

MUNICIPAL FACILITIES COMMITTEE
Marina Floor Development Review Panel

AGENDA

February 12, 2014 – Council Chambers
21630 11th Avenue South – Des Moines 98198

6:00PM – 7:30PM

- 6:00pm Call to order
- 6:05pm Panel & Developer Q&A, “Developer Discussion Points” format
- 6:50pm Break; refreshments provided
- 7:00pm Reconvene; open discussion
(Chair may opt for break-out session in separate rooms)
- 7:30pm Conclude

City of Des Moines

Marina Development Request for Qualifications

Developer Discussion Points

The review panel for the Des Moines Marina development RFQ met on Thursday November 21st and discussed their thoughts on moving forward with a project at the Marina floor site. The panel decided to begin a dialogue with Good Fit Development Inc. regarding their submittal, in an effort to work together over the course of the next several months to refine a plan based on the Good Fit Development concept that meets the City and Stakeholder Committee development and business objectives. The ARCADD proposal was eliminated from further consideration. The panel expressed their objectives relative to the Good Fit proposal, and outlined areas where they have a desire to more fully develop the proposal, with the City's help, in the following areas:

- **Stakeholders' Vision** - Refining how the Good Fit plan aligns with the 'blended option' that was produced by the Stakeholders Committee and approved by the Council; defining exactly how the food pavilion, public plaza, parking and hotel will be included in a long term plan; and building in more certainty regarding where the first building is constructed, determining the optimal placement for future uses and needs.
- **Financing** – Developing more clarity on who will provide the capital and how much they are willing to provide for each phase and under what conditions. Using the EB-5 program seems potentially problematic. Does Good Fit have adequate resources to complete Phase 1 planning and design, and conceptual planning for subsequent phases absent EB-5 funding? How profitable will the business plan be? What should the City's rental rate be for the project, in order to be commercially viable while still providing an adequate return to the City? What should be included in the plan if the built project fails to be profitable, to protect the City's interests?
- **Phasing** – What is the conceptual phasing schedule, cost estimates, sources of funds and other underlying assumptions for each phase?
- **Regional Attraction** – Developing a better understanding of Good Fit's business plan assumptions regarding year-round sustainability, and peak and off-season customer traffic, from both the immediate area and from tourists. Will the development be appealing enough to draw substantive numbers of customers and tourists on a daily basis to maintain commercial viability? Can the development survive the winter lull?
- **Existing Marina District Commercial Area** – How can the plan be refined so that the City can be more confident that the development will support the downtown business district and not impact it adversely?

- **Parking** – What assumptions has the developer made regarding the size, configuration, exact location and cost of a parking garage? Has the developer generated a pro forma that outlines costs and potential revenues, or can the developer do so with more help from the City? Will financial or other support from the City be needed? How can peak demand time (summer weekends) be addressed in the business plan in a way that addresses multiple uses such Farmers Market and Beach Park facility rentals.
- **Excavating Cliff Avenue** – Could this provide needed additional space? How would the developer propose to incorporate City right of way in their development plan? Would the City bear any direct development costs?
- **Municipal Marina Operations**– How does the operating plan support the functioning of the Marina? Will there be any negative impacts to existing businesses or tenants? How will the rents paid ensure that there is no net negative impact to the Marina fund balance when current uses are displaced?
- **City Lease** – What are the developer’s lease term assumptions?
- **Leasing vs. Selling** – Should the City consider selling a portion of the site to improve debt underwriting from lenders? What else can the City do to help meet underwriter requirements?
- **Project Team** – Is the Good Fit team open to including other development partners and key personnel to ensure that a phased project of this complexity is successful?



Westlead Capital Inc.

15F-2, No. 369 Fuhsing North Road, Taipei (105), Taiwan R.O.C.

To: Ms. Marion Yoshino, Economic Development Manager
City of Des Moines, Washington
21630 11th Avenue South
Des Moines, WA 98198 USA

From: Raymond Ku, President, Westlead Capital, Inc.

Date: December 15, 2013

Re: Proposed EB-5 Financing For Des Moines Marina Waterfront
Property Project

Dear Ms. Yoshino:

It is my pleasure to write you to express our desire and intent to organize financing for the proposed waterfront property project at the Des Moines Marina using capital sourced from foreign investors participating in the EB-5 Investor Immigration Program (the "EB-5 Program") administered by the United States Citizenship and Immigration Services ("USCIS").

With regard to the proposed marina development project, it is my understanding that a meeting has been arranged for early January, at which the municipal government will hold preliminary discussions with Good Fit Development Inc. regarding its proposal for the marina development. Part of that agenda will encompass the possible inclusion of other development partners, and I believe this is where Westlead fits in, as Westlead is uniquely qualified to raise capital from foreign investors seeking to take part in the EB-5 Program.

As you know, Westlead Capital, Inc. and its affiliated companies have more than 25 years of experience in recruiting foreign investors for investment-based immigration programs in countries including the United States, Canada, Singapore and the United Kingdom. Since 1992, Westlead has successfully raised more than US\$700 million for a wide variety of projects and funds in these countries. This has been possible because we command a network of more than 200 overseas agents and brokers in mainland China, Taiwan, Hong Kong, South Korea, the Philippines and Vietnam. For reference, I have attached a brochure describing Westlead and presenting our recent track record in raising EB-5 Program capital for projects across the United States.

