

# Economic Development Activity in Federal Way, Washington

Updated June 2019

The following provides an overview of the business openings, closings, investments and developments in Federal Way over the last five years, 2014 through June 2019. It is intended as a general representation of the business and economic activity in the city. This report is updated twice a year, once at the beginning and mid-year. It can be found at the city's website [www.FederalWay.com](http://www.FederalWay.com) under "Doing Business," Market Conditions and Business Environment. Should you have any questions, please contact Economic Development, City of Federal Way.

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## Federal Way since 2014

The City began the formulation of its first economic development strategy in 2014 and subsequent release in 2015.

The Strategy laid out four initiatives to achieve the mission of producing solutions to attract and retain businesses, jobs, and investments, while improving the tax base along with diversifying and sustaining the economy. Included in the Economic Development Strategy are the following four initiatives:

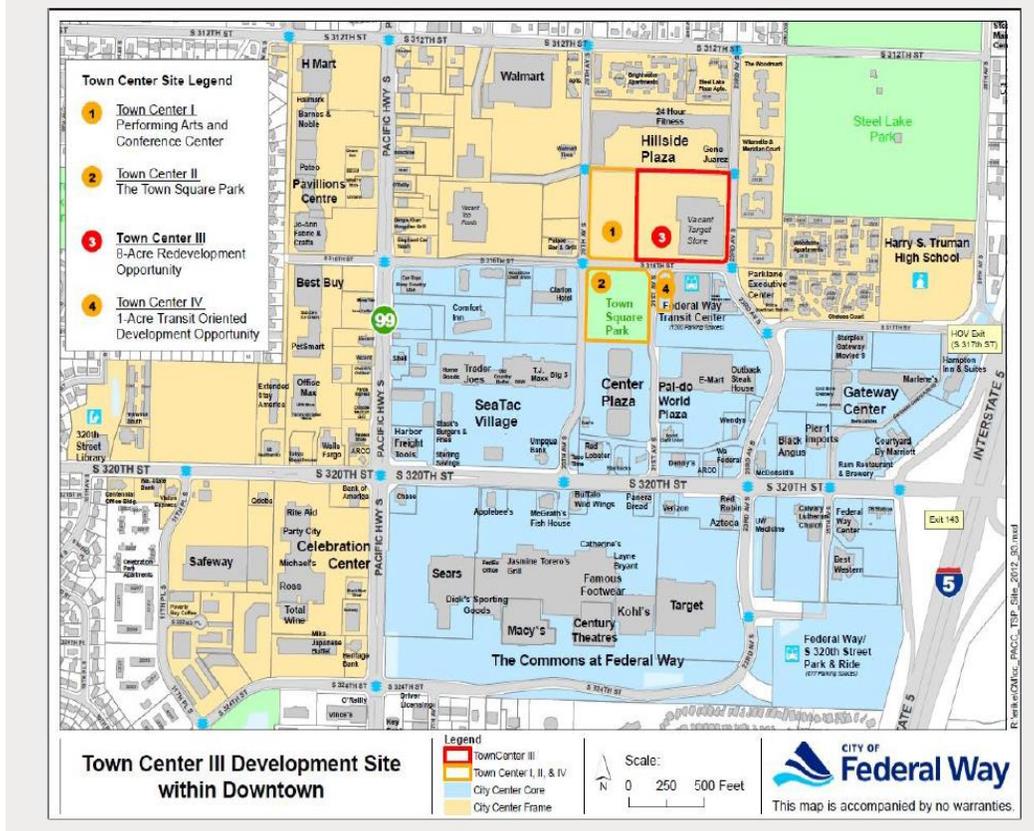
- Downtown Redevelopment/Town Center Initiative
- Reuse of the former Weyerhaeuser Corporate Campus Initiative
- University Initiative
- Branding Initiative

The efforts to accomplish these initiatives along with business and development activities are presented below.

## TOWN CENTER DISTRICT INITIATIVE

### Downtown Development

Town Center District is a nearly 15-acre redevelopment project. The vision for the District is to create a heart of downtown. The area is bounded by 21<sup>st</sup> Ave. S and 23<sup>rd</sup> Ave. S from S 314<sup>th</sup> Street to 317<sup>th</sup>. The actions of the Mayor and City Council involved the acquisition of blighted properties of former big box stores and the subsequent redevelopment of this land. The project involves four phases - Town Center Development I, II, III & IV. The following map illustrates the four phases of the development of the Town Center.



In October 2014, the City had an architect/planner complete a rendering to illustrate opportunities for development on the site. Below, is the rendering, “Opportunities for Town Center Development.”

## Concept for Opportunities for the Town Center, 2014



### TOWN CENTER I

The anchor and focal point of the district is the City's Performing Arts and Event Center (PAEC). This project was known as Town Center I. The Center is a 41,000 sq. ft. multi-purpose facility on three acres that includes a 700-plus-seat theater, and 8,000 sq. ft. of event space. Construction began in October 2015 and was completed in August of 2017. The cost of the project was nearly \$33 million.

### TOWN CENTER II

Another component of the Town Center District development is Town Square Park, operationally known as Town Center II. In 2014, the City began the planning of this 4-acre park. It was completed in summer of 2016. The Park was created to enhance the Town Center development by providing open space for visitors and residents, and as an outdoor venue for performing arts and community events.

