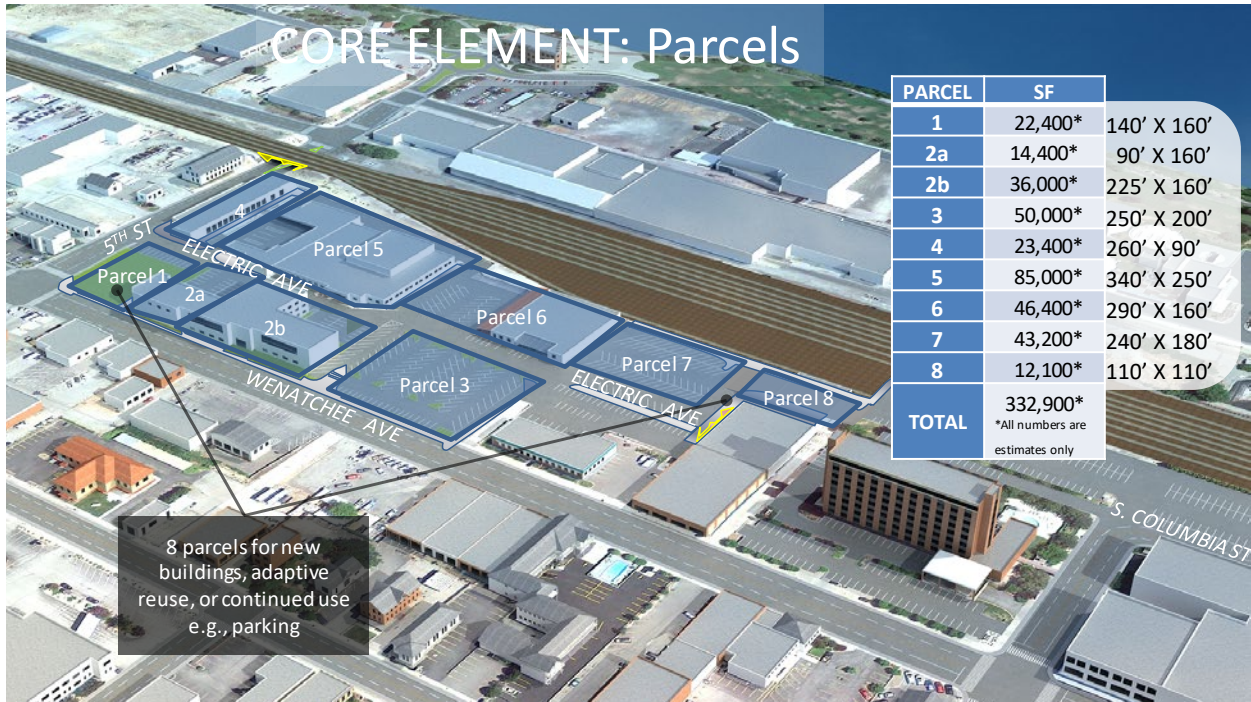
DEVELOPMENT SCENARIO B: RESIDENTIAL FOCUS

THIS PAGE LEFT INTENTIONALLY BLANK



DEVELOPMENT SCENARIO C: COMMERCIAL FOCUS

THIS PAGE LEFT INTENTIONALLY BLANK



Core Elements

Parcelization, lot line adjustments, setbacks

Responsible Party: Chelan PUD

DESCRIPTION

The current lot configuration of the Fifth Street Headquarters property is not sized to maximize flexibility for the range of possible future uses.

By subdividing the property, it allows potential purchasers to choose whether to buy one or two or even all the available parcels depending on their need. It also allows for incremental development for early projects that can catalyze additional investment.

Further, as each property develops the remaining parcels will increase in value as early projects prove out the market viability of the available sites.

This action does not preclude any one party from taking all the parcels for a single or multiple use.

Eight parcels are recommended. (Potential future uses for each parcel are discussed in the following pages.)

ADVANTAGES AND CHALLENGES

The importance of creating a desired vision and creating parcels within the Fifth Street Campus is to provide the development community with flexibility as to who may be interested in developing the site and to showcase the viability of the proposed development.

ALTERNATIVES

Adjusting lot lines can also occur as part of future sale/lease agreement.

NEXT STEPS

The steps involve determining 1) If a simple boundary line adjustment can be made (provided no new lots are created); or 2) If a subdivision of property is needed based on city code.

THINGS TO KEEP IN MIND

Lot line adjustments are not particularly onerous real estate transactions. Close attention to code-required setbacks is encouraged.

Environmental assessment

Responsible Party: Chelan PUD

ALTERNATIVES

This will likely be required in most future transactions.

DESCRIPTION

The Fifth Street Headquarters has been the location of the Chelan PUD since 1954. Future purchasers are going to want assurance that the site is clean and suitable for redevelopment. Electric utilities are known to have causes for concern due to possible hazardous materials on-site. Up until the mid-1970's Polychlorinated Biphenyls (PCBs) were used as insulation, coolants, and lubricants in transformers, capacitors, and other electrical equipment. Mechanical shops or on-site gas pump that repair motor vehicles can also raise questions.

The process begins with a Phase 1 Assessment. The assessment typically involves research into the historical uses of the property to determine if there could be likely impacts posing a threat to the environment or to human health. This assessment will make recommendations if further information is needed such as a Phase 2 Assessment, which includes the collection and analysis of the soil, groundwater, and vapors to analyze for the presence of contamination.

Clean-up of contamination, if any, can occur in advance of any development or can occur as part of the development. An evaluation will need to be made about the advantages and disadvantages to any clean-up action and/or timing if it is determined necessary on the site.

ADVANTAGES AND CHALLENGES

Nearly all buyers will want certification that the site is clean. Lack of the Environmental Assessment will delay most future purchases unless the buyer assumes potential clean up responsibilities.

NEXT STEPS

Begin environmental assessment. Depending on market conditions, a Phase 1 Assessment would take between 2 to 3 months with a like period, if not more, for a Phase 2 Assessment, depending on the type of contamination, if any, exists.

THINGS TO KEEP IN MIND

If a property is "sold" where the new owner agrees to cover clean-up costs, an assessment of clean-up costs and risk will need to be made in order to arrive at a reasonable sales price. This requires an environmental assessment in order to make an informed decision about a future real estate transaction.

Zero-Carbon energy district

Responsible Party: Chelan PUD

DESCRIPTION

The Fifth Street Headquarters site is located at a unique intersection of available carbon-free hydropower renewable resources making it plausible to consider a certified Zero-Carbon thermal district energy system.

Nearby opportunities for additional renewable thermal and electrical resources are significant. Just across the railroad tracks from the headquarters site, the recently for sale Lineage site has a non-consumptive water right for industrial cooling. River water from the Columbia is used in combination with freezing technology to provide sub-zero temperatures for frozen foods. A third renewable energy source is the City of Wenatchee’s wastewater collection system and wastewater treatment plant. The temperature of wastewater flowing into the plant will often be 60 to 70 degrees Fahrenheit and even in winter will exceed outside air temperatures.

Using non-fouling sewer heat recovery technology, water-to-water heat exchangers are linked to electrically powered heat pumps to harvest that thermal energy prior to reaching the plant without impacting plant treatment process effectiveness. Reusing this available thermal energy for domestic hot water and indoor heating and cooling can reduce costs and eliminate natural gas-based greenhouse gas combustion that would otherwise be deployed.

A fourth potential source of energy that could help to power a Zero-Carbon energy district is the methane flares at the City’s wastewater treatment plant. Can the heat from those flares be captured cost effectively? On site solar photovoltaic panels could provide a fifth significant renewable energy source to meet electrical demand for individual building uses.

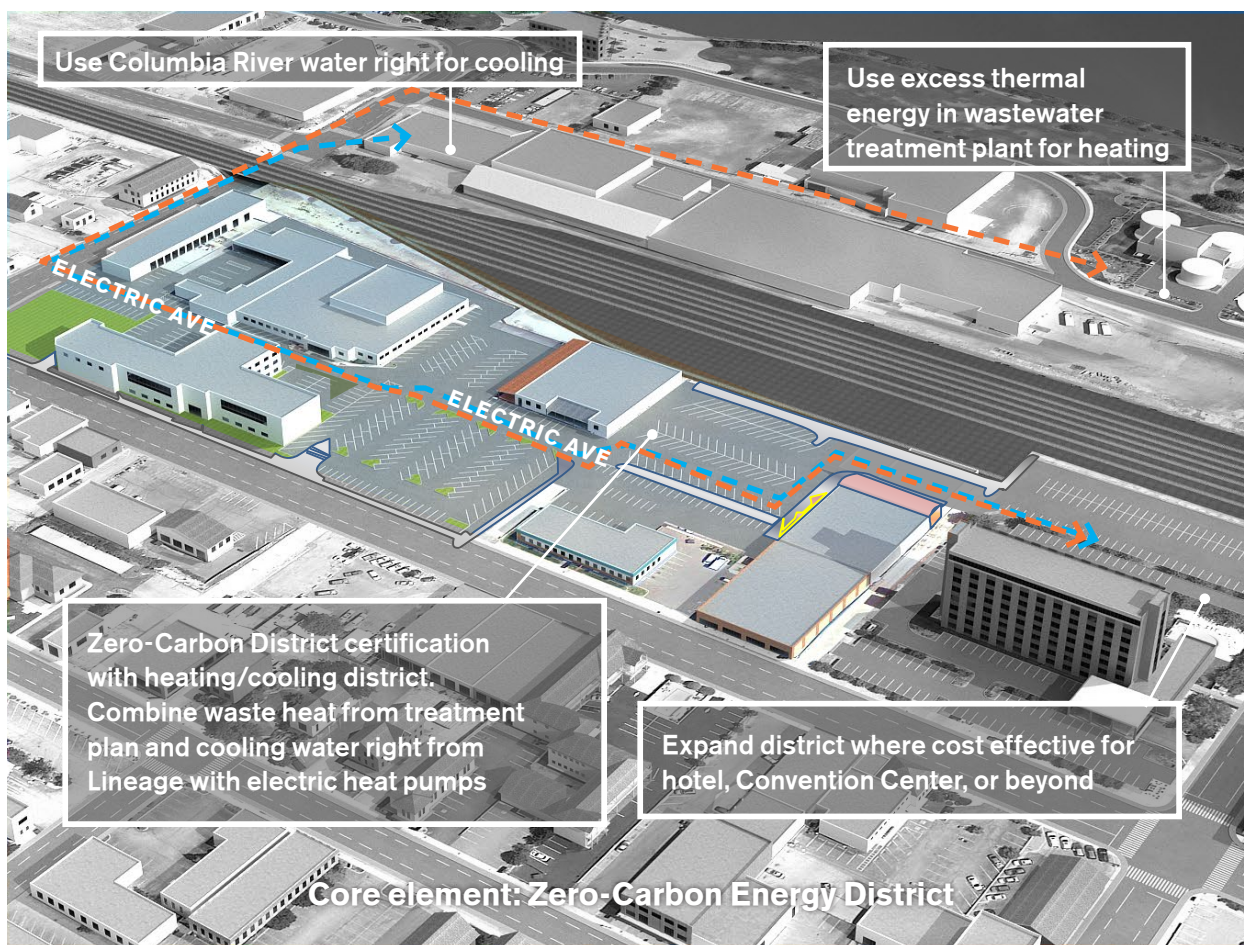
If the solar panels are water-cooled, they can provide a sixth additional renewable source to the district. In Washington State there is a renewable hydrogen pilot project to use excess wind and solar energy to crack and then store hydrogen as fuel for fuel cells.

Application of clean-running fuel cells can provide a seventh pollution-free electrical and thermal renewable energy source. Finally, use of an electric vehicle fleet within the redevelopment can reduce the greenhouse gas footprint for redevelopment site significantly save on parking costs, and reduce growth in traffic on nearby city streets.

Harvesting these available renewable energy sources is quite possible with existing technologies. The question becomes can these sources be cost-effectively aligned to serve a larger Zero-Carbon energy district? And if they can, what benefit do they offer to the redevelopment of the Fifth Street Headquarters site?

RENEWABLE RESOURCE	Use
Chelan PUD hydroelectric power	Carbon-free electricity
Lineage property	Non-consumptive water right for industrial cooling
City of Wenatchee Wastewater Collection System	Sewer heat recovery linked to water-to-water heat pumps
City of Wenatchee Wastewater Treatment Plant	Methane flare stack heat recovery
Onsite photovoltaic (PV) panels	On-site electrical generation
Onsite water-cooled PV panels	On-site thermal energy generation
Renewable hydrogen	On-site electrical and thermal energy
Electric vehicle fleet	Reduces emissions, parking costs, and traffic

FIFTH STREET HEADQUARTERS REDEVELOPMENT



ADVANTAGES AND CHALLENGES

ADVANTAGES

1. Attracts Carbon Reduction Tenants.

A ready-made Zero-Carbon redevelopment site could be a major differentiator to attract high technology or other corporate entities that need high value and quality of life-centric employees. The CollinsWoerman consulting team believes a Zero-Carbon district in Wenatchee could be a significant and beneficial move to attract these kinds of major users.

For a major corporation, a commitment to a Zero-Carbon work environment can be a catalyst to recruit and keep in-demand employees—

many of whom also value quality of life, physical beauty, access to the extraordinary outdoor recreation, and urban amenities such as excellent restaurants and a rich local arts and theater community. Management control systems for this will run on sophisticated rework of high speed fiber available through the PUD network and sensors throughout the systems. This fiber will also provide top speed communication access for tenants.

2. System can grow.

Zero-Carbon energy districts can organically grow to include nearby hotels and the Convention Center—as these buildings typically already have hydronic systems.

(A hydronic system uses water to convey heating and cooling services throughout the building.) Each time another user is added to the system, the costs to retire the capital go down improving the system's bottom line.

3. System could Include Zero-Carbon Wenatchee Convention Center.

Another benefit of a growing Zero-Carbon energy district is that it could include the Wenatchee Convention Center. Marketing for conventions would undoubtedly include this achievement to attract conventions from throughout North America. (It is likely that commercial kitchens in the Convention Center use natural gas—but certification methods allow pre-existing uses to continue for a negotiated time period.)

4. District Systems have Market Value.

Once a district system is operationalized, it becomes a valuable entity that can be sold. Investors in energy districts look for proven systems with ongoing revenues. Capital markets value utilities as stable generators of profits year after year that are often less vulnerable to changing bull and bear market conditions. A Zero-Carbon energy district would be especially desirable.

5. Reduced Cost for District Energy Participants.

New construction can save significant capital because heating and cooling can be provided by the system itself, reducing the need for each individual building to install expensive HVAC equipment within the building footprint. This could allow for additional rentable, parkable, or amenity space for tenants.

6. Potential Benefit to Columbia River.

An additional benefit may accrue to the City of Wenatchee wastewater treatment system. Thermal energy is considered a pollutant to salmon-bearing streams and rivers. A future Total Maximum Daily Load (TMDL) is anticipated for this portion of the Columbia River where systems will be considering their best options to reduce their thermal contributions to the river.

If a Zero-Carbon energy district can cost-effectively harvest that thermal energy before it is released to the river, it may be an element of a cost-effective solution for meeting TMDL standards.

7. Electric Vehicle Fleet.

An additional element that would be evaluated in developing a Zero-Carbon district is the role of electric vehicles and electric vehicle fleets. While both may seem to be years off into the future, in many cases the future is already here. Recharging stations for electric vehicles should be included in any redevelopment strategy.

For residential facilities—should any be located on the future redevelopment—use of a fleet of electric cars that come with the building can significantly reduce the need for parking. This reduction in demand for parking can offset the cost to include and maintain a fleet of electric vehicles that serve building tenants.

A project in the development process in Seattle will have a fleet of electric cars and vans available for building tenants. Each fleet vehicle typically offsets 10 to 15 conventional individually-owned vehicles. This reduction saves hundreds of thousands of dollars in new parking facilities and sets the stage for a Zero-Carbon lifestyle where the vehicles are charged with Chelan PUD's carbon-free hydropower.

8. Certification Would Bring International Recognition.

A Zero-Carbon district energy system certified by the US Green Building Council (USGBC) or the International Living Future Institute (ILFI) would bring international recognition and notoriety.

Many entities around the world are looking for cost effective strategies to eliminate greenhouse gas emissions that does not require a premium. When Chelan PUD and the City of Wenatchee show it can be done, it will be a highly attractive achievement to market.

FIFTH STREET HEADQUARTERS REDEVELOPMENT

CHALLENGES

1. Required Participation.

A challenge of a Zero-Carbon thermal energy district is that it requires that properties within the district participate or pay a penalty to not hook up. A total cost of ownership analysis would need to be completed to compare savings in monthly bills over the life of the asset with any additional capital costs that may be required to install and manage the system.

2. Requires Certification to Achieve Recognition.

Another challenge is to understand the requirements for a Zero-Carbon District. Both the USGBC and the ILFI have a Zero-Carbon standard.

These standards both discourage any new combustion in new construction including greenhouse gas emitting natural gas, diesel or propane within the district. But they do recognize that when a larger district is formed with existing users, there may already be legacy systems in place that have years of useful life.

In the ILFI Zero-Carbon district certification a Zero-Carbon district can develop a long-term replacement strategy for these legacy systems potentially years into the future when the transition will better match the replacement cycle of existing investments.

NEXT STEPS

Develop load profiles, identify a preferred system configuration, costs and revenues, and system management option. Prior to construction of a Zero-Carbon district, district planners would need to conduct an investment grade analysis and rate study to determine the potential financial viability of the district system that would cost-effectively serve the redevelopment.

The results of this study would give future tenants and building developers important information concerning costs and benefits of such a system.

THINGS TO KEEP IN MIND

While these issues have been addressed many times in many locations throughout the US, Europe and Asia, it is still unusual in our region and some might think it risky or speculative.

Develop selection criteria for potential development partners

Responsible Party: Core Team

ALTERNATIVES

This will likely be required in most future transactions.

DESCRIPTION

Prior to selecting private and public development partners, the Core Team is advised to develop selection criteria, so that any proponent has a good idea what the Core Team is seeking.

This is a technique that is used by the Chelan Douglas Regional Port Authority.

Criteria are based on the track record of proposed purchasers. Did they develop a good product in a timely fashion? Did they establish good relations with other partners and regulatory authorities? Other questions could be on successful experience in their markets, offering price and their financial capacity, or how many jobs their project will generate. Other criteria around design guidelines or public amenities may also be included.

ADVANTAGES AND CHALLENGES

Selection criteria provide transparency to the development process. Interested parties know better, too, how the Core Team will evaluate proposals.

NEXT STEPS

Once the selection criteria are developed during 2020, then any future Requests for Proposals or Requests for Qualifications will reference these criteria to be applied in selecting the winning bidder.

THINGS TO KEEP IN MIND

These criteria will need to be suitable to apply equally to private for-profit companies as well as to non-profit or public applicants.

Develop common areas management strategy

Responsible Party: Core Team

ALTERNATIVES

This will likely be required to support various preferred uses on the site.

DESCRIPTION

Common areas that serve multiple landowners will need to have a shared management strategy. The future of the Fifth Street headquarters may include multiple owners who each buy some portion of the existing site. To serve each parcel there will be some common areas that might typically be public (such as street rights-of-way) or private (such as an amenity that serves all the development like a shared parking facility that may or may not be in public ownership).

