



CRAIG KINZER



DEVELOPING THE PRESENT



DEFINING THE FUTURE

By Ilona V. Idlis



Craig Kinzer '84 deals with a lot of Rubik's cubes. He plays the angles, works the twists and searches for the perfect alignment. He's careful, leaving no option unexplored, until everything clicks into place. But when his hard work is done, the result is much more than a solved children's puzzle — it's a brand new Seattle skyline.

Since founding his brokerage and consulting firm in 1992, Kinzer Real Estate Services (KRES), the alumnus has navigated tricky land acquisitions for some of the region's largest companies and non-profits: clearing space for Safeco Field, expanding Seattle Children's Hospital and carving a "super block" for the Seattle Symphony. The firm promises "visionary thinking" and Kinzer more than delivers. His innovative solutions have earned KRES an enviably fierce client loyalty and incredible business network.

"We develop relationships with our clients, based on a strong sense of trust," Kinzer said. In 20 years of "triple A" service, no major client has left the firm for another service provider.

Just ask Starbucks. The company has done business with Kinzer since going public over 20 years ago, and Kinzer notes that there are always two or three of their projects "brewing." It began in the early '90s when Senior Vice President Howard Wollner approached Kinzer, seeking a headquarters for the (not yet) coffee giant. The company had just gone public with barely 100 stores to its name, but plenty of aspiration. They needed expansive space at an affordable price, but believed it an urban impossibility. Starbucks HQ seemed destined for the suburbs.

But Kinzer thought there could be a better alternative. After much scoping, he found an empty Sears warehouse south of downtown Seattle with more than 10 times the space Starbucks requested. He then crafted a novel lease agreement, tailored to the company's available resources and conscious of its future potential. It gave Starbucks both an urban presence and an ability to keep its partners consolidated while growing at a phenomenal rate. It also reused the 1909 structure and foreshadowed Starbucks' commitment to the environment.

"When it was all said and done, their cost was maybe a third of market rent," Kinzer recalled. "They could expand from 100,000 square feet to over a million square feet in increments of 5,000 square feet with 30 days' notice."

The company relocated to its new home in 1994, breathing life into the SODO neighborhood years before Safeco Field broke ground. Starbucks got vast, cheap office space, barely 10 minutes away from their flagship coffeeshop, and Kinzer Real Estate Services gained a lifelong client.

Kinzer was striking improbable deals long before his name graced a company placard. The San Fernando native moved to the Emerald City after finishing a B.A. in Political Science and Economics



at California Lutheran University, where he also played football and was Student Body President. Interested in both law and business school, he chose the UW after a deceptively sunny visit to the Space Needle enchanted him with views of the Cascades. “This is Shangri-La,” he thought.

With strong LSAT scores, Kinzer was admitted to the University of Washington School of Law, but soon found that distinguishing himself (he did not make the Law Review his first year) was a harder task than he had thought. He looked to the Foster School of Business for a chance to differentiate himself, but with the rigors of law school a constant, his GMAT scores suffered from his overconfidence and lack of preparation. But when most people would accept defeat, Kinzer saw an opportunity for his first masterful negotiation.

Leveraging the law school’s prestige, he successfully convinced the dean of the business school to accept his admirable LSAT in lieu of his GMAT score and then worked with both schools’ deans to find classes suitable for credit in both graduate schools.

“I kind of created my own joint program,” he chuckled. The business and law course overlap introduced Kinzer to real estate. Mired in spreadsheets, syndications, and tax shelters, Kinzer fell in love with the work.

“Numbers really resonate with me,” he explained. “I love solving puzzles and that’s what we do here at Kinzer Real Estate Services.”

Kinzer and **Kim Snyder ‘82** started their careers as tax consultants at the accounting firm Deloitte (then known as Touche Ross & Co.). They had the same degrees (J.D. and M.B.A.) and sat in cubicles next to each other. Snyder describes Kinzer as someone who was “thinking ‘outside of the box’ before the rest of us knew we were inside it! It is hard to imagine now, but the PC had only just arrived on the scene when Craig started his career. He quickly mastered the early spreadsheet programs that were used to create intricate economic forecasts that were at the heart of syndicated real estate offerings. This was in the early ‘80s when tax shelters were in vogue and real estate syndications were fueling a white-hot real estate market. A key element of Craig’s success was that he was able to see the big picture while at the same time displaying a keen attention to detail.”