### TOWN CENTER III

Additionally, in November of 2014, the City acquired nearly eight acres adjacent to the PAEC. The purpose of this acquisition was to further redevelop the downtown by seeking private investment and ownership interest in a mixed-use development site.

### TOWN CENTER IV

Another part of the District is the one acre parcel adjacent to the Federal Way Transit Center, specifically the 1200 space parking garage. This property is dedicated to transit-oriented development. No current action has been proposed for this site.

**Performing Arts and Event Center**



**Town Square Park**



## **Town Center Development**

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

In January 2016, the City began a Request for Interest, (RFI) for an upper-middle scale hotel. The purpose was to ascertain development interest from owners, operators, and developers of hotels. The City initiated a direct letter campaign to solicit interest. Twelve firms asked for a Request for Proposal (RFP). By the due date for the RFP, one firm had submitted a proposal for the hotel. Unfortunately, they were unable to reach an agreement with the other party to the operating easement agreement. The City sold the property to investors in summer of 2017. Unfortunately, unable to extinguish an existing operating easement agreement, the City purchased back the land and is working to extinguish the easement for future development.

The forecasted building size of the Town Center concept plan is 200,000 to 300,000 sq. ft. with a corresponding \$125 to \$150 million in construction value. The City is actively marketing the property for future development.

## **Town Center Steps**

As a key component of the Town Center project, the public amenity of a “Grand Staircase” is being formulated. At 85 percent design, the project went out to bid in early 2018. However, the bids exceeded project estimates. A new bid occurred and the City awarded the bid in 2019.

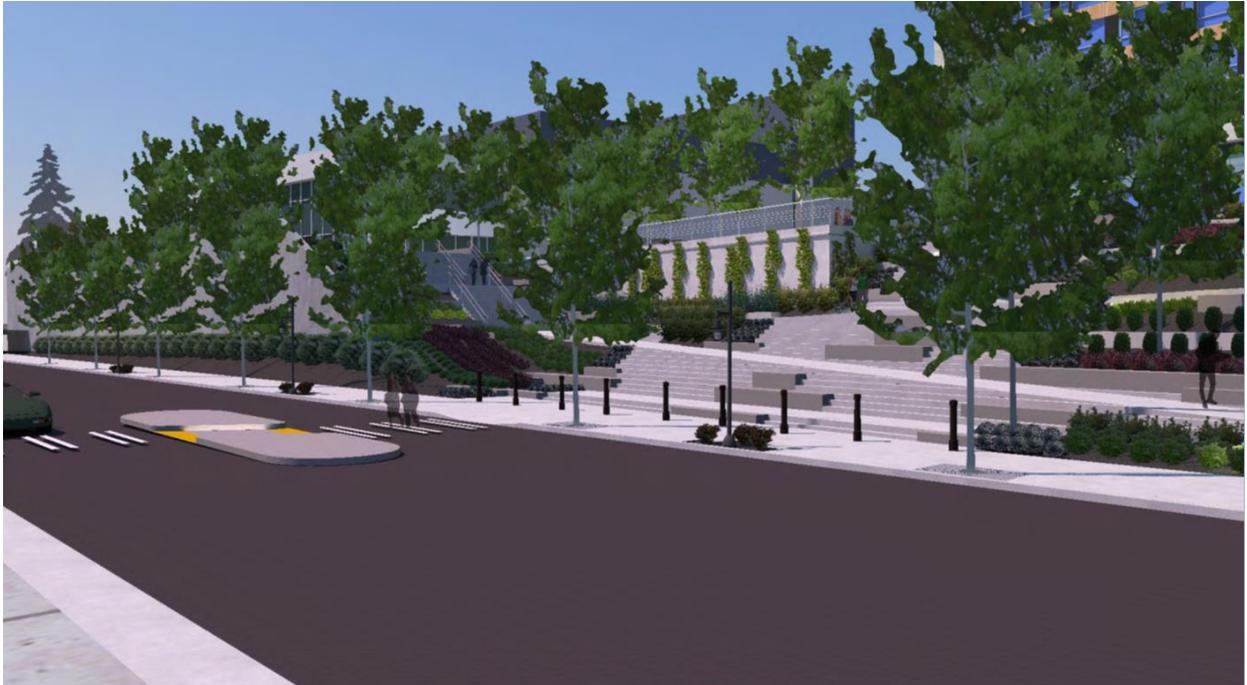
The estimated expenditures for the project cost nearly \$3.7 million. The costs include design, right-of-way, engineer’s estimate of cost, a ten percent construction contingency, and construction management.

Meanwhile, the City has acquired a variety of grants to cover the costs. These include funding from Local Infrastructure Financing Tool from 2016 to 2018. It also includes an allocation from Real Estate Excise Tax, and a \$500,000 grant from King County.

The Steps are shown in the following renderings:



Looking northeast along 316<sup>th</sup> South



Looking northwest along 316<sup>th</sup> South



Looking east from Performing Arts and Event Center



Construction begins, May 2019

## Light Rail Coming to Downtown Federal Way

During the November 2016 election, Puget Sound voters approved a ballot measure which would finance the third phase of Sound Transit's Federal Way Link extension. Sound Transit, the Seattle area's mass transit agency, has identified a development plan for the Link Light Rail station to enter and exit downtown Federal Way from the north along 317<sup>th</sup> and off of Interstate 5. The development involves a six square block transit-oriented district located along 320<sup>th</sup> and 23<sup>rd</sup> near the existing Federal Way Transit Center. Timeline for operation is 2024-25.