ADVANTAGES AND CHALLENGES

For any meaningful redevelopment to move forward the disposition and financing of common area amenities will need to be determined. The cost for some common facilities might be borne by individual developers who build on some portion of the site – but other common facilities may best be served by public ownership.

NEXT STEPS

Developing an appropriate strategy is an early action step for 2020.

THINGS TO KEEP IN MIND

It is likely that some public financing may be required to fully take advantage of this redevelopment opportunity. Private financing may also play a large to mid-size role. This will be sorted out by a developed strategy.

Zoning, Environmental Review, Design Guidelines

Responsible Party: Core Team

ALTERNATIVES

This will likely be required to support various preferred uses on the site.

DESCRIPTION

To optimize the benefit to the existing downtown, special Design Guidelines should be developed to assure that new development supports the overall experience of downtown Wenatchee. Review of zoning, building heights, parking requirements, and infrastructure capacity will be essential. It is not clear if the State Environmental Policy Act may require a level of review for the downtown plan.

ADVANTAGES AND CHALLENGES

New development will be largely supported or constrained by zoning, environmental review, and design guidelines.

NEXT STEPS

Review zoning, environmental review and develop design guidelines during 2020.

THINGS TO KEEP IN MIND

The challenge is to create flexible, adaptable and enabling options to attract the right kind of development that supports a vibrant downtown business district and quality of life.

Image: Artist rendering of potential PUD headquarters redevelopment.



Wenatchee Avenue pedestrian and parking improvements

Responsible Party: City of Wenatchee

DESCRIPTION

In order to extend the proposed vision and development into the downtown corridor, improvements to N. Wenatchee Avenue should be examined, prioritized, and funded. Potential public amenities such as sidewalks, landscaping, street furniture, and lighting can connect the site to the downtown; east to the river and west to medical and education facilities. These improvements could be planned as part of the Fifth Street redevelopment or as part of a future corridor and infrastructure plan.

ADVANTAGES AND CHALLENGES

The advantages of such improvements will improve connectivity and extend and connect the site to the historic downtown, promoting additional community use and benefit. The challenge is balancing competing demands for scarce capital improvement funds.

NEXT STEPS

Chelan PUD and the Port should coordinate with the City about potential public amenity improvements as part of the capital improvement planning process or as part of a larger corridor planning process.

ALTERNATIVES

Leave Wenatchee Avenue in its current configuration or phase in incremental improvements to Wenatchee Avenue.



Electric Avenue

Responsible Party: Chelan PUD and City of Wenatchee

DESCRIPTION

The main stem road that connects the various uses in the Fifth Street Headquarters is currently a private drive. It could continue as a private road (with a public access easement) or it could transition to become a public street.

In either case, the Electric Avenue connector would benefit from pedestrian improvements for safety. There are also likely to be additional underground utilities that would want to be installed beneath the roadway.

Excellent lighting design of this roadway will have a profound effect on the overall experience and identity of the redevelopment. The design of this street will be as important as the design of the buildings in creating a sense of place to the project.

Also, the south end of this drive should be opened to pedestrian and/or auto access thus expanding access from downtown along Columbia Street and from the Convention Center and downtown hotels.

ADVANTAGES AND CHALLENGES

Electric Avenue is designed to provide a key public connector between the downtown, Convention Center and the Fifth Street railroad underpass to the river. It also will be an amenity attracting residents and visitors to navigate the site. As a Core Element the cost for this investment is not typically borne by many developers. This suggests that developer contributions to cover costs will be folded into their consideration of the land price.

ALTERNATIVES

Require a pedestrian only path through the site.

NEXT STEPS

Coordinate with the City about potential public amenity improvements as an element of its capital improvement planning process or as part of a larger corridor planning process.

THINGS TO KEEP IN MIND

There are significant costs and many benefits to augmenting connectivity through the Fifth Street Headquarters site. Finding a mutually agreeable pathway forward for costs and maintenance will be important for the success of this project element.

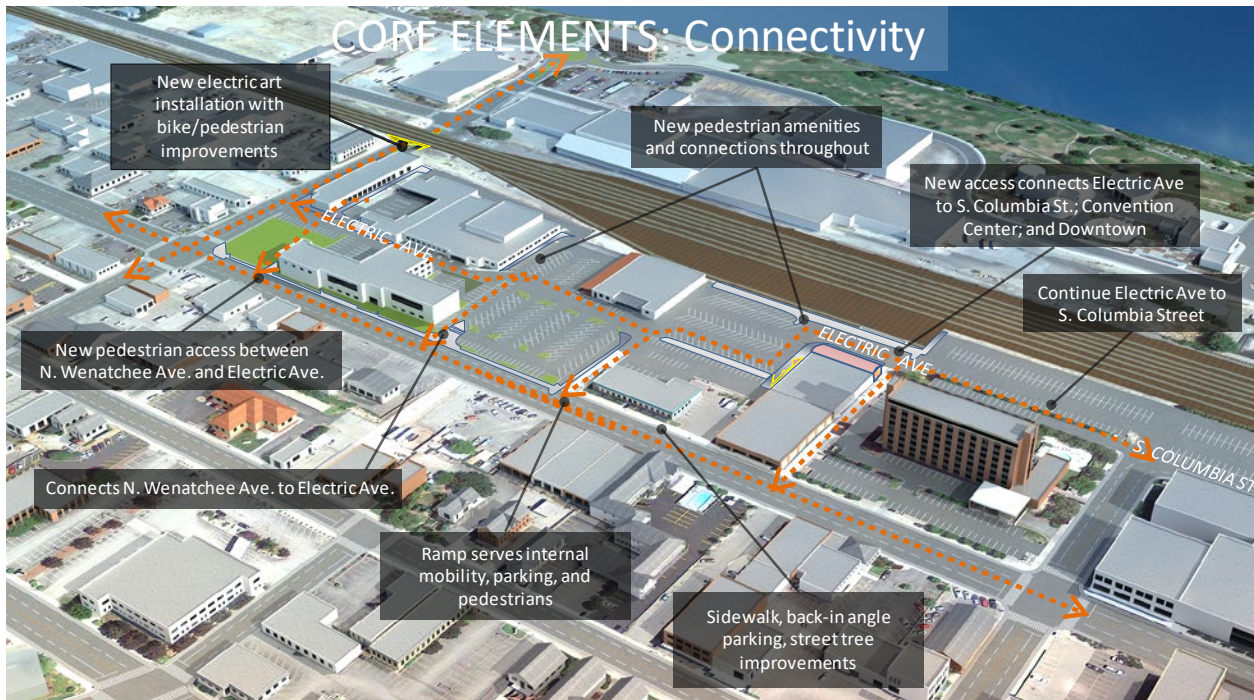




Image: Artist rendering of potential railroad underpass design.

Railroad underpass art project

Responsible Party: City of Wenatchee

DESCRIPTION

Currently the underpass is uninviting and does not demonstrate to those traveling (car or pedestrian) that anything special is ahead. It does little to make a connection to the Fifth Street Campus, to the river and to other businesses that are on the side of the railroad tracks. Improvements such as murals, lighting, banners, flowers, benches, and wayfinding signs would make this connection more attractive and inviting.

ADVANTAGES AND CHALLENGES

For relative low cost, this connection can be more inviting and attractive increasing the desirability and value of the of the Fifth Street Campus property.

ALTERNATIVES

Do nothing or phase in late in the redevelopment process.



NEXT STEPS

Work with a local arts and beautification club or group, along with City officials to develop a proposed design and funding plan to enhance and beautify this underpass.



Image: Artist rendering of potential east / west steps and water feature connecting N. Wenatchee Avenue with the internal circulation of the PUD headquarters redevelopment.

Spillway Steps

Responsible Party: Collaboration between PUD, City, and the Port

DESCRIPTION

The Spillway Steps are a central design feature intended to connect N. Wenatchee Avenue to the heart of the Fifth Street headquarters redevelopment. Broad graceful steps will flow from landing to landing. Landscaping and water features will provide shade and beauty for relief from hot sun or cold winds.

ADVANTAGES AND CHALLENGES

Sometimes it is difficult for investors to imagine how a place-making amenity can turn a not-so-special parking lot into a memorable experience that people will return to time after time.

The value creation that occurs with these special design moves is magnified as each element of building and infrastructure is completed.

If increasing connectivity is the only value in mind, the challenge is on providing additional attention to values which make a place special.

ALTERNATIVES

Smaller scale pedestrian access in lieu of the larger, grander steps.

NEXT STEPS

Develop a coordinated plan with the City about potential public amenity improvements either as a part of its capital improvement planning process or as part of a larger corridor planning process. A method to recoup costs of these types of amenities from developers can also be explored.

THINGS TO KEEP IN MIND

Finding a mutually agreeable pathway forward for costs and maintenance will be important for the success of the project. At Harbor Steps, the initial investment in the steps and an incremental build-out plan were essential for moving the project forward. The private investment that followed the first investment increased the value of the following sales to cover the cost of the original investment.

FIFTH STREET HEADQUARTERS REDEVELOPMENT

Collaborate with the Music Theater of Wenatchee on ways to ensure continued viability adjacent to the PUD redevelopment

Responsible Party: Music Theater of Wenatchee and supporters

DESCRIPTION

It is possible that all or a portion of Parcel 8 could also be available to the Riverfront Playhouse for expansion or additional back-of-house storage. A new marquee could be part of a broader fundraising activity or separately funded to accelerate implementation.

ALTERNATIVES

Implementation of a marquee will require fundraising or contributions for interested parties. If no funds are generated, then less expensive lights-only options can be explored.

ADVANTAGES AND CHALLENGES

Parcel 8 may offer advantages to the Riverfront Playhouse. Implementation of a new marquee would reinforce the themes of light, water, and art that will be included in the redevelopment of the corner of Fifth Street and N. Wenatchee Avenue and reinforce the design vocabulary for the art installation of the Fifth Street railroad underpass connecting downtown Wenatchee to the river.

NEXT STEPS

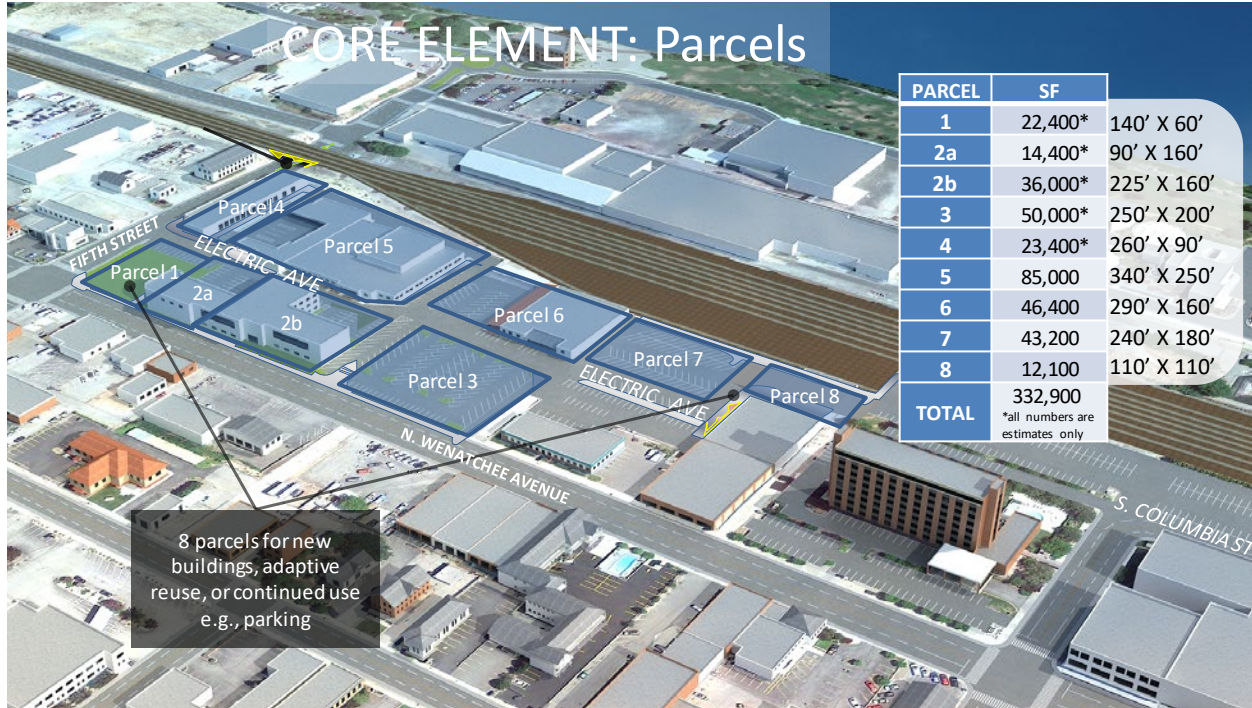
Explore opportunities and coordinate fundraising timelines.

THINGS TO KEEP IN MIND

The Music Theater of Wenatchee has an opportunity to reflect the larger goal of making the entire development a cohesive reflection of Wenatchee values with strategic improvements to the Riverfront Playhouse. A new marquee to the theater would be a visible beacon throughout the entire site and visual termination of the new Electric Avenue.



Parcel by Parcel Description



Parcel 1

Recommended: Develop “Lantern” Building on open space at Fifth Street and N. Wenatchee Avenue.

ALTERNATIVES

This location could host many possible uses from residential to commercial, from aquatic center to hotel, from a new performance hall to a new university center facility.

DESCRIPTION

Parcel 1 is on the high visibility corner of Fifth Street and N. Wenatchee Avenue. This intersection is the northernmost edge of the Central Business District. How it is developed will set the tone both for the Fifth Street Headquarters redevelopment and for the connection to the historic downtown business district that begins two blocks farther south.

The site is a grassy park-like setting that is under-used as a public open space. The site is level with N. Wenatchee Avenue and slopes gently to the east toward the river. Mowed lawn, a stone bench and several smaller trees adorn the site. Dimensions are estimated at 150 feet by 150 feet with approximately 22,300 square feet of developable space. Zoning is Central Business District that allows zero lot lines and up to 85 feet in height.

A key recommendation from the design workshop is that this site become a Lantern Building – that is where light, water, and art are all reflected in the architecture to set the tone for the Fifth Street Headquarters redevelopment. This lantern effect would be replicated at The Riverfront Playhouse and at the Fifth Street railroad underpass.

There are a range of proposed uses that could be appropriate for the site. The accompanying graphics for this report reflect a boutique hotel, although an aquatic center, residential tower, new performance hall and office tower have also been suggested.

FIFTH STREET HEADQUARTERS REDEVELOPMENT

Parcel 1 will benefit from two specific Core Elements that are contemplated for the overall redevelopment. Already bounded by Fifth Street and N. Wenatchee Avenue, the site will have the newly redesigned Electric Avenue right-of-way on the river side of the parcel. This, in combination with pedestrian and parking improvement down N. Wenatchee Avenue, will establish an explicit extension of the downtown feel.

Through its pedestrian amenities and special lighting, the design of these important new street improvements will add significant value to the Lantern Building site.

Advantages and Challenges

ADVANTAGES

Any of the uses that are proposed for this site will play an outsized role in establishing the character of the entrance to the downtown historic core. Because the site has no existing structure on it, a new project could move ahead prior to the actual departure of the PUD in 2023. If developed early it becomes a catalyst project that demonstrates the vision and the potential of the redevelopment process. When done well, it will increase the value of the surrounding parcels available for redevelopment.

CHALLENGES

Creating a catalyst building requires extra attention to the design of the building. Not just any project design would be enough. To find the right use might require careful negotiations with any potential developers to assure that the project reflects well on the rest of the redevelopment.

Parking could be a challenge if the new Lantern Building were to open prior to the PUD departure to their new site. A possible fix is if the owner could negotiate parking on a nearby location. Improvements to N. Wenatchee Avenue would significantly increase adjacent available back-in parking.

Construction at this site would need to be managed to avoid impacts on current Chelan PUD operations. These types of concerns can be negotiated during sales and permitting.

NEXT STEPS

The initial next step is for the lot line adjustments necessary to create a separate parcel from the existing property lines. Recruitment of possible development investors would follow.

THINGS TO KEEP IN MIND

Development on this important corner allows for complementary continuation of the concepts. Ideally, the design and use of Parcel 1 would be broadly compatible with the range of possible future uses on the other redevelopment parcels.

Parcel 2a & 2b

Recommended: Repurpose or Remove Headquarters Building

ALTERNATIVES

A range of future uses are possible at this location from office to educational, residential to commercial.

DESCRIPTION

The central office building for the Fifth Street Headquarters site is on the future Parcels 2a and 2b. The existing structure has had several additions since construction in 1954 with expansions in 1960, 1983, and 1991. The building is now more than 60,000 square feet of office spread across three floors.

Parcel 2a and 2b together are approximately 315 feet by 320 feet with a combined site area of more than an acre at approximately 50,400 square feet. Separately, Parcel 2a is 90 feet by 160 feet for 14,400 square feet and Parcel 2b is 225 feet by 160 feet for 36,000 square feet.

The location has wonderful views to the west and the east of rolling hills that change from spring green to summer gold to winter white as the snow falls. The site fronts along N. Wenatchee Avenue and slopes nearly 10 feet on the parcel's eastern side.

A former 200 seat auditorium within the building has been converted to offices. Another portion was originally constructed as a parking garage and then eventually converted into additional office space. It is this parking garage/office addition that has been designated as Parcel 2b.



The building reflects each era of construction during the last 66 years with office locations and configurations that are far from ideal in the 2020 office market.

Options for disposition of the existing building fall into four categories:

1. Reuse as-is for non-profit or other public uses.
2. Demolish all the interiors and then offer the building for sale or lease as a 'core and shell' with new future tenants providing the resources to reestablish interior finishes.
3. Demolish the entire building and provide a clear buildable site.
4. Retain the northern portion of the existing building as a shell and core on Parcel 2a and demolish entirely the southern addition (Parcel 2b—the former parking garage) to allow a clear redevelopment site.

Advantages and Challenges

Each of the possible dispositions has unique advantages and challenges.

1. **Reuse as-is for non-profit or other public uses.**

ADVANTAGES

Once the Chelan PUD moves out, a non-profit, school, or other public user could move in. If a new owner were to offer below market rate rents, the public and non-profit users would be able to deploy more of their scarce resources toward their missions.

CHALLENGES

While much of the available space could be used, using all of it is not assured. A major reuse of the facility might trigger code repairs or upgrades for life safety such as sprinklers, vertical mobility, ceiling heights, stairways, ventilation, heating, and cooling. A new owner would face ongoing maintenance costs for the unused portion of the building that could be onerous. The low rents that would be justified may be a drain on the new owner's bottom line. The value of the land the PUD expected may be less than anticipated due to lower revenues from rents.