But an affinity for numbers and details are only part of KRES success.

“It’s really about relationships,” Kinzer said. “We work hard to create trust with our clients and with other vendors, and even those we’re negotiating with.”

With his easy repose and an eagerness to chat football, it’s not hard to imagine Kinzer becoming fast friends with his clients.

“In this environment, when you meet someone like Craig who’s interested as much in the relationship as the transaction, that’s a rarity, an anomaly,” said Starbucks founder and friend Howard Schultz. “It gets your attention.”



Kinzer's commitment to honest work and transparency earned him the trust and business of many non-profit entities. So, in 1995 the City of Seattle came calling. City Hall wanted to lease more office and living space and needed to do so within the parameters of its budget and constant public scrutiny. Kinzer ran the numbers and presented the City Council with a surprisingly cheaper alternative — purchase the right space, at a bargain, and sublet the unused remainder, instead of renting.

His eye fell on Key Tower, a \$250 million, 62-story skyscraper, sitting in default of a \$165 million construction loan for over two years. The City agreed to pursue the skyscraper purchase, a public sector first. What ensued was a six-month negotiating marathon, and one of the most challenging deals Kinzer had ever tackled.

"We were negotiating with seven banks, an owner in default, nine council members and a mayor," Kinzer said. "You had a Rubik's cube of all these stakeholders with different agendas."

Pitting desperate lenders fleeing a sinking investment against a buyer that had nothing but time, Kinzer was able to negotiate a sale at about 50 cents on the dollar, a \$125 million discount. And for a few years, before the low-rise city hall was built, the municipal government turned Key Tower into the world's first ever skyscraper city hall. Kinzer Real Estate Services had made history as the broker of the largest government

acquisition in Seattle history. Today the renamed Seattle Municipal Tower is still owned by the City and houses various government entities, such as Seattle City Light and Seattle Public Utilities and some retail outlets.

One might think this visionary of Seattle real estate must rely on a vast network of agents and researchers to successfully tackle deals of such magnitude, but Kinzer Real Estate Services is a surprisingly small operation. Until this year, the firm employed 12 professionals, including its illustrious founder. Recently, he added three new employees to enhance their services: Lisa McCabe, Adam Brown and UW alumnus **Tri Tran '95**. Depending on the case, Kinzer, who describes himself as a generalist, will hand pick outside specialists to sit in on planning and negotiations.

"A key formula for us is what we call the 'Best in Class' model," Kinzer said. "Our partners need to be smarter than us. When you have that and you bring in the best vendors in the industry, you have this really great brain trust working for each client."

Unlike most firms that employ numerous independent brokers, constantly searching and competing for clientele both in the market and within the company, the whole of KRES comes together for every single assignment. Rather than marketing their individual talents, the team unites to create the most innovative solutions in strategic real estate for their clients.

“We’re built to execute,” Kinzer said. “What we do is a high level of sophisticated service, based on each client’s mission statement and value proposition.”

The firm’s size, functionality and holistic approach to its clients’ needs have kept KRES ahead of competitors for 20 years. When the Internet undermined the common broker’s most coveted monopoly, knowledge of available spaces, some struggled to keep their services valuable. But KRES flourished on the level playing field of the information age.

“Boom! Here comes the Internet and all of that information is now online, free to everybody, including the clients,” Kinzer said of the business’ evolution. “What really matters is your experience and business judgment; how smart you are at executing and coming up with the right strategy. That’s our core competency. So in that sense, the innovation associated with the sharing of information has really made us very, very powerful and able to compete with anybody. We also ‘turn over rocks’ that others don’t see — we go beyond what is just public information or industry standard.”

With real estate listings available at the click of a button, Kinzer has capitalized on two services no Google search can offer. The first is Secret-Service-level confidentiality.

“We take confidentiality very seriously,” Kinzer explained. “Every single assignment has a code name here. You never hear clients’ names. For example, ‘Iris’ was the code name for the Gates Foundation headquarters just completed.”

