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Developer teams up with Bremerton on garage, cinema and apartments

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Lorax Partners of Seattle is working with the city on this \$30 million mixed-use complex. Construction of the garage will start this summer.

Bremerton officials are teaming up with a new Seattle company, Lorax Partners, on a \$30 million mixed-use project downtown.

The city is developing a roughly 250-stall garage at Burwell Street and Park Avenue. If the rest of the plan materializes, PJ Santos of Lorax said a regional cinema company will buy one development pad on the garage and build a 10-screen theater. Lorax will build 80 market-rate apartments on the other part. Three small retail pads totaling about 3,000 square feet also will be sold.

Construction will begin later this summer on the \$7.9 million garage, which is being financed with state and local money, according to Gary Sexton, the city's special projects administrator. Construction bids will go out in the first half of July, Sexton said. Santos said construction of the theater could begin next summer, followed by the housing and retail.

There's a severe lack of parking downtown, Sexton said. The garage will anchor the project, providing parking for workers at the Puget Sound Naval Shipyard as well as for businesses and future residents.

Sexton has been working on the project for about eight years. It's the latest in a string of developments that have transformed Bremerton. Over about a decade, the city and other entities have built a conference center and a fountain park, and expanded the marina. This has spurred private development, such as new hotels. "We're definitely not done," Sexton said.

Santos worked on some of these projects when he was with the Bellevue office of Opus Northwest. He said downtown needs more night life to keep the redevelopment going and the cineplex is key to that. "It's kind of the tick that will take [downtown] over the top."

Santos said he has a signed letter-of-intent with a cinema company that operates in Washington and Oregon. He would not name the firm, but said he expects a purchase-and-sale agreement will be signed in the next couple of weeks. The company would develop the cinema and own the building.

To develop the cineplex, the company will have to "put up more capital than you would normally," said Santos. While retail sales have been sluggish during the recession, cinema revenues are up. According to The Numbers, which analyzes the U.S. movie industry, cinema revenue increased from just under \$10 billion in 2008 to \$10.65 billion last year. "Everyone went to the cinema to escape," said Santos.

Under the city's agreement with Lorax, Lorax is buying the development pads and then selling them to developers or investors. The price Lorax will pay for the pads is being negotiated.

Lorax, which put together the proposal for the overall project, plans to develop the housing. Santos said there is a lack of high quality rentals in Kitsap County. "[Based on] the number's we're seeing, this is going to work," he said, but he declined to provide the rents he's projecting.

Having the city finance the garage is key, Santos said, and helps to make the deal equitable for the city, the developer and consultants who work on the project. The city is paying the Lorax team \$800,000 to design and develop the garage, and market the pads.

Hinthorne Mott Architects is designing the project. Other team members are PacLand, civil engineering; MacDonald Miller, HVAC; Veca Electric; and Exeltech, structural engineer.

Santos said Lorax and its investors, the cinema company and whoever buys the retail pads will be taking the risk on the vertical development, so they need to be confident about Bremerton. Pointing to the city's successes and plans by other developers such as Ron Sher, Santos is bullish on Bremerton.

Sher Partners, a Seattle-area developer, is working to turn the former JC Penney store in downtown into Third Place Books, a grocery, gym and housing. "I am a firm believer he's going to bring it," said Santos.

Sher, whose specialty is retail, said he is talking to housing builders but would not name them. "If I can get that housing piece put together then I can make the retail piece happen and the project happen," he said. He added it will be at least two years before his project opens.

Bremerton would get a boost if Kitsap Transit succeeds in launching a Seattle-to-Bremerton fast ferry, which could cut the crossing time by more than half. The state ferry trip now takes about an hour. Before fast-ferry service can begin, Kitsap Transit must run tests to ensure the wake doesn't damage property on Rich Passage.

The first fast-ferry vessel is nearly done, and testing will run from April to October of 2011, said Dick Hayes, Kitsap Transit executive director. If tests are successful, the agency will have to find a way to pay for the service.

To finance the garage, the city is bonding against a state loan of \$330,000 a year for 25 years. The city has sold those bonds, according to Sexton. The city also is putting in some cash and selling \$2 million in other bonds to pay the rest of the cost.

