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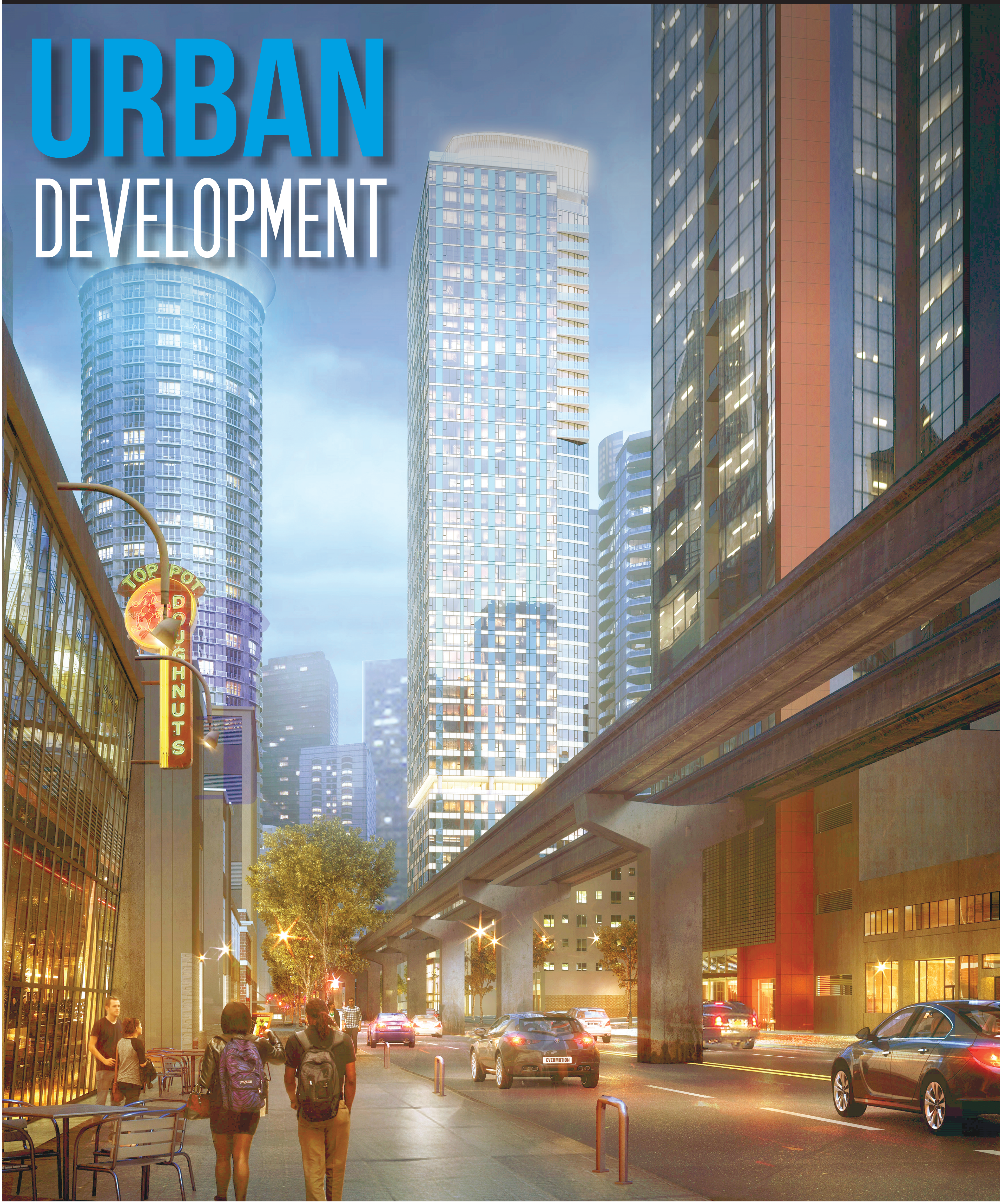
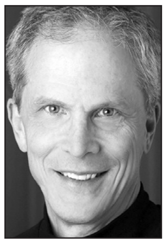
URBAN DEVELOPMENT



BUILDING A NEW URBAN FABRIC ALONG PIKE-PINE

Improving downtown Seattle's public realm starts with a better walking and cycling experience.

BY HEIDI BULLINGA & BRIAN MCCARTER
ZGF ARCHITECTS

Amid the ongoing construction frenzy of Seattle, the city also has its own plans for reclaiming the waterfront and upgrading its transportation network to meet the changing needs of its citizens.

For the new waterfront to be successful as a public space, secure connections extending into the neighborhoods will have to be forged for walkers, bikers, wheelchairs, hoverboards, kick scooters and strollers. With fixed rights of way in the downtown core, the transportation network will have to accommodate more people in the same amount of street width.

The first phase of improvements, called "Pike Pine Renaissance: Act One," aims to do both by making investments in the streetscape along Pike and Pine streets up to Capitol Hill.

Because of Pike and Pine streets' gentler topography and the location of iconic destinations along them (Pike Place Market, Westlake Park, the retail core including Nordstrom, Washington State Convention Center and Melrose Market), this corridor has long served as the dominant east-west connection to Capitol Hill and the neighborhoods beyond.

Though cruising downhill at the speed of traffic during the morning rush hour can be thrilling for some, the fragmented and sometimes daunting experience for the average walker or less-confident bicyclist — forced to cross lanes of traffic — prevents many from enjoying an active way of using the corridor.

Enlivening the walk

In recent years, employment growth and an influx of new residents have resulted in downtown streets teeming with pedestrians and bicyclists. Seattle's population has grown by 21 percent since 2006, according to a Seattle Department of Transportation report released last year. Yet during the same period, vehicle-miles driven fell by more than 3 percent.

With residents shifting their trip choices to transit, walking, biking and carpooling, 95 percent of new trips created by the city's 45,000 new workers were absorbed without adding cars to the road.

With more people relying on Seattle's downtown streets for mobility, the impetus for vibrant, inviting and safe experiences for people on foot has never been greater. For us as urban designers, the mission is simple: to make Pike and Pine consistently great public realms.

Back in 2014, the Downtown Seattle Association with GGN opened the gates to potential transformations of the Pike-Pine corridor with a series of recommendations to enliven the pedestrian experience. Since then, the Office of the Waterfront and ZGF Architects have been tasked with developing priorities for a streetscape improvement project and building consensus with overlapping projects.

The convention center expansion, One Center City and its coordinated effort to implement Center City Bicycle Network, the First Avenue streetcar, and ongoing investments in private property, will all impact Pike and Pike streets, and if coordinated well, could magnify the catalytic potential of the streetscape project.

An initial analysis was followed by feedback from a property owner and business owner advisory group (the Sounding Board) and two community public open houses. With this advice, the design team arrived at the idea of focus areas to make transformational changes and repetitive elements for the entire corridor to provide continuity and improve the experience.

A new urban fabric

At the east end, the Interstate 5 bridges, seen as a barrier by many, will be modified with more sidewalk space and dedicated bike lanes. The confluence of potential I-5 bridge improvements, the convention center expansion and its public benefits package, and the objectives of the One Center City Bike Network, led to the possibility of extending the one-way couplet of Pike and Pine farther east so that circulation can be simplified and more space can be attained for safer and pleasant sidewalks and bike lanes.

At the west end, the pedestrian-dominated zones of Pike Place Market and the scramble at First Avenue and Pike Street will be extended up to Second Avenue as a shared street. The energy of Pike Place Market already spills over the curbs with pedestrian activity at First and Pike. The arrival of the streetcar and addition of new hotels will only add more people to that block, confirming the need for a pedestrian-emphasis space.

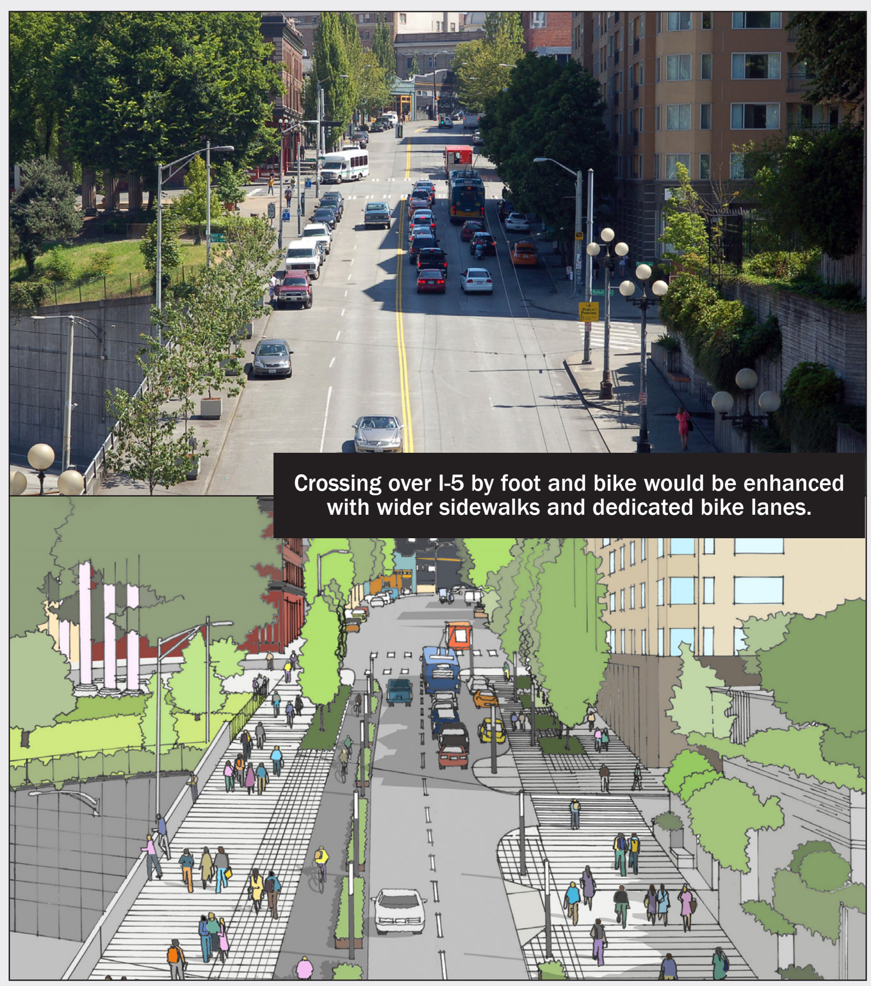
Over the whole 23 blocks, elements of continuity, such as two-globe light fixtures, planted buffers for bike lanes, and enhanced paving at crossings will provide a consistently improved experience and a message that Pike and Pine are special corridors.

Construction of these Pike Pine Renaissance: Act One public realm improvements could begin in 2020. This effort by the city to improve the walking and cycling experience and add more open space will breathe new life into our streets, complement the investments in transit infrastructure, and perhaps entice more people into a choosing a healthier way of getting to and from work every day.

Heidi Bullinga and Brian McCarter are urban designers with ZGF Architects, part of the design team working with the city of Seattle, Waterfront Seattle and the Downtown Seattle Association to develop a conceptual design plan to enhance the streetscape on Pike and Pine streets between First and Fourth avenues.

Pike Street would be reconfigured as a shared street between Pike Place Market and Second Avenue.

IMAGES FROM ZGF ARCHITECTS

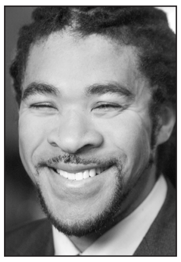


Crossing over I-5 by foot and bike would be enhanced with wider sidewalks and dedicated bike lanes.

IMAGES FROM ZGF ARCHITECTS

A BALANCING ACT: DEVELOPMENT, TRANSPORTATION, PLACE MAKING

As our cities grow, the challenge is to build denser and equitable cityscapes while driving down the carbon footprint.



BY RICO QUIRINDONGO
DLR GROUP

Today's market looks and feels a lot like it did in 2007. Developers are now looking more conservatively at investment opportunities. Companies are rushing to get work out of the ground because of escalating costs. The city is up-zoning neighborhoods to try to manage a need for increased density in a downtown core that continues to grow. The mayor's office, City Council, and the Office of Planning and Community Development seek to incentivize development in neighborhoods while balancing the financial burden required of the development community through the Mandatory Housing Affordability policy.

Add to the challenge a flooded construction market, where material costs continue to soar, and skilled labor is difficult to find.

These dueling tensions give rise to questions. How does the city maximize opportunities for developers and city infrastructure for making great city spaces at a time when the construction industry feels pressured to build faster and cheaper?

Seattle's population growth, as well as its millions of visitors, confirms this is a much-desired place to live, work and play. We need to continue to attract people while retaining commerce and corporate headquarters here. Yet this tension, due to challenges in transportation and cost of living, lessen the desirability factor.

As the city invests in roads, infrastructure and parks, it must also leverage developer incentives to make better spaces for people. So how does the city continue to support development while asking the development community to give back to the public in tangible ways?

A case in point: One Center City is trying to address transportation issues at a local, state and regional level. With the help of the Downtown Seattle Association and the mayor's office, they have brought all the right players to the table. However, the challenge is how to unify the agendas and scales of three different organizations: Seattle Department of Transportation,

BALANCING ACT — PAGE 10

Staff from DLR Group recently held a community meeting on the renovation of Seattle Center Arena.

PHOTO BY TREVOR DYKSTRA

INSIDE

ON THE COVER

Douglaston Development is building a 47-story tower at Fifth and Virginia in Seattle. Turn to page 4 to see how the project could affect the neighborhood. IMAGE FROM DOUGLASTON DEVELOPMENT

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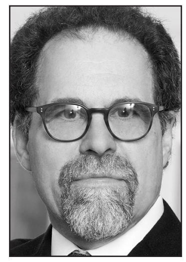
SEATTLE RETOOLS FOR THE FUTURE AT FIFTH AND VIRGINIA

A 500-foot-tall tower planned for the site will provide a shared urban experience more common to older U.S. cities.

5th & Virginia, a 47-story tower, will have a public rooftop restaurant and bar.

IMAGE FROM DOUGLASTON DEVELOPMENT

Never before have cities across the country been the focus of so much population growth. People across age spectrums are increasingly moving downtown, opting instead to rent apartments that are closer to employment opportunities, nightlife and social amenities. Urban residents are attracted by convenience, too, looking to avoid long and miserable commutes often monopolizing their free time before and after a day of work.



