The Balefire

A Proposal for Development at the Army Street Site.

RFP 62B-2015

Submitted by Ken Mann for AYGO, LLC
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EXECUTIVE SUMMARY AND LETTER

To the City of Bellingham, Bellingham City Council, Mayor, and Staff:

We are very grateful that you issued this RFP. Successful development at the Army Street site will unleash energy and excitement in Downtown Bellingham. The people of Bellingham want more places to congregate, view the Bay, and connect with neighbors. The community actively seeks places to live, work, and play in close proximity.

The Balefire project team brings together accomplished leaders from Bellingham who love this city and work on issues of infill, sustainability, economic development, and vitality every day. We are ready to create a legacy project that will spark the revitalization of Old Town, contribute to our shared prosperity, and connect our community to the Waterfront District and its future development.

A balefire is an outdoor signal fire especially along seashores. We view the Balefire development project as a beacon that signals a surge of activity in Old Town. As deeply engaged citizens, we recognize the importance of this site and this project. We are committed to a mixed-use and sustainable building with successful businesses and community access.

We have the financial capacity, commercial real estate experience, and construction expertise to move rapidly on this project. We have the creative energy of an outstanding design team. We have a passion for this City and an understanding of our shared vision for the future.

Thank you for the opportunity to submit this proposal and for allowing all of us to have a say in the future of our City.

Sincerely,

Ken Mann
Balefire Project Summary

Team Members:
Dawson Construction
Zervas Group Architects
GeoEngineers
Herrera, Inc.
Ali Taysi
Lydia Bennett
Westgate DesignWorks
Nick Hartrich
Derek Long

Proposed Uses:
Residential, Offices, Hotel, Restaurants, Event Space, Light Manufacturing, Pedestrian Promenade, and Parking.

Design Principles
Vibrant commerce with historical aesthetic
Sustainability and “green” design
Community access and walkability

Statistics:
60,000 to 80,000 square feet
$15 million to $20 million costs

Transaction Structure:
Land Sale
$5,000 Negotiating Fee
$50,000 Earnest Money
Single decision-maker
No Contingencies
Rapid permitting and development
VIII. KEY BUSINESS TERMS

The Balefire project team has reviewed the RFP from a business, legal, construction, community, and real estate perspective. We are confident that we understand the constraints, opportunities, and terms of the RFP and the site. We hereby acknowledge the acceptance of the minimum business terms as stated on Page 10 of the RFP document. We have made comments on some items below, where we feel clarity is needed.

A. VISION
   i. The Balefire project team commits to a design and land use plan consistent with the Old Town Subarea Plan.

B. PROCESS
   i. The Balefire project team will be responsible for conducting all feasibility analyses necessary to undertake redevelopment.
   ii. The Balefire project team will provide a plan for the marketing and leasing of the development. As of this writing, we have verbal commitments from multiple tenants from Bellingham as well as the broader Pacific Northwest region. If our proposal is selected and we are granted the ENA, we will be able to share more details regarding the identity of our anchor tenants.
   iii. The Balefire project team will meet or exceed all City, State, and Federal requirements for the permitting and environmental review of the development.
      i. The Balefire project team will commit to completion of the development within a defined time frame, as mutually agreed upon by the team and the City of Bellingham. It is in our interest to move quickly, so as to avoid costly delays or exposure to unnecessary market risks. We believe the City has a similar goal.

C. FINANCING
   i. The Balefire project team will obtain adequate financing to assure completion of the development. We have already made significant strides in this regard. We have substantial capital contributions committed from equity investors and strong relationships with local and regional lenders.
   ii. The Balefire project team will pay the City market value per BMC 4.84.030A and closing costs per BMC 4.84.030E for the site. This capital is currently set aside in a business account.
 IX. PROPOSAL

A. Capability of the Development team.

The Balefire development team is a consortium of impressive talent. We have extensive experience in all phases, scopes, sizes, and types of development. Our partners are leaders in their professions and in the community.