The development of the light rail will dislocate a variety of businesses. Sound Transit is working with those businesses including Washington Federal and Puget Sound Credit Union to find new locations.



Overview of location of light rail and Federal Way Transit Center

## City Center Access

In 1990, the City formulated a policy to improve access to Interstate 5 which would provide improved mobility with Federal Way and the surrounding area. By 1995, the City's Comprehensive Plan called for High Occupancy Vehicle access and interchange improvements. In 2003, the City once again looked at the City Center Access Study and in 2004-05, the study had been completed. In this process, the City Council selected to take no action pertaining to further access onto Interstate 5.

Additionally, the Great Recession temporarily affected the need for further City Center Access, so the project was removed from the Transportation Implementation Plan in 2010. However, given the economic expansion since 2010, the environmental phase was added back to the plan in 2016. The City has since funded and restarted the environmental phase of the project in 2017.

With the City's Town Center Initiative focused on increased densities in the Central City to diversify and sustain the Federal Way economy plus the future of light rail to Federal Way along with private investment, the City initiated examining once again access to/from I-5,



Above, Federal Way 1970's, SeaTac Mall a.k.a. Commons Mall in the center. Below: Federal Way in 2017.



The City has initiated a study to review existing information and share input with stakeholders such as the Federal Highway Administration and Washington Department of Transportation. This activity will be examined through August 2019 to illustrate alternatives to the City Council.

## **REUSE OF WEYERHAEUSER CORPORATE CAMPUS INITIATIVE**

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

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

In the meantime, Weyerhaeuser spent a year marketing their property. In February 2016, it was announced that the Los Angeles-based Industrial Realty Group (IRG) purchased the property for \$70 million. IRG is actively seeking end-users either as buyers or tenants. Meanwhile, International Paper purchased the Research Division of Weyerhaeuser and is leasing space at the former Tech Center facility.

City staff is working with IRG to help identify quality tenants, specifically technology-based companies and provide information in the recruitment of these types of companies. One such company is DaVita. The healthcare giant, a Fortune 250 firm, is planning expansion with plans for nearly 400,000 sq. ft. of office space and employment of nearly 2000.



Former Weyerhaeuser Headquarters Building

## UNIVERSITY INITIATIVE

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

According to the Census Bureau, only 26% of Federal Way residents possess a four-year degree or higher. This percentage is lower than both the state and King County, which average at 31 percent. Additionally, Seattle has over 50 percent of its population which possess a four-year degree or higher. While no research has been done on the value of increased education and its implications on the Federal Way economy, prior development by universities to develop satellite campuses which engage and create relationships with local industries and communities have proven fruitful.

In 2016, the City hired a consultant to perform a needs assessment to see if demand for such educational services was warranted. The report concluded there was a demand for such a facility.

In January 2017, the City entered into a Memorandum of Understanding, (MOU) with the University of Washington, Highline College, and the Federal Way School District, bringing Federal Way one step closer to creating a facility for higher education. The MOU identifies that each of the parties will actively pursue off-campus higher education offerings to include certificates, associate, baccalaureates and graduate degrees. Three primary educational pathways will initially be offered: Healthcare, Computer Science/Information Technology, and Teacher Education.

The proposed name for the facility is, “The Hub”: Federal Way Higher Education Center. The facility will feature two classrooms, a student study and gathering space, offices and a reception area. One classroom will operate as a computer lab for a range of programs and both classrooms will be outfitted to support distance learning. It is estimated that courses will begin in late 2019 and will be located at the Hillside Shopping Center.



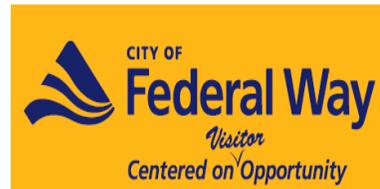
## BRANDING INITIATIVE

The City of Federal Way began a branding strategy in 2015 by entering into an agreement with a consulting firm. The purpose was to help identify a brand and assist with positioning, targeting, and identifying ways to enhance Federal Way's business climate and community.

The consultant interviewed and surveyed Federal Way residents, and spoke with businesses in and out of state. After review, the City Council kept the existing logo reflective of the community, but added a tagline which reflects a quality environment for business, "Center on Opportunity.". The timeline for deployment of the tagline occurred in spring 2017.



Since then, the City through its Economic Development Department has created several sub brands from its work in international trade and relations, hospitality/tourism and development.