BY MICHAEL KAYE
DOUGLASTON DEVELOPMENT

Today's downtown resident also wants to be part of the action and participate in the cultural exchange afforded by urban density and public-space development. A recent study by Victor Couture of UC-Berkeley and Jessie Handbury of the University of Pennsylvania supports this notion.

The urban-economics scholars discovered that a wide range of demographics, particularly recent college graduates, have a great fondness for downtown amenities — music venues, theaters, bars, restaurants, gyms and retail, to name just a few. These services are not new to downtowns, but now there is a more immediate need for the younger generation to live near them, a trend this study found will likely make urban revival more durable for generations to come.

City officials, businesses, arts institutions and real estate developers have been more than willing to accommodate this demand for engagement, largely through increasing urban density rather than encouraging sprawl. They are rethinking overlooked and underbuilt locations while maintaining existing downtown communities that provide eclectic lifestyle opportunities that have become so popular with today's urban dweller.

Our acquisition and redevelopment of the former Icon Grill site at the corner of Fifth Avenue and Virginia Street provides an example of how downtown Seattle is being reimagined and retooled for the future. While other areas of the city — notably South Lake Union, Belltown and Denny Triangle — have experienced significant changes in recent years, the strip along Fifth Avenue that sits in the shadow of the monorail has not been part of Seattle's spectacular growth and increasing global influence. That is, until now.

Douglaston Development's goal is to help transform this overlooked slice of the city into a lively, active, mixed-use neighborhood that is consistent with new development taking place in other areas downtown. Working with the Seattle-based office of global architecture firm Perkins + Will, we are building a 500-foot tower with 431 apartments, a 155-room boutique hotel, and numerous public spaces — including a street-level restaurant, retail shops, and a rooftop bar and restaurant that will bring light and activity to this part of Fifth Avenue.

The public realm elements of our project are critical, as they provide opportunities for an authentic cultural exchange among a diverse set of participants, including apartment residents, shoppers, hotel guests, bar and restaurant patrons and passers-by. They will share an urban experience that's been more common in older U.S. cities like New York, but one that will almost certainly reshape future mixed-use development in downtown Seattle.

Public-gathering spaces

Erik Mott and Brad Hinthorne, principals at Perkins + Will's Seattle studio, have been instrumental in bringing this public-realm concept to life at our 5th & Virginia project.

Mott states, "Seattle's downtown community continues to evolve through vertical infill development to meet the city's vision for a vibrant and active urban environment. Through this process, underutilized sites like Fifth and Virginia are being transformed with active retail, destination dining and entertainment, and opportunities for downtown living, while accommodating out-of-town guests in a boutique-hotel environment. These offerings are catalysts in the maturing of Seattle as a world-class place to live, work and play."

Douglaston Development, now celebrating its 40th anniversary under the direction of Chairman Jeffrey Levine, isn't new to ambitious development that helps to transform forlorn urban neighborhoods into bustling, high-energy mixed-use hubs. Several years


The Seattle project will mirror the mix of uses and collection of public-gathering spaces seen here in Douglaston's completed Brooklyn project called The Edge.

PHOTO BY ALEX SEVERIN

ago, we purchased a tired riverfront site in the Williamsburg area of Brooklyn. The property had long been home to a truck-parking facility surrounded by barbed-wire fencing that kept residents and visitors away from the waterfront.

There we built a new neighborhood with some 2,000 residential units, a spacious, family-friendly riverside park with recreational opportunities along the East River, parking for hundreds of vehicles, and more than 60,000 square feet of neighborhood retail.

This multi-phase project in Brooklyn is now complete, and it provides housing and amenities to condominium owners, market-rate renters and moderate-income families. While 5th & Virginia's residential offering will be limited to market-rate apartments, it will mirror the Williamsburg development's vibrant, active and transformative mix of uses, and its rich collection of public-gathering spaces.

Our Seattle project is in a critical area of downtown Seattle, providing a natural gathering point for residents and visitors at the "back door" to the city's retail core and historic Pike Place Market, which attracts some 10 million visitors each year.

The project also sits at the intersection of where Belltown, the Central Business District and South Lake Union meet, and where the street grid changes. Our goal is to kick-start the rethinking of Fifth Avenue, currently characterized, at least in part, by the monorail, parking garages and vacant lots. Our project will enliven and activate this area of downtown, and set the stage for future new development.

Seattle is a relatively young city, and it is evolving fast. Many areas of downtown have been revitalized over recent real estate cycles, while others are still in transition. As people continue to seek opportunities to live, work and enjoy downtown, it will be important for developers, city leaders and retailers to provide vibrant, mixed-use properties with dynamic public gathering spaces. Our planned high-rise in downtown Seattle is just a small part of this evolution.

Michael Kaye is CEO at New York-based Douglaston Development, which is building a mixed-use high-rise at the corner of Fifth and Virginia in Seattle.


Two restaurants will be on the ground floor of 5th & Virginia.

IMAGE FROM DOUGLASTON DEVELOPMENT

YESLER: A MODEL FOR INCLUSIVE URBAN DEVELOPMENT

Redevelopment of the neighborhood is a partnership between SHA, the city and private developers.

BY ADA M. HEALEY
VULCAN REAL ESTATE

Anyone who lives or works in Seattle is all too aware of the challenges that come with being America's fastest growing city. As our economy continues to boom, Seattle struggles with housing affordability, the homeless crisis and issues of inequality. How do we manage the challenges of success and ensure that our city remains inclusive and welcoming to people of all income levels and cultures?

There are no easy answers but clearly it will require partnerships between the public and private sector. One bright spot is the on-going redevelopment of Seattle's Yesler neighborhood — a partnership between the Seattle Housing Authority (SHA), the city of Seattle and private developers, including Vulcan Real Estate.

Located within walking distance of downtown, just east of Interstate 5, the 30 acres that encompass Yesler were developed in the early 1940s by SHA as the city's first publicly subsidized and racially integrated housing community. In 2006, when it had become evident that Yesler's infrastructure and 561 aging homes needed to be replaced, SHA worked with residents, surrounding neighbors, city officials, key partners and the citizens of Seattle to master plan the neighborhood into a transit-oriented community, intended to welcome people of all income levels and cultural identities.

SHA is replacing all original subsidized housing units with new mid-rise apartments as part of the reimagined Yesler, which will eventually have up to 1,100 additional low-income units. In total, almost 5,000 units of low-, mid- and market-rate housing will be built in the community — much of it by private developers who purchased parcels in Yesler. Proceeds from the land sales are being reinvested into major street, sewer and other needed infrastructure repairs and replacements.

In addition to building market-rate apartments at Yesler, private developers commit to keeping a portion of their apartments affordable to households whose incomes are less than the area median income (AMI) but above the level that qualifies for SHA low-income housing. The result is a truly mixed-income community with affordable homes for people across the entire income spectrum.

Vulcan has purchased three parcels and will invest $200 million in projects that, when fully built out, will provide more than 650 apartments including approximately 130 affordable homes. In addition to its agreement with SHA to provide housing affordable to households earning 80 percent of AMI, Vulcan is voluntarily expanding affordability at its Yesler projects to households earning 65 percent of AMI, through Seattle's Multifamily Property Tax Exemption program. Other developers including Mill Creek Residential and Lowe also have plans to build market-rate and affordable units at Yesler.

Batik, Vulcan's first apartment project in Yesler, will open in March and will offer 195 apartments including 39 affordable homes. Batik will be the first apartment development within the master planned Yesler community that offers a combination of market-rate and workforce housing.

An inclusive approach

In our experience, inclusive communities start with an inclusive approach to development. At Yesler, Vulcan met with existing residents and community groups before we designed our project. We set goals for apprenticeship utilization and subcontracting with women and minority business enterprises. We have exceeded these goals by working with the Seattle Vocational Institute, ANEW (Apprenticeship & Non-Traditional Employment for Women), Tabor 100 and NAMC of Washington (National Association of Minority Contractors).

In addition to providing housing and economic opportunities for people from multi-cultural and multi-income backgrounds, one of the collective goals for Yesler is to create an inclusive community — where people of different languages (more than 15 languages are spoken by residents in Yesler), incomes, cultures and ages feel welcome, respected and valued.

One of the ways we hope to achieve this goal is though the building design and amenities Vulcan has built into Batik that will offer opportunities for residents and the community to interact and learn from one another.

In an early design meeting with the community, Yesler residents said that they didn't want a fence separating the community. We took this comment to heart and designed the building with ground-level apartments that have neighborhood stoops, retail that spills out onto a generous plaza, and a community kitchen that connects to a pedestrian pathway.

The community kitchen would be an ideal space for residents to share pot-luck meals and pop-up dinners with neighbors, or learn how to partake in a traditional Ethiopian coffee ceremony. Some of these interactions will be spontaneous, some will be programmed, and while all activities will be optional, we think Yesler will attract like-minded people who want to feel connected to the neighborhood and the global world without literal or figurative fences coming between community members.

Although early leasing has just started, future residents come from different economic backgrounds and work in a variety of industries in Seattle including education, health, restaurant, retail and tech.

Like each of Vulcan's development projects, Batik will also feature artwork designed specifically for the site. Vulcan commissioned Seattle artist Saya Moriyasu, who created an 11-foot bronze figure of a woman that will be prominently installed along Yesler Way. The artist has named the figure "Maya," whom she says "guides, protects and cares for us." SHA is also building a strong arts and culture program throughout the neighborhood.

Yesler is more than just buildings. Many visitors to the neighborhood are surprised to find awe-inspiring views of Mount Rainier and a number of new public spaces and other improvements. These include the 1.8-acre central park that will be completed this summer, several additional pocket parks (including a dog park), the green street loop, and an acre of community gardening.

In addition, connectivity has been improved with the First Hill streetcar line that connects to light rail, the rebuilt Yesler Way Bridge connecting the neighborhood to Pioneer Square, and the Hill Climb that links pedestrians to Little Saigon and the International District.

As our region continues to densify, the public and private sectors will need to continue to work together to contribute toward an inclusive community where everyone can benefit from the economic growth of our city.

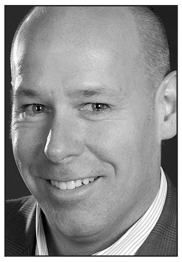
Ada M. Healey is vice president of real estate at Vulcan Inc.

Batik, Vulcan's first apartment project in Yesler, will open in March with 195 apartments including 39 affordable units.

PHOTO FROM VULCAN REAL ESTATE

WORKPLACE 2.0 FOR MILLENNIALS AND GEN Z

Creating an attractive and sustainable workplace is one of the best ways to secure and retain top talent.



BY KIP SPENCER
SECO DEVELOPMENT

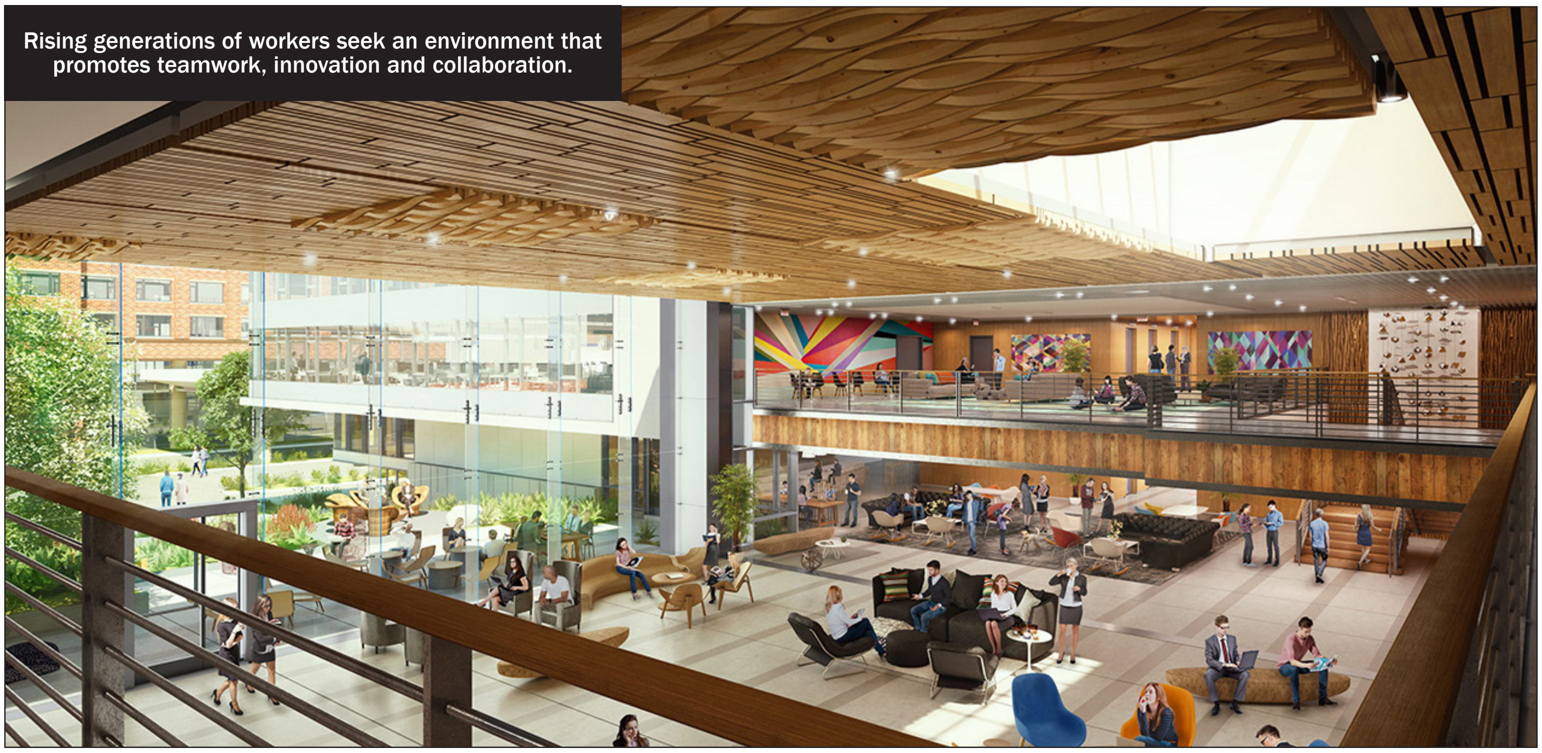
In the coming decades, artificial intelligence and automation are set to transform the way we work. At the same time, millennials are poised to make up half of the global workforce by the year 2020 and Generation Z is just beginning to make its mark — both generations represent the fresh talent employers are eager to attract.