1. Company:
AYGO, LLC (“AYGO”) is the registered entity that has submitted this proposal in response to the Army Street RFP. AYGO was formed for the express purpose of owning, developing, and managing commercial real estate. AYGO is owned 100% by Ken and Amy Mann, who have other LLCs that own (or have owned) commercial and residential real estate in Washington, New York, and Vermont. At this time, the only members of AYGO are Ken and Amy Mann. If we are chosen through this RFP process, AYGO, LLC will expand to accept new members as part of the Balefire project. The full extent of our history and experience, along with that of our management team and project partners, will be described in the following sections.

2. People:
The following is a list of the Balefire project team. Each team member has submitted a résumé and relevant work experience that is included on separate pages at the end of the document.
   i. Owner – Ken and Amy Mann, real estate investors and developers
   ii. General Contractor – Pete Dawson, Dawson Construction
   iii. Architect – Andrew Krzyseik  Zervas Group Architects
   iv. Geotechnical Engineer – J. Gordon, GeoEngineers
   v. Civil/Environmental Engineer – Chris Webb, Herrera, Inc.
   vi. Project Consultant – Lydia Bennett, CREWestCoast
   vii. Project Consultant – Ali Taysi, AVT Planning
   viii. Attorney (for AYGO, LLC) – Mark Lackey, Belcher-Swanson Law Firm
   ix. Financial Partner – WECU
   x. Vibe Chancellor – Nick Hartrich, Downtown Bellingham Partnership
   xi. Sustainability and Marketing Consultant – Derek Long, Sustainable Connections
   xii. Corporate Finance and Tenant Acquisition – Thomas Goldstein Associates
3. Past Projects:
   Each team member has submitted a résumé and portfolio of relevant work experience that is included on separate pages at the end of the document.

4. Financing plan:
   We have commitments from local and regional investors as equity partners in this project. We expect $5,000,000 in direct capital with up to $15,000,000 in debt. We have strong relationships with local lenders, including commercial and residential divisions, who have indicated a willingness to participate on this project. WECU provided some recent comparables to demonstrate their capacity for this scale of project.

5. Litigation or legal disputes: NONE

6. References:
   Team member portfolios provide references.
B. Development Concept:

Sitting at the nexus between Bellingham’s Arts District, government Headquarters, and the emerging Waterfront District, the Balefire project at Army Street will be the flagship of urban revitalization in Old Town. Poised to spearhead the next generation of development, Balefire will channel the historical character of the original 1904 White House design, reflecting our industrial heritage while delivering the highest quality retail, dining, office, and residential experiences. The project will integrate with the Army Street right-of-way by developing a large promenade connected to Holly Street, extending out towards the railroad. Pedestrians and community groups will have full access to the promenade for events, entertainment, or just a stroll to observe the sunset or progress at the Granary. The Balefire ownership entity, AYGO, LLC, is currently under contract for the purchase of 401 W. Holly Street, the property just downhill from Army Street, and we expect to maximize the relationship between the two properties.
We will anchor Balefire with a new kind of community and culinary experience not found anywhere else in Whatcom County. We are collaborating with renowned restaurateurs from Seattle and a highly-skilled manufacturing operation from Olympia. These two anchor tenants will be a unique and perfect match for honoring our waterfront industrial heritage with glorious views, community events, and delicious food. The light industrial manufacturing will also bring some high-paying jobs to the site, along with an educational component to train the next generation of artisans.
We also plan to deliver a much-needed business and tourist service to Downtown Bellingham with a boutique hotel integrated with upper floor apartments to amplify the unique Bellingham experience. Premium office space will allow for expansion and flexibility as companies grow or evolve. We will deliver community amenities in the form of a public promenade along Army Street and robust views of the waterfront and islands. Artists, musicians, tourists, and community events will overlook the railroad, the port and the Bay.

Our partners have a track record of historic preservation, adaptive re-use and attention to detail. Our team members pride themselves on employee longevity and community engagement. They have connections to Bellingham and value the quality of life that defines living in Whatcom County.

We recognize that efforts by the City of Bellingham, legacy businesses, breweries new and old, manufacturing, downtown residents, and building owners have made the Army Street site a desirable location. We want to build on that success and energy. The Old Town neighborhood is filled with untapped potential. This project will demonstrate the business and creative potential of the area and provide a model for others to follow.