## RETAIL ACTIVITY

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

### The Commons Mall

In 2017, The Commons Mall (located along 320<sup>th</sup>) was sold to San Francisco-based firm, Merlone-Geier Partners for \$46.5 million. The Commons is a 618,000 sq. ft. shopping mall which was previously owned by Los Angeles-based Steadfast Properties and Canyon Capital Advisors. Merlone-Geier Partners is a private real estate investment company focused on the acquisition, development, and redevelopment of retail and retail-driven mixed-use properties on the West Coast. The firm has been actively investing in West Coast retail property since 1993, acquiring 144 properties to date, and representing over 24.5 million square feet, according to a statement from the company. The firm recently raised its twelfth fund, with committed equity capital of \$1.14 billion. Meanwhile, the following activities have or are taking place at the Commons:

**Macy's**, although the retailer announced in late 2015 and in 2016-17 that it would close stores to improve efficiencies, the store at the Commons Mall remains open. The retailer specifically named the closing of 36 stores on January 6, 2016 and the elimination of 2,600 jobs. Only one store, downtown Spokane, was announced for closure in Washington. In January 2017, Macy's again announced the closure of stores and the elimination of 10,000 jobs. Two stores in Washington were announced for closure, Everett and Kelso.

**Daiso**, the Japanese merchandiser has expanded across from Dick's Sporting Goods 2017.

**Honor Coffee** opened at the former Starbucks' site at the Main Entrance on the north side of the Mall.

**Sears**, the retailer announced the closing of its store in April 2018. However, prior to the closure in 2017, Merlone-Geier also purchased the property from the Sears' Holding Company. Plans are being formulated for the property's reuse.

**Payless Shoes** due to national corporate decision is closing stores and their store was closed, May 2019.

**Victoria Secret** also due to national corporate decision is closing stores and their store was closed, May 2019

**Mama Stortini's Restaurant** opened at the former McGrath's Fish House in spring 2019.

### Walmart

Walmart/Sam's Club announced the closure of three stores in the Puget Sound region. The company also announced that it would lay-off thousands in retail and management in 2017 and early 2018. Previously, on January 15, 2016, the retailer announced that it would close 159 stores in the United States and Puerto Rico. A total of 269 stores have closed out of 11,000 global stores. States that have seen major closures include Alabama, Arkansas, California, North Carolina, and Texas.

The two Walmart stores in Federal Way are unaffected and remain open. Company officials have discussed remodeling the store on 20<sup>th</sup>, south of 312<sup>th</sup>.

### **City Center Plaza**

In 2017, fire damaged one of the three 27,500 sq. ft. retail buildings on the property, eliminating 12 businesses. The owner of the City Center Plaza, Mark MacDonald, has made quick changes to the Center. He has applied for permits to rebuild and improve signage, lighting, and landscaping. Meanwhile, he sought and acquired several new establishments.

**Mod Pizza**, the Bellevue-based chain opened a store at the City Center Plaza in late 2017. The chain has opened 61 locations in eight states creating over 1,300 jobs in 2015, and plans to expand into six states and double the number of restaurants in 2016.

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

**Ezell's Chicken** is opening its 14<sup>th</sup> location in the Puget Sound later in 2019.

**Sound Credit Union** will be one such business located in the newly completed building. It was previously across the street and forced to move due to dislocation created by light rail development

### **Celebration Center**

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

**The Ukrainian Credit Union** opened a branch in 2015. It provides service in Ukrainian and English languages to meet the needs of its diverse membership. Members of select Ukrainian and Slavic churches, cultural organizations, and Ukrainian language schools, can join Ukrainian FCU. Currently the Credit Union serves 62 churches and organizations nationwide, 1 of which is in the Seattle area.

**Legendary Donuts**, the Puget Sound-based retailer opened in 2016. The company is founded, owned and operated by the husband and wife team of Shannon and Kenny Patton. This is their third store. No information on employment.

**Chick-fil-A** opened in in 2017 on the eastern side of the center, just off of Pacific Highway.

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

**Iora Primary Care Clinic in cooperation with Humana Healthcare** opened a facility in the fourth quarter of 2016 for elderly customers.

**I Love Kick Boxing**: opened in 2017 in the western building at the center. No information on employment.

**Federal Way State Licensing:** facility relocated from Pacific Highway, a few blocks away to a new site at the Center in 2016.

**LaVida Massage** opened in 2018.

**Sola Salons** opened in 2018.

### **Pavilions Centre**

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

**Trapper's Restaurant**, a sushi and Asian cuisine restaurant will open along with its corporate offices in the former location previously occupied by Christian Books.

### **Pavilions II**

This Center is located north of Pavilions Center. It is owned and managed by KIMCO.

**85 Degrees Bakery:** opened in January 2018. No information on employment numbers.

### **SeaTac Village**

The Center is located along 320<sup>th</sup> and 21<sup>st</sup>. It is owned by Portland-based Harsch Investments and continues to attract businesses. Several businesses have opened facilities. These include:

**Café Rio Mexican Grill**, a fast-casual eatery serving Mexican cuisine including hand-rolled tortillas, burritos, and tacos. They opened in June 2016. No information on employment.

**Maurice's**, the Duluth, Minnesota – based women's clothing retail chain opened in 2016. The chain comprises more than 900 stores in the U.S. and Canada, primarily located in shopping malls and smaller towns.

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

**Katsu Burger**, a Puget Sound regional chain opened at the former location of Stack's Burgers in 2019

### **Twin Lakes Business District**

**Taekwondo Studio**, will open at the former Godfather's Pizza

**KC Deez BBQ**, a restaurant will open at 2500 SW 336<sup>th</sup>.

**Starbucks** will open at the former Umpqua Bank on 21<sup>st</sup>.

**Big Island Poke** at 2128 SW 336<sup>th</sup> opened in 2019

## Winco Shopping Center

A new pad site has been developed on the south end. It houses a dental clinic and a Starbucks.