FIFTH STREET HEADQUARTERS REDEVELOPMENT

1. **Demolish all the interiors and then offer the building for sale or lease as a ‘core and shell’ with new future tenants providing the resources to reestablish interior finishes.**

ADVANTAGES

For possible tenants with a budget for furniture, fixtures, and equipment (FF&E), a stripped down-to-bare-walls approach for the building might be attractive. Here the tenants would bear the costs of providing finishes. Tenants would have to have the capability to finance and reconfigure some large proportion of the space available. A large single office or multiple, shared office spaces could be developed if a developer was able to assemble the right combination of rents and amenities. Significant investments in building infrastructure are likely to be required—which may or may not be worth the investment depending on the costs and the potential future users. In this alternative, the Chelan PUD would divest itself of ownership in the building to the new operator who would then offer it to tenants.

If the Zero-Carbon District concept described above is implemented, it would attract interest from large tech companies interested in a major adaptive reuse.

CHALLENGES

Repurposing all 46,000 square feet of a building is a lot to take on in the Wenatchee market where a lease of 5,000 square feet is considered typical. It is possible that a large office tenant such as an Interstate 5 corridor technology company could be interested in developing an East of the Mountains campus. This is considered a long shot but not impossible.

Wenatchee already boasts many of the qualities these firms might seek: a great climate; reliable air travel connections; affordable housing; good schools; creative restaurants; attractive outdoor recreation; and a rich local arts scene. Additional lifestyle amenities are already envisioned for any redevelopment of the Fifth Street Headquarters site.

2. **Demolish the entire building and provide a clear buildable site**

ADVANTAGES

A clean slate building site with all site services available is likely the most attractive option for a broad range of future users.

It is often difficult for buyers to imagine a different future than what they see before their eyes. If they see a large old office building, the ability to dream of what that site might be in the future tends to be more limited. Providing a ready-to-build blank slate also reduces the uncertainty of redevelopment.

Absent that, future landowners may discount the value of the land if the timeline for redevelopment is uncertain.

As with the core and shell option above, the Zero-Carbon Energy District will be an attractive option for potential investors who have made commitments around climate change. Many independent developers may also appreciate this option.

CHALLENGES

There is one caution, however. It is not unusual for some private developers to purchase less efficient equipment in order to reduce their first cost. This allows them to pass the higher ongoing operating expenses of this less efficient hardware to their future tenants. By passing on the cost and the pollution, owners may feel like they make out better in the short term. This may be most true when only a single building at a time is constructed.

However, when a district system is developed the first cost for each additional entity on the system is reduced. In fact, a developer may avoid significant heating, ventilation, and air conditioning equipment costs for new buildings because these services are often centrally located and shared between users. And once the capital and debt are retired, then the costs for energy and water are reduced as they must only cover maintenance and operations.



Image: Artist rendering of Electric Avenue given implementation.

By capitalizing the debt, renewable non-carbon producing systems can lower long term costs and pollution. This is not unique to Zero-Carbon systems. It is a reality for electric car owners, and developers of photovoltaic and wind power where the savings on operations and maintenance costs continue to reduce energy and water costs far into the future.

3. Retain the northern portion of the existing building as a shell and core on parcel 2a and demolish entirely the southern addition (2b – the former parking garage) to allow a clear redevelopment site.

ADVANTAGES

This option retains the northern two thirds of the headquarters building (Parcel 2a) and demolishes the southern one third of the existing building (Parcel 2b). It is a hybrid of the two previous concepts. It enables creative reuse of the existing building and a new developable clean slate site. The removal of the former structured parking near the office on Parcel 2b appears to be an option that would not impact the structural integrity of the remaining building. This then allows for adaptive reuse of about 30,000 square feet in the current building while also allowing a new building to be built on the 15,000 square feet of Parcel 2b.

This new building on 2b will have several advantages. It will face along N. Wenatchee Avenue and have a retail frontage – thus increasing the urban design effectiveness for pedestrians and shoppers along the N. Wenatchee Avenue corridor. Using the elevation of Wenatchee Avenue as the main floor allows for below grade parking accessed by the central right-of-way from Electric Avenue. It also allows for the new building to take advantage of a key amenity of the Spillway Steps in the redevelopment. The Spillway Steps water feature and passageway links N. Wenatchee Avenue with the new emerging Electric Avenue corridor.

CHALLENGES

If Parcel 2b is cleared, then it will be important to not let it languish as a void in the street façade. Although there are benefits for surface parking, an empty gap along N. Wenatchee Avenue would have a deleterious effect on the pedestrian-friendliness of the street.

NEXT STEPS

Redevelopment of a portion of the headquarters building will not be available until the Chelan PUD moves to its new headquarters in 2023.

THINGS TO KEEP IN MIND

It would be wise to start well before the move-out date, however, to make certain that a new project could move ahead immediately at the departure of the Chelan PUD.



Image: Artist conception of new residency and Marquee on the Riverfront Playhouse.

Parcel 3

Recommended: Consider mid-rise / multi-family with retail frontage for Parcel 3

ALTERNATIVES

The site could become part of a shared campus for higher education or an element of a larger tech campus and host residential or other education or office uses.

DESCRIPTION

Parcel 3 is approximately 180 feet by 220 feet with a site area of just under an acre at approximately 39,600 square feet.

A parcel of this size can host somewhere between 250 and 300 units in 6 to 7 story multifamily housing developments. Retail would face onto N. Wenatchee Avenue. A lobby, recessed from the sidewalk, would provide tenant access to the building. Vehicle access to the parking could be through the new Electric Avenue right-of-way or via the existing ramp down to existing parking at Parcel 3.

Parcel 3 will define the southern edge of the Spillway Steps—a public amenity that descends from N. Wenatchee Avenue to Electric Avenue. The steps and water feature between Parcels 2a and 3 will contribute to a sense of place. The vegetation and the sounds of falling water will add increased value to tenants who live and work next door.

Advantages and Challenges

ADVANTAGES

Based on our analysis, the greatest market need is for housing in Wenatchee. Parcel 3 was consistently called out during the workshops as a natural location for new downtown multifamily housing. The 10-foot drop from the edge of the sidewalk on N. Wenatchee Avenue to existing parking below made it easy to imagine residential units at and above street level with parking easily available below. Additional parking could be offered along a redesigned back-in angle parking on N. Wenatchee Avenue. The parcel and the zoning could host 250 to 300 units in a market that is ready to absorb additional housing.

The views to the north, west, and east are beautiful as Wenatchee’s surrounding hillsides offer color and view year-round. The adjacency to the downtown core offers additional evening pedestrian traffic for downtown businesses and restaurants. The pedestrian environment throughout the historic district could be enlivened with hundreds of additional downtown residents.

Ground floor retail is proposed for a portion of that street frontage which would then help extend the central business district up to and including Fifth Street. This idea has long been envisioned by the City of Wenatchee with its downtown business district zoning allowing for zero lot line development along this entire stretch.

CHALLENGES

Parking is always a question for residential developers. Providing parking is an expensive amenity that most developers must bear, but since downtown living is rare in Wenatchee, it might feel like a leap of faith to presume that fewer stalls will be needed. Determining parking needs can be offset somewhat through back-in angle parking along N. Wenatchee Avenue—as recommended above.

The Zero-Carbon district also creates the potential for additional questions. Providing a Zero-Carbon living experience could be particularly attractive to environmentally conscious renters and families in Wenatchee.

Developers may be uncertain if they would benefit financially from participating in a Zero-Carbon district. This uncertainty could appear risky to those inexperienced with these types of systems. Before construction of a Zero-Carbon district, district’s planners should conduct an investment grade analysis and rate study to determine the potential financial viability of the district system to cost-effectively serve the redevelopment. This study would then allow the district’s planners to provide assurances to potential investors about cost to connect users that hook up to the district system.

NEXT STEPS

Parcel 3 will not be available for redevelopment until 2023. Prior to that time the parcel will need to be created with new lot lines.

THINGS TO KEEP IN MIND

There is a strong potential that Parcel 3 could *and perhaps should* take advantage of new Cross Laminated Timber (CLT) or other engineered wood technologies. CLT is lauded by many as a carbon sequestration strategy and is being used in larger and taller buildings now more than ever before. A CLT apartment house at this site could be a beautiful addition to the Wenatchee streetscape and further embody the concepts developed in the Lantern Building proposed for the intersection of Fifth Street and N. Wenatchee Avenue.

FIFTH STREET HEADQUARTERS REDEVELOPMENT

Parcel 4

Recommended: Consider reuse of the Fleet Service Building as Shared Office.

ALTERNATIVES

Razing the existing buildings on Parcels 4 and 5 could provide enough footprint to host a 3 story assisted living facility. Or a multi-story large floorplate office building suitable for larger technology companies, media production, or shared college-level educational facilities.

DESCRIPTION

Tucked into the northeast corner of the Fifth Street Headquarters site is a long narrow building with a cast-in-place concrete foundation. It abuts the lowered sidewalk along Fifth Street near the railroad underpass.

Dimensions of the property are approximately 70 feet by 230 feet with a site area of just about 16,100 square feet.

This long building could play several roles in the redevelopment scenarios. If the building is retained, it could be repurposed into a shared office space that allows various short or long-term office renters to have cost-effective work and meeting space without having to cover the overhead themselves. Just across from here is the fleet shop with its various lifts and tools, the existing building on Parcel 4 also could be an addition to any sort of Makers Space that might occupy the building on Parcel 5.

As noted above, another option is to redevelop both Parcels 4 and 5 for a larger floorplate use. Possibilities include a senior residential assisted living facility or perhaps larger offices or a shared university building.

Advantages and Challenges

ADVANTAGES

A shared office could be a quick and cost-effective adaptive reuse of the building on Parcel 4. Potential ownership by the Port may be plausible if the building condition is reasonable and these uses fit with Port priorities.

CHALLENGES

Because of the proximity to the much larger Parcel 5, any uses on Parcel 4 may be strongly influenced or overwhelmed by the ultimate disposition of Parcel 5.

NEXT STEPS

Consider phased use of the building on Parcel 4—with perhaps short-term shared office space as the future of Parcel 5 unfolds.

THINGS TO KEEP IN MIND

Because of the potential for large floorplate uses across Parcels 4 and 5, whatever charm might be preserved with adaptive reuse of the Parcel 4 building would be lost if a large new floorplate user takes over both sites.

Photo: Fleet Service building, 2019



Parcel 5

Recommended: Consider makers or mechanical arts training facility

ALTERNATIVES

Clear Parcel 5 and use the footprint for larger office, educational, or assisted living residential facility.

DESCRIPTION

The shop on Parcel 5 is ideal for a Makers District. Makers Districts consist of small businesses who make things and sell them directly to customers who visit the District. A great Makers District has access to light and heavy tools—which are already in the Chelan PUD’s current facility. It has access to affordable working space where machinery can be operated without disturbing neighbors. It has storage areas and allows for visitors to watch works in progress. Distilleries and breweries can be found in a Makers District, as can bakeries and commercial kitchens, welders and sculptors, cheese makers and fish mongers, glass blowers, wood workers and small art printing presses. Shoppers can develop relationships with skilled artisans who make their living by their wits and craft.

The site is approximately 200 feet by 350 feet and is over an acre and a half at 70,000 square feet on the northeast portion of the Fifth Street Headquarters property. On the east side it is bound by the railroad tracks. To the west, is Electric Avenue. Parking lots are north and south of the parcel.

Advantages and Challenges

ADVANTAGES

Makers Districts create shared experiences for tenants and visitors. Young people can see alternate career paths. Makers can learn from each other and share resources. The existing mechanical shops in the building on Parcel 5 make it extremely attractive for local college training in mechanical arts and art in general. New technologies such as drones and robots for agriculture or forest fire fighting could easily become an output of a Makers facility in downtown Wenatchee.

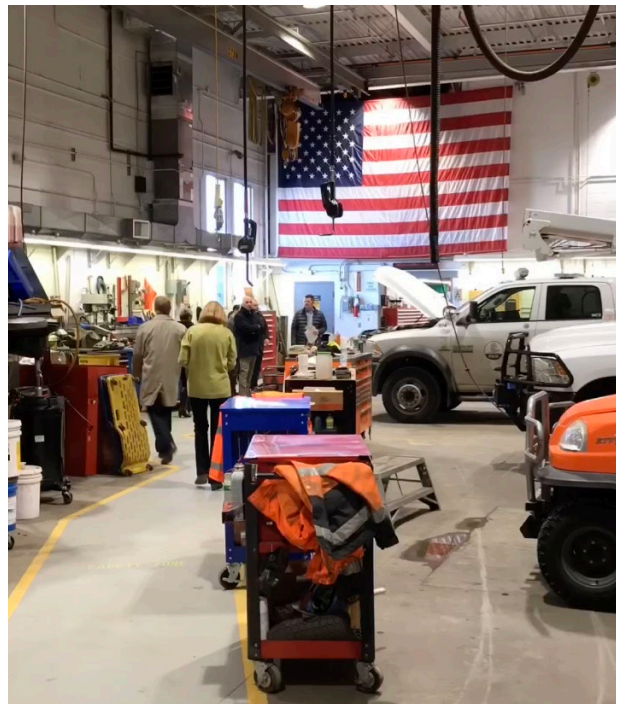
CHALLENGES

Housing is the most economically viable use for Parcel 3 of the Fifth Street Headquarters project. If new residential tenants move to Parcel 3, they may not be patient when users of the Makers District run loud motors or operate loud equipment into the evening and late-night hours. Residents with breathing challenges might be exposed to paints, thinners, wood dust or smoke that might trigger a response. Careful consideration of the uses for the Makers District may need to be developed to make certain that the Makers will be compatible with residential uses.

NEXT STEPS

After the PUD moves to its new headquarters in 2023, phasing of a Makers District may be a reasonable short-term use. If it is leased for several years it will be possible to determine viability.

Photo: Inside the Tech Shop, 2019



FIFTH STREET HEADQUARTERS REDEVELOPMENT

Parcel 6

Recommended: Reconfigure the existing Technician Shop on the future Parcel 6 as an element of a Theater and Entertainment District or as a restaurant, or amenity space supporting other uses on the other parcels.

ALTERNATIVES:

Parcel 6 could host additional housing if a housing focus continues over time in the redevelopment of the Fifth Street Headquarters site. A large tech tenant might use Parcel 6 as an initial investment in shared office uses with plans for additional expansion on other parcels in the future.

DESCRIPTION

The Technician Shop is a former apple processing warehouse with lovely large timber supports and high ceilings. It is large enough to host a restaurant or additional venues for performances. The upper floor or additional floors above that could become shared office for technical, commercial or non-profit uses. Other development scenarios considered looked at the old Technician Shop as an adaptive reuse for recreation (e.g. a workout gym) that would support housing-focus developments on the other sites.

ADVANTAGES AND CHALLENGES

The building is in fair condition, is quite large –yet not so large that it is overwhelming for adaptive reuse.

The location is deep inside the Fifth Street Headquarters site with its own parking lot. It is an ideal location for amenity and recreational services to support tenants as well as supporters of the arts who attend Riverfront Playhouse events. Because it is close to the new connection through parcel 7b, vehicle access to Parcel 6 will be convenient. Adjacency to the Riverfront Playhouse and the Convention Center suggests that a restaurant could be an attractive destination for afternoon and evening gatherings.

A challenge for this site is that Parcel 6 needs to be a destination - it is not “on the way” to anything. Tucked up against the railroad tracks, Parcel 6 is out of the way and could easily be forgotten by its visual seclusion. Place-making that attracts local residents and out of town visitors to the overall Fifth Street Headquarters site will be an essential aspect that could raise the potential market value of this location.

NEXT STEPS

Not available until 2023, the parcel needs to be created and be an element in the overall marketing plan for the Fifth Street Redevelopment.

THINGS TO KEEP IN MIND

The ultimate fate of Parcel 6 may be decided by the choices that other investors make on the other parcels in the redevelopment of the campus. Parcel 6’s supporting role will change as the major uses change over time.

Photo – Map Data: Google, Maxar Technologies, 2019





Image: Artists conception of Electric Avenue during a summer evening.

Parcel 7a & 7b

Recommended: Maintain Parcel 7a as a parking lot on the south side of Parcel 6. Dedicated Parcel 7b as a potential future right-of-way

ALTERNATIVES

If parking was otherwise available, Parcel 7a could become an additional building site. However, in the near term parking is probably a reasonable use until conditions change.

DESCRIPTION

As a parking lot, Parcel 7 is important for access to the Riverfront Playhouse as well as other uses such as the Convention Center and users of Parcel 6. Parcel 7b is a new right-of-way recommended to better connect the center of the Fifth Street Headquarters redevelopment to Columbia Street, the Convention Center and downtown.

ADVANTAGES AND CHALLENGES

As Wenatchee's downtown grows, the need for ubiquitous parking will decline. It is also possible that as technology for self-driving cars is adopted, this too, might reduce the need for parking. Yet until that time, parking plays a major role in access to important downtown venues.

A challenge is determining who might best be able to acquire and own this parking lot. Many entities might have reason to want it preserved: the Music Theater of Wenatchee is in need of parking; the City of Wenatchee might value the extra parking and connectivity of a new right-of-way for Convention Center uses; or purchasers of other development sites on the Fifth Street Headquarters site might choose to acquire the property for their parking needs and possible future development. A hybrid of all of the above may well be the outcome.

NEXT STEPS

The site is unlikely to be available until 2023. At some point prior to that, the PUD may seek out interested parties to determine their interest and capability to acquire the sites.

THINGS TO KEEP IN MIND

Mobility technology is rapidly advancing. The long-term viability of parking is in question as autonomous vehicles and even delivery drones change the transportation system.

Parcel 8

Recommended: Partially demolish the Fish and Wildlife Building on Parcel 8 to create a new right-of-way connecting Electric Avenue with the public parking lot adjacent to the Coast Hotel. Repurpose the remaining building and parcel for possible use by the Riverfront Theater.

ALTERNATIVES

Retention of the entire Fish and Wildlife Building might be possible if vehicles can drive through the building. Likewise, complete removal of the existing building might be a preferable outcome depending on the interest of Music Theater of Wenatchee as a possible tenant or future owner.

DESCRIPTION

Parcel 8 is a remnant assuming that Parcel 7b becomes a new right-of-way connecting the Fifth Street Headquarters with the downtown and Convention Center. The existing building would be reduced in size to allow the right-of-way to pass through. The remaining building could become storage, or a new foyer to the theater.