Now is a critical time for those of us in the business of designing, developing, leasing and managing office space to consider the way we will work and use this space in the future. Technological and social changes spurred by these innovations and generational shifts will redefine workplace norms and employee expectations.

These changes demand a reimagination of the physical work environment.

However, it is equally important that companies also consider employees' overall workplace experience. From what studies have shown thus far, we recognize that the rising generations of workers seek an environment that promotes teamwork, innovation and collaboration — in a desirable setting — with cutting-edge systems and infrastructure.

Flexible workspaces, trailblazing technology, access to alternative transportation, proximity to the outdoors, and activities that help balance personal and professional demands are some of the elements the next generation is expected to look for in a work environment. The extent to which such factors are considered in workplace design will most definitely contribute to the attraction and retention of top talent.



Rising generations of workers seek an environment that promotes teamwork, innovation and collaboration.

IMAGES BY STUDIO 216

Preference should be given to locations that connect with nature and offer easy access to open, green or recreational spaces.

Innovative, engaging spaces

According to CBRE's 2016 report, "Millennials: Myths and Realities," a survey of 13,000 millennials worldwide by Ipsos found that 33 percent of millennial workers prefer collaborative workplace environments. Because of this, creating an office with flexible spaces to accommodate groups large or small, and promote collaboration or individual efficiency depending on the task at hand is essential for future workplaces. Additionally, large, operable windows, functional terraces and even outdoor meeting spaces that allow for customization to group size and working preferences could be seen as particularly attractive.

Health and wellness

Amenities tailored toward the active healthy lifestyle movement are increasingly being offered at top companies, and are more commonly a deciding factor in attracting talent. With the growing demands of various jobs and a blurring of the line between work and personal life, the chronic sources of stress for workers and their serious health effects often lead to fatigue, diminished productivity and work dissatisfaction.

Those of us designing, developing, leasing and managing space have the power to directly combat these issues by building health and wellness amenities into workplaces.

Today, we spend roughly half of our waking hours working. We should look to create spaces that are more than just an area for conducting business — they should be places that contribute to our well-being. Preference should be given to locations that connect with nature and offer easy access to open, green or recreational spaces. In doing so, we present an opportunity to enhance employee engagement, retention and productivity — while also gaining a potential competitive advantage.

Technology, connectivity

More than any previous workforce, today's employees are hyper-connected, thanks to advanced collaboration tools, enhanced social networking and use of mobile technology. Next-gen infrastructure such as fiber networks supporting 100-gigabit data speeds for cutting-edge applications like 4k and 8k video conferencing or virtual reality and augmented reality — onetime extraneous technologies — are now poised to change the way people interact.

Transportation options

While many of us expected to have flying cars by now, a future of fully autonomous vehicles is within view and set to fundamentally reshape where we live and how we commute. Even still, access to a wide range of transportation options, such as light rail, heavy rail, bus, bike and even water taxis, can help attract younger employees that are more likely to use a rideshare service than they are to own a car.

Moreover, that same Ipsos study for CBRE found half of millennials are only willing to tolerate a 30-minute commute, and prefer a workplace and office location that can accommodate that need. Rather than living in a more affordable suburb and battling gridlock in traffic-laden cities, the well-connected "urban suburbs" provide the best of both worlds.

The rise of urban suburbs

While much has been said about millennials' desire to live and work downtown, there's still a lot we don't know about the future preferences of Gen Z workers. This generation of workers is just now beginning to enter the workforce with aplomb.

What we do know is that some of the largest and most successful companies are doubling down on suburban campus developments that look a lot more urban. For example, Microsoft is redeveloping the original core

WORKPLACE — PAGE 11

Successful urban mixed-use developments transition thoughtfully from pedestrian to car.

IMAGES BY B+H ARCHITECTS

REIMAGINING THE URBAN EDGE ALONG AURORA

Desirable, replicable neighborhoods can be created along Seattle's critical transit arteries.

BY EVA TALBOT
B+H ARCHITECTS

At a time when the Puget Sound region is welcoming over 1,000 new residents every week, finding a home and winning the bid to purchase it, in a neighborhood where everyone else is competing to find space, is like looking for a needle in a haystack.

With water on one side and mountains on the other, developable land in and around Seattle is a finite resource, which means we need to rethink how we are using the land we do have. It's time we stop neglecting swathes of prime real estate with eye-popping views simply because we cannot imagine they could ever be anything other than what they already are.

Oftentimes, the problem is not the location of the real estate that makes it undesirable, but the planning model itself.

The current zone-based model creates inanimate blocks with buffered, siloed uses and harsh edges. Where one use stops, the next begins, lacking a natural flow. In the built environment, separation is an artificial construct. In living systems, the boundaries are where the magic happens — when nature finds an abused, dying edge, it quickly moves to soften and reclaim it.

This is our opportunity.

As architects and designers, if we reject the tactical (zoning) approach and embrace a strategic (living) approach, we can soften neglected areas of real estate ("the edge") and catalyze the emergence of vibrant neighborhoods along our unkempt automobile-focused arterials. A strategic approach blends quantitative data with qualitative data to create a sustainable economic model for successful development.

What comes to mind when you think of Aurora Avenue North? Used car sales lots? Dilapidated motels? Big Box retailers on islands of asphalt parking? Or perhaps you recall the blocks of new senior apartments or the Asian food market or the trek you always make to the craft store? Whatever your association, it is almost certainly not an image of green laneways, landscaped sidewalks, beautiful views, bustling hubs of retail or pedestrian activity.

However, there is no reason why these things cannot exist along one of our city's major transit corridors, especially one that happens to have spectacular views. Implementing a deliberate approach that explores the highest and best use of sites along the corridor could breathe life back into the Aurora spine, helping it to become a more desirable community where people want to live, work and visit.

We propose a six-step strategic process that blends quantitative (historic) data with qualitative (insightful) data to create a sustainable economic model for successful development

1. Begin with the people

A successful approach to rethinking development needs to start not with the real estate, but with the people. Redirect the focus on natural gathering points such as transit areas, pedestrian bridges and main cross streets.

To encourage new development along corridors and attract business, it is important to fully understand how people will arrive and move around the area now and in the future.

2. Analyze the data

Next, it's important to analyze the area's existing assets like views, proximity to transit and established neighborhoods, and ease of access to downtown. This initial assessment would consider current needs of the area such as food and beverage options, community centers and small business-focused office space.

After identifying current needs, extrapolating what the area may need or desire in the future is key.

3. Paint the vision

To gather qualitative insight and create a vision for the future, it's important to engage neighbors and other stakeholders in the community to imagine how the neighborhood could look and feel if it was softened and reclaimed.

Along Aurora, this might entail creating pocket parks and informal gathering spaces between the buildings, widening sidewalks, using landscaping and

AURORA — PAGE 10

AURORA

CONTINUED FROM PAGE 9

public art to buffer pedestrians from cars, establishing protected bike lanes, installing weather-protected transit stops, improving alleys as pedestrian-focused laneways and even incorporating layout flexibility to building entrances by positioning them off the main street to address current security concerns while still providing main street access in anticipation of future improvements along the corridor.

4. Open the door to the future
When reimagining a neglected corridor, it is important to consider flexibility to easily accommodate future needs. For example, a future bus stop along Aurora could look radically different than today, with a cozy cafe, Amazon lockers, dry cleaning services and a grab-and-go grocery. Flexibility for growth and change is vital.

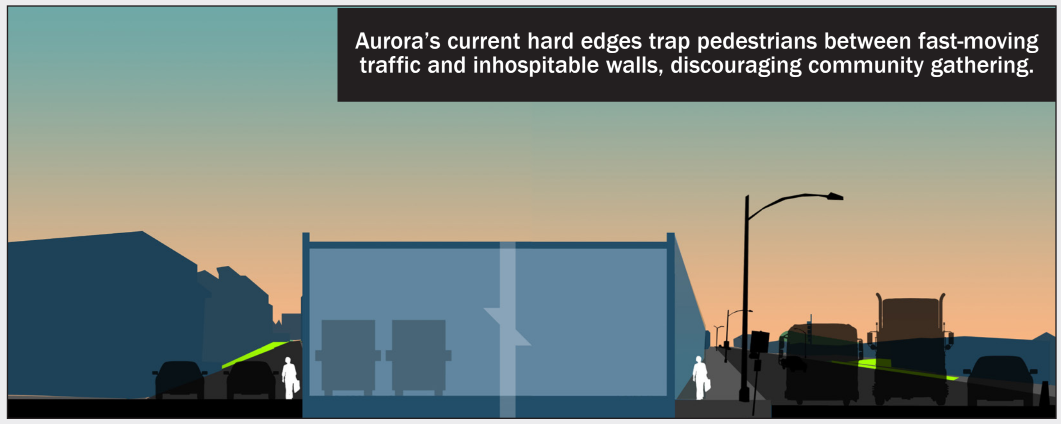
5. Create a sense of place
Streets parallel to main vehicular arteries hold an abundance of opportunity. These streets can transform into active laneways that enhance pedestrian access from interior streets to the main thoroughfare and encourage informal gatherings. These laneways create possibilities for thoughtfully designed pocket parks, neighborhood cafes and restaurants, active community centers, and lively outdoor markets.

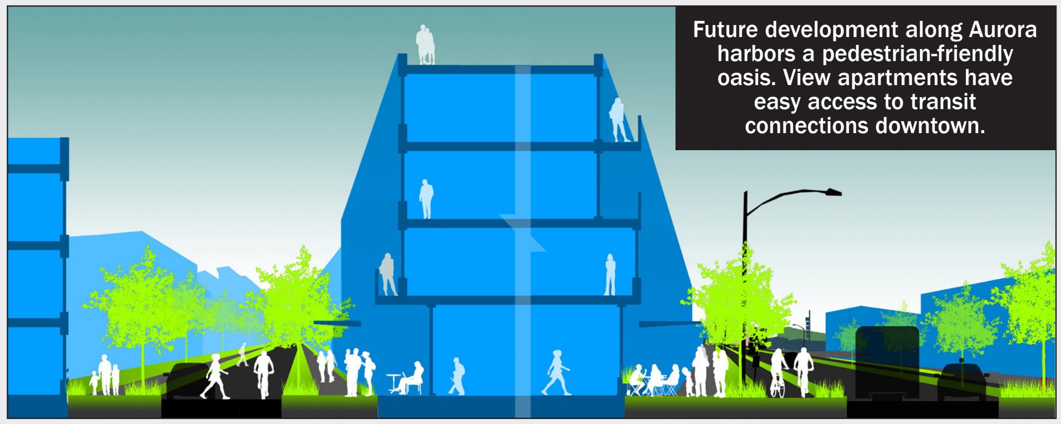
6. Make it possible
Change on this scale is hard, but not impossible. We recognize the importance of engaging with major land owners as well as small-scale tenants. As catalysts for change, small-scale tenants tend to be more willing to try innovative approaches and take manageable risks. Change of this kind would require trust and rapport among the community to enhance Aurora's urban experience — and a shared vision can be a powerful force for change.

Additionally, encouraging the city to offer permitting incentives for affordable housing development and fast-tracking those permits could save developers hundreds of thousands of dollars and encourage build-out of desperately needed housing. This would ensure the seeds of the community are sown into the fabric of the development.

On an urban scale we are adept at creating community. For a mixed-use podium in the city of Bellevue, currently in design, we began by identifying existing market offerings, what was missing and what people were craving. From analysis and insight, we wove a narrative linking a series of needs and desired experiences, drawing people through the space and giving them reason to linger. The desired user experience informed consideration of the edge as we gently transitioned the development from bustling pedestrian activity to city street, breaking down speed and scale with layers of landscaping, sheltered seating and art.

There is no reason why the process cannot be equally effective in reverse.





IMAGES BY B+H ARCHITECTS

As we have learned, the most successful developments are technically possible, economically feasible, politically acceptable and socially desirable. Our "reimagining the urban edge" approach for Aurora and similar corridors checks these boxes and has the potential to trigger the transformation of some of Seattle's most underutilized assets, giving them a sense of place and fostering the spirit of community that is the hallmark of Seattle's most desirable neighborhoods.

Eva Talbot is senior project designer, architect and strategist at B+H Advance Strategy in Seattle. She is steering South Lake Union's first Mandatory Housing Affordability project through permitting and has assisted in developing rezoning codes for many Seattle neighborhoods.

BALANCING ACT

CONTINUED FROM PAGE 3

King County Metro and Sound Transit.

As it turns out, it is an onerous task to get these agencies to find commonality when they are each trying to solve very different scales of investment and have very different customer bases and decision-making bodies.

Another challenge is the pressure to design for today's immediate needs while still planning and providing an adequate foundation for growth and future changes in technology and infrastructure that are difficult to forecast. How do we manage the design conversation between immediate development opportunities and future needs that we are trying to project?

Powerful place making

The city strives to be thoughtful about development opportunities and creating great spaces in the downtown core within this set of competing challenges. How does the design community, and the city as an authorizing agency, manage that tension at both a neighborhood scale and a civic scale for gathering spaces like Pike Place Market and Seattle Center that not only serve a local community, but an international tourist market as well?

Today, the city continues to consolidate facilities at the Seattle Municipal Tower, and King County is poised to begin a large civic center master planning effort. How do design and planning of these civic campuses affect urban fabric and all that occurs between 8 a.m. and 5 p.m. in the core? And how do we address these agendas as the city tries to drive down its carbon footprint and create a climate-friendly Seattle?

The answer to these questions must ultimately consider the power of place making in urban settings. We must raise the frequency and level of discourse and engage the entire community of investors, developers, businesses and residents in a conversation around how equitable development will serve a broad base of stakeholders and make for successful private development.

Understanding the meaning of place making in contemporary culture and contemplating how meaningful spaces serve the public good always requires a diverse dialogue, both formal and informal. This conversation is vital to the future development of all urban cityscapes if we are to be good stewards of great places, whether it be a grand downtown plaza or humble neighborhood park.

Great civic places and urban spaces share these four key attributes:

- They are accessible through a variety of public transportation modes reaching a diverse group of citizens, connecting to multiple prime locations and venues.
- They are walkable, sit-able, attractive, safe, comfortable and clean. Municipal entities manage this by tracking data based on local measures of excellence.
- They serve as a destination where people like to gather again and again for social connection, volunteerism, cooperative events, street life and healthy living.
- They celebrate unique identity through use of open space, culture, architecture, art, commerce, wayfinding and other elements to create a sense of belonging and community stewardship within a city, neighborhood or region.

