

PACIFIC NORTHWEST

Hot Property

Craig Kinzer
has the formula for making
downtown land deals



KEN LAMBERT / THE SEATTLE TIMES

Craig Kinzer, CEO and founder of Kinzer Real Estate Services, uses financial metrics and other formulas to calculate commercial-real-estate value and gain negotiating leverage for his clients. Brash, smart and driven, Kinzer is considered by many to be the top real-estate deal-maker in downtown Seattle.

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The Real Deal

Rainmaker Craig Kinzer helps shape the face of Seattle



KEN LAMBERT / THE SEATTLE TIMES

From his 15th-story office at Second Avenue and Seneca Street, Craig Kinzer counsels clients that it's sometimes worth leaving that "last nickel on the table" if it means a good, long-lasting relationship with a landlord. Starbucks CEO Howard Schultz says Kinzer "knows the players not only on both sides of the aisle but everything in between. He's trusted by both clients and landlords."

BY MICHELLE MATASSA FLORES
Special to The Seattle Times

CRAIG KINZER often comes out with one-liners that make you wonder. Does this guy realize how he sounds?

Like this doozy:

"What I really am is a capitalist pig."

The man many consider to be Seattle's top real-estate rainmaker, Kinzer offered the self-assessment half-tongue-in-cheek. But like many of the brash things he blurts out, this one conveyed more than meets the ear.

He's a big-time capitalist, all right,

regardless of whether you pair that word with "pig." A CPA, he also holds a law degree and a master's in business administration.

But he made the remark while predicting how people might react to a story about him, revealing insecurities and feelings of guilt he would later discuss. Still, as he spoke, it was with the hint of a smile and flash of the charm that has won over influential clients including Howard Schultz of Starbucks, Gates Foundation executives and at least two mayors.

Kinzer, 54, is unapologetically audacious, seeming at times to relish making

a provocative move for the reaction it might get. That audacity is something you might expect of a man who has brokered many of the most important downtown real-estate deals Seattle has seen over the past two decades.

In the early 1990s, Kinzer helped orchestrate Starbucks' decision to locate its world headquarters in Seattle's Sodo neighborhood. He and his team helped relocate 30 businesses to clear space for Safeco Field, and helped the city buy the 62-story Key Tower for little more than half what it cost to build.

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After the collapse of Washington Mutual in 2008, Kinzer and company led a deal that brought 1,000 employees into the bank's empty namesake tower: last year's move of the global money-management firm Russell Investments to downtown Seattle, after more than seven decades in Tacoma.

And this spring, the Bill & Melinda Gates Foundation, the world's largest philanthropic group, will move into its first headquarters campus on a high-profile site that used to be part of Seattle Center — a deal that might not have happened if Kinzer hadn't advised the group.

On the side, the former college football player has been a minority owner of the Seattle Sonics, co-creator of the DVD game Scene-It, and a venture capitalist who has backed alternative-energy companies and other startups. A self-described "purple" voter, he has given to mostly Democratic causes and candidates, supporting President Obama's election and backing last year's futile attempt to place a measure on the ballot legalizing marijuana.

In addition to all that, Kinzer, the son of a nuclear physicist and an accountant, teaches a real-estate-certification course at the University of Washington and serves on the board of Seattle Children's hospital, where he's a major donor.

"He's probably one of the smartest people, if not the smartest person, I've ever worked with in Seattle," says Kevin Daniels, president of Nitze-Stagen & Co., which owns the Starbucks Center headquarters. "I hate to admit that," he adds, a nod to Kinzer's cocky style.

Starbucks CEO Howard Schultz says he and Kinzer have been friends, both personally and professionally, for more than 20 years. "When we first started working with Craig we were a very small company," Schultz says. "To his credit, he quickly realized the dreams we had about growing. He's not a typical agent that is transaction-driven . . . He's a really good guy. He's been a great asset."

FOR NEARLY 20 years, Kinzer has been Starbucks' main real-estate guy, playing a key role in the global coffee company's move into the massive former Sears warehouse at First Avenue South and South Lander Street. The move rescued the historic brick building and was key to creating the Sodo neighborhood.

The more recent Russell Investments deal made headlines in part because it had the side benefit of helping both the Seattle Art Museum (which partnered



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Kinzer negotiated the Bill & Melinda Gates Foundation's purchase of Seattle Center land for its new headquarters campus, which opens this spring at Fifth Avenue North and Mercer Street.



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Kinzer was a crucial consultant on the Starbucks headquarters leasing deal, which put the coffee giant in Seattle's Sodo — giving the neighborhood a huge boost of cool. The real-estate consultant gets most animated when he talks about getting inside a company and learning how it operates, the way he has with Starbucks.

with WaMu in building the tower and has a financial stake in it) and the city of Seattle, which backed SAM's bonds for the deal, putting taxpayers on the line.

What makes him so distinctive is his ability to use his connections "to create unusual options for people," says Russell CEO Andrew Doman, who has become a friend of Kinzer's; the men and their wives recently drove to Anacortes on an

outing they bought at a charity auction.