ADVANTAGES AND CHALLENGES

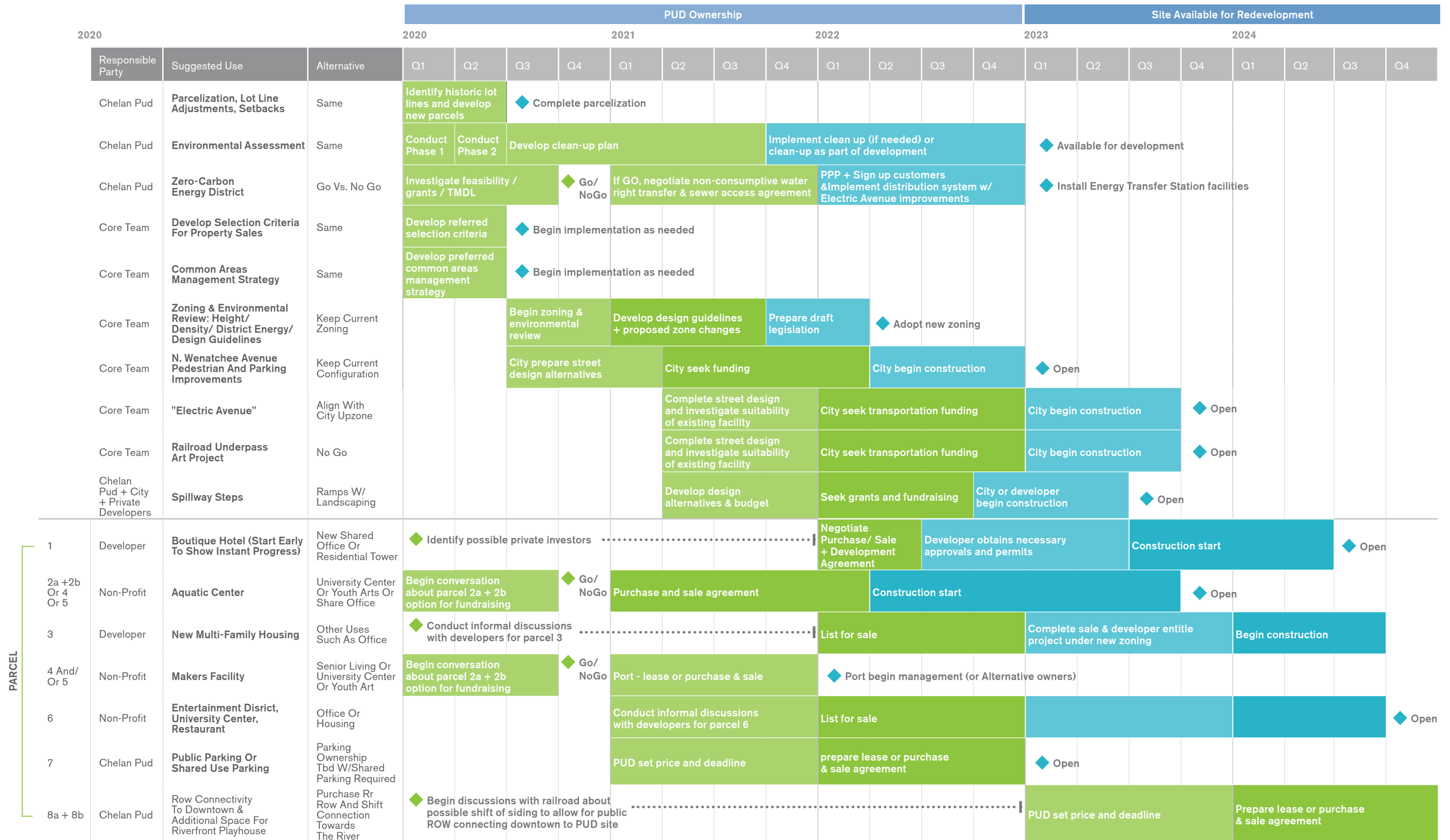
The Fish and Wildlife Building was originally another apple warehouse. Its heavy timbers and high ceilings make it quite flexible for new uses.

A challenge is determining if there is financial capacity to retain this building and purchase the site to add value to the entertainment district. If not, the site could possibly take on other uses, but whatever happens on the site would need to be sensitive to the requirements of the Riverfront Playhouse as a venue.

NEXT STEPS

The site is unlikely to be available until 2023. Prior to that the PUD will want to gauge interest of others to acquire and manage the site.

Estimated Timeline Schedule



THIS PAGE LEFT INTENTIONALLY BLANK

Development Issues and Recommendations

The PUD and its partners should consider the following issues related to development of the site:

1. Vision and Creating a Sense of Place

A clear vision will help to unify development concepts and attract developer interest to the site. Through the community workshops, our team discovered some elements that should be considered:

- A pedestrian-friendly development with a central greenway
- Steps that connect to N. Wenatchee Avenue and into downtown
- A pedestrian connection to the parking lot and parcels to the south and into downtown
- A development theme that connects to the site and region’s history (i.e. Electric Avenue, Spillway Steps)
- Retention / improvement of building space and parking for the existing community theater
- A mixed-use development that ‘anchors’ the north part of downtown and serves as a ‘gateway’ into downtown and to the Riverfront area

2. Master Developer Role

The site is relatively large and will require a master developer to create a plan and set about improving and / or preparing the site as needed. If the PUD does not have the resources to oversee this, we recommend partnering with a public entity (City, Port) or private developer to assist in this effort.

3. Infrastructure Costs

Through our community workshops and stakeholder interviews, our team heard the desire to have public-oriented uses and amenities a sense of place at the site. To accomplish this, the site would require

investment into improvements and infrastructure.

These costs are generally born by the master developer and we would not anticipate that interested developers and tenants would be able or willing to participate in these costs (without a subsequent discount on land and / or other incentives).

4. Phasing and Timing of Development

Given the site’s size and the likely dynamics of the regional real estate market, we expect any development plan to take place over a number of years. The master developer should plan for a phased approach, and for a sequence that allows for development of a portion of the site in the early phases.

5. Parcelization of Site

Given the site’s size and the potential for a variety of uses over time, we recommend planning to divide the site up into a series of parcels that can be marketed together or separately as demand warrants. The plan should be flexible enough to accommodate the take-down of several parcels at once.

6. Parking Strategy

Given the proposed mix of uses, the cost of building parking spaces, and the availability of existing surface parking spaces, we recommend the development of a parking strategy that can serve to incentivize development at the site.

7. Identify Tenants and Users

Given the likely market and financial challenges of developing speculative office and retail space at the site, we recommend working with partners such as the City’s Economic Development office, the Port of Chelan, and private brokers to identify potential tenants and users for the site. Our team anticipates demand from both regional companies but also from those currently in the Puget Sound market. looking at secondary or expansion locations



Market Analysis and Financial Analysis

Market Analysis

Market Analysis Conclusions

Our analysis of regional and local demand drivers and of the six land uses under consideration revealed the following opportunities and challenges for development at the Chelan PUD Headquarters site:

Opportunities

- Low vacancy rates for most residential and commercial uses, suggesting potential for additional space in the market
- In conjunction with the observed vacancy rates, there is a relatively low amount of real estate space per capita, suggesting historic under-building compared to analogue markets
- Although there has been limited new development during the past 10 years, the projects that have been built have performed well, including Weidner's rental projects proximate to the site
- Projected future under-supply (versus projected demand) of the analyzed land uses, with the exception of hotels in the near /mid-term (which there is a substantial amount of rooms in planning / construction)
- The site is located in an Opportunity Zone, this designation may drive investor demand
- Aside from local moves from Douglas County, a significant share of Chelan County's in-migration has come from the Puget Sound, leading to demand for housing but also for office space (including for those working remotely)
- The bulk of future household growth is projected to come from households earning more than \$100,000 (which is significantly above the current median income level of \$57,000), which will drive demand for housing at various price points and for a spectrum of retail options

Challenges

- The regional real estate market is relatively small in terms of overall built space and historic deliveries and absorption
- Non-farm employment growth projections for the region are fairly modest
- Current rent rates, which reflect demand but also the generally older real estate products in the market, make some new-build development concepts difficult to pencil
- The area is relatively distant from a major freeway

Our summary assessments for the land uses under consideration can be found in the following tables. Additional information on land use trends, as well as demographic and employment analyses, can be found in the Appendix.

	Residential					
	Rental		For-Sale		Senior	
Market Area Definition	Regional Market + Puget Sound Market Area					
Demand Competitive Supply						
Demand Factors	New HH Growth, Cost Of Living, Lifestyle Trends		New HH Growth, Cost Of Living, Downsizing		New HH Growth, Cost Of Living, Proximity to Family	
Current Market Stats - Market Area						
Inventory	1,380	units	715	units	1,500	beds
Vacancy	6.7%		-		-	
Avg Rents (Annual psf)/Prices (psf)	\$19.80	/s.f.	\$200	/s.f.	\$48.00	/s.f.
Overall Market Area Demand Pool (MA)						
Annual	145	units	50	units	50	units
5-Year Total	725	units	250	units	250	units
Historical Comparison (MA)						
<i>Avg Ann Net Absorption/Sales L5Y</i>	70	units	-		-	
Projected Market Demand vs. Supply Conditions - Market Area - 2019-2023	Under-supply		Under-supply		Under-supply	
Subject Site	10.0%		20.0%		10.0%	
Opportunity Capture	25.0%		30.0%		25.0%	

FIG. 1 RESIDENTIAL USES-MARKET ANALYSIS SUMMARY

THIS PAGE LEFT INTENTIONALLY BLANK

	Commercial					
	Retail		Office		Hotel	
Market Area Definition Demand Competitive Supply	Regional Market		Regional Market + PS Market Area		WA State	
Demand Factors	New HH Growth, Income Growth		Office-Using Employment Growth, Cost of Living, Quality of Life		Employment and HH Growth, Tourism, Conventions/Events	
Current Market Stats - Market Area						
Inventory	3,800,000	s.f.	1,400,000	s.f.	1,600	rooms
Vacancy	2.5%		0.5%		36.6%	
Avg Rents (Annual psf)/Prices (psf)	\$16.00	/s.f.	\$16.00	/s.f.	\$107.00	/night
Overall Market Area Demand Pool (MA)						
Annual	52,000	s.f.	37,000	s.f.	72	rooms
5-Year Total	260,000	s.f.	185,000	s.f.	360	rooms
	(not incl any current 'gap)					
Historical Comparison (MA)						
Avg Ann Net Absorption/Sales L5Y	26,000	s.f.	8,000	s.f.	-	
Projected Market Demand vs. Supply Conditions - Market Area - 2019-2023	Under-supply		Under-supply		In Balance	
Subject Site	5.0%	-	10.0%	-	10.0%	-
Opportunity Capture	10.0%		30.0%		25.0%	

FIG. 2 COMMERCIAL USES-MARKET ANALYSIS SUMMARY

THIS PAGE LEFT INTENTIONALLY BLANK

	Residential (Attached)			Commercial (Lease)		
	Rental	For-Sale	Senior	Office	Retail	Hotel
Likely Type	Flats Mixed-Use	Townhome (2-3 story) Live/Work	Independent Living Assisted Living	Finance/insurance/ real estate (FIRE) Professional services Medical	Restaurant Coffee	Extended stay Boutique
Rent/Sales Range	\$2.00-\$2.25/s.f. (mo.)	\$250-\$300/s.f.	\$4.00-\$6.00/s.f. (mo.)	\$16-\$26/s.f. NNN (ann)	\$14-\$22/s.f. NNN (ann)	\$100-\$150/night (ADR)
Financial Model - Key Assumptions						
Avg Rent/Price	\$2.25/s.f. (mo.)	\$275/s.f.	\$5.00/s.f.	\$24/s.f. NNN (ann)	\$22/s.f. NNN (ann)	\$125/night (ADR)
Avg Occupancy (stabilized)	95%	n/a	95%	90%	90%	70%
Cap Rate	5.00%	n/a	5.25%	6.50%	7.00%	7.00%
Total Construction Cost per Net S.F. (Hard, Soft, Finance)	\$292	\$162	\$325	\$258	\$219	\$346
Density/FAR	70.0	20.0	70.0	0.35	0.35	70.0

FIG. 3

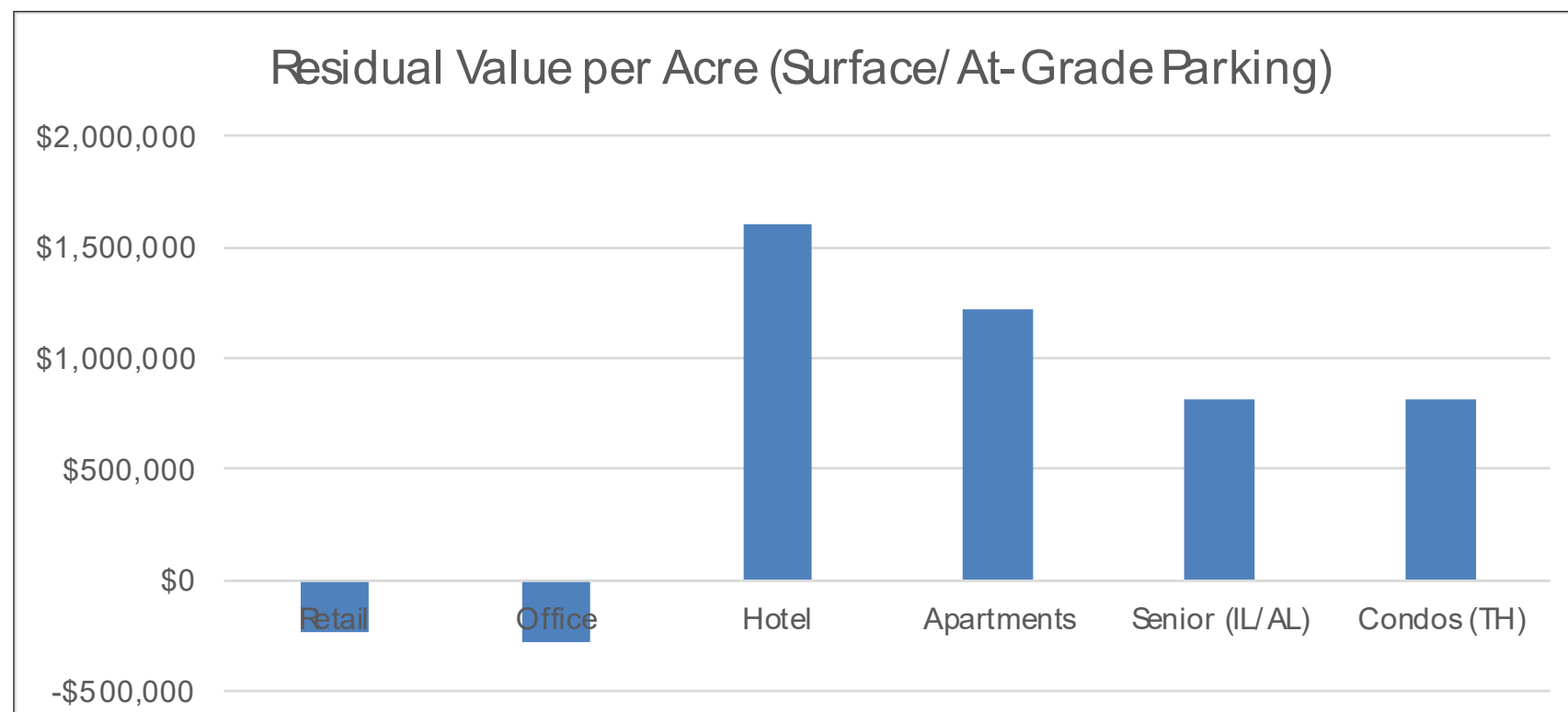


FIG. 4

Financial Analysis

For each land use, we conducted a financial analysis to determine what developers could pay for land in today's market given the following core assumptions (Fig. 3).

The results of our residual land value analysis suggest that potential land values range from – \$300,000 to +\$1.6 million per acre, depending on land use. All calculated land values assume surface or at-grade parking, and below grade or other structured parking assumptions would increase the cost to a developer and decrease the amount they could pay for land.

The uses with negative values, retail and office, are likely not feasible to develop from a ground-up basis without additional incentives. However, different assumptions on key elements like construction costs and rent rates, for example, could make these uses feasible. These uses may also be feasible as a redevelopment rather than as new-build, depending on the cost to redevelop a site.

The hotel use yields \$1.6 million per acre, or approximately \$23,000 per hotel key. Residential uses range from \$820,000 per acre for senior and condo (townhome) uses to \$1.2 million for apartments. On a per-unit basis, these range from \$12,000 per unit for senior housing, \$17,000 per unit for apartments, and \$41,000 per unit for townhome-style condos.

The following summarizes the calculated per-acre values (Fig. 4). It should be noted that residual land values are highly sensitive to key assumptions such as lease rates, capitalization rates, and expected rates of return. Additional information can be found in the Appendix.

THIS PAGE LEFT INTENTIONALLY BLANK

Development Considerations

Based on our analysis and from the feedback we received during our interviews and community engagement with key stakeholders, we considered the following elements when developing our scenarios and recommendations for the PUD site: Market-based demand (both current and future) for various land uses

- Site constraints and strengths
- Phasing and timing of development
- Early phase successes
- Creating critical mass and activating the site
- Public access and uses
- Mix of uses
- Assets for the community

Site Opportunities

Our team visited and assessed the site and surrounding area on multiple occasions. Our site analyses revealed characteristics that are likely to appeal to developers and users / tenants:

- Proximity to Columbia River and Riverfront Park
- Walking distance to the historic core of Downtown Wenatchee
- Potential river, town, and mountain views
- Existing surface parking options
- A relatively large parcel that is owned by one entity
- Access via underpass to river and Pybus Market

Development Scenarios

Our team developed a series of potential development scenarios for the Fifth Street site, based on our site assessments, market analysis, and feedback from community engagements and interviews with key stakeholders.

We began by creating a potential product menu, with potential maximum unit counts and development square feet based on a 'fair share' of the site's capture of various land uses over a 10 year period. As the financial analysis yielded negative land values for retail and office uses at the site, we assumed that these uses, as well as some of the non-profit / public uses, would utilize a strategy of redevelopment with potential for new build depending on the identified tenant.

For each use in our product menu, we considered phasing, the interplay between the various uses, and target parcels within the site for development. The product menu is summarized below (Fig. 5).

The following (Fig. 6, Fig. 7, Fig. 8) summarizes the three development scenarios, and the opportunities and challenges for each. Although it is possible that any of these (or a mix of their elements) could be developed, the residential-focused scenario ("B") is the one least dependent on identifying specific users such as non-profit agencies or office tenants and is therefore the one most aligned with market dynamics that we observed in our analysis.

Land Use	10-Year Site Capture	Phase	Approx Land (incl pkg)	Assumed # Stories (Max)	Target Parcel(s)	Reuse vs New Build	Target Uses by Scenario		
							Sc A Non-profit focus	Sc B Residential Focus	Sc C Commercial Focus
Residential									
Apartments	360	Early	2-4 ac	7	3, 5, 6, 7	New build	x	x	x
Condos/TH	150	Late	2-3 ac	7	6	New build		x	
Senior Housing	130	Early	3-4 ac	2	5	New build		x	
Commercial									
Retail	50,000	Early/Mid	2-4 ac	1 (ground-level)	1, 2	Reuse/new	x	x	x
Office	110,000	Mid/Late	2-4 ac	3	1, 2	Reuse/new	x	x	x
Hotel	180	Mid/Late	1-3 ac	4	1, 2	New build			x
Makers	20,000	Early/Mid	1-2 ac	1	4, 5	Reuse	x	x	x
Non-Profit									
Education	60,000	Early/Mid	1-3 ac	2	1, 2, 4	Reuse/new	x		
YMCA	60,000	Early/Mid	1-3 ac	2	1, 2, 4	Reuse/new	x		
Theater	10,000	Early/Mid	<1 ac	1	8	Reuse	x	x	x

FIG. 5

THIS PAGE LEFT INTENTIONALLY BLANK

**DEVELOPMENT SCENARIO A:
PUBLIC / NON-PROFIT FOCUS**

This scenario assumes non-profit and / or public-oriented uses. Based on the feedback of our community workshops, we have assumed space for the YMCA in this scenario, although these can also be seen as ‘placeholders’ depending on actual interest. Other users that could fill the non-profit / public space include an educational institution or a museum.