Whether the Seattle Waterfront, Westlake Center or Occidental Park, the need to invest in civic infrastructure and place making is clear. As our cities continue to grow, the challenge becomes one of balance to build denser and equitable cityscapes while also driving down the carbon footprint. And we attain this balance by continuing to meet the human need for thoughtful and memorable spaces where communities are encouraged and invited to live active, healthy and vibrant lives.

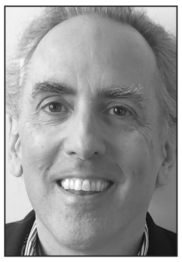
This is an ongoing public-private partnership, where we must constantly challenge ourselves to leverage private investment opportunities and investment of public infrastructure projects. It calls for proper planning, earnest community engagement and true collaboration of the development community alongside those driving public projects.

The value of these investments leads to a more meaningful sense of place and to growth of communities that balance the needs of all their citizens, regardless of color, creed or income level. Easy, right?

Rico Quirindongo, AIA, is an architect at DLR Group. He has served on two city committees: One Center City Advisory Group and Key Arena Advisory Group, both focusing on community development, density and transportation issues.

WE NEED TO TACKLE OUR TOP PUBLIC SAFETY CONCERN: URM BUILDINGS

One solution uses private financing to retrofit old unreinforced brick and masonry buildings.



BY PETER A. NITZE
NITZE-STAGEN & CO.

As Seattle matures, it faces a growing list of social and structural challenges, ranging from a shortage of affordable housing to an overburdened transportation infrastructure to a large and increasing homeless population. To its credit, the city has acknowledged these challenges, and in recent years we have collectively acted to address several of them.

Regarding the housing crisis, the city adopted the Housing Affordability and Livability Agenda "grand bargain," then enacted Mandatory Housing Affordability. With transportation, we invested approximately $3.2 billion to replace the aging Alaskan Way Viaduct with a tunnel, opening access to the waterfront, and the electorate voted to spend $54 billion to expand public transport through the Sound Transit 3 initiative. With homelessness, the city has sought to implement multiple remedies, including sanctioned encampments on public and private property.

While we have taken steps to meet these challenges, there remains a critical unaddressed need that the city cannot afford to ignore any longer: we must begin the process of upgrading the unreinforced masonry (URM) structures in our region.

A city inventory completed last year identified over 1,100 URM structures (representing approximately 26.2 million square feet of gross floor area), which are typically multiple-story brick buildings found predominately in the oldest neighborhoods and commercial centers, such as Pioneer Square, Chinatown/International District and the University District.

In the past 70 years, Seattle has experienced three significant earthquakes, and when (not if) the next one hits, these seismically vulnerable buildings are likely to suffer substantial damage with catastrophic consequences. These include, most seriously, personal injury and loss of life, but also a significant reduction in available housing, disruption to local small businesses, and damage to the city's rich historical heritage.

To illustrate the potential impact, over a third of the 1,100 URM structures are considered historic, and URM structures house approximately 2,300 affordable housing units. These threats are exacerbated by the fact that URM structures tend to be located disproportionately in communities of color and economically disadvantaged neighborhoods. Make no mistake, our URM problem is a major public safety problem.

Festering problem

The city has known about our URM crisis for decades. In the 1970s, the Seattle City Council approved a number of ordinances requiring upgrades to URM buildings, but they were all repealed due to the financial burden on property owners. Ten years ago, it formed technical and policy advisory committees to explore the issue, and in 2010 the technical committee issued a set of guidelines for seismic upgrades known as "Bolts Plus" — guidelines that have not changed materially since then.

Between early 2012 and late last year, the policy committee met 15 times, ultimately recommending that the City Council approve a mandatory program for implementing the upgrades the technical committee defined. But no legislation has been passed.

As in the '70s, the substantial cost and lack of practical financing options have deterred action. Estimates of the cost per square foot to retrofit a typical URM structure range from $40 to $60, totaling up to $1.5 billion for all URM buildings in Seattle. Without some subsidy, the cost to seismically retrofit a URM structure will be prohibitively expensive for most owners.

As we have found ways to finance critical projects before, we must begin a dialogue on how to realistically finance these seismic retrofits before a disaster occurs.

If public funds are not readily available, the city should explore creative mechanisms and funding sources to help ease the burden on URM property owners and residents. After all, what do we gain by investing in Mandatory Housing Affordability and city-sanctioned encampments when a single earthquake could eliminate a substantial portion of our affordable housing supply and add to our homeless population, while damaging or destroying a significant number of our historic buildings and landmarks?

Expedient, practical solution

To kick-start the conversation, we propose that to provide real financial incentives for property owners to seismically retrofit their URM structures, the city should allow property owners to sell URM retrofit credits (akin to transferable development rights) to purchasers throughout the city.

Such purchasers would use the URM retrofit credits to obtain increased density or height on their development projects, similar to traditional incentive zoning programs. In exchange, the URM structure owner would be required to use the sales proceeds to complete the seismic retrofit.

A city-sanctioned organization could hold the sales proceeds in trust, certify the seismic retrofits and reimburse the URM property owner up to the amount of URM retrofit credits sold. Excess proceeds held in trust could help finance the seismic retrofits in buildings meant for public use.

The city could apply several mechanisms to ensure that the program is sufficiently simple and pragmatic to maximize the number of seismic retrofits it funds. To promote transactions, URM retrofit credits would be purchased and sold throughout the entire city — not just specific zoning jurisdictions that typically apply to transferable development rights programs.

From a timing perspective, the city could incentivize owners of URM structures to sell their retrofit credits within a defined sales period, say 10 years after enactment of the enabling ordinance. Once the sales period expires, owners would be required to self-finance the retrofit.

And from a supply standpoint, there is a finite number of URM retrofit credits and selling participants in the marketplace. This means that there is a limited and known amount of additional density (or height) that may be purchased for new projects, mitigating concerns over the unintended consequences of overdevelopment.

Private funding, public good

In addition to offering a practical solution to a public safety problem, the URM retrofit credit program serves many other competing interests:

- It promotes the continued use of affordable housing in URM buildings (because financing would be available, owners are less incentivized to increase rents to finance the retrofit).
- It protects vulnerable populations who are disparately impacted by the location of URM structures.
- It preserves our historic structures.
- It promotes greater density within the city.
- It costs the taxpayer nothing — all retrofits are privately financed to address a public concern.

This is a program that we can all get behind. It has the potential to play a major role in solving our pending crisis. All it would take is a thoughtful revision to the Seattle Municipal Code and the political will to draft and pass the necessary legislation.

More to the point, the program would provide a long-overdue solution to a pending public safety crisis that the city and its at-risk communities can no longer afford to ignore. Let's discuss.

This article was written in collaboration with Bradley Padden of Anew Apartments and real estate attorneys Joe Stockton and Larry Costich of Schwabe, Williamson & Wyatt.

WORKPLACE

CONTINUED FROM PAGE 8

of its 78-acre Redmond office campus. The tech giant estimates the 3 million-square-foot development will take roughly three years and cost a whopping $3 billion. But, they cite the connectedness of the campus with easy access to downtown Seattle and surrounding areas as attractive for their employees.

In Silicon Valley — home to the likes of Apple, Google and Facebook — people are flocking to nearby suburbs for relative affordability and more manageable commutes. Nine of Redfin's 2018 Top Ten Hottest Neighborhoods are in San Jose, California. With features like easy commutes, farmer's markets and proximity to parks or the beach, San Jose and other Silicon Valley communities represent the characteristics we value when searching for a place to live.

Companies are listening to their employees while also studying the next generation of workers. In turn, they want to locate their offices in an environment where employees can afford to live, while also having access to incredible technology and myriad health and wellness amenities. Companies are wise to consider this when creating new office spaces if they want to future proof their investment and foster an environment where talent can thrive and feel engaged.

Creating an attractive and sustainable workplace that looks more like the future than the past is one of the most meaningful things organizations can do to secure and retain top talent. These key details were given thorough attention and careful consideration by Seco Development and ZGF Architects in creating the Southport Office Campus.

By focusing on Southport's strategic location and integrating modern and beneficial amenities into the rising mixed-use, urban lifestyle community, we are fixated on creating a unique workplace of the future on the shores of Lake Washington.

Kip Spencer, a 28-year veteran of the commercial real estate industry, is the director of leasing and marketing at Seco Development. Seco has owned land for over 35 years in Seattle, Bellevue, Kirkland and Renton.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MORATORIUM HAS BAINBRIDGE PROJECTS AT A STANDSTILL

No one really understands it or how it will resolve within the next six months.

BY MATTHEW COATES
COATES DESIGN ARCHITECTS

Like many areas in the Pacific Northwest, Bainbridge Island is experiencing a dramatic increase in development. However, unlike some jurisdictions that continue to tread along under long-stated rules, the City Council of Bainbridge Island recently instituted an immediate six-month moratorium on development.

What has ruffled feathers about this development moratorium is not only that it puts a halt on many large-scale projects in the works but that it was done without warning, zero community input and, as apparent to most, without any real plan for resolution.

Bold to say the least!

As one of the architects whose business is directly affected by this pause in development, I can clearly see both sides of this issue. As I understand it, the main cause for this crisis is concern and protection for the water quality of our local aquifers. But admittedly this is a rather intangible motivation. I think we can all share concern over the quality of our water, but in actuality the root cause is an overabundance of impervious surfaces and indiscriminate clear cutting of land.

Even as an architect, dependent on construction to earn a livelihood, I get a sinking feeling in my gut whenever I see the next subdivision of property cut and scraped clean so that placeless houses can be planted wherever. It's hard to feel good about such disregard for our island where the land area is finite and precious. But indeed, and up to this point, the development codes on Bainbridge Island have allowed it. And this is perhaps the central purpose of the ban on development: to pause and reconsider the consequences of current planning codes. I get it and I genuinely support the intent.

What I don't get is how this will be done efficiently and effectively. It is concerning whenever a government body pushes the limits of its authority and suddenly alters the severity of its policies without any input from its constituents and without any clear or thoughtful plan to manage its consequences.

This is no exception. There are already many who are challenging the legality of this ban and for good reason. From the outside it appears that the council took this bold step without any real plan in sight. While the goals behind it are commendable and understandable, its execution and resolution seem totally up in the air. Does this affect single-family houses? What parts of the code are being reviewed for changes? How will these changes be discussed and implemented? When will this happen? What if six months comes and goes and there is no resolution? What if…? The list of questions goes on and on.

When pressed for answers, city staff are as confused as we are — and I don't blame them. There are no answers.

Just last week there was a public meeting on the matter. Well over 100 people packed the chamber and more than 30 people spoke out about this moratorium, some with passion.

From my perspective there was about an equal number of people on either side of the argument, but one thing was unfortunately clear: No one really understands it or how it will resolve within the next six months.

I cannot begin to assess the number of projects being held up by this ban, nor do I want to try to quantify the number of dollars being lost in its execution — but I can guess it is a lot. For any project of size to be halted mid-stream at such duration will have a very significant financial impact. Land loan carrying costs alone for six months can be massive.

Further, and for those of us in the development community, the lack of income and sudden stunt to our workflow has a ripple effect that may ultimately cost other local businesses as well.

This can't continue without a clear plan. The council should be applauded for the intent behind the moratorium but must act swiftly and decisively in concert with local architects and developers as well as other concerned community members to adapt our planning codes to the new reality of our evolving consciousness.

Yes, we all want to preserve the character of our island but change is inevitable. What I like about reconsidering our development codes is that we can, as a community, now redefine that character and invent a future of our choosing. However, any new code modifications need to be representative of the realities of a growing population and maintaining the integrity of our local economic system.

If done with a clear-minded holistic approach, I truly believe we can all get on board with some changes while still meeting the long-term social, economic and environmental goals that underlie the uniqueness of our community.

Matthew Coates is president and principal architect at Bainbridge Island-based Coates Design Architects. His firm designed the Bainbridge Island Museum of Art.

Jackson Apartments will have a 12,000-square-foot plaza that connects people and community.

IMAGES BY STUDIO 216

NEIGHBORHOOD HUB EMERGING FROM OLD SHOPPING CENTER

The Promenade 23 shopping center in Seattle's Central Area is being redeveloped into 532 apartments and 44,000 square feet of retail.


BY BRIAN RUNBERG & SUSAN BUSCH
RUNBERG ARCHITECTURE GROUP

All around the world, metropolitan areas are growing. Look around your own neighborhood and you'll see evidence of that growth. In 2016, nearly 60 new people arrived in our city each day.

As Seattle becomes more populous, it is essential that new housing be built to accommodate growth and to ensure homes remain affordable for new and existing residents. The city's urban village strategy densifies housing at key nodes within existing neighborhoods that are served by an expanding transportation network and improved access to services for new and existing residents.

This sort of rapid transformation — even when it's inherently positive and undertaken for the right reasons — can be discomfiting for current residents, who may fear that the character of their neighborhood will be altered amidst the wave of changes.

For this reason, it's important that architects and developers approach new developments with sensitivity. We believe that it's possible to create spaces that strengthen the existing cultural context of a neighborhood while also addressing future needs in a sustainable way. Doing so requires research, cooperation and dialogue.

This is the approach that Runberg Architecture Group and Vulcan Real Estate took in planning a new development called Jackson Apartments at the site of the former Promenade 23 shopping center in Seattle's Central Area. This ambitious urban redevelopment project is the product of collaboration between Vulcan, Runberg, Seattle's Office of Planning & Community Development (OPCD) and its Department of Neighborhoods, many passionate and involved residents of the Central Area, and a host of other dedicated community stakeholders.

The result is something truly special: a development that springs directly from the community's vision for what is needed to enhance the neighborhood's health, culture and vitality.

Freestanding pavilions will cater to micro-retailers and modular storefronts are for vendors of all sizes.

The community's vision

In 2013, the OPCD, the Department of Neighborhoods, and a wide range of community-based groups and stakeholders worked together to design a framework that reflects the vision, goals and unique character of the Central Area community. The resulting urban design framework outlined objectives for the future growth and development of this vibrant part of Seattle, including the redevelopment of Promenade 23.