1. Our development partners and tenants are projecting the following proposed uses:
   i. Residential apartments: 20 to 40 market rate studio or loft apartments.
   ii. Boutique hotel: 24 to 48 hotel rooms.
   iii. Restaurants: 2 restaurants, utilizing up to 8,000 square feet.
   iv. Light Manufacturing: High quality artisan manufacturing school and production facility, 5,000 – 7,000 square feet.
   v. Event facility: 8,000 sf
   vi. Retail: 4 to 8 small retail spaces, 800 square feet each.
   vii. Office: 4,000 square feet of high-end office space with outdoor space and views over Bellingham Bay.
   viii. Parking: structured parking and surface parking, approximately 100 spaces. The Downtown Parkade is only 2 blocks away and can provide event and overflow parking. Certain events will likely implement valet parking.

2. Our mission is to create a place that integrates seamlessly into the existing historic character of the neighborhood. The site calls for steel, brick, salvaged heavy-timbers, and maximized glazing to enjoy the views. Our design elements will reflect Bellingham’s history of utilitarian commercial style construction. Physically, the building is inspired by the past while mechanically it looks to the future. A design-build process with conservation-minded tenants means we will likely seek LEED or other
“Green” certification. In collaboration with Westgate DesignWorks, we have included renderings that represent the basic concept.

i. Bulk: The structure may consist of either a wood or steel frame, 2 floors of parking, 2 floors of brick commercial space at street level, and 3+ floors of residential above.

ii. Density: The FAR of the site is 3.5. We expect to implement many “green” building strategies that gives us the option to increase the density. The final density will be impacted by whether the structure is steel or wood, as well as the foundation/bedrock interplay, and the input of our tenants and the community.

iii. Lot Coverage: We expect the footprint to be 10,000 – 16,000 square feet. This depends on our ability to acquire the neighboring uphill lot, which, due to its irregular shape, interferes with an efficient use of the site. We have a contract for the vacant Trillium lot downhill, but have not yet pursued the uphill property because the building hosts an active tenant - Fourth Corner Frames.

iv. Height: The maximum height from Holly Street to green roof and solar panels is expected to be 70 feet. Future elevator layout has the potential to add a small area on the roof, and that roofline will be designed to match the upper lines of the Granary building. We are aware of the height limitations guiding development of mid-rise vs. high-rise and the additional fire code requirements. Our current goal is to stay firmly within the mid-rise category. That will be one of the first clarifications we address with the Fire Marshall during the ENA.

v. Parking: the only required parking is for the hotel component. However, we plan to provide adequate parking for all of our tenants and their visitors. We will have surface and structured parking on the Balefire property, totaling approximately 70 spaces. The neighboring downhill lot will provide additional surface parking of approximately 30 spaces.

vi. Design standards: The Balefire project team is interested in this project precisely because of the Old Town aesthetic and standards laid out in the Neighborhood Plan.
3. **Sustainability and Development Quality** – We are committed to innovative, green design strategies, and high quality. We plan to source building materials locally and repurpose aggressively, for aesthetic and environmental goals, but also to create a sense of history.

The project team includes several LEED Accredited Professionals (with multiple LEED certified projects). In addition, the team includes a Living Futures Accredited Professional and Certified Sustainable Building Advisor.

I. **Location & Transportation:** The Balefire project is located within a 1/4 mile of a WTA GO Line on a high priority site. This project classifies as urban infill and will include density and a diversity of uses. Bicycle facilities will be included in the project along with Level 3 electric vehicle charging and a car share program.

II. **Sustainable Sites:** The project will work to protect and improve the existing habitat while providing low impact development features that include onsite infiltration, a green roof and rainwater harvesting.

III. **Water Efficiency:** In addition to rainwater harvesting the project will reduce the amount of outdoor water use for irrigation through careful selection of landscaping vegetation and xeriscaping. Inside the building, the project will consider rainwater or greywater collection and use for commercial toilets.