## Other

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

**Reuse of Former Albertson's:** The former Albertson's store located at SW Campus Drive and 21<sup>st</sup> has been purchased and is being converted to a self-storage unit facility.

**Reuse of Former Metropolitan Market – Status:** Located along Dash Point Rd and 312<sup>th</sup>, the former Metropolitan Market is being marketed for reuse and repurposing.

**Anytime Fitness and H&R Block** opened at the Dash Point Center at 312<sup>th</sup> and Dash Point Rd.

**Reuse of Former Haggen's Grocery Store – Status:** former grocery store located on 312<sup>th</sup> and Pacific Highway closed March 2016. The property was owned by a Florida-based company that subsequently sold to Irvine, California-based real estate firm Valuerock. They leased the property to the grocery store, Campeón Market, a Hispanic grocery store which opened in the fall of 2017. The store employs nearly 50.

**Reuse of Former Top Foods – Status:** as a part of the reuse of the former Top Foods grocery store, new investment has brought a new retailer, Home to Home. In addition, several Asian-owned retail outlets opened in 2017.

**Advantage Auto Parts:** occupied a new facility beginning the summer of 2017 on the northeast corner of 336<sup>th</sup> and Pacific Highway.

**Wild Willy's Uniforms,** a retailer located at 31430 Pacific Highway opened its doors in 2016. No employment numbers available.

**CVS Pharmacy** opened its second store in Federal Way located at 33520 21<sup>st</sup> Ave SW.

**Gravity Coffee** opened its first store in Federal Way at 35007 Enchanted Parkway S. in the Crossings shopping complex across from LA Fitness. They also opened another outlet on the northeast corner of 336<sup>th</sup> and Pacific Highway.

**AT&T** opened a store in the Crossing's Shopping Center, back filling in the space of the former Fatburger.

**Fusion** a non-profit family housing entity moved its upscale second hand store from the Gateway Plaza and purchased a building on 11<sup>th</sup> Street just north of 324<sup>th</sup>.

**Ace Hardware** through a franchisee opened a store on the northeast corner of 308<sup>th</sup> and Pacific Highway South. The facility opened late 2018. Ace had two franchises close in 2016-17 in the Federal Way area.

**Dutch Bros. Coffee** opened at 276<sup>th</sup> St. and Pacific Highway South.

**Mallory Paint Store/Benjamin Moore** opened at 31853 Pacific Highway South.

**We Rock The Spectrum**, a kid's gym opened in the south end, next to the Seattle Children's Clinic.

**Ox Pho & Grill** opened in 2018 at 31406 Pacific Highway S at the former location of the Indochine Restaurant.

**Pecos Pit Federal Way**, a Puget Sound –based chain is opening a facility in the Wal-Mart Center on 3489<sup>th</sup> and 16<sup>th</sup>.

**Starbuck's** is opening at the former location of Marista's at 1301 S 320<sup>th</sup> St in 2019

**California Burrito Taco Shop** opened at the former location of Rancho Bravo Tacos.

## **HOTEL/MOTEL ACTIVITY**

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

In 2015, owners of the Clarion began \$2 million in interior renovations. However, in June of 2016, the hotel was sold. In 2018, the new ownership changed hotels chains from Clarion/Choice Hotels to LaQuinta. Exterior renovations were initiated and completed in 2018.

In 2015, the motel chain, Super 8, changed hands and was converted into the Red Lion brand by Sandhu NW Hospitality. Over \$2 million in interior and exterior renovations occurred , plus construction of an indoor pool. However, Sandhu NW Hospitality LLC sold the Red Lion Inn & Suites to Unshik Che and Miran Che associated with Jabez Enterprises LLC for \$8.8 million or \$97,778 per room. Public records show \$175,000 was deducted in personal property resulting in a taxable selling price of \$8.625 million. Public records also show a breakdown of the cost for the hotel, allocating \$1.2 million for the land and \$7.425 million for the building itself. The hotel, located at 1688 S. 348th St., has 90 guestrooms and a conference room.

That same year, Richard Song, owner of the Comfort Inn began and completed \$1 million in interior renovations.

In 2017, an application was submitted and approved for a building permit for a 100 room Holiday Inn Express located on the southwestern corner of 344<sup>th</sup> and Pacific Highway. No action has occurred

Also in 2017, an application was submitted and approved for a 98 room Best Western located along Pacific Highway, just south of the intersection of Pacific Highway and 16<sup>th</sup>, on the west side of the street. The permit was withdrawn and the property is currently up for sale.

## MEDICAL SECTOR ACTIVITY

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

**Seattle Children's Hospital:** opened a clinic in 2015 by converting the former Circuit City store. Total cost of the facility was \$15 million. It employs 45.

The New York-based **CityMD**, an urgent care facility working in tandem with CHI Franciscan, opened one of its proposed centers for the Puget Sound in Federal Way in November 2016. The facility is located along Pacific Highway at the former Arby's site at the Pavilion's Shopping Center 2017.



**Iora Primary Care Clinic in cooperation with Humana Healthcare** opened a facility at the Celebration Center in the fourth quarter of 2016 for elderly customers.