Opportunities

- Identified users / tenants that can help to anchor the project
- Early-phase potential, can act as a catalyst for other uses
- Amenities for the project and the community
- Community-oriented uses
- Attracts a diverse user base

Challenges

- Funding for the users / tenants
- Takes place of private-sector development
- May be viewed as moving jobs around versus creating new ones
- Potential significant parking needs for some uses

We modeled out the scale / timeline for this scenario (Fig. 6).

Non-Profit Focus			Early Phase	2021	2022	-->>	Mid	2024	2025	-->>	Late	2027	2028	-->>	2029
	Units/S.F.	Target Parcel(s)	2020												
Residential															
Apartments	150	3													
Commercial															
Retail	20,000	5,6													
Office	40,000	5,6													
Makers	20,000	5													
Non-Profit															
Education	60,000	1,2,4													
YMCA	60,000	1,2,4													
Theater	10,000	8													

FIG. 6

THIS PAGE LEFT INTENTIONALLY BLANK

**DEVELOPMENT SCENARIO
B: RESIDENTIAL FOCUS**

This scenario assumes mostly private-sector / for-profit development, with an emphasis on residential development.

Opportunities

- Early-phase potential
- Housing demand in the market for various types, with limited supply in the pipeline
- Opportunity to provide housing for seniors, lower-income groups
- Proven development concept nearby site (Weidner's projects)
- Adds more 'live' to the 'live / work / play' downtown vision
- Potential for shared parking with other uses

Challenges

- Takes the place of other job-creating development
- Construction costs versus density
- Site location next to tracks and off-river may not appeal to some, especially if additional choices in future market deliveries, e.g. Lineage properties

We modeled out the scale / timeline for this scenario (Fig. 7).

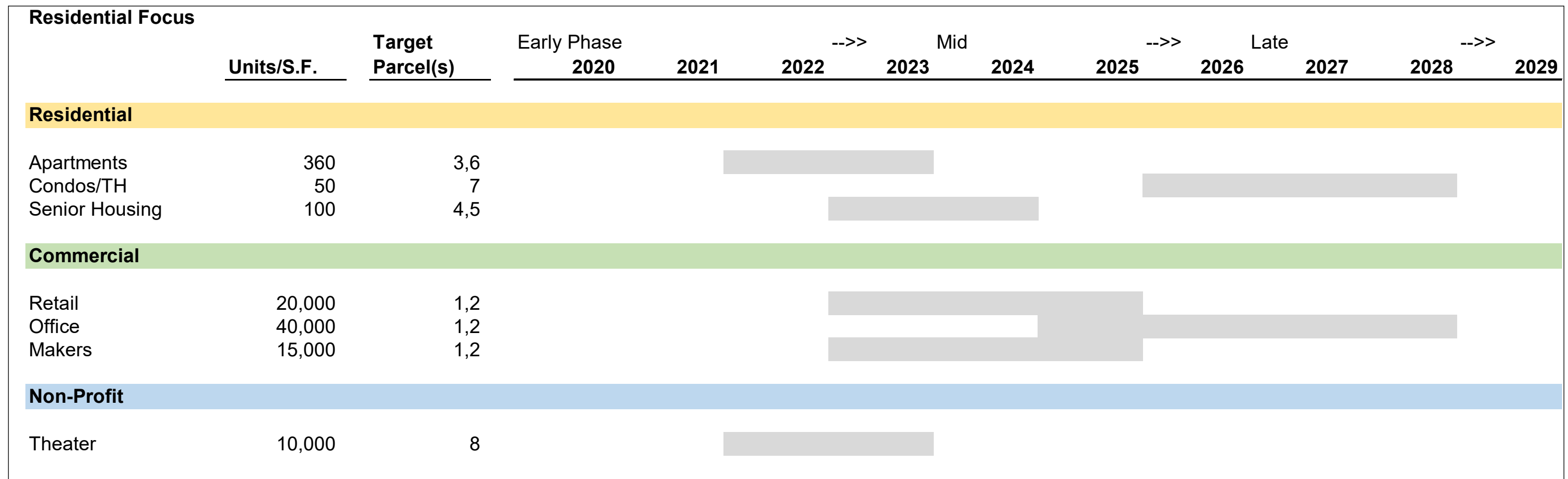


FIG. 7

THIS PAGE LEFT INTENTIONALLY BLANK

DEVELOPMENT SCENARIO C: COMMERCIAL FOCUS

This scenario assumes mostly private-sector / for-profit development, with an emphasis on commercial development.

Opportunities

- Job creation / tax roll base
- Catalyst for other uses
- Diverse mix of uses
- Limited pipeline of future commercial developments outside of hotel

Challenges

- Need identified users for office and retail – speculative development unlikely given market and financial dynamics
- Longer absorption timeline given market constraints
- Current market rents hard to make new-build pencil
- Competition versus further-out (and potentially less expensive) locations
- Economic development strategy needed to attract businesses

We modeled out the scale / timeline for this scenario (Fig. 8).

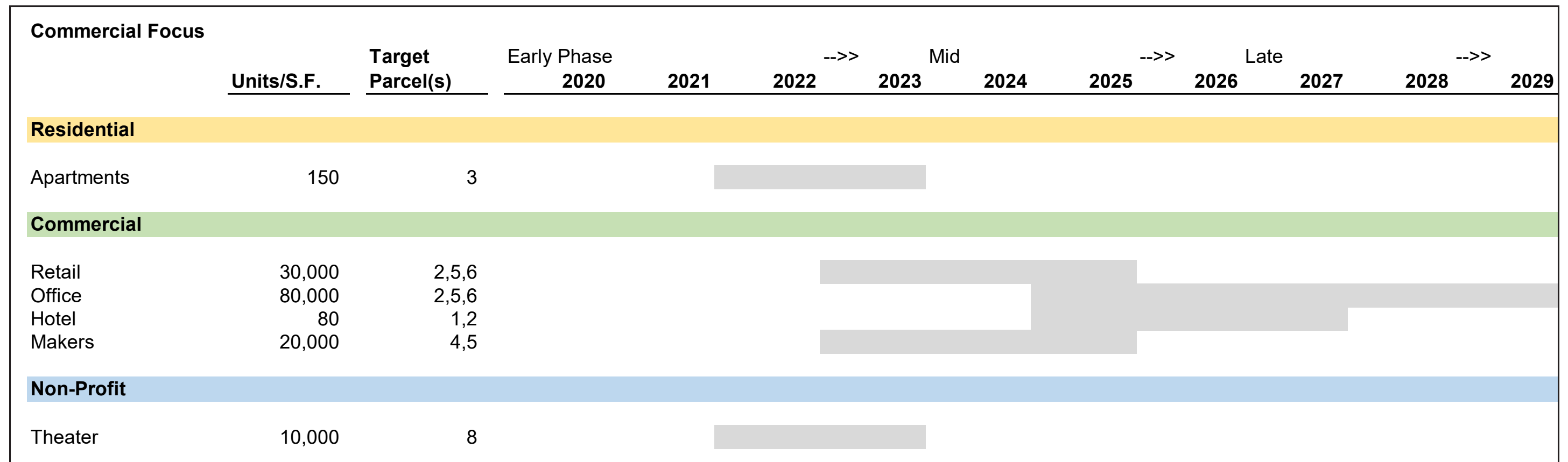


FIG. 8

THIS PAGE LEFT INTENTIONALLY BLANK

NEXT STEPS

Recommended next steps include:

- Determine development team and the PUD's role within it
- Identify the key elements of preferred development strategy (i.e. vision, required infrastructure, parcels)
- Work with partners to identify potential management authority, developers, tenants, and users for the site
- Assess strategy vis-à-vis the development of the Lineage property directly to the east

Additional Suggestions

Consider purchase of BNSF property spur track to square up the property with the City property to the south. This could add parking and additional buffer space between the property and the railroad tracks. A potential barrier between the tracks and the development area might prevent trespassing on BNSF right of way as well.



Appendices

A. Market Analysis + Financial Analysis Detail	70
B. Preliminary Funding Sources	93
C. Case Study	100
D. Typical Owner Development Activities	102
E. Acknowledgements	104

Appendix A

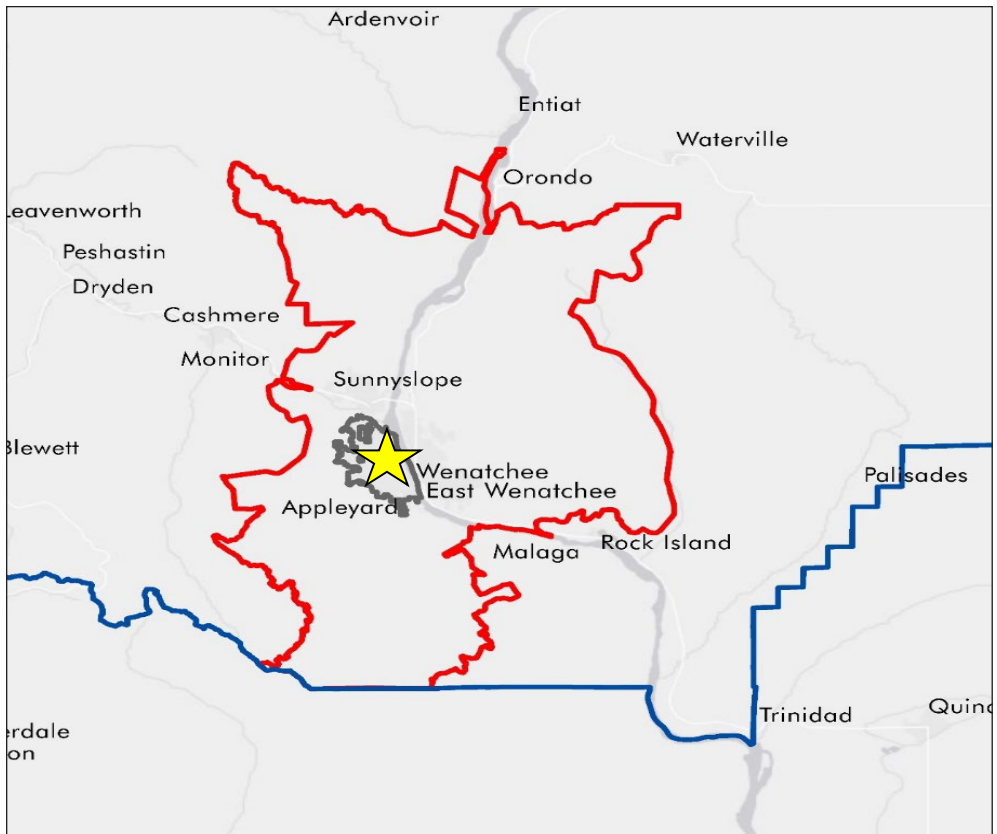
Market and Financial Analysis Detail

Market Area

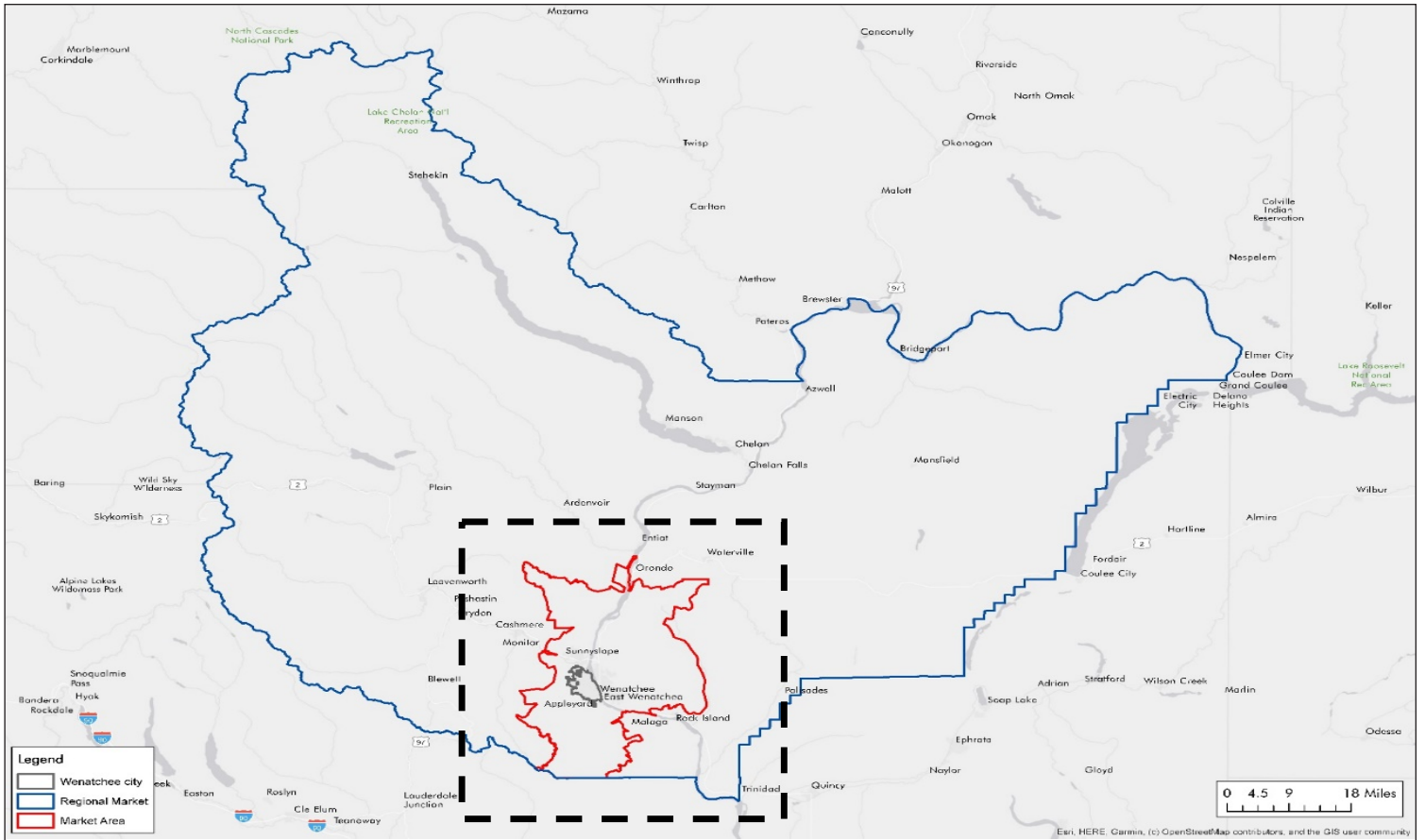
For the purposes of our market analysis, we have identified three relevant market areas:

- Regional Market: comprised of Chelan and Douglas Counties (outlined in blue)
- Market Area: comprised of zip codes 98801 and 98802 (outlined in red)
- Wenatchee: comprised of City of Wenatchee (outlined in grey)

These market areas are delineated in the following maps:



APPENDIX A - MARKET AND FINANCIAL ANALYSIS DETAIL



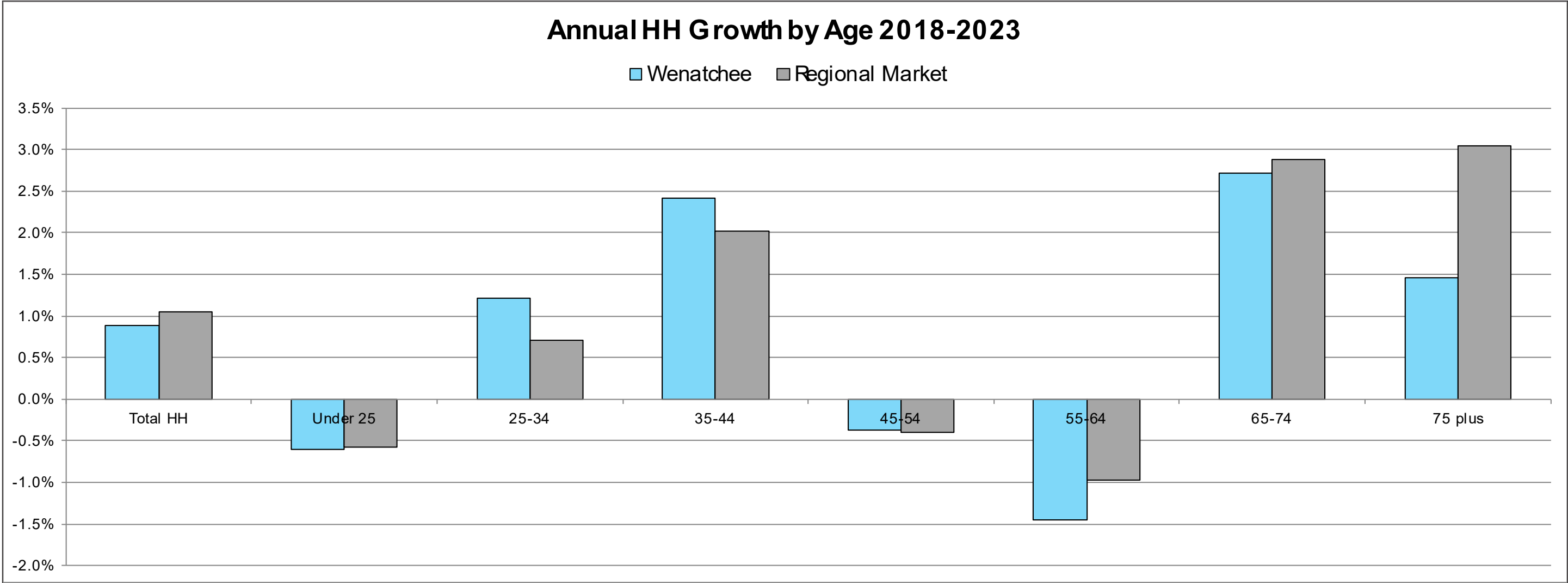
APPENDIX A – MARKET AND FINANCIAL ANALYSIS DETAIL

Demographics

SUMMARY (ESRI):