Vulcan Real Estate purchased the Promenade 23 property in 2016 with the aim of transforming it into a mixed-use development. When completed the development will comprise 44,000 square feet of ground-level retail and 532 residential units, including 107 units targeted at households earning between 65 and 90 percent of the area median income.

Together, Vulcan Real Estate and Runberg Architecture Group embraced the newly established urban design framework and set about an unprecedented engagement process with Central Area community groups and stakeholders. Over a two-year period, we conducted more than 100 meetings, open houses and forums to listen and respond to input from neighbors and stakeholders. This feedback, along with the community vision set forth, guided the design for the development at 23rd and Jackson at every step of the process.

Preserving the character

Successful urban design both celebrates and cultivates a unique sense of place. Our design was directed by a passion for place making and a desire to preserve the things that make the Central Area unique. Based on feedback from the community, the facade of the new development will incorporate a palette of colors and unique fractal patterns and textures that subtly reference the area's rich cultural heritage.

Vulcan is also partnering with the Historic Central Area Arts and Culture District to commission local and regional artists to produce public art that will pay homage to the area's history and culture.

Local businesses — think bakeries, coffee shops or your favorite ethnic restaurant — are essential to the fabric and soul of our neighborhoods. They contribute to the unique tapestry of a place and can't easily be replicated elsewhere.

Unfortunately, these businesses can be susceptible to being overrun or excluded during times of rapid growth. During the redevelopment process, Vulcan worked to help tenants of Promenade 23 relocate within the neighborhood, often within a few miles of their original location.

And in response to the community's call to support mom-and-pop businesses, the retail portion of the new development will feature both freestanding pavilions for micro-businesses and modular storefronts suitable for vendors of all sizes. Our hope is that the space can serve as an incubator for up-and-coming businesses and pave the way for continued economic growth in the neighborhood.

Healthy, stable community

It was important that the new development both blend into the neighborhood and support a healthy and stable community.

Despite being within an upzone boundary, the team opted to follow the existing familiar zoning pattern, resulting in a development that is 10 to 20 feet shorter than permitted and with extensive building setbacks

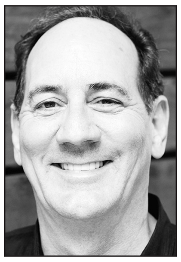
NRIGHBORHOOD HUB — PAGE 20

HERE'S HOW TO SOLVE THE CONDOMINIUM CONUNDRUM

Changes to the Washington Condominium Act are sorely needed to incentivize developers to build more affordable condominiums.

The affordable housing crisis is one of the more perplexing problems facing rapidly growing cities like Seattle.

One of many prospective solutions to this challenging problem could be found by increasing the supply of smaller, more affordable condominium units.



BY BLAINE WEBER
WEBER THOMPSON

According to a 2016 white paper published by the University of Washington Runstad Center for Real Estate Studies: "Condominium development could provide an affordable in-city option for new housing. At present, condominiums are not being built in sufficient numbers to meet demand, and those that are being built are being sold at prices that are beyond the means of the average-income individual."

In Seattle and the greater Puget Sound area, very few condominiums have been constructed in the current real estate cycle. What accounts for this anomaly?

Demand for condominium units has far outstripped supply, and prices have subsequently skyrocketed, so why have most developers chosen to construct apartments instead of condominiums?

According to the Runstad Center study: "Reasons for this dynamic include financing and capital markets, insurance coverage, and to some degree, legal liability for condominium developers."

All three of these reasons are valid; another is that some developers have found willing REIT buyers that will pay top dollar for completed apartment projects. However, in this writer's opinion: the liability category is the primary reason for the lack of recent condo development.

A guaranteed lawsuit?

When it comes to the debate of condo versus apartment development, we often hear this from our developer clients: "Why would I want to buy myself a guaranteed lawsuit?"

The reason for this sentiment is that indeed, for virtually all condominium projects built (no matter how well built) the developer is served with a massive lawsuit right at the four-year mark after completion of construction, with no real "right to cure" (i.e. ability to resolve any legitimate construction defect issues amicably).

There are many reasons for this fourth-year phenomena, the first is the way the state Condominium Act is structured; the second most salient being the aggressive behavior of some plaintiff attorneys who approach HOA board members at this four-year mark to convince them to initiate a construction claims lawsuit.

Fear and greed

They say that fear and greed drives the stock market; one could also say that these two behavioral traits drive the world of condominium litigation.

Having served as an officer on three high-rise condominium HOA boards over the span of 12 years, I have seen the machinations of fear and greed firsthand:

- Board members are informed by the more aggressive plaintiff attorneys that if they do NOT file a lawsuit against the developer, they will be held personally liable for any real or perceived defects — to the likely tune of millions of dollars. While this "fear tactic" is almost always successful, the premise is not true as the Washington Condominium Act exempts HOA board members acting in good faith from personal liability.
- What some plaintiff attorneys fail to tell HOA board members is that for the duration of the litigation (and a bit beyond) a very expensive three-year lawsuit will bring down their property values, and in some cases, make it impossible to sell their units because many banks will not lend on a property that is facing an expensive lawsuit.
- They also fail to inform their clients that after the attorneys take their "cut" of the winnings (in some cases up to 40 percent) in combination with the very expensive obligatory expert witness fees, there may not be much left.

The resultant mega-lawsuit can be extraordinarily costly in time and dollars for all parties.

And while many of the defendants in such cases are ultimately relieved of liability at the end of litigation, the cost of having to defend non-meritorious claims often runs into the hundreds of thousands of dollars.

A better way

Is there a better way to address legitimate construction defects without protracted litigation that is costly and painful to both plaintiff and defendant?

The answer is yes, but it requires substantive changes to our state condo law to mandate alternative dispute resolution and grant a true "right to cure" of any legitimate construction defects. Finally, this issue needs to be addressed at the insurance level.

The Runstad research paper studies four other states as well as the Canadian province of British Columbia to compare their laws against elements of the Washington Condominium Act that create untenable liability for condominium developers.

One of the strongest recommendations suggests that: "The Mayor's HALA (Housing Affordability and Livability Agenda) committee report suggested that revisions to the current insurance regime may remove barriers to developing affordable condominiums, citing the British Columbia warranty insurance program."

A warranty insurance program similar to that found in British Columbia would also allow the "weeding out" of non-meritorious claims — outside of the courtroom.

Changes to the Washington Condominium Act are sorely needed to incentivize developers to build more affordable condominiums. As long as the economic opportunity for developing condos fails to offset the risk of "automatic" litigation and non-meritorious claims, we will continue to see a diminution of this much needed housing stock.

Blaine Weber, AIA, is director of the High-Rise Design Studio at Weber Thompson in Seattle.

Nexus is one of the very few condominium towers under construction in Seattle. Scheduled for completion in late 2019, the project is developed by Burrard Development of Vancouver, B.C., and constructed by Skanska.

Luma is one of the very few Seattle condominium towers constructed in the current development cycle. The project sold out prior to completion in 2016. It was developed by Lowe Enterprises and constructed by Lease Crutcher Lewis.

IMAGES BY WEBER THOMPSON

100,000 APARTMENT UNITS ARE COMING — NOW WHAT?

With over 4.5 million square feet of signed office leases in Seattle and Bellevue, the resulting new workers will push apartment demand until 2020.

Over four millennia ago, the Romans found themselves in prosperous times, conquering lands and converting cultures. Around 2,400 BC, they stumbled across the city of Palmyra (modern-day Syria) and lore of the Palmyran "gny" — a benevolent and watchful guardian angel.

In addition to conquering lands and showcasing vast spectacles of human feats, the Romans enjoyed little more than Romanizing vernacular into Latin. Gny became genii, or, in today's parlance, genie.

BY DYLAN SIMON
COLLIERS INTERNATIONAL

STATE OF THE MARKET

MULTIFAMILY

Adaptations of the story of genies took twists and turns over the centuries, and our modern version of the genie, a la Arabian Nights, converted benevolent watching over into active wish granting. The fairytale world of Aladdin leads to the oft-asked fantastical question: What would you do with three wishes?

Turning to modern times — specifically regional real estate economics — how best would one make use of three wishes to ensure strong economic fundamentals?

Wish One — jobs
Wish Two — jobs
Wish Three — jobs!

If you are the genie-releasing patron of the Puget Sound of whom we speak, please stand up and receive thanks.

Despite the doldrums of the Great Recession, by mid-2012 the Puget Sound region replaced all jobs lost in the economic downturn. Economists predicted strong job growth, but not even economists' optimistic predictions could match the work of our region's deft genie!

By 2015, actual job growth outstripped forecasts by more than 30 percent year over year, and that trend continued through 2017. In 2018, we are on our way to yet another year of 45,000 to 50,000 new jobs.

During this time, the rest of the nation began to recover from the Great Recession in the form of stabilized unemployment. Yet, our genie struck again with a lucky "fourth wish" — wage growth! Adding jobs may help to ensure economic stability, but increasing wages supercharges overall economic growth.

Over the course of this past year, Seattle's unemployment rate, as well as employment growth, matched that of the rest of the nation. However, average hourly earnings were 27.5 percent higher than the national average, and total compensation growth exceeded the rest of the nation threefold.

Why? Quite simply, growth in high-wage-earning professions.

Adding a massive number of jobs to the region — while paying higher wages year-over-year — sets the perfect stage for robustness in the region's apartment market.

A boom few predicted

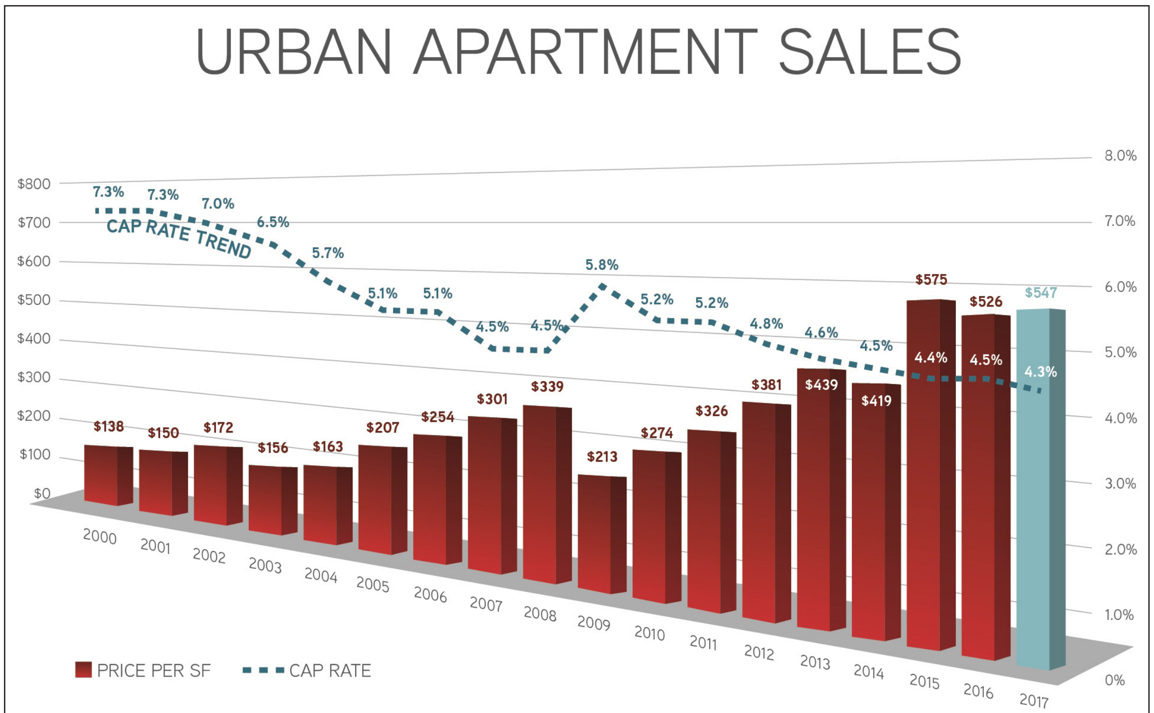
Back in 2010, before our metaphoric genie got to work, several of the region's apartment developers quietly picked up development sites and dusted off plans that seemed no more useful than drink coasters just a year prior. As the Seattle region clawed back the jobs it lost in the Great Recession, more and more apartment developers got to work. And work they did!

Between 2010 and 2017, apartment developers delivered more than 55,000 units to the region, with more than 36,000 new units delivering in the last four years alone. However, the best is yet to come.

The development pipeline from 2018 forward comprises nearly 100,000 units!

The development of new apartment units within the region is not evenly distributed. Early in the expansion cycle, nearly 85 percent of new apartment development occurred in core, urban-located neighborhoods. However, that trend is beginning to moderate. As developers seek new locations — driven by both the economics of development and demand within each submarket — the balance between urban and suburban locations nears a 70 percent urban to 30 percent suburban split.

The development of more suburban-oriented apartment buildings demonstrates an evolution in thinking beyond simply location. Building unit mixes, unit configurations, finishes and amenities illustrate a continued urban theme, even in otherwise-suburban locations. The desirability of walkability and transit orientation are themes not just reserved for urban-located apartment buildings.



The price per square foot is trending higher while the cap rate is declining for urban apartment investors. Don't expect the market to cool, it's just a digestive pause.

SOURCE: REAL CAPITAL ANALYTICS, DUPRE + SCOTT, COLLIERS RESEARCH

The region's current development pipeline nearly doubles the inventory of new apartment buildings delivered in the last eight years. With the delivery of new apartment units, markets are responding to a delicate balance of pricing (in the form of rental rates) and absorption (in the form of occupancy rates). The easy times of ever-higher rental rates are giving way to competition and the need for differentiation. Success is measured in the form of rental rate growth, while maintaining occupancy.

Rent growth outside the core

The story of the region's recovery from the Great Recession dates to 2012 — already five years in our collective rear-view mirror. As job growth picked up in downtown urban centers in Seattle and Bellevue, so did rental-rate growth. Competition for apartment units increased as job openings filled. With higher wages came greater ability to pay higher rental rates, yet many renters found themselves priced out of these core markets

As renters fled urban markets seeking more affordable rental options, they did so in concert. Soon competition for the same apartment unit — and higher rental rates — occurred outside urban neighborhoods. Looking back on trends in rental-rate growth, the highest cumulative increases in rental rates are now found in suburban markets.

The analysis of 12-month, three-year and five-year rental rate growth trends tells a story of robust apartment demand across King and Snohomish counties, but it does not tell the whole story. Rental rates may increase year over year, but if they do, they do so at the cost of occupancy. Such growth could mislead some to conclusions regarding the health of the market.