As you can see from the brochure, in 2011, we delivered 120 EB-5 investors contributing \$60 million to the "Blackhawk Gold LLC" project operated by the Idaho State Regional Center, as well as another 85 investors contributing \$42.5 million to the "EMMCO NQMC, LP" and "EMMCO Tower, LP" projects operated by the Federal New York Metropolitan Regional Center. In 2012, recruitment efforts moved even

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faster, with 160 investors contributing \$80 million to Idaho State Regional Center's "Quartzburg Gold, LP" project recruited within just four months in early to mid-2012, and 76 investors contributing \$38 million to the Manhattan Regional Center's "Broadway 4D Lenders, LP" project recruited within the last three months of 2012 and the first month of 2013. There are many more examples that you can see in the brochure.

I am confident that if the marina development project could be highly suitable to raising capital through the EB-5 Program as long as its elements and objectives conform to what is regarded as being highly desirable among potential EB-5 investors in Asia. EB-5 investors are conscious of the fact that the EB-5 Program's essential purpose is to facilitate the creation of long-lasting jobs for U.S. workers, and EB-5 investors tend to prefer investing in projects that encompass substantial creation of full-time employment positions, such as hotels, assisted living facilities, restaurants, new retail facilities, and so on.

I have seen the proposal for setting up a farmer's market in the marina development, and I am confident that will form a part of the overall development plan. However, if the plan encompasses more substantial job-creating businesses like the ones described above in addition to the farmer's market, this would make the difference in transforming the project into one that can successfully raise capital from EB-5 investors.

Ideally, the marina project would encompass some kind of business like those described above, and participation of the EB-5 investors would take the form of a construction loan to the developer. Under such a framework, a special-purpose EB-5 entity in the form of a Washington limited partnership would enter into a loan agreement with the developer (or the city), under which funds would be loaned to finance the project's construction in exchange for the developer (or the city) pledging collateral rights over some type of real estate to secure the loan. The collateral would have to be pledged to the EB-5 limited partnership vehicle, rather than EB-5 investors as individuals, in order to conform to the EB-5 Program's "at risk" requirement under which EB-5 capital must be placed at risk. The value of the collateral should be at least enough to repay the loan in the event of default.

There are many ways that this type of setup has been successfully organized for EB-5 projects in the past. For example, a developer that owns properties other than the property to be developed with EB-5 financing could pledge first lien mortgage rights over a separate property. Often times, new hotels pledge first lien rights over the hotel to be constructed with the EB-5 financing, or assisted living facilities pledge first lien rights over the facility property, and so on.

The proposed marina project is special because the land is owned by the City of Des Moines, and I think it would be unlikely that the city would want to grant first lien mortgage rights over the entire property because it is very valuable and even priceless to the community, and the proposed development project would instead enter into a long-term lease with the city. However, in the "Developer Discussion Points" I have noticed that the city was considering selling part of the property to

improve debt underwriting from lenders. Instead of selling the land outright, perhaps the city might want to consider pledging a part of the property as collateral for such a loan. This way, the city would retain its ownership of the entire property, yet still satisfy the desire of EB-5 investors to properly secure their loan as a backup plan in the unlikely event of a default.

There is yet another scenario that the city might wish to consider that would seem to be better than selling off a substantial part of the property. That would be to transfer ownership of a very small part of the property, the part on which the proposed job-creating business such as a hotel or assisted living facility would be built, while retaining ownership of the rest of the property that would completely surround the small plot where the business is located. The transfer could be organized so that the city retained the "right of first refusal" to purchase back the land if and when the business were sold at a future date. Since the plot would be surrounded by the city's land and the city would be positioned to buy back the property in the future, this might be more desirable than simply selling part of the land off and losing all control over its future development.

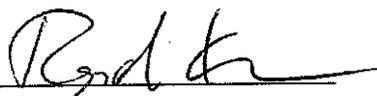
As you can see, we are thinking of many alternative ideas and suggestions that would make this project more desirable to EB-5 investors. Surely there are many other methods and alternatives, and we would be delighted to brainstorm ideas with you so that the project would be able to take advantage of EB-5 financing.

It is my understanding that the city has some legitimate concerns about the process of obtaining EB-5 financing, which indeed works very differently from conventional bank loans or capital raises. We have extensive experience in raising funds through the EB-5 Program, and are more than willing to discuss the details of how EB-5 financing typically works, including the period of time that would likely be required before the developer could actually begin to use funds raised from EB-5 investors.

I have heard that the city is especially concerned that it might take a year or longer to obtain USCIS designation as a "Regional Center" qualified to organize the marina development project. This is a misunderstanding. In fact, we could easily enter into an agreement with a preexisting Regional Center that would enable us to organize the project immediately without having to wait for Regional Center designation from USCIS.

Now that I have expressed our interest in proceeding to organize EB-5 Program financing for this project, I eagerly look forward to working with you in the future.

Sincerely Yours,



Raymond Ku, President
Westlead Capital, Inc.

Enclosure: Westlead Capital, Inc. Brochure