**Pacific Medical Center** opened a new facility in the Gateway Center.

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

**Sea Mar Community Health Centers** opened a clinic in 2017. It provides comprehensive health and human services in Washington State. The company provides Medical Services, Dental Services, Behavioral Health Services, Preventive Health Services, Long Term Care Services and Affordable Housing and Community, Education and Service learning.

Below, Mayor Jim Ferrell along with former Deputy Mayor Jeanne Burbidge, Councilmembers Mark Koppang, and Martin Moore at the ribbon cutting of CityMD.



**MultiCare Health** closed their urgent care facility at the Crossings Shopping Center in 2017. However, after a rebrand of their urgent care facilities to “Indigo” they opened at the Gateway Plaza in 2018.

**Telecare Corporation**, a behavioral health services organization completed construction on a 12,000 square foot, 16 bed facility at 33480 13<sup>th</sup> Place South in 2018

**Kaiser Permanente**, a large California-based healthcare provider and insurer received approval from the State Insurance Commission for the \$18 billion purchase of the medical co-op Group-Health. In addition to the purchase price, Kaiser pledged to contribute an additional \$1 billion over ten years to improve facilities and technology. Kaiser also expects to contribute \$800 million toward unspecified community benefits in the same time period.

**Northwest Kidney Center and Clinic** opened an office location at Heron Building in East Campus along with a clinic located at Fountain Plaza on 336<sup>th</sup> and 1<sup>st</sup> in 2018

**Soundpath Health**: opened a facility on the East Campus in MJR’s Heron Building off of South Weyerhaeuser Way. A division of Premera, the facility employs nearly 100. The operations involve processing Medicare and Medicaid claims in 2017.

## INVESTMENT ACTIVITY

The following provides information on the latest activity as it pertains to acquisition of office, retail, commercial and industrial properties in Federal Way.

The San Francisco-based firm, Merlone-Geier Partners purchased **The Commons Mall** for \$46.5 million. The Commons a 618,000 sq. ft. shopping center was previously owned by the Los Angeles based Steadfast Properties and Canyon Capital Advisors. Additionally, in 2017, Merlone-Geier also acquired adjacent property from Sear's Holding Company for \$11.25 million.

**Wild Waves and Enchanted Village**, one of the top tourist attractions in the state was sold to a Missouri real estate investment firm, EPR Properties. EPR Properties purchased the 70-acre Federal Way attraction from Orlando-based investment company, CNL Lifestyle Properties. No acquisition price was released.

Additionally, Wild Waves has announced it will make extensive investments into their Park, estimated at \$40 million. Renovation is to begin fall of 2019.

In 2016, the Los Angeles-based firm, the **Industrial Realty Group** acquired the 425-acre Weyerhaeuser Corporate Campus

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

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

The Kirkland-based MJR Development purchased the 55,000 sq. ft. **Heron Building** in 2014 and the adjacent **Talon Building**, also 55,000 sq. ft., in the City's East Campus area. Additionally, they purchased two adjacent buildings of 150,000 sq. ft. and named the area the **Sanctuary**. The firm also purchased the **Federal Way Centre Office Complex** on 320<sup>th</sup> in downtown in 2017.

## OFFICE

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

**London Aviation Underwriters:** moved from Seattle to Federal Way in 2017. The company acquired a building at 33405 6<sup>th</sup> Ave South. The company handles general aviation risks, airport premises liability, and non-owned aircraft liability to individuals and companies across the nation.

**7-Eleven Corporation:** in 2016, relocated their regional real estate offices for the Pacific Northwest to Federal Way. The main reason for their move was the low cost of doing business, this according to Jeff Brown, Senior Real Estate Representative. They have located to 33915 1st Way, South, Suite 205, not far from City Hall. They will also be doing renovations on their four existing stores and are looking for one or two more sites in Federal Way.

**Soundpath Health:** opened a facility on the East Campus in MJR's Heron Building off of South Weyerhaeuser Way. A division of Premera, the facility employs nearly 100. The operations involve processing Medicare and Medicaid claims.

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

**Trinity Glass International:** in late 2014, opened their doors of their administrative offices at 33615 1st Way South. They employ an estimated 60 people at this facility.

**Red Fin** located an office at Centre Office Complex on 320th and I-5 in 2019.

**Clear Choice** also located at the Centre Office Complex on 320th and I-5 in 2019.

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

**Haven Property Management** relocated its offices to Federal Way to the Centre Office Complex on 320<sup>th</sup> in 2019.

## TECHNOLOGY

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

**Cogent**, one of the world's largest Tier 1 Internet Service Providers opened a facility in Federal Way in 2017. This is the first facility of this magnitude located in Federal Way. Current carrier availability in the data center includes CenturyLink, Zayo, and Comcast. The facility is located on the north end of the former Weyerhaeuser campus.

**Diagnos-Techs** is the first laboratory in the United States to offer saliva-based hormone testing, a powerful tool in evaluating stress and hormone-related diseases and illness. They applied for a permit to convert a former building owned by Weyerhaeuser in the West Campus for its laboratory expansion. Construction is under way with opening late summer 2019.

## MANUFACTURING

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

**Ellenos**, the Seattle-based yogurt firm, opened a manufacturing/processing facility in 2016 at the former Baden Sports facility. It employs 100.

**Neumeier Engineering** is starting construction (2019) on its new 100,000 (estimated) advance manufacturing facility at 352<sup>nd</sup> and Pacific Highway. It plans to employ 80 to 100.