Kinzer's network came into play with the Gates Foundation deal, which involved negotiations with City Hall contacts he has made over many years.

"If someone is trying to put together a major real-estate deal, they're going to call Craig," says Tim Ceis, Seattle deputy

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mayor under Greg Nickels. “It doesn’t take long before you realize being a deal-maker comes very naturally to him.”

The Gates Foundation’s \$500 million campus will house 1,200 employees in two buildings, with room to add a third — all on prized land that had served as parking for the center.

Julie Humling, who led the foundation’s search for its new headquarters, recalled the day back in 2002 when her boss told her to begin the task by finding “the Seattle czar of real estate.”

“Oh,” Humling replied. “I know who that is.”

Humling had used Kinzer in the 1990s to negotiate a two-building campus for Adobe Systems along the Fremont waterfront. She knew what he brought to the table: a rare understanding of a deal’s legal complexities, accounting nuances and tax implications, plus a knack for knowing when to lie back and when to hit hard.

With Quadrant, which was developing the land in the face of neighborhood opposition, “Every time they left the table over something, it cost them more to come back,” Humling says. “I almost felt sorry for Quadrant.”

Humling, now retired, says the Gates deal was very different.

The group had been spread through five nondescript buildings south of Lake Union and was looking to consolidate with one new lease, attracting as little attention as possible. Kinzer persuaded the executives, up to Melinda Gates, wife of Microsoft chairman Bill Gates, that unless they bought or built new headquarters, with room for expansion, they would need to go office-hunting over and over again because the foundation was growing so fast. Ultimately, a team from the Kinzer firm, Seneca Group developers and NBBJ architects showed Gates’ decision-makers the benefit of building a showcase next to one of the city’s gems.

“He had to bring us along,” Humling says.

All the while, Kinzer kept other properties in play and used them as leverage while negotiating with the city. And he stressed, to everyone involved, the importance of confidentiality. The Seattle Center property wasn’t on the market, and it wasn’t yet public that the foundation was even looking for a new home.

“He said we have to keep this quiet or every piece of real estate on the market will go up,” Humling recalls.

Ceis says it’s typical for Kinzer to keep multiple options in play until as late as



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Kinzer consults a detailed map of downtown Seattle during a meeting about a deal in the works. Kinzer is considered especially adept at keeping multiple options in play for clients, maximizing his negotiating leverage.



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Kinzer and his family hike in the rain on Cougar Mountain. From left: Kinzer, his son Austin, 17; wife Danna; daughter Hannah, 14; and foster daughter Charisse Hayes, 17. The couple also have two grown children, Trevor and Shylo, from Danna’s previous marriage.

possible to maximize his negotiating leverage. That said, he adds, the city’s willingness to do the Gates deal largely came down to the foundation compromising on things like the design of a park-

ing garage with a “green” roof — and city rights to use parking spaces during non-business hours. Mayor Nickels, a nation-

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Kinzer plays with one of his dogs, Cooper, at his Issaquah home. Behind him is a specially designed indoor/outdoor pool with a door, just visible at the waterline, which is closed in bad weather to separate the two parts.

al leader in climate-change initiatives among cities, was “very negative” about the Gates idea at first, but came around because Kinzer and his team presented eco-friendly features.

Kinzer, says Ceis, “was willing to gussy it up any way he had to.”

PROBABLY NOT surprisingly, Kinzer’s success has apparently created some jealousies among competitors. Phoned for comment about Kinzer and his work, one broker hung up abruptly after saying, “We do more transactions in a month than he does in a year. Why would I want to be involved in a story about him?”

Others, though, say Kinzer, who focuses on complex deals rather than high-volume work, is serious, loyal and respectful — to adversaries as well as clients. They also agree that, belying his chatty social

style, he works in the background, letting clients do the talking.

Kinzer uses a handful of tactics on most every job: persuading executives to imagine the outer possibilities of their growth; helping them quantify intangibles like good views and neighborhood cultures, to use when negotiating financial terms; encouraging them, when appropriate, to buy land around the site they want because those properties will likely increase in value; and knowing more than the other side about how deal terms would affect them financially over time.

When negotiating the Starbucks headquarters deal in the early 1990s, Kinzer and the coffee company’s Howard Wollner, during their first meeting with Daniels of Nitze-Stagen, said they needed just 15,000 square feet for starters — the equivalent of less than one floor in a high-rise. But they asked for expansion rights

to 400,000 square feet. Starbucks had just 60 stores at the time.

“It could have been laughable if they weren’t so credible,” Daniels says.

Sure enough, Starbucks now has 1.1 million square feet in that building, plus offices in Pioneer Square, and more than 17,000 stores around the world.

A ONE-TIME defensive safety at California Lutheran University, Kinzer says he reached a point when he realized he was being too aggressive in cutting deals.

