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SCRUBBING SCRUBS: The new super-green, state-of-the-art industrial laundry facility in Auburn will clean linens and scrubs for five of the region's biggest hospitals and provide 150 new jobs.

Hospitals will ship dirty laundry to Auburn

Hospital Central Services Association is moving its facilities to South King County, selling First Hill site

By MARC STILES
STAFF WRITER

Soon, some of the region's biggest hospitals will ship millions of pounds of linens every year to Auburn.

There, sheets and scrubs will go through a pair of 61-foot-long "tunnel washers" in a super-green, state-of-the-art facility next to the Auburn Costco on Northwest M Street.

This summer's opening of the industrial laundry will bring change not only to Auburn, which will net 150 new jobs, but also to Seattle's First Hill neighborhood, where the current laundry has operated since 1966 at 1300 E. Columbia St.

The Hospital Central Services Association, a for-profit business that serves a consortium of nonprofit hospitals — Swedish, Virginia Mason, Overlake Medical Center, Providence Health & Services and Seattle Children's — operates the laundry and is selling the 1.4-acre site next to Seattle University.

Under current zoning, a five-story residential project could be built on a property that is one of the few large development sites left in Seattle.

"We've got so many people interested," said Craig Kinzer, CEO of Kinzer Real Estate Services of Seattle, which is developing the new laundry and selling the old site.

HCSA officials retained Kinzer Real Estate Services, McKinstry and other Seattle-area companies to help them put together the deal for a facility that backers say will be environmentally friendly, even though laundry will be shipped a couple dozen miles to Auburn instead of just across town to First Hill.

"We came in five years ago just to do a real estate deal, or so we thought," said Kinzer, whose company has stitched together some of Seattle's biggest real estate deals, including Safeco Field, the Bill & Melinda Gates Foundation and Starbucks' headquarters.

It took years of work and some financial razzle-dazzle to get the laundry project off the ground.



BUSINESS JOURNAL PHOTO | Marcus R. Donner

FIRST HILL FACILITY: The Hospital Central Services Association laundry building at 1300 E. Columbia St. near the Seattle University campus will be sold once the new facility is built.

"Let me just tell you, it was a real Rubik's Cube," Kinzer said, adding it was HCSA Director Paul Berger who kept the momentum going. Berger declined to comment for this story.

Tom Kasanders of Washington Federal, which provided financing for the laundry, said, "I would have to say it's one of the more complex transactions I have seen in my 40-year banking career."

The project required substantial collaboration among lenders, vendors and contractors. All of the HCSA hospitals, which are competitors except when it comes to laundry, needed to reach an agreement.

"In this case there were five CFOs that all had a seat at the table," Kasanders said.

The hospitals also wanted to use the existing facility as equity for the new laundry to reduce the amount of cash they would need to put in up front. But the new facility had to be up and running before the old one could be shut down and sold.

These and other factors required this "kind of this multiple lender situation," Kasanders said.

In addition to Washington Federal, the group that helped finance the laundry deal includes Standard Textile, a global company that is based in Cincinnati and provides linens to Seattle-area hospitals in the association, and McKinstry, which designed and built the new laundry's mechanical, electrical and plumbing systems. Kinzer also put money into

the planning and construction of the 146,000-square-foot Auburn facility.

Kasanders said Standard Textile and McKinstry supplied bridge financing to close the funding gap between when the old facility could be sold and the new one begins operating.

Having a textile company finance a project "is not common in our experience," Kasanders said. But considering HCSA and Standard Textile's long-term relationship, the textile company was willing to help with financing.

The only security behind the loan is the old and the new properties and the equipment. To help get the deal across the finish line, the hospitals pledged to use the facility, Kasanders said.

"That's key to us," he said. "That's how the income is generated to repay the loans."

Kasanders said when the new laundry opens this summer it will be "one of the most cost-effective operations in the country" due to reduced water and energy use.

Much of the cost savings will come from reducing the water usage by two-thirds. A traditional washer would use as many as three gallons of water per pound of linens. HCSA's new facility will use about one gallon per pound of linens, said mechanical engineer Michael Frank of McKinstry, which designed the new laundry's mechanical, electrical and plumbing systems.

In addition, 80 percent of the water is recycled in the facility after it passes through two screens and a "reverse osmosis filter," Frank said. During the process, the water retains most of its heat before it's returned to the washers. That's "a huge amount of water savings and gas heating savings," Frank said.

The average family of four in the United States can use 400 gallons of water every day, according to the Environmental Protection Agency's website. "Since our project is estimated to save 26.25 million gallons every year, that is equivalent to saving the annual water usage of 180 average houses," Frank said.

The new laundry also will capture heat from drying and pressing and other facility systems and send it back for use in the dryers.

Frank said the laundry will save the equivalent of 260,000 therms of natural gas per year. A typical household uses about 816 therms annually, according to Puget Sound Energy.

Frank said McKinstry negotiated a potential rebate for Puget Sound Energy of nearly \$141,250 for all the gas saving measures in the new laundry. Before getting the rebate, savings must be measured and verified during the first year of operations.

One drawback to the new location is its distance from the hospital.

Swedish Medical Center's main campus is only about five blocks from the current laundry but about 25 miles from Auburn. Kinzer said transportation is "a very small cost" of the operation and will be done during off hours. This will avoid hauling tons of clothes through stop-and-go traffic.

Plus, Kinzer said, locating in Auburn opens up the possibility of bringing other hospitals into the Hospital Central Services Association and its new laundry. The facility is expected to process 28 million pounds of laundry in the first year, but the new laundry's ultimate annual capacity is 66 million pounds.

STILES@BIZJOURNALS.COM | 206.876.5406