Accordingly, the best analysis is one that accounts for rental rates, vacancy rates and new development, providing a more accurate picture of market stability, as well as trends from the past and into the future.

Our region's urban markets require such a holistic analysis. Since 2010, urban markets experienced the delivery of more than 36,000 new apartment units, while experiencing strong rental-rate growth and vacancy rates steadily below 4.5 percent.

The past, however, is no measure of the future. With nearly 50,000 new apartment units planned in these core, urban-located submarkets, one must ask what our benevolent job-growth/wage-growth genie has up its sleeve.

Fortune tellers we are not, but we can pay close attention to absorption of office space in downtown Seattle and Bellevue. We count over 4.5 million square feet of signed office leases that require filling with new high-wage employees. That's quite a bit of demand for apartment units between now and 2020.

The race to own

It's not just office workers and apartment residents racing to Seattle and the Puget Sound region. Apartment investors continue to see our region as both a growing market and haven as the current economic cycle enters extra innings.

Pricing to acquire apartment buildings continues to impress on nearly every metric: capitalization rates, price per square foot and price per unit. The recent uptick in treasury rates will ultimately place upward pressure on capitalization rates; however, an inflationary environment often leads to rental-rate growth.

Looking at the last seven years of sales of urban-located apartment buildings tells a story of rocket-fueled momentum in the market. There is no doubt that 2015 marked penultimate investor demand, and a concomitant peak in pricing. Since that time, the market tempered, but not quite cooled. Do not expect the market to cool — just a digestive pause.

Our crystal ball

We'll never know who rubbed that golden oil lamp, releasing

MULTIFAMILY — PAGE 20

DON'T GET TOO COMFORTABLE WITH HOTELS

Occupancy in downtown Seattle finished 2017 in the low 80 percent range; the national average was just over 65 percent.

BY CHRIS BURDETT
CBRE HOTELS

STATE OF THE MARKET HOTEL

The Northwest hotel and lodging sector continues to perform well. As a litmus test for the greater strength of commercial real estate, the regional and national hotel sector has historically dropped out of favor first but tends to emerge from declines quicker.

The past few years of continued economic expansion has had a positive impact on the hotel sector, both in operating fundamentals, as well as transaction volume. We expect lodging fundamentals (occupancy and average daily rate) to peak in 2018, with growing headwinds regionally and nationally forcing the first signs of weakness in the hotel sector.

These challenges will be exacerbated through the growth of online private-accommodation aggregators (such as Airbnb and HomeAway), rising interest rates, continued tightening of monetary policy and the ever-increasing concern of substantial hotel supply increases. With that said, the lodging sector has enjoyed over nine years of continued economic growth and we expect equilibrium will return quickly with only a slight downturn, barring unexpected events, lasting through 2020.

Over the next few years we will continue to see a significant amount of new supply enter the market on a global scale. In the Northwest we are tracking over 100 hotel development projects, with the Seattle CBD accounting for more than 20 of those.

New hotel supply is starting to have an impact. In Bellevue and Redmond alone, five hotels totaling 1,010 new rooms have been completed, with an additional 804 rooms scheduled for this year. Farther south in Renton, the 347-unit Hyatt Regency opened on the shores of Lake Washington while a 110-unit Hampton Inn and Suites opened along Lake Washington Boulevard and another seven hotels representing over 1,000 rooms are scheduled to open this year in Tukwila and SeaTac.

In 2017, Seattle CBD experienced a single hotel opening with the 302-room Residence Inn by Marriott. This year we will see three more hotels with just over 1,000 rooms, followed closely by an expected 2,000 rooms in 2019.

Other challenges to the lodging industry include legislative initiatives such as I-1433 (living wage) and I-124 (safety). Although demand throughout the Northwest continues to grow, our long-run averages have never experienced such sharp increases in supply in such a brief period.

Bright spots

While the sheer amount of new rooms looms, there are still many bright spots, most notably in the growth of technology companies in the downtown core. As an example, Amazon continues to be the largest tenant in Seattle, occupying millions of square feet of office as phases one and two of its new world headquarters come online. Construction on phase three started in late 2016 and completion is expected this year. At full build out, Amazon will have over 13 million square feet of leased and owned space.

Fueling much of this growth is the exploding cloud-infrastructure market, where companies like Amazon, Google and Microsoft continue to invest and grow. In addition, the Seattle area is also home to hundreds of small companies and start-ups that provide cloud support services, giving Seattle the nickname of "Cloud City."

In addition to software, other segments of the economy such as biotechnology, tourism and construction continue to perform well. Some of the more notable developments include over 15,000 new multifamily units and over 8.6 million square feet of office space under construction/renovation in downtown Seattle.

Of the total new office space, roughly 5.9 million square feet is pre-leased with just under 50 percent of this space being developed in the Denny Regrade/South Lake Union submarkets. An additional 16.2 million square feet is in various stages of planning in King, Pierce and Snohomish counties, with about half of that in the Seattle CBD.

In addition to tech, office and labor growth, Seattle is posed to begin the $1.6 billion Washington State Convention Center expansion that will add roughly 250,000 square feet of exhibition space, 125,000 square feet of meeting rooms, and 60,000 square feet of ballroom space. Coupled with the Port of Seattle hosting over 1 million cruise line passengers for the first time ever in 2017, Seattle hotels are expected to continue experiencing strong demand.

2017 SIGNIFICANT HOTEL SALES - PUGET SOUND REGION

Property/Location	Date of Sale	# of Units	Sale Price	Price Per Unit
Hotel Deca Seattle, WA	Jan-17	158	$55 million	$348,101
Pan Pacific Hotel Seattle, WA	Feb-17	153	$79 million	$516,340
Comfort Inn Seattle, WA	Feb-17	72	$10.7 million	$148,611
Alexis Hotel Seattle, WA	Mar-17	121	$71. 6 million	$591,736
Hilton Garden Inn Seattle, WA	Mar-17	222	$88 million	$396,396
Hampton Inn Tukwila, WA	Jul-17	153	$17 million	$111,111
Totals		879	$321.3 million	$365,529

SOURCE: ALAN JUTTE/CBRE RESEARCH

Lodging forecast

During the final quarter of 2017 we observed a continuation of national hotel market trends that have characterized the performance of the U.S. lodging industry in recent years. National hotel demand continued to grow at a pace of 2.4 percent, exceeding the 1.9 percent rise in supply. The 71.4 percent occupancy level achieved during the third quarter of 2017 was the highest quarterly occupancy level recorded since 1987.

Despite the record level of occupancy, the pace of average daily rate (ADR) growth continues to slow. ADR for U.S. hotels increased by just 1.4 percent in the third quarter, the slowest quarterly growth rate since the Great Recession. The performance of the U.S. lodging market during this quarter was also impacted by the hurricanes in Texas and Florida.

The forecast for 2018 performance looks similar, albeit slightly lower, than the 2017 projections. Occupancy levels are forecast to remain flat, while ADR is expected to increase by 2.5 percent.

CBRE is forecasting minimal gains in U.S. occupancy through 2019, which would lead to 10 consecutive years without a decline. Occupancy in downtown Seattle finished 2017 in the low 80 percent range for the fifth consecutive year, compared to a national average of just over 65 percent for all of 2017.

Seattle's revenue per available room (RevPAR) increased by 3.7 percent in 2017, slightly higher than the 2017 national average of 2.9 percent. The increase in Seattle RevPAR was driven primarily by growth in ADR, as overall occupancy is operating at its peak and has little room left to grow.

Expectations in Seattle for 2018 is for a slight decrease in occupancy and flat ADR, resulting in a slight drop of 1.4 percent in overall RevPAR. This trend is expected to continue through 2020 as new supply is absorbed not only in Seattle but throughout the Northwest.

Transaction activity

Transaction activity was lighter in 2017 compared to the prior year, not only in the lodging space but across all commercial real estate. The total consideration during 2017 for regional lodging transactions was $312.3 million or $355,290 per unit. For 2016, the number was $754.6 million, though the per unit price was much lower at $280,606.

For 2017, there were six significant hotel sales totaling 879 hotel units. Three notable properties made up over 75 percent of the dollar volume sold in the Seattle CBD: Pan Pacific Hotel, Alexis Hotel and Hilton Garden Inn.

The relative low level of transaction activity does not indicate a lack of desire for Seattle among hotel investors. Rather, hotel owners are reluctant to dispose of assets as securing and maintaining investments in the Pacific Northwest region remains a priority to many of the large hospitality REITs and private equity groups.

For 2018, we expect a number of off-market transactions to occur with continued interest from overseas investors, particularly China. Although currently there is only a single asset on the market over $50 million in Seattle, we should note the first quarter 2018 off-market sale of the Motif Hotel as part of a larger six-property $800 million transaction. Junson Capital of Hong Kong purchased six hotels around the United States including the Motif in Seattle, with an allocated price of $145 million or $454,000 per room.

What's next?

The hotel and lodging markets around the Northwest continue to perform well and grow. Although local transaction activity in 2017 was lighter than previous years, investors still perceive Seattle as a primary global market for hotel acquisitions and investment.

Many Seattle companies are at the forefront of a global shift in how businesses operate with new cloud-based services. These factors and many others continue to fuel substantial growth in the region and attract investors

HOTELS — PAGE 23

RETAILERS ADAPT TO MILLENNIALS, E-COMMERCE

E-commerce is growing at a steady pace, yet over 93 percent of retail sales still occur in a brick-and-mortar store.

The Rainier Square development, leased by Amazon, will house an Equinox fitness club and a 20,000-square-foot organic grocery store.

IMAGE FROM JLL

BY ANN MARIE KOEHLER & ERIKA KOEHLER
JLL

STATE OF THE MARKET
RETAIL

Seattle retailers are adapting to a changing retail landscape brought on in part by the growth of e-commerce and the newfound spending power of millennials.

Broadly, shoppers in Seattle are not devoted to traditional brick-and-mortar stores, especially thanks to the growth of Amazon Prime Now and other same-day delivery services easily accessible over the internet. The millennial consumer will typically research online before heading to a store to purchase, will order online and pick up at a physical location, or will browse store aisles and then simply purchase on their phone.

Retailers that offer only one way to shop will need to explore ways to adapt to reach this new shopper demographic. This will be particularly important if they have a significant retail footprint, such as apparel, shoe and office supply stores.

Major national retailers are moving towards multi-channel shopping focused around concepts such as BOPIS (buy online pickup instore) and BORIS (buy online return instore), which are allowing them to carve a unique niche in the retail market. Companies like Walmart, Kroger and Target are all investing heavily in e-commerce to keep pace with changing consumer expectations.

In fact, with its acquisition of Shipt, Target plans to have same-day delivery from all its stores by the end of 2018, which puts it in direct competition with several other retailers currently offering this highly popular delivery option.

Despite these shifts, it is important to remember that, while e-commerce is growing at a steady pace, over 93 percent of retail sales still occur in a brick-and-mortar store. A telltale sign on the importance of some form of traditional retail is the presence of previously online-only retailers opening physical locations throughout Seattle. Notable examples include Tuft & Needle, Rapha and Indochino all opening physical locations or showrooms in downtown Seattle.

These new types of stores pride themselves on fluid transactions, more curated products, and an emphasis on connecting with customers in person, coupled with more experiential and interactive environments that make shopping entertaining and relaxing for tech-savvy consumers.

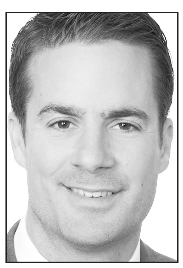
These adaptations have had ripple effects across all levels of retail and led to some interesting partnerships with commercial real estate development. Prospective developers know that

RETAIL — PAGE 20

INSTITUTIONS TAKE OVER THE INDUSTRIAL MARKET

Average rents are about 60 percent over the last peak, back in 2007.

The greater Seattle industrial marketplace is a perfect storm of virtually no land supply, booming industry and a hedged market dynamic. A comparison with the prior peak of 2007 is remarkable.



BY THAD MALLORY
KIDDER MATHEWS

STATE OF THE MARKET
INDUSTRIAL

In 2007, average rents in South Seattle were around 55 cents per square foot on the building shell (footprint), the vacancy rate was about 2.5 percent, and the market was privately held.

The North Kent Valley (defined as Renton and Tukwila at the I-5 and I-405 interchange through Auburn) peaked at around 42 cents per square foot on the shell, was just below a 5 percent vacancy rate, and was relatively stagnant on rent growth and development. Pierce County was the place to go for new, state-of-the-art buildings at a slight discount over the North Kent Valley, with a good supply of land and empty newly constructed buildings to choose from.

Flash forward to 2018 and the landscape has completely changed. The greater Seattle region has become one of the most important investment markets for both American-based and international institutional investors, and has seen buying competition by institutional investors on properties as small in value as $2 million.

Most of the privately held buildings in the market have been acquired by institutions. Now, instead of cash-flow focused family or private ownership, the leasing market is virtually entirely controlled by institutions driven by a mandate to adhere to acquisition underwriting and to push value. This, coupled with regional economic growth, has led to unprecedented average rent increases across the region of around 60 percent over the 2007 peak.

Tacoma spec space

The Seattle-Tacoma Port Alliance has allowed Tacoma to take on the region's ocean container traffic growth, while allowing Seattle to focus on growing its booming cruise industry. As a result, institutional developers have zeroed in on the Port of Tacoma with over 4 million square feet of ongoing speculative development. This has created a demand driver for the Port of Tacoma and has made the Pierce County/Port of Tacoma submarket a true third market segment for growth.

As the story goes in all publications, the Puget Sound region's growth centers upon the density, demand and economies of Seattle and the greater Eastside.

The positive from a risk standpoint is that our regional industrial absorption and rent growth has a strong organic component to it. People continue to flock to our region, seeking opportunity. Tech jobs are paying strong salaries that employees spend at will with the confidence of working in an industry that seemingly is without limits. This has resulted in consumption across the spectrum, whether that be housing, services or goods.

The market impact is that distributors, most of whom have been long established in the region, have seen multiple double-digit growth in business since the recession, and have been scrambling to secure the space necessary to satisfy that demand in an ever increasingly competitive market. The perfect

INDUSTRIAL — PAGE 20

OFFICE MARKET TIGHTENING, DEMAND KEEPS RISING

The Seattle vacancy rate is expected to drop to 3.2 percent by the end of 2018.