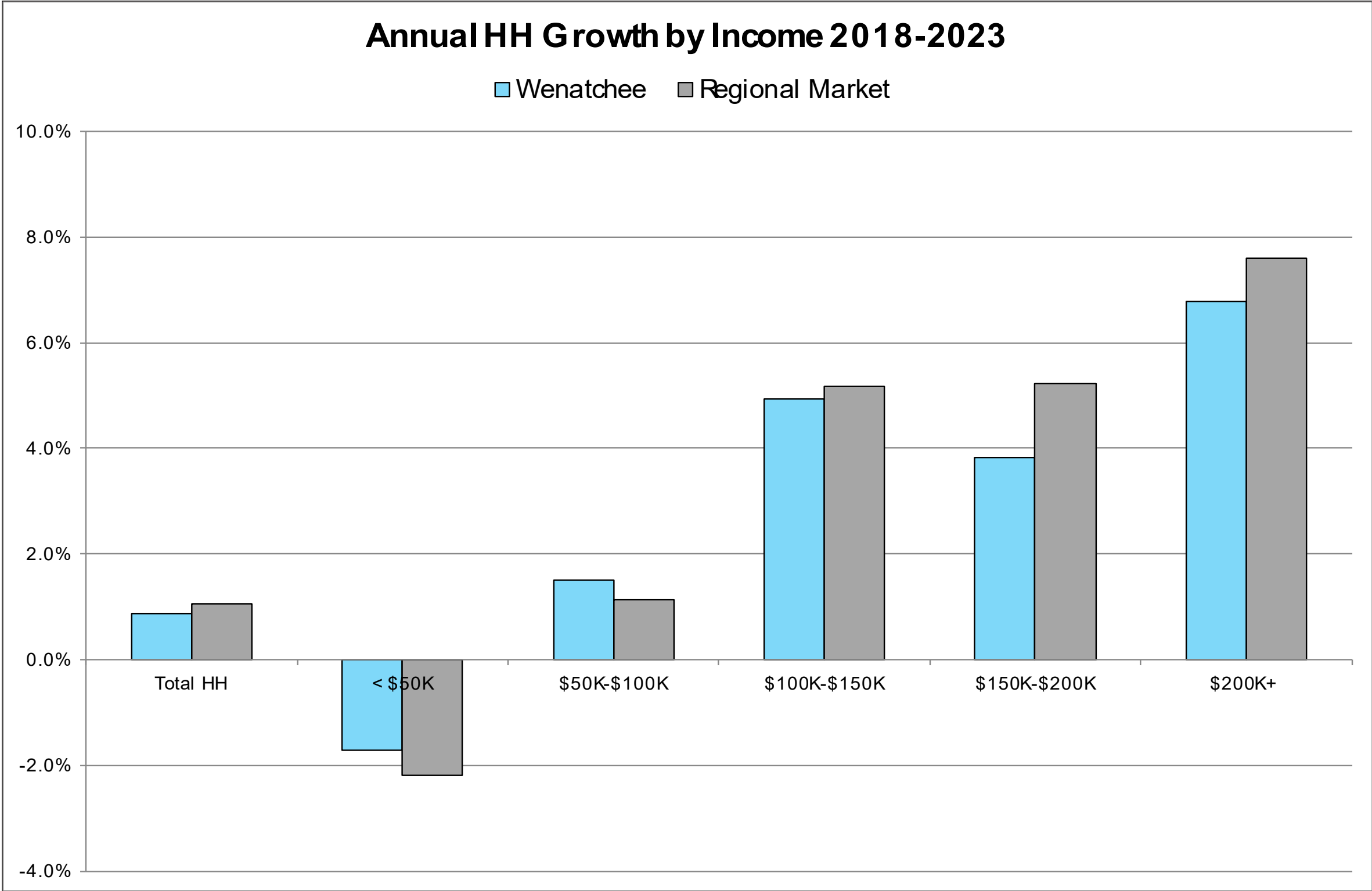
	Wenatchee	Market Area	Chelan County	Regional Market	King County
Households	13,200	28,000	29,650	44,650	890,800
% Own	55%	64%	63%	65%	57%
% Rent	45%	36%	37%	35%	43%
Employment	23,500	40,000	44,600	56,200	1,170,000
Median Income	\$51,100	\$57,900	\$56,200	\$57,000	\$84,100
Avg HH Size	2.56	2.66	2.61	2.67	2.42
Median Age	36.0	37.6	40.1	39.3	38.3

PROJECTED HOUSEHOLD GROWTH BY AGE (ESRI):



THIS PAGE LEFT INTENTIONALLY BLANK

PROJECTED HOUSEHOLD GROWTH BY INCOME (ESRI):



THIS PAGE LEFT INTENTIONALLY BLANK

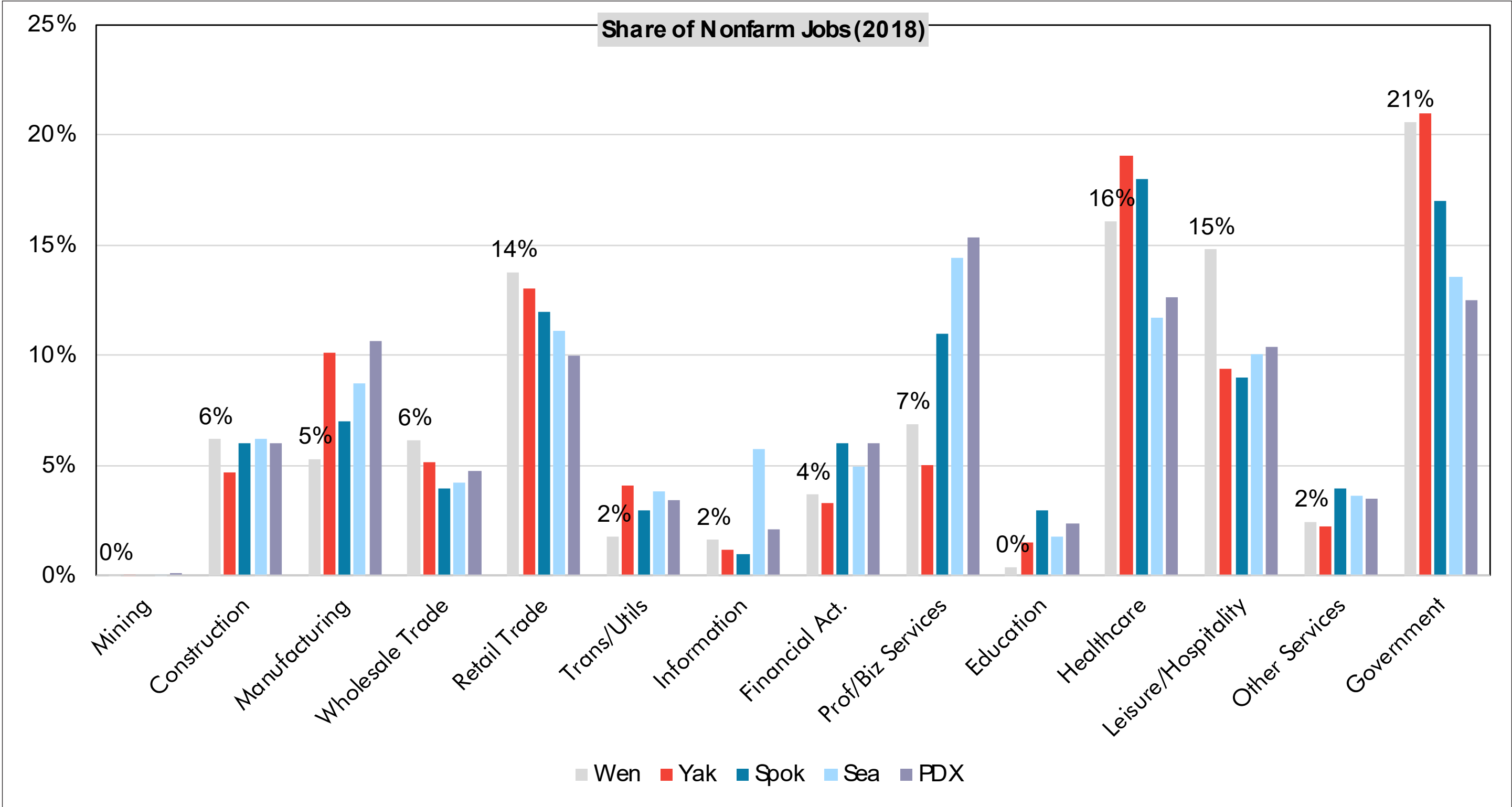
Employment

THIRD-PARTY PROJECTIONS (MOODY’S):

Industry 000s	Historical						Forecast				Shift Share vs. 2018	
	2010		2017 Num.	2018		Annual Average		2023		Gr/Year		
	Num.	Share		Num.	Share	8-Yr	1-Yr	Num.	Share	Num.		Perc.
Mining	0	0%	0	0	0%	0.0%	0.0%	0	0%	0.0	0.0%	(4.8%)
Construction	2	5%	3	3	6%	5.6%	11.2%	3	7%	0.1	3.1%	10.8%
Manufacturing	2	5%	2	2	5%	2.1%	0.0%	2	5%	(0.0)	(0.2%)	(5.5%)
Wholesale Trade	2	5%	3	3	6%	5.4%	1.8%	3	6%	0.0	0.1%	(4.1%)
Retail Trade	6	15%	6	6	14%	1.2%	2.4%	7	13%	0.0	0.5%	(2.4%)
Trans/Utils	1	2%	1	1	2%	0.9%	(3.5%)	1	1%	(0.1)	(7.6%)	(35.7%)
Information	1	1%	1	1	2%	4.6%	7.0%	1	2%	0.0	0.3%	(3.5%)
Financial Act.	2	4%	2	2	4%	1.4%	3.6%	2	4%	0.0	0.6%	(2.0%)
Prof/Biz Services	2	6%	3	3	7%	5.4%	3.9%	3	7%	0.0	1.1%	0.6%
Education	0	0%	0	0	0%	8.4%	5.6%	0	0%	0.0	1.0%	0.3%
Healthcare	6	17%	7	7	16%	1.9%	4.2%	8	17%	0.1	1.6%	2.9%
Leisure/Hospitality	5	14%	7	7	15%	3.5%	3.2%	8	16%	0.2	2.4%	7.5%
Other Services	1	3%	1	1	2%	1.0%	2.7%	1	2%	0.0	0.3%	(3.1%)
Government	9	23%	9	10	21%	0.9%	1.0%	10	20%	0.0	0.4%	(2.8%)
Non-farm Total	38		45	46		2.4%	3.0%	49		0.5	1.0%	
Farming	8		8	7				7		0.0		
Total w/Farming	46		53	54				56		0.5		

THIS PAGE LEFT INTENTIONALLY BLANK

SHARE OF NON-FARM JOBS VS ANALOGUE MARKETS (MOODY'S):



THIS PAGE LEFT INTENTIONALLY BLANK

Migration Trends

MIGRATION TO CHELAN COUNTY (CENSUS):

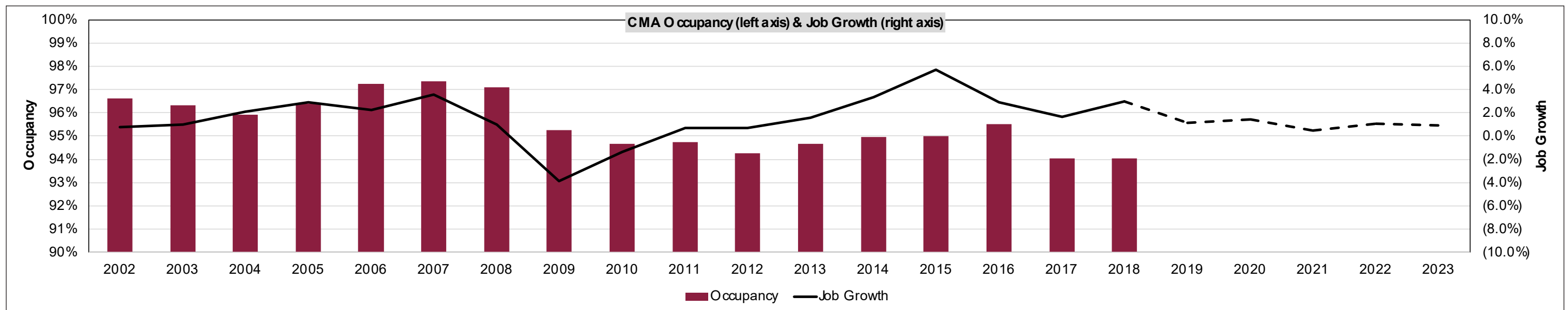
Total 2013 - 2017 Inbound Migration to Chelan County			
Within State			
Migrate from:	Number	% of WA	% of US
Douglas County	1,189	38%	31%
King County	442	14%	12%
Snohomish County	366	12%	10%
Benton County	179	6%	5%
Spokane County	168	5%	4%
Other WA	796	25%	21%
WA Total:	3,140	100%	83%
Outside of State			
Migrate from:	Number	% of WA	% of US
Oregon	97	--	3%
California	71	--	2%
Illinois	60	--	2%
Idaho	56	--	1%
Alaska	49	--	1%
Other States	333	--	9%
United States Grand Total:	3,806	--	100%

Land Use Summaries

APARTMENTS

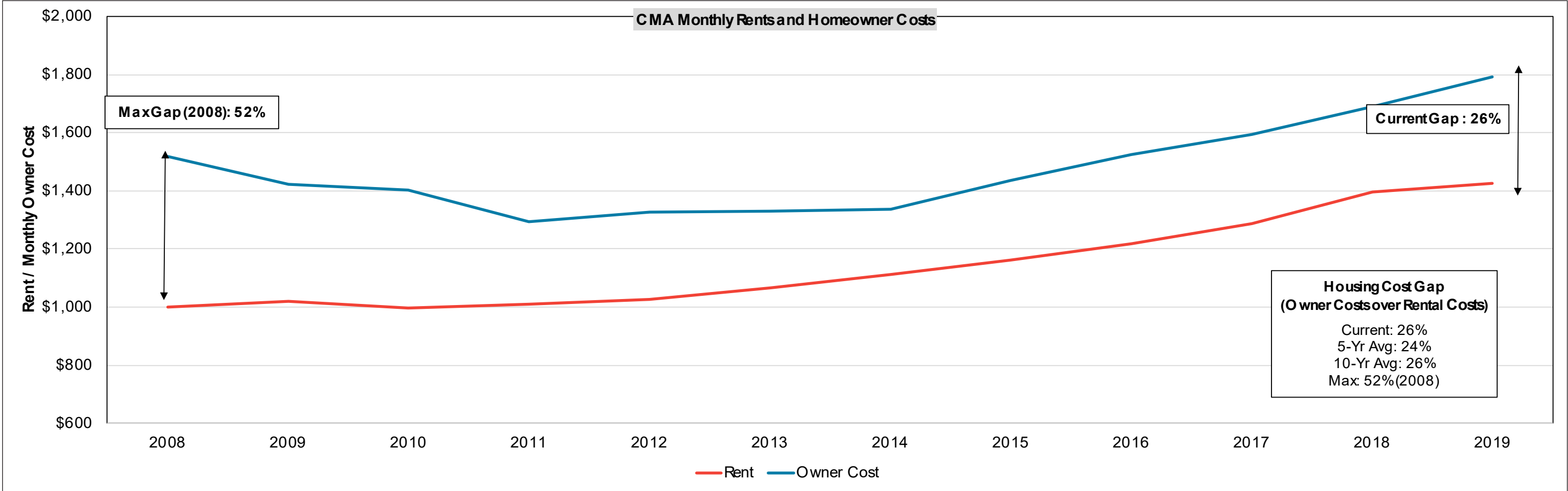
- 1,380 institutional rental units in the Market Area, >75% in Wenatchee
- Median rents have grown over 5% / year in the Market Area and over 7% / year in Wenatchee the last 5 years
- Pipeline includes **324 units**, a 23% increase on current inventory:
 - **180 units** at Mission and Kittitas (Weidner)
 - **84 units** at 1105 Red Apple Road
 - **60 units** at 1415 Maple Street
- Newest apartment product:
 - **Courtyard 465** – 65 units, 3 stories, built 2019
 - **600 Riverfront** – 142 units, 3 stories, built 2019
 - **Riverfront 9** – 312 units, 3 stories, built 2015
- **Newest product** \$1.70 to over \$2.00 per square feet
- **Vacancy rates** 5-6% as market absorbs new product
- Projected demand for up to 150 new apartment units per year, historic net absorption = 70 units per year (L5Y)v

APARTMENT OCCUPANCY VS JOB GROWTH (COSTAR, MOODY'S):



THIS PAGE LEFT INTENTIONALLY BLANK

MARKET AREA RENT VS OWNER COSTS (COSTAR, ZILLOW):



THIS PAGE LEFT INTENTIONALLY BLANK

FOR-SALE RESIDENTIAL

- ~1,000 home sales per year L3Y in Wenatchee and East Wenatchee
- **6-7% of home sales of attached product (i.e. condo / townhome)**
- **Most sales are resales, less than 10% of sales for newly built product**
- Newest attached product:
 - **River Park Townhomes** – 14 townhome units on River Park Ave in Wenatchee, built 2019, ~\$350,000 (\$250 psf)
 - **Edgewater Condos** – Townhome product on NW Columbia Ave in East Wenatchee, built 2016, ~\$325,000 (\$225 psf)
 - **Racquet Club Condos** – Condo product on Skyline Blvd in Wenatchee, built 2014, ~\$250,000 (\$200 psf)

- Overall sales prices in Wenatchee – \$301K, up 7.5% / year since 2014
- Overall sales prices in East Wenatchee – \$332K, up 6.4% / year since 2014
- Pipeline includes:
 - **52-unit townhome project** on 6 acres on Queens Court Rd
 - **Townhome project** (unknown units) on 2.6 acres on 205 S Western Ave
- Projected demand for up to 50 new attached units per year

SENIOR HOUSING

- Senior housing with approximately 1,200 beds in the Regional Market for Assisted Living, Skilled Nursing, and Memory Care
- **Includes ~800 units of AL / MC beds**
- In addition, 300+ Independent Living units
- Newest senior housing product:
 - **Fieldstone** – 48 units with 60 beds, built 2018 in Wenatchee, all Memory Care

Bonaventure – 180 units, built 2009 in East Wenatchee, includes, IL, AL, and MC beds

- No known senior housing pipeline
- Projected demand for up to 50 new IL / AL units per year

HOTEL

- 1,600 hotel rooms in the Market Area, over 60% classified as Upper Midscale or Upscale
- Newest hotel product:
 - **Fairfield Inn and Suites** – 99 rooms in East Wenatchee, opened August 2019
 - **Hilton Garden Inn** – 176 rooms in Wenatchee, opened April 2019
 - **Springhill Suites** – 109 rooms in Wenatchee, opened March 2010
- Growth in room rates and occupancies in-line with prior year even with addition of new product
- **ADRs ~ \$107, occupancies ~ 64%**

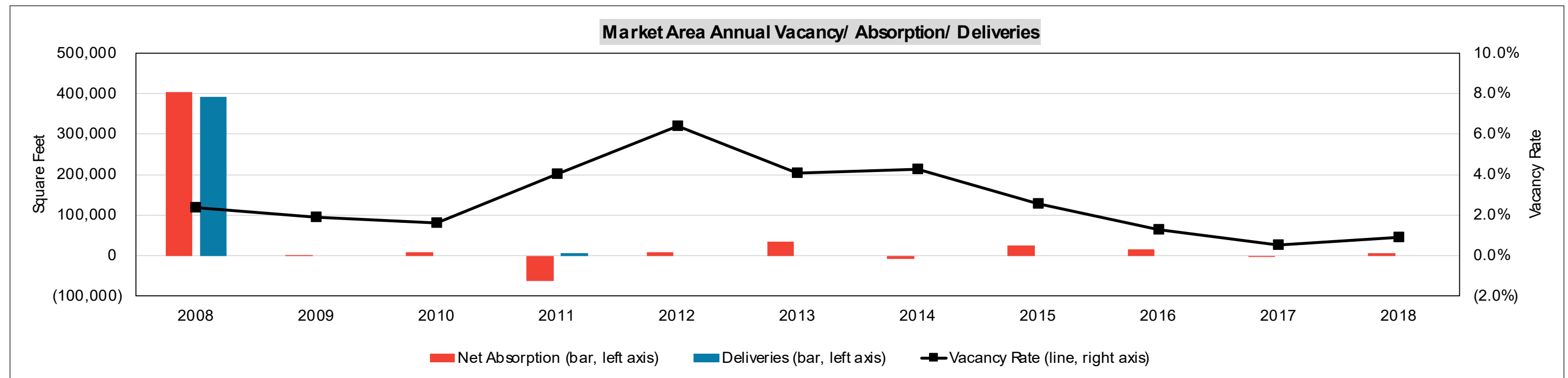
- Pipeline includes 373 rooms, a 23% increase on current inventory:
 - **127 rooms** in Residence Inn Marriott
 - **95 rooms** in Avid (replacing an older Value Inn)
 - **63 rooms** in MyPlace
- Projected demand for up to 70 new rooms per year

