

BUSINESS

Children's puts clever deal together with experts' help

Seattle Times business staff

Some big guns in the local real-estate and construction business quietly volunteered for more than a year to devise a plan that has now yielded a money-saving — and potentially lucrative — renovation deal for an empty, half-century-old downtown building owned by Seattle Children's.

Several key players aren't talking, perhaps because the 10-year-lease deal involves a tenant widely thought to be Amazon, the notoriously tight-lipped real-estate juggernaut.

But the behind-the-scenes team — including real-estate dealmaker Craig Kinzer, architecture firm NBBJ, general contractor Lease Crutcher Lewis and building-systems consultancy McKinstry — is credited with devising a plan that should eventually add at least \$100 million in value to the building, without draining the wallet of the hospital and research nonprofit.

The dilapidated former Qwest building was acquired for \$35.9 million by Seattle Children's with Kinzer's help in December 2007, as the nonprofit assembled space for a future research campus on two city blocks in Denny Triangle. But in the short term the building was a costly liability.

"We were really stuck between a rock and a hard place with our exceptional growth in research, coupled with lack of space and funding," said Dr. Tom Hansen, CEO of Seattle Children's, in a case study posted on Kinzer Real Estate's website. "Kinzer again pulled a 'rabbit out of the hat' to solve our problem."

The star real-estate broker, who declined to comment, is known for putting together creative deals: His firm helped the Bill & Melinda Gates

Foundation land a new campus next to Seattle Center that simultaneously gave the city a parking garage. Before that, Kinzer Real Estate negotiated the deal that put Starbucks' world headquarters inside the old Sears building in Sodo.

Right about the time Amazon announced it was buying its 11-building South Lake Union campus from Seattle developer Vulcan for almost \$1.2 billion, Kinzer real estate president Shelley Gill had an inspiration.

Gill realized signing a big tenant like that could pay for Seattle Children's to rent temporary space and for upgrades to its rundown asset. At the end of 10 years, Seattle Children's would get back a premium 263,000-square-foot office building — which, based on recent office sales in South Lake Union, will be worth upward of \$200 million when the modernization project is completed early next year.

But first Kinzer had to prove the building, erected in 1953, could compete with shinier, newer ones.

Kinzer recruited McKinstry, NBBJ and Lease Crutcher Lewis.

"Kinzer was trying to see if he could unlock a gem here for Children's," said Dean Allen, McKinstry's CEO, who also serves on the board of Seattle Children's hospital. "Since it was such a longshot, he came to McKinstry and knew we'd be willing to work on it speculatively."

The team spent more than a year testing different ideas for how to make 1915 Terry — referred to in one document as the "Andes building" — pencil out financially for Seattle Children's and attractive to a tenant. At one point, McKinstry had 10 people working on the project.

Seattle Children's downtown land

Nearly two blocks, including 1915 Terry.



THE SEATTLE TIMES

The firms didn't charge Seattle Children's for the feasibility study, donating more than \$1 million in services, according to the case study.

"We love Seattle Children's," Allen said in an interview. "We didn't know it was going to be a good idea, but if it was good idea and it worked, it could have a really big impact for Children's."

Ultimately, redeveloping 1915 Terry proved a better option than tearing it down.

"The most sustainable construction is often reusing and repurposing something that's already there instead of spending energy to fill landfills," Allen said. "There's also the speed of turning this into a productive asset for Children's."

Other real-estate brokers praised the deal.

"It's a huge win for Children's, and

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it's also a win for Amazon because they're able to get space" in the near term, in what's become a tight office market, said Brian Hayden, a principal at Seattle real-estate brokerage Flinn Ferguson, which was not involved in the lease.

Amazon, which has signed leases this summer for more than 800,000 square feet of Seattle office space, does not comment on its real-estate deals.

In front of the 1915 Terry building, cement trucks were busy last week. City permits show at least \$20 million is being invested in the project. According to the Kinzer case study, the tenant is contributing "significant capital" toward the redevelopment.

All floors are being redone. New plumbing, mechanical and electrical systems are being installed. The sidewalk at the entryway will have planters and bike racks before the tenant's lease begins in May.

"Craig Kinzer is a magician, and a brilliant one at that," said McKinstry's Allen. "He's good at conceptualizing these innovative solutions. We were honored to be able to throw in our expertise and figure out a way make it happen."