BY CONNOR MCCLAIN
COLLIERS INTERNATIONAL

STATE OF THE MARKET
OFFICE

Seattle is not the same city we all once knew. We are rich and deep in technology professionals and have become culturally significant beyond the grunge rock and caffeine we unleashed in the '90s.

Seattle has evolved into an envious combination of technology and culture. Tech companies are continuing to bring new and intelligent talent to our beloved Seattle faster than nearly any other major city in the U.S. Our population growth is outpacing the national average, unemployment reached a 10-year low of 4 percent, and Seattle office vacancies will be at a stunning low in 2018 and record high rental rates are coming in 2019.

But how did we get here, and what can we expect from our city in the years to come?

2017

Last year brought excitement when F5 Networks announced its commitment to lease all 518,000 square feet of office space at The Mark (now F5 Tower) and sent shock waves through the Seattle office market. This move took a significant central business district option off the table virtually overnight, and left an even more competitive market in its wake.

Following close behind was the 800-pound gorilla, Amazon, which secured all 710,000 square feet of the Rainier Square development before taking an additional 1.1 million square feet spread between four properties (300 Pine, Tilt49, 9th & Thomas and Yale & Thomas).

These commitments total more than 1.8 million square feet of office space leased in 2017 by Amazon alone. To really appreciate how big 2017 was for Amazon, that is equivalent to Facebook and Google's combined total square footages in Seattle. With all this new office space, Amazon can currently seat 40,000 employees in Seattle, compared to 2010 when it employed 5,000.

Amazon has blown past Starbucks and Nordstrom as the largest city employer, and no one will catch the tech giant anytime soon. Under their existing commitments, Amazon will have the capacity to employ 90,000 people in Seattle by 2020.

It is easy to see the contributions these big names made to the growth and competition of the Seattle markets, but we welcomed many other companies to Seattle last year including Airbnb, Coupang, Stripe, Pinterest and Lululemon. We also grew with the more established companies including WeWork, Oracle, Google and Pitchbook.

Clearly, 2017 was another banner year for Seattle office real estate. We expanded the big boys and welcomed new faces to the Seattle landscape. By year's end, vacancy dropped to 5.3 percent, we added 2.8 million square feet of new office buildings, and with this Seattle experienced a surge of deal velocity few cities have ever seen.

2018 and beyond

Looking ahead for 2018, we see similar outcomes as the previous year, but now in a much different way. Unlike 2017, this year will not deliver any new office space. With the non-existent new supply and the availability of existing office space declining, we expect the vacancy rate to drop to 3.2 percent by year end. The last time Seattle's Class A vacancy rates were below 4 percent was in the first quarter of 2001.

All eyes will be on the activity of the three new construction projects set to deliver in 2019: 2+U brings 685,000 square feet, 333 Dexter promises 650,000 square feet and 1818 Fairview provides 205,000 square feet. With large blocks of space being limited and the tremendous activity these projects are having, we predict half of the combined 1.5 million square feet will be accounted for before 2019.

With the new construction projects focusing on large users, many tenants will be fighting for space throughout the CBD and landlords will have leverage over pricing with minimal concessions. Madison Centre, which became available at the end of 2017, is one of a few new construction projects in Seattle that is multi-tenanting a building. For tenants in the market demanding large blocks of space, options are limited and prices are climbing. Users looking for single floor options still have a variety of possibilities and promising terms.

Through the tremendous activ-

OFFICE — PAGE 20

RETAIL

CONTINUED FROM PAGE 18

Class A office and multifamily developments need to have synergistic retail to achieve the highest possible market rents.

Nationally, we see these retail-office and retail-multifamily partnerships trending towards established fast-casual eateries or new-to-market national establishments. However, in Seattle, companies need to provide deluxe lifestyle amenities for their workers in order to hire and retain top talent. For example, the new Rainier Square development, leased by Amazon, will house an Equinox fitness club and a 20,000-square-foot organic grocery store. Similarly, the new development at 23rd and East Union will house a Portland-based organic grocery called New Seasons.

Retail moving towards amenity-based tenants is a trend that goes beyond tech firms too. 400 Dexter, where the drug manufacturer Juno Therapeutics is headquartered, is expected to include a boutique bouldering gym and a day and night bar along with collaborative workspace.

These synergistic retail types all work together to provide a broad set of lifestyle amenities beyond what is currently being offered in high-end real estate markets like Lake Union and the Seattle CBD.

The types of retail developments described previously are on the higher end, and in keeping with the pattern of wage growth and wealth generation that JLL is seeing across the Puget Sound. Income is an important consideration when thinking about the retail market and we expect to see personal income in Seattle grow by about 5 percent in 2018, which correlates to increased buying power for consumers.

Nationally, wages are only now starting to grow at around 3 percent, which suggests that the future of Seattle's retail is far rosier than what is being reported on a larger scale.

A further boost to the retail picture from an investment standpoint is the rapid growth of home prices in Seattle. Approximately 47 percent of Seattleites are homeowners and, given the sharp increase in housing prices, their wealth has grown precipitously as well.

This wealth generation offers Seattle homeowners further ability to buy more retail in the short to medium term. JLL sees this reflected in the drop off in the personal savings rate from over 5 percent in 2016 to 3.2 percent towards the end of 2017. This trend is consistent with a positive "wealth effect" accrued from increasing equity in Seattle homes. It suggests that Seattle homeowners are spending more out of their current income and saving less.

Ultimately, these trends all point to a positive outlook for the high-end retail being installed in the urban core for the foreseeable future.

Ann Marie Koehler has over 11 years of experience specializing in retail brokerage services, with a focus on urban retail. Erika Koehler has over 14 years of experience in commercial real estate, much of it focused on urban retail and mixed-use developments.

INDUSTRIAL

CONTINUED FROM PAGE 18

storm ensues with the last mile component of the region (South Seattle and the North Kent Valley) being virtually fully developed.

A competitive scramble to secure space has emerged in the past 12 months that has seen rent growth reach what was once unfathomable heights, and has entities like Prologis quoting north of $1.20 per square foot on the shell in South Seattle on its well-publicized multistory warehouse development, and 10,000-square-foot spaces in the North Kent Valley approaching 80 cents per square foot on the shell.

Risks

There certainly are inherent risks with this level of growth. Cost affordability is becoming a concern for tenants and it is expected that there will be a future wave of companies either leaving the region entirely for lower cost states and markets, or downsizing to a minimal regional footprint, thereby taking non-essential operations elsewhere.

There is also the concern of a bubble risk in values, and with interest rates likely to rise in the coming years there will be a corresponding lifting effect on cap rates (which currently range from 4.25 to 4.5 percent for core-located, institutional product) and a downward effect on book values.

Inflation has started to manifest in the economy, which we have foreseen as rents have seen double-digit increases for years now with companies for the most part unable to pass these costs through to consumers. Inflation may ultimately be a contagion that while it may not plunge the U.S. into recession it may stagnate growth, and remember that as noted above acquisitions have been based on unbridled growth underwriting.

The last variable is the future impact of inevitable mass failure of retailers unable to sustain constant efforts by Amazon to control all aspects of sales and distribution and access to consumer lives. Many companies have attempted to develop their own e-commerce models and have as a result leased more space and overstocked warehouses with product that is likely otherwise sufficiently stocked across the market. This "ghost market" is immeasurable and as companies fall to Amazon's sword chunks of vacant space could litter the market in the coming years.

Despite these uncertainties the fact remains you cannot grow more land. Seattle is landlocked and governments are not creating more industrially zoned land as they desire tax revenue, not lightly staffed boxes.

In the past eight years since our region began its climb out of the recession, we have experienced growth that would have otherwise been predicted for a 20- to 30-year period. We live in one of the hottest and most diverse economies in the world. Yes, Amazon has been the story of the decade, but let's not forget Microsoft, Boeing, and the flock in droves of Silicon Valley players that have leased millions of square feet of office product and hired thousands of high-earning employees.

With these blessings this region must get its act together on traffic congestion and infrastructure and find ways to encourage further business growth.

As the saying goes, "champagne problems."

Thad Mallory is a 13-year veteran with Kidder Mathews, and a senior vice president and partner at the firm.

NEIGHBORHOOD HUB

CONTINUED FROM PAGE 14

from street edges for enhanced landscaping and pedestrian walkways. Furthermore, the residential facades of the development were designed to create respectful transitions to neighboring homes.

In a design move not common in this current development climate, Vulcan is incorporating a 12,000-square-foot plaza into the design at 23rd and Jackson. This marks a deliberate effort to respond to the community's desire for connected people and community.

The plaza provides a dynamic outdoor gathering space for community events and celebrations, as well as infrastructure for seasonal kiosk vendors such as a farmer's market. Additionally, a 60-foot-wide mid-block pedestrian mews enhances the walkability of the neighborhood.

This space will also feature a garden with diverse plant species chosen for their ability to serve as a habitat for native pollinators. Bioretention planters and water-efficient irrigation ensure that stormwater collected from 80 percent of the project's footprint will be filtered before entering the watershed, contributing to the development's Salmon-Safe certification. Continuing the theme of environmental sustainability, the project is pursuing LEED platinum certification.

Development model

The development at 23rd and Jackson was only possible thanks to the tremendous efforts of and partnership between the community, private sector and public entities. This groundbreaking collaboration has resulted in something exciting: a development that fulfills a shared vision to create a livable, supportive place and to improve the health and equity of the Central Area.

This development should also serve as a model for sustainable development as Seattle continues to grow and change.

For Jackson Apartments, Brian Runberg is the design principal and Susan Busch is senior project manager. Runberg Architecture Group is a leading designer of sustainable urban mixed-use, housing and adaptive reuse projects.

OFFICE

CONTINUED FROM PAGE 19

ity of the new construction projects and the existing office supply spoken for, Seattle is set up for a bright future in the years to come.

Seattle continues to advance a culture that is conducive to innovation across technology and the Seattle office market has been historically enhanced with the obvious arrival and evolution of Amazon, Facebook and Google. The expansive tech community at large is a major factor in Seattle's growth, with moves from the Bay Area and the East Coast to new homes in the Pacific Northwest.

With all the great news coming from job and business growth, low vacancies, limited new supply and historic rent growth, the Seattle market is positioned to tighten as demand continues to rise.

Connor McClain is one of Seattle's up-and-coming brokers at Colliers International, recognized as a Power Broker by CoStar. He represents office organizations across the U.S. and abroad.

MULTIFAMILY

CONTINUED FROM PAGE 16

our region's magic genie. Given the confluence of factors supporting our region's trajectory — technology job ecosystem, strong post-secondary education, Pacific Rim proximity, cultural and outdoor lifestyle amenities —it's difficult to attribute our recent regional growth to a single factor — or genie, for that matter.

Trees don't grow to the sky, and extra-inning games still must end. Yet, there are rare circumstances where economies jump strata, skipping one level up to the next. Here in Seattle, now is that very special moment in time.

Meteoric growth will temper — and I submit that we've already experienced some such tempering. Over the course of the next several years, certain asset classes and geographies will perform at differing rates of growth based on very elemental supply-demand fundamentals. After that time, expect yet another bull-run as we continue on our way to a seat at the table as a Top 10 global city!

Dylan Simon is executive vice president of investment sales with Colliers International in Seattle. He specializes in the sale of apartment buildings and development land in the region's urban markets, and in the sale of institutionally sized apartment buildings throughout the Pacific Northwest.

SURVEYS

CONTINENTAL PROPERTIES

Specialty: Multifamily development in Puget Sound area
Management: Claudio Guincher, president
Founded: 1977
Headquarters: Bellevue
Projects: Voda Apartments in downtown Kirkland; 137-unit Lux Apartments, a block north of Bellevue Square, will be done in July; 80-unit 2nd and John Apartments on Lower Queen Anne in Seattle will finish in December

The DJC talked to Continental President Claudio Guincher about condos, rising construction costs and other issues facing local developers.

Q: You have been doing a range of projects, from low-rise to high-rise, in a number of cities locally. What is driving those decisions, and do you plan any more condos?

A: We focus on developing apartments in core locations where the jobs and amenities are, such as downtown Seattle, Ballard, Kirkland and Bellevue.

As an example, we developed the 314-unit Tower 12 Apartments recently on Second and Virginia in Seattle, given the proximity to Amazon and the CBD, plus the terrific water views. As a reference to the strength of the Seattle apartment market, when we sold the property in 2017, it was third highest on a price per unit basis ($717,000) for the year, nationally, trailing only sales in New York and Los Angeles ($1 million per unit and $885,000, respectively). This statistic really highlights Seattle's rising position and prominence in real estate values and generally, nationally and internationally.

We are not currently developing condos due to potential condo defect claims and the general heightened risk of condominiums.

Q: What is the biggest issue facing development in Seattle?

A: We are finding that the continued rise in hard costs, at close to double digits per year, is the largest challenge to make new projects work. Additionally, it has become increasingly difficult to find sites in locations we like. That, coupled with the increases in hard costs, makes it more difficult to make projects pencil. The lack of available sites should over time decrease the amount of new projects, and that may stabilize the rise in hard costs.

Q: Near-term where do you expect growth in real estate development and investment in the region?

A: I'm hearing more and more that developers from outside the region are looking at building condos in mostly Seattle and Bellevue. Coming from other markets such as Canada or Asia, it must strike these developers as odd that there is such a low supply of condos, especially given the strength of our regional economy. They therefore feel it's a good opportunity, especially compared to their very competitive home condo markets. However, none of the local developers who built condos in the last cycle in our region are developing them again due to condo liability issues, and the greater business risk associated with condos.

Q: Should Seattle pass more rules to prevent residential high-rises from being bumped up against by other high-rises?

A: This is a very tough question. There needs to be a balance between having appropriate spacing between towers, and allowing land owners to develop their sites. In certain zones, once a high-rise has obtained a master use permit (MUP), the neighboring properties may be denied their development potential, and it's therefore a race to the MUP. A balance between the two goals needs to be realized, as it's tough to pick one over the other. However, every block has different circumstances and varying solutions, so it's tough to pass blanket rules. Not sure I have an answer for this one, as it's really case by case, from my experience.

Q: What should Seattle and Bellevue do to create more affordable housing?