## DISTRIBUTION

**Northwest Pump & Equipment** a distributor of petroleum equipment and industrial pumps and compressors opened in late fall of 2018. They located at 34210 9<sup>th</sup> Ave S.

## INTERNATIONAL

**The Korean Broadcasting System:** opened its doors in Federal Way, and began serving the 7 million viewers in the state in 2017. Founded in 1961, the Korean Broadcasting system is the first public television network in South Korea.

## HOUSING

The following provides information on the latest housing activity as it pertains to acquisition, sale and construction for high density, multi-family housing development in Federal Way.

**A multi-family market rate housing development:** proposed at 348<sup>th</sup> and 1<sup>st</sup>. This would be a 170-unit multi-family and neighborhood retail center. No time schedule for development. Estimated construction cost is \$30 million.

**Uptown Square:** project located at 320<sup>th</sup> and 11<sup>th</sup>. It is nearly ten acres in size, includes 300 housing units, and nearly 30,000 sq. ft. of ground floor retail mixed use center. It opened in 2017. Estimated construction cost was \$50 million.

**Mirror Lake Village:** This senior housing project is located at 840 SW 312<sup>th</sup>. It began construction in 2017. It is a total of 98 units of which 80 are for assisted living and 18 are for independent living. The project remains under construction.

**SHAG Celebration Senior Housing:** located at 1524 328<sup>th</sup> on the northwest corner of Pacific Highway and 328<sup>th</sup>. The project was completed in two phases, 2016 and 2017, and consists of 380 affordable independent rental units in two 65-foot towers joined by a sky bridge. The east tower is completed. The west tower is currently under construction. Cost of construction is estimated at \$40 million.

**Kitt's Corner:** 208-unit multifamily apartment complex on 27 acres located at S. 336th Street, just west of Pacific Highway South. The development was completed in 2016.

Multiple apartment complexes have been sold in 2016 through March 2017. They include the following:

- San Diego-based Red Hill Realty Investments purchased the 386-unit Miro at Dash Point Apartment homes formerly known as the Landing for \$71.3 million in February 2019. This was \$25 million more than the purchase price paid in 2016. Further information, see below at Trinity Property.
- Los Angeles-based Madison Residential purchased the 77 unit Arbor Woods Apartment Complex for \$10.1 million in 2019.
- TruAmerica's Multifamily has sold its Arcadia Luxury Townhomes, located at 1300 SW Campus Drive to Florida-based private multifamily investment firm Priderock for \$68.5 million in 2016. The property is a 309-unit multifamily property.
- The institutional fund manager Avanath Capital Management acquired "The Lodge at Peasley Canyon" for \$73.3 million from an institutional owner in 2016. The Lodge is located at 32200 Military Road. It is a 339-unit property and was built in 2004.
- Trinity Property Consultants, an affiliate of Fowler Property Acquisitions (FPA) Multifamily of San Francisco, paid \$46 million for the Landing at Dash Point, a 387-unit apartment complex in 2016. This was 57 percent more than what the seller, Bridge Investment Group, paid for the property three years ago. The Landing is located at 31004 19<sup>th</sup> Place S.W.

- San Diego-based Fairfield Residential sold the Glen Park at West Campus Apartments to San Francisco-based Affiliates of Atwater James Multifamily Investments for \$85 million or \$183,190 per unit in 2016. This sale set a new record for the highest amount in the area. Located at 952 SW Campus Drive, the 464 units available are one to three bedroom flats, lofts, and townhomes.
- Kennedy Wilson sold “The Reserve Apartments” to San Diego-Based ConAm Group for \$63.8 million, or just over \$159,000 a unit in 2018. The Reserve is located at 125 SW Campus Dr. This sale had previously set the record as the most sizable in the area, until the sale of Glen Park.
- A new record-setting multifamily sale in Federal Way occurred as San Francisco-based FPA Multifamily LLC sold off the Pavilion Apartments to three LLCs associated with Los Angeles-based Prime Residential for \$93.1 million or \$179,730 per unit in 2018. King County public records show each of the three LLCs, Prime Catalina Campus Drive II LLC, Prime Portfolio Campus Drive II LLC, and Prime Tramway Campus Drive II LLC are associated Prime Residential and include Atwater James Multifamily Investments, AJMI GP LLC, and JCA Investments. Previously marketed as the Cascade Ridge Apartments, now Pavilion Apartments. The apartments were built in 1989 and 1991 and underwent a renovation in 2007 and 2008. Located at 1900 SW Campus Drive, the building offers lofts, one, two and three bedroom units as well as a fitness center, pool, spa, playground, basketball court, and in-unit washers and dryers. The property is a 518-unit complex consisting of 48 two and three-story apartment buildings.

Market experts agree that property in Federal Way has been peaking investors’ interest, which is evident based on recent sales.

