



Original Company wins 2019 REIAC/Rockefeller Challenge

The Novus Innovation District in Tempe was the focus of the three teams competing in the 2019 REIAC/Rockefeller Challenge. Capturing top honors at the 6th annual event was the Original Company for its project, Karsten.

Teams consisting of graduating students from Arizona State University's W. P. Carey School of Business, Masters of Real Estate Development (MRED) program competed for cash prizes. Original Company garnered \$1,000 each for team members Jason Wagner, Lindsey Campbell, Tanner Weekes, and Wade Troeger.



Three of seven teams in this year's MRED program advanced to the May 2 Challenge held at the Arizona Country Club. Teams were given the project on February 25.

"This is as close as you get to being in the business," said Mark Stapp, director of the MRED program. "Pick a project, make a pitch, make money."

This year's development project included 48 acres on the back nine of the Karsten Golf Course at the NWC of Rio Salado Parkway and McClintock Drive. It was on a 99-year ground lease with ASU. This was the MRED students' 3rd Synthesis project for their final grade.

The winning team:

>> **Original Company – Karsten:** The goal was to develop an urban neighborhood in which residents are interconnected with the environment and surrounding communities. Karsten is a name that is familiar to the area. To honor the generous support of Karsten and Louise Solheim and the Sun Angel Foundation, the development would keep the name Karsten.

Karsten would comprise three phases with a projected completion date of May 2029. It would feature: Hospitality, 165,000 SF, 165 keys; multifamily, 2 MSF, 1,700 units; office, 440,000 SF; and retail, 94,000 SF.

A key aspect of the project was the emphasis on multifamily to serve the thousands of jobs located along the Rio Salado Parkway corridor. It would include low-rise to mid-rise buildings and include workforce housing, which is in great need in Tempe.

“More family-oriented multifamily,” said Campbell, who added that the project would take advantage of Tempe Town Lake for the hospitality component of the project.

Total project cost would be \$46 million; land ground lease payment would be \$20 million; total sales were projected to be \$86 million. Unlevered IRR, 18.5 percent; levered IRR, 28.3 percent; equity multiple, 2.2x.

The other finalists and their projects:

>> **Pari Passu Development – The Vector:** The goal of this project was to fuse a community with different skill sets across generations connected by transit. The 48-acre project was a vertical development of co-living and community space. The Vector would maximize the community space with different programs such as Ted Talks and Pitch Nights to stimulate and motivate companies through collaborative events.

The Vector would attract startup techs such as Carvana and Offerpad. Landing those tenants would continue the momentum of the PropTech market. It would include office, residential, retail and hospitality.

The development included two buildings: HQ, co-working/creative office and co-living with the ASU School of Design located on the first floor; and The Hub, at the heart of the Vector. It would feature creative office and mixed-use conference space.

The 5-year target hold period included a ground lease payment of \$60 million, a levered IRR of 27.85 percent and levered multiple of 2.02x. The Vector would take advantage of being in an opportunity zone.

Team members included Kevin Bauer, Vicente Hunneus, Thomas Quiroz and Rachel Rodriguez.

>> **Hydra Development – The Nexus:** The goal of this project was to be the birthplace of the next big thing in the heart of Tempe. It would nurture and foster the next generation of business through community-focused programming and support.

It would provide access to a young, highly-educated workforce. Also located in an opportunity zone, it would have access to capital equity over a 10-year hold time.

The Nexus would include office, retail, multifamily and hospitality. Phase 1 was the Boardwalk; Phase 2 was The Towers, a 230-key luxury hotel and The Retreat, a multifamily project of 481 units. Phase 3 was Nexus Avenue and The Nouveau (572 units); Phase 4 was the Karsten Business Park.

The Nexus program called for innovation space that included 5,000 SF of incubator restaurant space. The Nexus would also have a community association. It would offer physical, social and cultural placemaking geared toward supporting the stakeholders and occupants.

The LTV would be 65 percent for nine parcels and a \$96.9 million ground lease payment. It would have an IRR of 28 percent.

Team members were Danielle Carlson, Frank Collins, Michael Roberts and Michael Sobel.

Each team was allotted 10 minutes to present a development solution followed by questions from the audience. Audience members chose the winning team immediately after the presentations.