OFFICE

- 1.4 million square feet of office space in the Market Area, including data centers (>400,000 square feet) and medical office spaces (65K square feet)
- Newest office product:
 - **Intergate Columbia** – 393,000 square feet data center built 2008 in East Wenatchee
 - **1014 Fifth Street** – 6,000 square feet 2-story office built 2007 in Wenatchee
 - **455 NE Sixth Street** – 5,500 square feet 2-story office built 2006 in East Wenatchee

- Rents for recent listings range from \$12-\$26 psf (Modified Gross)
- **Vacancy rates under 1%**, reflects lack of new product in the market
- Pipeline includes 45,000 square feet, a 5% increase on non-data center inventory:
 - **30,000 square feet** at 280 E Penny Road
 - **5,500 square feet** at 706 N Miller St
 - **10,000 square feet** of traditional and co-working space at Mercantile Bldg
- Projected demand for up to 37,000 square feet per year, historic net absorption = 8,000 square feet per year (L5Y)

OFFICE VACANCY AND ABSORPTION/DELIVERY TRENDS (COSTAR):



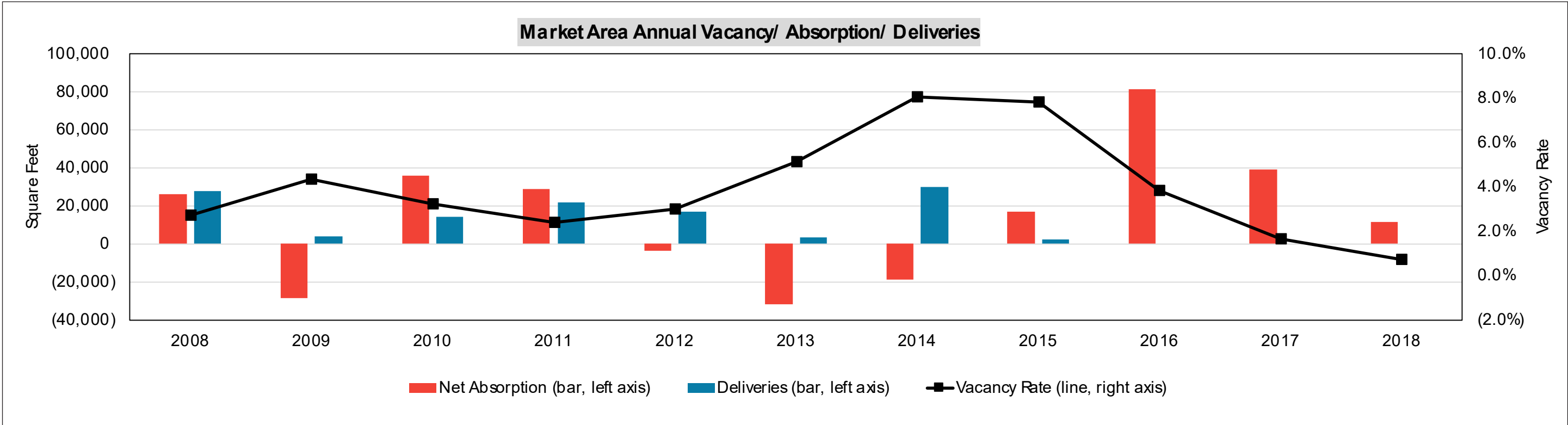
THIS PAGE LEFT INTENTIONALLY BLANK

RETAIL

- 3.8 million square feet of retail space in the Market Area
- **2.1 million square feet** in centers under 50,000 square feet, 1.7 million square feet in centers over 50,000 square feet
- Newest retail product:
 - **Dutch Bros Coffee** – 2,200 square feet freestanding built 2015 in Wenatchee
 - **Town Nissan** – 30,000 square feet auto dealership built 2014 in East Wenatchee
 - **Arby's** – 3,600 square feet freestanding built 2013 in Wenatchee

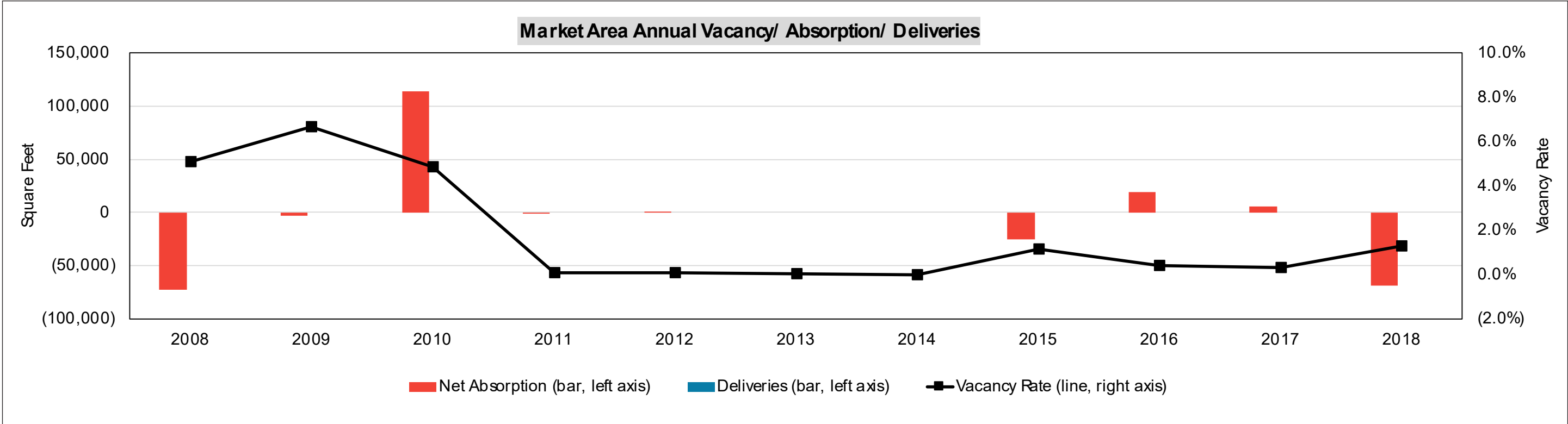
- Rents for recent listings range from \$10-\$22 psf (Modified Gross)
- **Vacancy rates under 1%** for centers under 50,000 square feet and ~4% for centers over 50,000 square feet, reflects lack of new product in the market
- **Pipeline includes 6,500 square feet** build-to-suit, nothing else known at this time
- Projected demand for up to 52,000 square feet per year, historic net absorption = 26,000 square feet per year (L5Y)

RETAIL (UNDER 50,000 S.F.) VACANCY AND ABSORPTION/DELIVERY TRENDS (COSTAR):



THIS PAGE LEFT INTENTIONALLY BLANK

RETAIL (OVER 50,000 S.F.) VACANCY AND ABSORPTION/DELIVERY TRENDS (COSTAR):



THIS PAGE LEFT INTENTIONALLY BLANK

Financial Analysis

The following details our team's land residual analysis for the various proposed uses at the site:

Product: Type	I. Income Producing Real Estate					II. For-Sale Residential	
	Commercial			Residential		Multi-Family/TH	
	Retail 1-story	Office 3-4 stories	Hotel 5 stories	Multi- Family 5 stories	Senior 1-2 stories	Multi- Family/TH 2-3 stories	
Product Summary						Product Summary	
Unit Size (if applicable)			400	800	400	Home Size 1,300	
F.A.R. or Du/AC	0.35	0.35	70.0	70.0	70.0	Du/AC 20.0	
Lease Type	NNN	NNN					
Capitalized Value	<i>Per FAR Square Foot</i>		<i>Per Room</i>	<i>Per Unit</i>		Capitalized Value	
Lease Revenue			\$125	\$2.25	\$5.00	Home Price \$357,500	
Lease Rate (\$/Yr)	\$22	\$24	\$45,625	\$21,600	\$24,000	\$/SF \$275	
Other Income			\$13,688	\$1,620	\$1,800	Broker Expense \$21,450	
Occupancy (Stabilized)	90%	90%	70%	95%	95%	Net Sales Revenue \$336,050	
Effective Lease Revenue	\$20	\$22	\$41,519	\$22,059	\$24,510		
Operating Expenses (Non-Recov, including leasing)						Broker Expense % Commission 6%	
% of Lease Rate	10%	10%	66%	33%	63%	Commission \$21,450	
Operating Expense (\$/Yr)	\$2	\$2	\$27,402	\$7,279	\$15,441		
Net Income (\$/Yr)	\$18	\$19	\$14,116	\$14,780	\$9,069		
Capitalization Rate	7.00%	6.50%	7.00%	5.00%	5.25%		
Capitalized Value	\$255	\$299	\$201,663	\$295,591	\$172,737		
Construction Costs	<i>Per FAR Square Foot</i>			<i>Per FAR Square Foot</i>	<i>Per FAR Square Foot</i>	Construction Costs	
Hard Costs (per net s.f.) 1/	\$135	\$175	\$225	\$225	\$250	Hard Costs (Ground-Up) 1/ \$125	
Soft Costs						Soft Costs \$25	
% of Hard Costs	15%	15%	18%	20%	20%	% of Hard Costs 20%	
Soft Costs	\$20	\$26	\$41	\$45	\$50	Soft Costs \$25	
Tenant Improvements/FF&E	\$50	\$40	\$50	\$0	\$0		
Total Construction Costs per Unit/Room	\$205	\$241	\$316	\$270	\$300	Total Construction Costs per Unit \$150	
Builder Financing						Builder Profit \$195,000	
Loan Draw (% of construction costs)	75%	75%	75%	75%	75%	75%	
Loan Fee (% of loan draw)	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	
Interest Rate (% per year)	6.0%	6.0%	6.5%	5.5%	5.5%	5.5%	
Hold Period (years)	1.5	1.5	2.0	2.0	2.0	2.0	
Financing Cost per Unit	\$14	\$16	\$31	\$22	\$25	\$12	
			\$12,305	\$17,820	\$9,900	\$16,088	
Developer Profit	<i>Per FAR Square Foot</i>		<i>Per Room</i>	<i>Per Unit</i>		Builder Profit	
Profit % of Capitalized Value	20%	20%	20%	15%	18%	Profit % of Capitalized Value 25%	
Developer Profit	\$51	\$60	\$40,333	\$44,339	\$31,093	Builder Profit \$84,013	
Land Valuation						Land Valuation	
Land Value - per Built SF/Room/Unit	-\$15	-\$18	\$22,826	\$17,432	\$11,744	Land Value - per Unit/Room \$40,950	
Land Value - per Acre	-\$240,000	-\$280,000	\$1,600,000	\$1,220,000	\$820,000	Land Value - per Acre \$820,000	
Land Value - per Land Foot	-\$6	-\$6	\$37	\$28	\$19	Land Value - per Land Foot \$19	

THIS PAGE LEFT INTENTIONALLY BLANK

Appendix B

Preliminary Funding Sources, Case Study, and Development Strategies

Funding Sources

A comprehensive funding sources summary has been completed below for the Fifth Street PUD Headquarters Campus project. Many of the funding sources identified below would benefit from the actual development of the Fifth Street Campus once more is known about the development, its uses, and a developer(s) is selected. These financial resources and benefits listed below could be provided to a developer or non-profit entity for certain types of development (e.g. affordable housing, multi-family housing, office space, educational services, environmental clean-up), and in some cases can be used for infrastructure or park amenities that are part of the development by the PUD, or the future owner / developer. Because residential and commercial rents are currently not sufficient to support a mixed-use 5 over 1 (5 stories of light wood frame construction over concrete) development envisioned for the Fifth Street Campus site (based on the absence of any similar new development in the City of Wenatchee and the market analysis completed as part of this work), therefore likely needing some of the financial incentives identified.

Adding multiple funding sources, although a benefit to a project, also adds administrative expense and burden to fulfill the obligations of the award and therefore each funding source should be evaluated carefully for its benefit.

The following key funding sources have been identified to support both the identified infrastructure needs of the Fifth Street Campus site and the eventual vertical development. The key infrastructure improvements along with their order of magnitude costs are identified as follows:

Infrastructure Funding

FUNDING PROGRAM: LIFT / LRF

RANGE OF FUNDS: Up to
\$1,000,000 per year for 20 years

SUMMARY: LIFT–The Community Economic Revitalization Board (CERB) and the Department of Revenue (DOR) are authorized to administer the Local Infrastructure Financing Tool (LIFT) Program created in Chapter 39.102–Revised Code of Washington. LIFT allows selected local governments to use tax revenue generated by private business activity within a designated Revenue Development Area (RDA) to help finance public infrastructure improvements. Nine jurisdictions have participated in the LIFT Program, each eligible to receive a state contribution of up to \$1 million per year for 25 years. Three LIFT projects were selected by the legislature and the remaining six were competitively selected by CERB.

The LIFT program is currently closed to new designations unless authorized by the legislature.

LRF–The Local Revitalization Financing (LRF) Program was created in 2009. The LRF program authorizes cities and counties to create “revitalization areas” and allows certain increases in local sales and use tax revenues and local property tax revenues generated from within the revitalization area, additional funds from other local public sources, and a state contribution to be used for payment of bonds issued for financing local public improvements within the revitalization area. The state contribution is provided through a new local sales and use tax that is credited against the state sales and use tax (sometimes referred to as the “LRF tax”). This tax does not increase the combined sales and use tax rates paid by consumers.

Both LIFT / LRF could potentially make awards of \$1,000,000 per year for the next 20 years. A million dollar a year award would support project cost of over 15 million and \$500,000 award would support project cost of approximately \$7.5 million (based on 20-year financing at 2.4%).

REQUIREMENTS: <http://or.wa.gov/doing-business/local-revitalization-financing-lrf>

APPENDIX B – PRELIMINARY FUNDING SOURCES, CASE STUDY AND DEVELOPMENT STRATEGIES

FUNDING PROGRAM: **Transportation Improvements Board (TIB)– Complete Streets Program**

RANGE OF FUNDS: Varies

SUMMARY: The Complete Streets Award is a funding opportunity for local governments that have an adopted complete streets ordinance. Board approved nominators may nominate an agency for showing practice of planning and building streets to accommodate all users, including pedestrians, access to transit, cyclists, and motorists of all ages and abilities.

This program awards grants every two years starting in 2017. Agencies with an adopted complete streets ordinance should confirm their eligibility on the TIB eligibility list and maintain close relationships with the approved nominators listed below. The City of Wenatchee was awarded \$700,000 recently under this program.

REQUIREMENTS: <http://ww.tib.wa.gov>

FUNDING PROGRAM: **Capital Bond Measure–Long Term Debt**

RANGE OF FUNDS: Subject
to legislative appropriation

SUMMARY: Local government can
issue long term debt either through:

1) Limited Tax General Obligations bonds which can be issued by the vote of the legislative body (A.K.A. councilmanic bonds) and paid for by existing revenues sources or; 2) Unlimited Tax General Obligation bonds (approved by 60 percent of the voters) which also includes a revenue sources from increased property taxes to support the debt service payments of the bonds.

Most successful downtown redevelopment requires new infrastructure which is often paid for by the local community in order to attract the desired development. Local governments often calculate the return on investment of the infrastructure cost against the one-time and on-going tax

revenue that is created (property tax, sales tax, utility taxes, etc.) that would not otherwise be generated if not for the infrastructure investment.

Assuming a AA rated, Limited Tax General Obligation Bond, 20-year financing with an estimated net borrowing cost of 2.40%, would require an annual payment of \$65,000 for each \$1,000,000 that was funded.

Note: Local governments can also issue special assessment debt that is paid from assessments by those property owners that directly benefit from the project. For example, a Local Improvements District (LID) could be created for street improvements provided that the assessment per parcel does not exceed the special benefit of the improvement to that parcel, which is defined as the difference between the fair market value of the property before and after the local improvement project. Projects with high infrastructure costs are not good candidates for LID's. The viability of the desired project must also be evaluated against the collection of the assessment. Latecomer agreements (allowed for use by cities and counties) can also be used to recover a portion of the improvement costs from future property owners that would have had similar infrastructure improvements requirements when they develop.

REQUIREMENTS: [http://mrsc.org/
Home/Explore-Topics/Finance/Debt/
Types-of-Municipal-Debt.aspx](http://mrsc.org/Home/Explore-Topics/Finance/Debt/Types-of-Municipal-Debt.aspx)

APPENDIX B – PRELIMINARY FUNDING SOURCES, CASE STUDY AND DEVELOPMENT STRATEGIES

FUNDING PROGRAM: Public Works Assistance Account

RANGE OF FUNDS: Funding is subject to Governor and Legislative appropriation. The maximum loan amount is \$1 million per jurisdiction per biennium 5 year loan term, interest rates vary

SUMMARY: New construction, replacement, and repair of existing infrastructure for storm water, solid waste, recycling, road or bridge projects. Counties, cities, special purpose districts and quasi-municipal organizations that meet certain requirements. School districts and port districts are not eligible. Targeting to open application cycle in July 2019. Application cycle opens once every 2 months until appropriated funds are exhausted. Pre-construction work must be completed within 2 years.

REQUIREMENTS: <https://www.commerce.wa.gov/building-infrastructure/pwb-home-page/>

FUNDING PROGRAM: WA Treasurer’s LOCAL program

RANGE OF FUNDS: Minimum loan of \$10k; maximum decided on case by case basis.

SUMMARY: The LOCAL program provides Washington municipalities with a cost-effective way to finance equipment and/or real estate projects. Participants will benefit from the current program rating of Moody’s Aa2, low fees and expenses, technical assistance, and access to the public bond markets. For real estate transactions, the maximum term length is 25 years.

REQUIREMENTS: <https://www.tre.wa.gov/local-program/>

FUNDING PROGRAM: CERB Planning and Feasibility Grants

RANGE OF FUNDS: Up to \$50,000 per application, requires 25% of total project cost as matching funds

SUMMARY: Project-specific feasibility and pre-development studies that advance community economic development goals for industrial sector business development. Counties, cities, towns, port districts, federally recognized tribes, municipal corporations, quasi-municipal corporations with economic development purposes are eligible.

REQUIREMENTS: Applications accepted year-round. The Board meets 6 times a year.

<https://www.commerce.wa.gov/building-infrastructure/community-economic-revitalization-board/cerb-planning-program/>

FUNDING PROGRAM: Brownfields Revolving Loan Fund

RANGE OF FUNDS: around \$500k depending on funding availability

SUMMARY: The Department of Commerce’s Brownfields Revolving Loan Fund (BRLF) helps local and regional governments, non-profit agencies and private businesses cleanup and redevelop Brownfields sites.