“Over the last several months, there have been seven or eight deals that have hit the market that are either being marketed, under contract or have closed,” said Ben Johnson, an associate director for Berkadia Real Estate Advisors in Seattle. “It has probably been the most active submarket in the tri-county area.” Johnson continued on to say that recent multifamily property sales have cumulatively totaled near half a billion dollars. “I think it’s just Federal Way’s time in the cycle,” he added. It is located in “one of the fastest-growing metros in the nation, making this a highly attractive market for multifamily investors,”

***“It has probably been the most active submarket in the tri-county area”***

Ben Johnson, Berkadia Real Estate Advisors

## BUSINESS RECRUITMENT AND RETENTION

The City completed the first ever Economic Development Strategy entitled, “Some Assembly Required” in 2014. It identified key targeted industries for recruitment and retention. These included Professional Business Services, Construction, Information, Communication and Technology, Life Sciences & Healthcare, Entrepreneurialism, Arts & Tourism, and International Trade and Investment.

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

The Mayor began and has continued direct mail campaign to firms to communicate the Federal Way’s business climate as it pertains to their growth and expansion.

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

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

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



Mayor Ferrell recruiting businesses in “Silicon Valley”, visiting officials with eBay about locating to Federal Way



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



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

## MAJOR TOURISM ATTRACTIONS

The City's new Performing Arts and Event Center opened in August of 2017. Nationally renowned performing arts group including Rosanne Cash and the Ten Tenors previously relegated to other venues in the Puget Sound are now able to appear in Federal Way, bringing even more tourists.



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

The work is paying off as the City served as a satellite venue for the Special Olympics USA Games in 2018. Special Olympics used multiple venues for competitions. These venues included the King County Aquatic Center, Celebration Park, and the Performing Arts and Event Center/Town Square Park.



Families and friends of nearly 1,000 athletes, coaches, and officials spent time and money in Federal Way during the Fourth of July week in 2018.

Additionally, Federal Way was the "Host City" to the 2018 International Underwater Robotics Competition in June 2018. The competition brought teams from across the globe to compete for this prestigious annual award.

A third major event occurred in Federal Way with the 16-A Girls' USA Softball National Championship, bringing thousands of players and spectators, and a total of 125 teams in late July.

In total, Federal Way saw over 35,000 out of town guests due to these three events.

Meanwhile, because of the asset of the King County Aquatics Center, the Seattle Sports Commission, in concert with the City and King County, hosted the US Olympic Committee/USA Diving in hopes to once again host the US Olympic Trials for Diving, specifically for 2020. Unfortunately, the US Olympic Committee selected Indianapolis as its host city.



However, the King County Aquatic Center continues to be the venue for the annual Pac-12 Men's and Women's Swimming and Diving Championships held in February and March, along with the championships for the Northwest College Conference Division III also during February.

Meanwhile, the future looks bright as the City will host the NCAA's Division III Championships for Men's and Women's Swimming for 2021. Estimates from the forecasted economic impacts illustrate 5,000 to 6,000 hotel nights for participants, spectators, coaches and officials. Further information is being analyzed to understand the full impacts that this event will bring to the community.

## CLOSINGS & RELOCATIONS

**Weyerhaeuser Corporation** announced in 2014 its relocation to Seattle and the subsequent sale of its 425-acre corporate headquarters.

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

**Tesoro** announced the closure its offices in 2016 in East Campus.

**DeVry University** announced the closure of its facility in 2016 in East Campus.

**99 Bottles**, a beer connoisseur's delight closed its doors in 2016 at the Crossings.

**Starbuck's** closed at the Commons Mall in 2016.

**Office Max** and the **Christian Bookstore** closed in 2016 and 2017, respectively, at the Pavilion's Center.

**Fatburger** closed its restaurant at the Crossing Shopping Center in 2017.

**24 Hour Fitness** closed its only facility at the Hillside Shopping Center in 2017.

**See's Candies** closed its only operations in Federal Way at the Gateway Center in 2017. However, they have opened a temporary facility at the Gateway Center. They have closed permanently in Federal Way.

**Sears** announced the closing of its store at the Commons Mall scheduled for April 2018.

**AAA** announced the closing of its office at the Hillside Shopping Center in February 2018.

**Indochine Restaurant** closed at 31406 Pacific Highway in February 2018.

**Payless Shoes** closed at 31853 Pacific Highway closed spring 2018.

**A1 Restaurant Supply** closed at 32900 Pacific Highway South closed spring of 2018.

**Pacific Seafood/Salmonlux** closed April 2018, loss of 100 employees

**Godfather's Pizza** located in Twin Lakes Business District closed summer 2018

**La Herradura Restaurant** located in Twin Lakes Business District closed summer 2018

**A1 Restaurant Supplies** closed fall 2018

**Payless Auto Mart** closed fall 2018

**Conduent** announced the closure (2018) of its customer care center due to changes in support of a client.

**Prominence Health** which had opened a facility on the East Campus in the Heron building off of South Weyerhaeuser Way announced the closure of their facility in November. Apparent changes to a contract caused the closure so quickly after announcing their opening.

**Victoria Secret** made a corporate decision to close stores impacting the Commons Mall with its stores closure at this location.

**Payless Shoes** continues to close stores nationally. Its recent corporate decision to close stores impacts the Commons Mall with its store closure at this location in 2019.

**Marista's**, a coffee shop closed at 1301 S 320<sup>th</sup> St in 2019.

**Rancho Bravo Tacos** at 31646 Pacific Highway South closed in 2018

**Stack's Burger's** 1706 S 320<sup>th</sup> St. closed in 2019.

**McGrath's Fish House**, 1911 S 320<sup>th</sup> St, Commons Mall, closed 2018.