In a world where a whisper of a buy can spike prices across the entire market, the firm’s tight-lipped due diligence has paid off in spades. When Russell Investments announced the relocation of its headquarters to Seattle in 2009, many people in Tacoma, its hometown for 73 years, were taken completely aback. Unbeknownst to most of the world, Kinzer Real Estate had been quietly working

on Russell’s behalf for over three years. Under everyone’s radar, he found the global financial-services company a new home (and its parent company, Northwestern Mutual, a new asset) at the downtown Chase Center (now the Russell Investments Center) at a steeply discounted price.

The second of KRES’ unique offerings is an acute understanding of a client’s brand and goals. Whether working with a non-profit or private entity, Kinzer is always hyperaware of how the choice of a building, a neighborhood, or a partnership will reflect on the client’s image and future growth.

“In everything we do, we’re thinking way beyond just the real estate,” he said. “For example, we’re always thinking what happens if this [move] becomes a headline in the news. We’re very good at protecting brands and if anything, accelerating the way in which the brand is seen as a positive in the community. We also specialize in leveraging our clients’ great brands to get them a better deal.”

From placing Starbucks in a converted warehouse they thought they’d never fill (they did, though, 13 years ahead of schedule), to finding a purchase cheaper than a lease for the City of Seattle, it’s clear that Kinzer’s true talent is meeting the clients’ needs before they even realize them.

So when the Bill and Melinda Gates Foundation launched an under-the-radar search for its new headquarters, that reputation of discreet excellence led the “front-page news” charity to Kinzer’s door. Four years later, the fateful partnership would give the Foundation a sprawling, \$500 million high-tech campus and forever alter the face of the Seattle Center.

Yet back when Kinzer started the assignment, the Foundation was looking for anything but visibility. For years the world’s most influential non-profit hid its administration away from the public eye, in five nondescript buildings around Lake Union,



THE GATES FOUNDATION

most quietly leased by Kinzer, on behalf of the Foundation. They approached Kinzer with a desire to consolidate the disparate offices into one, secure low-profile building. But as he questioned the client's needs — "What other ways could real estate support the Foundation's mission?" — Kinzer and a team of outside consultants teased out a completely different vision for the charity's presence in the city. Instead of a tucked-away rental, the Gateses started pondering urban permanence and public education, part of their mission.

After a highly secretive search, the KRES team landed on a 12-acre parking lot in the Seattle Center. They imagined a harmonious joining of Seattle's history and philanthropic heartbeat. Kinzer drove Melinda Gates down to the lot himself, hoping she, too, would see its potential.

"She was so quick and wicked smart; she just got it," he recalled. "Melinda immediately saw the connection to the community and the unique opportunity of the last single, 12-acre flat parcel in downtown."

Then, all that remained was the not-so-small task of persuading the owner, the City of Seattle. Kinzer wondered, "How are you going to get the City to sell part of its soul, part of the Seattle Center, to anybody?"

Mayor Nickels certainly wasn't thrilled about the idea at first. For two years Kinzer and team worked his many government connections and negotiated building features that made the Foundation's presence at the Seattle Center not only feasible, but mutually desirable. One of these features was creating an underground parking lot with space for a 1,000 cars so the original function of the lot would not be lost, even during nonbusiness hours. The other push was making the 900,000 square foot headquarters as eco-friendly as possible, with green roofs, innovative cooling systems and numerous other sustainable features. Finally, the notoriously private charity agreed to open its campus doors to the public with a visitor's center and museum that would educate citizens on the Foundation's research and projects and create more critical mass of "entertainment" with its new neighbor, the Seattle Center.

Kinzer's firm belief in the synergy of the two entities paid off. The City agreed to sell and the Foundation was granted its new home. Last year, Seattle newest architectural icon opened.

"I am so proud to be working for one of the greatest Foundations in the history of the world," Kinzer said of his relationship with the Gateses.

After 20 years of inventing improbable and complex real estate solutions for Washington's movers and shakers, calling Kinzer Real Estate Services innovative is almost inadequate. The firm and its founder do far more than trade brick and mortar. Quietly, cleverly, Kinzer and his team build legacies.