REQUIREMENTS: <https://www.commerce.wa.gov/serving-communities/current-opportunities-2/brownfields-revolving-loan-fund/brownfields-applications-forms/>

APPENDIX B – PRELIMINARY FUNDING SOURCES, CASE STUDY AND DEVELOPMENT STRATEGIES

FUNDING PROGRAM: CERB Committed Private Partner Program

RANGE OF FUNDS: Loans; grants in unique cases. \$3 million maximum per project. Interest rates:

1–3% based on debt service coverage ratio and length of loan. 20 year max loan term. Requires 20% (of total project cost) from private partners

SUMMARY: Public facility projects required by private sector expansion and job creation. Projects must support significant job creation or significant private investment in the state. Bridges, roads and railroad spurs, domestic and industrial water, sanitary and storm sewers, electricity, natural gas, telecommunications, general purpose industrial buildings, port facilities, acquisition, construction, repair, reconstruction, replacement, rehabilitation. Projects without a committed private partner only allowed in rural areas. Applicants must demonstrate gap in public project funding and need for CERB assistance.

REQUIREMENTS: Applications accepted year-round. The Board meets 6 times a year.

<https://www.commerce.wa.gov/building-infrastructure/community-economic-revitalization-board/cerb-committed-private-partner-program/>

FUNDING PROGRAM: Recreation Conservation Office

RANGE OF FUNDS: Competitive. Local Parks category limits: acquisition max is \$1 million, development maximum is \$500k, or combination projects maximum is \$1 million.

SUMMARY: If a park was part of the site redevelopment, RCO funds could be pursued.

REQUIREMENTS:

<https://www.rco.wa.gov/grants/wwrp.shtml>

Project Funding

FUNDING PROGRAM: Multifamily Property Tax Exemption (MFTE)

RANGE OF FUNDS: Varies based on property tax

SUMMARY: The City's MFTE program provides a tax incentive to encourage the development of multifamily housing units in targeted areas of Bremerton such as the Fifth Street Campus site.

The tax exemption applies to the new housing improvement portion of the property taxes. Owners who make eligible housing improvements are exempt from any tax increases related to those improvements for a period of 8 years. An exemption period of 12 years is possible if a minimum of 20% of the units are rented or sold as affordable housing. Owners will continue to pay the pre-improvement taxes on both the land and structure.

REQUIREMENTS: <https://app.leg.wa.gov/RCW/default.aspx?cite=84.14> &

<https://www.wenatcheewa.gov/government/community-and-economic-development/community-neighborhood-programs/multi-family-housing-tax-exemption>

FUNDING PROGRAM: [HB 1406:
Affordable Housing Funding](#)

RANGE OF FUNDS: Varies

SUMMARY: A sales tax revenue sharing program that allows cities and counties to access a portion of state sales tax revenue to make local investments in affordable housing serving those below 60% median income. Over a 20-year commitment, the state will be sharing more than \$500 million with local governments. To take advantage of this funding source, cities and counties must pass a resolution of intent by January 31, 2020 and adopt a tax ordinance by July 27, 2020. The Association of Washington Cities has published a handout (Exhibit A) about implementing HB 1406 describing how cities can access up to 0.0146% of the local sales and use tax credited against the State's sale tax, available in increments of 0.0073% depending on the imposition of other local taxes ("qualifying local taxes" and whether its county takes advantage.

FUNDING PROGRAM: [Land
Acquisition Program](#)

RANGE OF FUNDS: Varies

SUMMARY: The Land Acquisition Program (LAP) assists eligible nonprofit organizations in Washington State to purchase land suited for either multifamily or single family affordable housing development (80% AMI). Nonprofit-owned community service facilities are also eligible.

LAP is a revolving loan program intended to assist with site acquisition for eventual use as affordable housing; LAP projects are expected to begin construction in year 2–6 and place in service before year 8. LAP is not a short-term acquisition bridge financing program. Nonprofit borrowers must demonstrate sound experience and strong development capacity.

REQUIREMENTS:

<http://www.wshfc.org/mhcf/lap/index.htm>

FUNDING PROGRAM: [4% Low-
Income Housing Credit](#)

RANGE OF FUNDS: Competitive

SUMMARY: Multifamily Housing Bonds with 4% Low Income Housing Tax Credit provide access to bond and tax credit financing for affordable housing developers. If more than 50% of a project is financed with tax-exempt Multifamily Bonds, the project may access the 4% Low Income Housing Tax Credit (LIHTC) without competing for an allocation of the 4% Tax Credit.

REQUIREMENTS:

<http://www.wshfc.org/mhcf/4percent/index.htm>

FUNDING PROGRAM:
[80 / 20 Housing Bonds](#)

RANGE OF FUNDS: Competitive

SUMMARY: Tax-exempt bonds, also known as private activity bonds, are bonds where the interest earned by the bondholder(s) is exempt from federal taxation. These bonds are used by nonprofit and for-profit developers to borrow funds for construction and other costs of developing affordable-housing. Because the interest is tax-exempt, the debt has lower interest rates than traditional financing. In return, the developer must set aside a certain percentage of units for low-income residents. The Commission issues two types of bonds:

Multifamily Bonds and 501(c)(3)
Nonprofit Housing Bonds.

Multifamily bonds are subject to annual volume limits ("Bond Cap") based on the state's population. In 2013, the Commission allocated nearly \$243 million in bonds to multifamily housing projects across the state.

REQUIREMENTS: <http://www.wshfc.org/mhcf/BondsOnly8020/index.htm>

APPENDIX B – PRELIMINARY FUNDING SOURCES, CASE STUDY AND DEVELOPMENT STRATEGIES

FUNDING PROGRAM: 9% Low-Income Housing Credit

RANGE OF FUNDS: Competitive

SUMMARY: The Commission's 9% Low-Income Housing Tax Credit Program (LIHTC) allocates federal income tax credit to developers to encourage the construction and rehabilitation of affordable multifamily housing. Housing credit in the 9% Program is allocated through an annual competitive process in which projects are evaluated and scored according to the Commission's established criteria.

REQUIREMENTS:

<http://www.wshfc.org/mhcf/9percent/index.htm>

FUNDING PROGRAM: Commercial Office Space

RANGE OF FUNDS: Equal to the local sales tax that would be collected on the construction of commercial office space; And/or equal to the local property tax that would be collected on the construction of commercial office space over 10 years.

SUMMARY: Local sales tax exemption on cost of commercial construction (done through remittance after 18 months) and/or a local property tax exemption on commercial office space development for 10 years. Funds can be used toward:

Street, road, bridge, and rail construction and maintenance; Water and sewer system construction and improvements; Sidewalks, streetlights, landscaping, and streetscaping; Parking, terminal, and dock facilities; Park and ride facilities of a transit authority; Park facilities, recreational areas, and environmental remediation; Storm water and drainage management systems; Electric, gas, fiber, and other utility infrastructures; Providing environmental analysis, professional management, planning, and promotion within the commercial office space development area; Providing maintenance and security for common or public areas in the commercial office space development area; "public improvement cost" includes the cost of land acquisition, site preparation, etc.

REQUIREMENTS:

Must be at least 50,000 square feet, and at least 3 stories, managed professionally, and offer amenities and advanced technology options city must designate a commercial office space development area within the city limits.

<https://dor.wa.gov/get-form-or-publication/publications-subject/2019-tax-legislation#Office>

FUNDING PROGRAM: Opportunity Zone

RANGE OF FUNDS: Varies

SUMMARY: The Fifth Street Campus site is located within a federally designated opportunity zone created under the federal Tax Cuts and Jobs Act of 2017. The zone provide tax incentives to investors who fund real estate developments and businesses in underserved communities. There are three substantial tax advantages for Opportunity Fund investors:

- DEFERRAL OF CAPITAL GAINS—Any Capital Gains can be invested into an Opportunity Fund. By investing in an Opportunity Fund, the invested Capital Gains do not need to be recognized when the investment is sold or exchanged or until December 31, 2026.
- REDUCTION OF CAPITAL GAINS—After holding an investment in the Opportunity Zone Fund for seven years the Capital Gains tax on the original Capital Gains is reduced by 15%. This is the equivalent of having a 15% step-up in basis on the initial investment.
- NO CAPITAL GAINS TAX ON FUND PROFITS—After holding an investment in the Opportunity Fund for at least ten years, an investor's disposition of an investment in the Opportunity Fund does not result in any additional federal income taxes.

REQUIREMENTS: <http://www.commerce.wa.gov/growing-the-economy/opportunity-zones/>

Additional Funding Sources

Public Development Authority

- PDA/RDA, etc
- Prop. Tax

Business Improvement Districts

- Examples include: parking fee, assessments per sf, assessment per employee, percentage of gross, etc.

Local Improvement District

Parking fees

Arts consortiums and private donors for non-profit entities

Public / Private Partnerships

Public / Non-Profit Partnerships

- Jefferson County is working with Port Townsend and the YMCA in an effort to build a new Rec/Aquatics Center using a parks District and non-profit funding - \$24 Million

Creative Districts

Appendix C

Case Study



The following case study is provided to help provide insight for how another governmental entity approached a large redevelopment of a specific area within its downtown.

Bothell— A Redevelopment Case Study

A case study written by David G. Wallace in 2011 for the Internal Council of Shopping Centers (ICSC) described how the City of Bothell's vision, leadership, commitment, and public-private partnerships transformed the City's downtown. The Bothell ICSC case study is attached as Exhibit B.

Lessons Learned (abbreviated from ICSC Case Study)

CITY OF BOTHELL LEADERSHIP:

1. Began by focusing on the needs of “shareholders,” involving the community early, thorough, and proactive public input process.
2. Defined its ROI. The city's efforts were logical, iterative and constrained by financial feasibility and the desires of the customers.
3. Was bold, committed and unwavering in supporting the project that was defined through a public process. Once the vision was defined, the goals set and the framework in place, the leadership took steps to acquire 25 acres in the redevelopment area. This, along with efforts to invest in infrastructure and public facilities, sent strong signals to the citizens and private sector of the city's commitment, thereby enhancing the opportunities for success.
4. Clearly defined the outcomes they sought and then constrained them with sound business principles.
5. Put talented teams in place to administer the project and let them do their work.
6. Identified the benefits of the project, and with the support of qualified consultants, undertook an independent evaluation of the project opportunities to ensure the premise was sound in attracting additional support from the state.
7. Evaluated costs and other barriers to entry in the market, including existing city processes and other development-related regulations and ordinances.
8. Remained focused, but flexible. In response to changes in the economy, the city assumed the role of master developer, taking all steps necessary to create value and a framework for success.
9. Modified procedures to ensure that public processes provided predictability for the development requirements, steps and timeframes
10. Identified opportunities for city-supported catalyst projects such as the new city hall project.

The author states “that the approach and efforts taken by Bothell are not unique in and of themselves. However, what is unique, or at the very least uncommon, is a holistic approach where the city’s “investment” is as a public—and private—sector partner, as well as a master developer, in accomplishing a redevelopment project.”

The City of Bothell formally started its revitalization process in the spring of 2005 when residents, businesses, schools, and government came together to develop a fresh new vision for Bothell’s future. As the City Manager leading this effort from 2005 to 2016, I believe the Bothell community got it right and developed a plan that successfully guiding the revitalization of downtown through the Great Recession and continues today. The City’s early economic projections indicated that, over a 25-year period, the City’s public improvements and strategic actions would leverage \$650 million in private investment. As of early 2016, over \$350 million in private investment was in the development pipeline or under construction. Below is a summary of the 10 most important actions by the City actions from my point of view in pursuit of its community’s dream for a vibrant and walkable mixed-use downtown.

CITY ACTIONS

1. During better economic times, separated ongoing revenues / expenses from one-time revenues / expenses, creating a funding account for downtown investments.
2. Engaged the Bothell community in a multi-year planning process.
3. Identified infrastructure investments that would achieve the City’s targeted ROI (\$150 million).
4. Purchased 25 acres of land within the downtown; then strategically sold individual parcels under its role as a Master Developer. Every purchase and sale / development agreement was viewed as an opportunity for a public-private partnership.
5. In the process of assembling land and constructing the needed infrastructure to support a redeveloped downtown, the City relocated 32 businesses and tore down 30 buildings, turning back decades of auto oriented / strip mall development to make way for a re-imagined City.
6. Performed a multi-million dollar environmental clean-up of the downtown to ready it for development.
7. Launched an initiative to improve how the City processed development permits to improve predictability to those who choose to invest in Bothell
8. Assumed the role of Master Developer when the recession occurred and shouldered private sector risk by holding property the City assembled, thereby mitigating the cost for our development partners.
9. Started the largest capital investment in the City’s history—a \$60M infrastructure project (called the Crossroads) in the downtown that was supported through a pilot TIF program offered by the State. This project (the relocation of a state highway) was completed in the summer of 2014.
10. In October 2015, the City completed construction on its new City Hall in downtown under a public-private development approach utilizing a build-to-suit, lease to own delivery method financed with 63-20 tax exempt debt.

Appendix D

Typical Development Activities



**ACTION 1:
Clarify Expectation of
the Public Partners**

Often a memorandum is drawn up to define the roles and responsibilities associated with developing

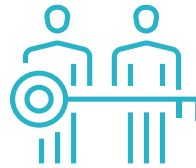
the project. Often the property owner will serve the role of Master Developer either with its own staff or via contract with a third party. Typical MOUs should address the following:

- (i) Vision for the property; (ii) Desired and/ or necessary infrastructure improvements and amenities and strategies to find improvements/ amenities; (iii) How the property will be marketed for potential development and the process used for solicitation of potential developers; (iv) Development timeline and the milestone requirements for any public fundraising campaign to support specific end-users; (v) Incentives, if needed, to attract the desired development; (vi) Corridor improvements or connections to the site or nearby amenities, (vii) Public communication plan.

One entity is responsible for managing the disposition and development of the site from initiation to final buildout, overseeing infrastructure funding and development, and marketing the property. This entity may or may not be involved in construction of buildings. In most cases they will simply sell building parcels to selected developers for vertical construction.

Other tasks that may be shared among the parties:

- Develop and promote vision and story of future development
- Identify necessary infrastructure improvements and funding to support desired development
- Adopt regulatory incentives if needed to support desired development
- Develop and manage RFQ / RFP process for sale of individual parcels
- Develop and manage milestone funding requirements for any public catalysts developments
- Manage PSA and Development Agreements with selected developer(s)
- Monitor and assist with property closing, DA conditions, building permits and occupancy



**ACTION 2: IDENTIFY
POTENTIAL ANCHOR
TENANTS**

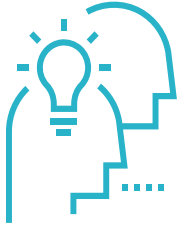
Obtaining an anchor tenant to occupy portions of the Fifth Street Headquarters site will

be challenging based on current market conditions. Chances may be improved for tenants who already have a connection to Wenatchee, or who may want to expand or relocate their current office facilities.



**ACTION 3: CONSIDER
MIX OF USES**

Because of the challenge of finding one large tenant, smaller mixed uses that complement each other can be considered.



**ACTION 4:
TELL THE STORY**

Development of compelling story helps to attract capital investment. A compelling story creates excitement—a “buzz”—about what is happening at the site.

Public agency support for the story is important. Potential developers want to develop in locations where they are welcomed and can collaborate with the local government as a partner in making the story real.

Marketing materials that work well include recent and successful projects and show the story in both words and images.

Some owners will hold a development forum to introduce potential investors to the community who want to be part of the story.



**ACTION 5:
DILIGENCE**

Success breeds success. It is important that proposed developments are successful in the market place. Failed

starts and their consequent costs in lost dollars can erode political capital, and momentum. Owner’s typically evaluate proposals to ensure they are capable of realization, and have adequate capacity and resources to deliver on commitments.



ACTION 6: INCENTIVES

Evaluate potential financial / tax incentives if needed to attract the desired development. Anything that reduces uncertainty and speeds approvals is often well-

received. Grants or below-market-rate loans may apply. *See Project Funding sources above.*



**ACTION 7-PRIORITIZE
AND FUND
INFRASTRUCTURE
INVESTMENTS**

Most owners find they most make needed infrastructure investments to support

the desired vision. The value of the property goes up if the potential investor can “see” the story on the ground. Private sector interest and investment can move in concert with infrastructure investments identified in the MOU.



**ACTION 8-PATIENCE
AND PERSISTENCE**

Owners with significant holdings will hold the

vision and tell story many times until the right combination of factors align.

Appendix E

Acknowledgements

Thank you to all those involved with the creation of the **Fifth Street Headquarters Redevelopment Plan** including the entire creative, wise, and kind members of the Core Team at Chelan PUD, City of Wenatchee, Port of Chelan County, Wenatchee Valley Chamber of Commerce, and the Wenatchee Downtown Association. Special Thanks to the following:

CHELAN PUD

- Steve Wright, General Manager
- Justin Erickson, Managing Director District Services
- David Lodge, Project Manager
- Dan Frazier, Director of Shared Services
- Brenda Guske, Contract Specialist
- Suzanne Hartman, Communication and Outreach Consultant

PORT OF CHELAN

- Jim Kuntz, Executive Director

CITY OF WENATCHEE

- Allison Williams, (former) Executive Services Director
- Steve King, Economic Development Director
- Stephen Neuenschwander, City of Wenatchee Planning

WENATCHEE VALLEY CHAMBER OF COMMERCE

- Shiloh Burgess, Executive Director

WENATCHEE DOWNTOWN ASSOCIATION

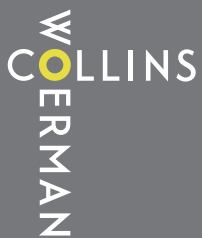
- Linda Haglund, Executive Director

COMMUNITY MEMBERS

- Chris Martin
- David Mann
- Rory Turner
- John McQuaig
- Vicky Michael
- Bart Clennon
- Brad Allen
- Pete Lolos
- Jenny Rojanasthien
- Bob Culp
- Russ Speidel
- John Delong
- Jim McPherson
- Stacy Luckensmeyer
- Dorry Foster
- David Quick
- West Mathison
- Jeff Ostenson
- Heather Ostenson
- Wilma Cartagena
- Karen Rutherford
- Ray Ruiz
- Robb Tidd
- Maria Elena Hernandez
- Mike Salmon
- Michelle Price
- Lupe Sanchez
- Barbara Walters
- Courtney Tiffany
- Donita Bernstein
- Alicia McRae
- Flint Hardwig
- Brett Riley
- Steve Robinson
- Ann Hessberg
- Gina Imperato
- Vernon Smith

CONSULTANT TEAM

- Steve Moddemeyer, CollinsWoerman
- Robert Holmes, The Holmes Group
- Adam Seidman, The Concord Group
- Bob Stowe, Stowe Development & Strategies



ARCHITECTURE PLANNING INTERIORS SUSTAINABILITY

710 SECOND AVENUE SUITE 1400

SEATTLE WASHINGTON 98104-1710

t. 206.245.2100 f. 206.245.2101 COLLINSWOERMAN.COM