IV. **Materials & Resources:** The project will work to be a model Zero Waste construction site with a goal of targeting 95% waste reduction. Materials will be sourced from many local sources while seeking materials that meet the rigorous Red List Standard as set by the Living Building Challenge.

   a. **Indoor Environmental Quality:** The Balefire will incorporate low emitting materials throughout the site while including an indoor air quality management plan. The site will include an abundance of natural daylight throughout the property, with quality daylight views reaching 100% of occupants.

4. **Jobs and Housing** – Our unique combination of tenants and uses will generate jobs, housing, and commerce.

   i. **Jobs:** At normal ratios for job creation in restaurant and hotel sectors, we expect there will be between 75 to 125 new jobs. The school and artisan manufacturing facility will generate
approximately 10 jobs. The event space within the hotel will generate jobs within the community as people utilize it for weddings, conferences, concerts, and more.

ii. Housing: We estimate 50 to 60 people living within the Balefire residential apartments. This does not include any hotel guests.
5. Site Design: The Army Street site presents challenges and opportunities.

i. The Holly Street grade and the cliff down to the project site create opportunities for views and structured parking.

ii. A combination of concrete and gravel will protect the City of Bellingham Holly Street “fill” easement. Structural and framing determinations will guide the final placement of shoring structures and below-grade wall along Holly Street.

iii. The alley easement will be the primary access point for visitor parking on the neighboring lot at 401 Holly Street, the Army Street ROW, and Balefire project site.

iv. The Balefire project team includes the geotechnical engineer, J. Gordon of GeoEngineers, who performed the original site analysis for the Bellingham Public Development Authority. Our current foundation plan calls for pilings and girders that rest on the existing bedrock, ranging approximately 10-20 feet below ground. From there, we will construct the podium that will support structured parking and the floors of commercial and residential above. We are committed to a foundation plan that starts on the bedrock and will not be influenced by fluctuating groundwater levels, soils consolidation, or medium seismic or geologic activity.
C. Transaction Structure

We are seeking a simple, clean, and quick transaction.

1. Form of Acquisition: We prefer a land sale with an all cash transaction. There will be no financing contingency or inspection contingency. From the time our proposal is selected, we need no more than 90 days to complete feasibility and we can close within days of finalizing the Purchase and Sale Agreement.

2. Project Timing: The current interest rate environment is favorable and the demand for housing is at a peak. We want to move rapidly to capitalize on these favorable conditions. If the multi-agency permitting process goes smoothly, we will be breaking ground within 18-24 months of closing.

3. Purchase Price: We have seen the recent appraisals and will pay market price plus closing costs. We have the capital set aside waiting for a final PSA.

4. Earnest Money: We have budgeted a $5,000 negotiating fee and additional $50,000 in Earnest Money. Those funds can be released within 24 hours of a decision of the City Council.
5. Transaction Commitment and Timing: As stated previously, we favor an efficient timeline. There are no additional contingencies or conditions. The City, through the PDA, has done thorough geotechnical and environmental review. The funds are available and the enthusiasm high. The only obstacles to a quick closing will be the time during the ENA to work through legal language. The only approval required for closing the transaction is from Ken and Amy Mann.

6. Other Material Terms: We have some questions about the aboveground COB infrastructure within the Army Street ROW and the easement for Holly Street “fill” materials. We have incorporated a public promenade into our design that is raised up above the Army Street ROW. We understand access to the pipes and vaults below is essential and have planned to make our infrastructure removable. We do not foresee a problem with this.

Signed,

Ken Mann
Balefire Concept Drawings

All concept drawings by Aaron Westgate of Westgate DesignWorks

Street view from Holly and Champion

Aerial view from Holly Street (above Old Town Café)
Street view from Holly and Prospect/Bay Streets

Street view from Holly Street

All concept drawings by Aaron Westgate of Westgate DesignWorks
View from proposed Army Street Promenade

Aerial view from Granary Building

All concept drawings by Aaron Westgate of Westgate DesignWorks
Section view looking South from Maritime Heritage Park

Site Plan view of neighborhood with building footprint superimposed

All concept drawings by Aaron Westgate of Westgate DesignWorks