It was pre-Starbucks, and two longtime Seattle developers — Gary Carpenter and Richard Clotfelter — were losing money on a high-rise they’d built at Fifth Avenue and Pike Street. Kinzer and other tenant reps had been cutting sweet deals all over town because four new towers were fight-

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ing for business.

One day Kinzer learned Carpenter and Clotfelter had lost their homes to a repo man.

"I wound up feeling maybe I didn't need to go after it so hard," Kinzer says.

Carpenter, who now manages U.S. property holdings for a multinational firm, says he's moved beyond those dark days in the early 1990s and was surprised to hear Kinzer had brought him up.

"He's pretty aggressive," Carpenter says. "But you know, in this business you've got to be."

Kinzer says he was insecure back then. He was representing tenants for the Jim Norman Co., where he worked before starting his own firm.

In his early 30s, he was doing deals

with CEOs twice his age and took pride in pushing one hard-pressed high-rise developer to give 10 years of free parking to the massive law firm Bogle & Gates.

Then one day, Norman pulled Kinzer aside, told him he was acting too much like a cocky kid and sent him to an industrial psychologist. After about 10 sessions, Kinzer finally saw Norman's point.

"It was like the emperor with no clothes on, and I was the emperor."

Now, despite a falling-out with Norman in 1992, Kinzer remains grateful for the tough lesson.

INSECURITIES LINGER, though. Kinzer worries that others will see him as greedy or narcissistic and almost obsesses over sharing credit with his

staff. He makes a point of emphasizing the environmentally sensitive touches he and his wife, Danna, incorporated into their home on Lake Sammamish.

They did unearth and restore a creek, and scrapped elaborate custom plans for a simpler design off the Internet.

Still, the \$5 million home is opulent, with 8,570 square feet and 6.25 baths. Weaving through the home are some 40-plus secret passageways for kids to explore.

The Kinzers host frequent community gatherings, including weekly water aerobics. They regularly offer their home for the annual Children's hospital auction. They used to donate prime tickets to Sonics games; after the team was sold, they gave \$1.6 million to the hospital.



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Kinzer tosses a football with Rob MacAulay, a principal with Meriwether Partners, a commercial-real-estate-services firm, only a few doors down from Kinzer's office. The two, who have known each other since they attended the University of Washington Law School together, sometimes work in concert. Often while tossing a football, according to the men, one will end up sharing business information the other didn't know.

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More than once, they've driven auction winners to the Gorge Amphitheatre for a concert and overnigher on land they own overlooking the Columbia River.

Still, Kinzer gets squeamish about discussing the family home. Construction was finished at the end of 2008, just as people began losing their homes to foreclosure. Sometimes, Kinzer says, he wonders if he should just sell the house and use the money to help other families keep their homes. He hasn't found an answer.

He and Danna do work to keep their kids grounded. Hannah (14), Austin (17) and foster daughter Charisse (17) each have white boards with long lists of chores. They must fill in the boxes daily to earn allowance, and if they forget, even if they've done the chore, they can't count it.

The Kinzers have a zero-tolerance policy toward drug use by the kids, even though Kinzer feels it's a waste of public resources to enforce marijuana laws.

Kinzer himself was on the wild side as a kid. The oldest of two boys raised in the San Fernando Valley, he once tied his brother to a telephone pole. He partied a lot, accidentally started a fire in a field, and had at least one harrowing car wreck. His grades were so-so.

But he excelled in football, winning a scholarship to Cal Lutheran, and went on to earn outstanding grades and serve as student-body president.

"That was probably the first sign of my Type A personality," he says.

He had invitations from NFL teams to attend tryouts. But he figured he wouldn't be a career player, so he applied to a few law schools and chose the UW after visiting on one of Seattle's seductive sunny days.

In law school, he and a friend pulled off the kind of deal that would later be Kinzer's hallmark. They talked business-school administrators into giving them double credit for certain courses, paving the way to dual law and MBA degrees.

The CPA came after graduation, while he was working for an accounting firm. He took a couple weeks off, holed up in a hotel and studied nonstop. He bet his mom \$100 he would pass the test on the first try, which was rare. He won. (He also says he used to gamble for a living, counting cards until getting kicked out of casinos.)

"Ever since he's been able to participate in anything, it's always been all throttle-forward," says Kinzer's dad, Jackson. "He works hard. He expects others to do the same thing."

Daniels, the Starbucks landlord, says some might conclude that Kinzer is arrogant.

"Someone once told me I was arrogant," Daniels says. "I said, 'Look it up: Arrogant means you talk big but don't deliver.' Craig's not arrogant. Craig does exactly what he says he's going to do."



Kinzer and his wife, Danna, shown here in 1983, began dating after he saw her in a bar and told her she was one of the most beautiful women he'd ever seen. He started walking away, but a friend of Danna's told him he couldn't drop a line like that and leave.



PHOTOS COURTESY OF CRAIG KINZER

An undated photo shows Kinzer, right, running with a football during what he calls the geeky phase of his childhood.