A: We all agree that more affordable housing is needed in the core areas to serve those citizens that may be in the lower pay scales. I think that the current programs of developers providing some percentage of units as affordable or paying fees in lieu of is a practical solution to a complex problem. Many developers have also provided more affordable product by designing smaller and smaller units that result in lower monthly rents. This has occurred in other large and growing metropolitan cities in the world, where people live in smaller homes, but avoid lengthy commutes, and can be part of the fiber of the city (in Vancouver, B.C., they build 600-square-foot two-bedrooms!).

Voda Apartments in downtown Kirkland, a 128-unit development with 13,000 square feet of retail, will be complete in March.

RENDERING BY JOHNSON BRAUND

URBAN RENAISSANCE GROUP

Specialty: Full-service commercial real estate company
Management: Pat Callahan, CEO
Founded: 2006
Headquarters: Seattle
Projects: Troy Block, a two-building office in South Lake Union totaling 820,000 square feet; Tilt49, a 300,000-square-foot, 11-story mixed-use office in downtown Seattle; Hill7, an 11-story, 285,000-square-foot office building in Seattle's South Lake Union.

Company CEO Pat Callahan responded to questions about his firm's activities.

Q: Which recent acquisitions have been important to URG?

A: In 2012, the Joshua Green Corp. announced a substantial $200 million investment in the firm. The transaction provided robust investment potential and an even larger platform for URG to operate. In 2014, URG acquired prominent Seattle real estate development firm Touchstone and finished the capitalization of six Touchstone projects. In 2016, URG acquired the operating portfolio of Portland-based real estate company Langley Investment Properties.

With these acquisitions, URG's total operating platform exceeded more than 10 million square feet in Portland, Seattle and Denver.

Q: Where are the greatest opportunities for expansion?

A: We believe the markets we are currently in have strong potential for expansion, including Seattle and Bellevue. In addition, we have a lot of room to grow in Denver, where we currently own the Market Center building, a historic five-story commercial office and retail building in downtown Denver; the three-story 100 Speer office and broadcasting building located in the Cherry Creek North Shopping District; and the historic 2301 Blake Street office and retail building in Denver's River North Arts District.

Q: Acquisition, development or management — which has performed best?

A: It's difficult to choose between these three sectors because, in this environment, everything is performing well. In this cycle, we have delivered four office assets and three hotels, including Troy Block, Tilt49 and Hill7. All of these development projects have performed well. We are also proud of the acquisition and major redevelopment of our 1320 Broadway project in Portland.

Q: What headwinds do you face in the next year?

A: We see the strongest headwinds as political in nature — locally and nationally. The inability of government at all levels to solve problems is a significant concern.

Q: How important is adaptive re-use to your business model?

A: Adaptive reuse, redevelopment, renovation, construction management and development, particularly with historic product, are all important pillars of URG's invest/operate/build business strategy. Reuse is not only critical for our business model, but more importantly, it is critical to the rejuvenation of our cities, especially given the environmental benefit. Through our many adaptive reuse projects, it has been exciting to breathe new life to assets with qualities that transcend cycles.

SURVEYS

SCHNITZER WEST

Specialty: Real estate investment, development and property management
Management: Pam Hirsch, managing partner, investment and development; Greg MacDiarmid, managing partner, capital execution; Dan Ivanoff, founder
Founded: 1997
Headquarters: Bellevue
Projects: Madison Centre, a 750,000-square-foot office building in Seattle; Centre 425, a 360,000-square-foot office building in Bellevue; Urban Union, a 290,000-square-foot office building in South Lake Union

Managing partner Pam Hirsch responded to questions about her firm's activities.

Q: Near-term, where do you expect growth?

A: The rezone of Seattle's University District will draw significant interest, especially for multifamily development. The area is diverse and vibrant, add in great transit with the pending light rail at University Avenue, and you have the makings of an emerging market.

I think we'll continue to see growth and new development in Seattle and Bellevue CBDs, but at a declining rate from what we've seen in the past five years.

We have an office in Denver, and are evaluating entering some other West Coast markets, but nothing concrete to announce at this time.

Q: What are the biggest challenges facing local real estate?

A: The easy and obvious answer is traffic and infrastructure, and we could talk about the issues surrounding these challenges for hours.

Another less-discussed issue is pricing. The Puget Sound area has some of the highest construction costs in the country, and rents have not caught up, especially compared to cities like San Francisco. If the real estate market is going to continue to develop office buildings, there is going to be significant rent escalation and it will be interesting to see how some of the more traditional tenants in the CBD will react; tenants may consider less costly alternatives such as the suburbs.

Q: How is demand for office space in Seattle and Bellevue, and how is leasing going on Madison Centre?

A: The demand in the Seattle and Bellevue CBDs is strong, and we are starting to see increased demand in the suburbs. There is even concern about not having enough supply … but at some point there will be a correction, or at least a slowdown.

As for Madison Centre, I'll say that our team is very busy.

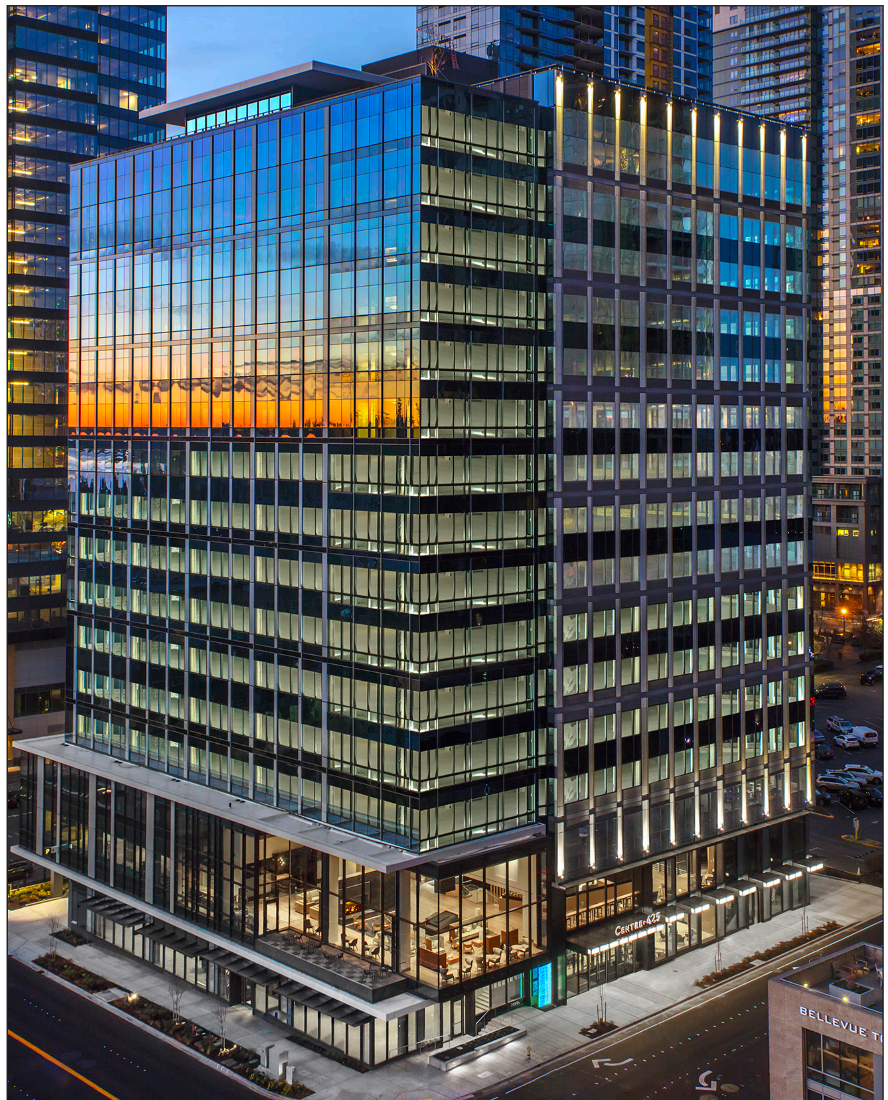
Q: Are co-working outfits, such as WeWork, affecting the traditional office market?

A: I think we'll need more time to really understand if or how the co-working spaces will impact the traditional office market.

In my view, co-working solutions serve two important functions. First, they fill a need when office tenants and landlords never seem to come together, and that is the short-term lease. It allows the start-up companies, or companies new to the area, an alternative as they evaluate their longer-term needs and find the right space.

The second is that they provide space elasticity for all types and sizes of tenants already established in the market. From tech to traditional tenants, we hear about how companies use co-working spaces for surges in headcount, a way to house consultants, etc., as well as touchdown spaces during travel.

It will be interesting to watch the co-working industry evolve.



Schnitzer West developed the 360,000-square-foot Centre 425 office building in Bellevue.

PHOTO BY MICHAEL WALMSLEY PHOTOGRAPHY

MARTIN SELIG REAL ESTATE

Specialty: Office building development
Management: Martin Selig, CEO
Founded: 1958
Headquarters: Seattle
Projects: 400 Westlake Ave., a 15-story office saving two facades of the old Firestone auto care center; 3031 Western Apartments, Selig's first luxury apartment building in downtown Seattle

Company founder Martin Selig responded to questions about his firm's activities in the Seattle market.

Q: What is your firm's specialty?

A: Developing office buildings.

Q: Have you seen low vacancy rates in your buildings, and if so, what is driving that?

A: I see no let up in demand.

Q: One of your newer buildings is Third & Lenora. How has the response been?

A: One hundred percent leased to WeWork/WeLive.

Q: Are there any neighborhoods outside of downtown Seattle that you are looking at?

A: Doing a project in Ballard at 15th & Market which is 80 percent leased. Remaining 44,000 square feet is on the third floor.

Q: Seattle commercial properties are benefiting from high-tech expansion. How does that compare with what the city experienced in the late 1990s?

A: About the same, but stronger tenants with financial backing.

Q: Do your tenants prefer new construction or renovations?

A: We have both types of need.

Q: Any signs of economic weakness locally that could slow the hot market?

A: I see no signs of economic weakness. In fact, it's just the opposite.

Selig is developing this five-story office at 15th Avenue Northwest and Northwest Market Street in Ballard.

IMAGE FROM MARTIN SELIG REAL ESTATE

SURVEYS

CAPITOL HILL HOUSING


Capitol Hill Housing is developing the 115-unit Liberty Bank Building at 24th Avenue and East Union Street.

IMAGE BY MITHUN

Specialty: Developers, owners and managers of affordable rental housing in Seattle
Management: Christopher Persons, CEO; Jill Fleming, senior vice president and deputy director; Michael Seiwerath, vice president of advancement and external affairs; Stacey McQuade, vice president of organizational performance; Jeremy Wilkening, vice president of real estate development
Founded: 1976
Headquarters: Seattle
Projects: Capitol Hill Station Site B-North, Seattle; Liberty Bank Building, Seattle; Africatown Plaza, Seattle; 14th & Union LGBTQ-affirming senior housing, Seattle

Jill Fleming, senior vice president and deputy director for Capitol Hill Housing, discussed the extra costs affordable housing developers face, her concerns about tax credit pricing in the wake of the new tax bill, and how developers can work with marginalized communities.

Q: Given the rapidly increasing cost of land in Seattle, where are the best opportunities?

A: One of the most promising opportunities for new affordable housing development lies in the repurposing of public land.

Up to this point, the city has done a fairly good job of prioritizing surplus or underutilized land for affordable housing. For example, we turned what used to be a surface parking for the East Precinct into our 12th Avenue Arts building. The Jefferson Apartments on 12th and Jefferson used to be an empty brownfield lot owned by the city, which we turned into 40 permanently affordable apartments.

We're about the break ground on 110 apartments above the Capitol Hill light rail station on land negotiated in a deal with Sound Transit. The city and county can play an important role in freeing up space for affordable housing.

Q: How important is proximity to light rail for your projects?

A: For affordable housing developers, building close to transit is about ensuring equitable access to opportunity, particularly the jobs, education and services in our city center. Building so close to transit also means we can build little to no parking, which significantly reduces our construction costs.

Q: Any hope for Seattle's new mayor? What's a policy change you'd like to see?

A: We're glad to see Mayor Durkan take such an aggressive stance on housing in the first few months of her administration. It's clear this is something she takes very seriously.

Addressing our housing crisis will require more housing for people at all income levels, so there is plenty we can do to increase density in our city. At the same time, we need to invest the resources to support those who are struggling to get by.

A message we'd love to get to her is that we have a backlog of projects in our pipeline that would be ready to go but for a lack of funding.

Q: Nonprofits take flak for building affordable housing that is too expensive. Is that fair criticism?

A: We take seriously our responsibility to be responsible stewards of public investment. Our costs are audited by both our public and private funders and we work to constrain costs. The reality is that building in Seattle is expensive for nonprofit and for-profit developers alike. We're all responding to the rising costs of land, labor, materials, etc.

Affordable housing developers face some added costs from having to assemble multiple funding sources, meeting higher environmental and labor standards, and building structures which will be kept affordable for 50 years or more. Because we don't have the ability to raise rents to finance improvements, it often means setting aside a larger reserve than you'd see in a private development.

It's important to remember that we're serving a population that is not served by the private market. The average income of a CHH resident is just around $24,000. These are folks that are being left behind during our current building boom. As a city we believe it's worth investing in affordable housing because we think our city is strong with a diversity of people in it.

Q: What do developers who build for marginalized communities need to do to ensure their projects will be embraced?

A: It starts with listening, and understanding the difference between building something for the community and building something with the community.

The Liberty Bank Building represents the level of partnership and types of commitments that can build trust in communities. We signed a formal MOU with Africatown, Byrd Barr Place and the Black Community Impact Alliance to leverage redevelopment of the historic site to maximize empowerment for the African-American community, including opportunity for community ownership of the building, prioritization of minority subcontractors, creation of a small business innovation fund and affordable commercial space, and incorporation of art and design to tell the community's story.

Individually, these are all small steps. Taken together, and backed by deeds and not just words, they start to build trust in the idea that development can lift people up instead of just push people out.

Q: What other big issues does your industry face?

A: We've been keeping a close eye on changes at the federal level. It took a huge lift from advocates across the country to stop the recent tax reform from gutting the Low-Income Housing Tax Credit program, and we're still waiting to see what the fallout from the lowered corporate tax rate will be on tax credit pricing in our area.

On the local level, one issue we're tracking is the city's pending regulations requiring mandatory retrofits for unreinforced masonry buildings. Some of our city's most affordable, and most historic, buildings fall into this category, including many owned by affordable housing developers like CHH.

Retrofits are important for ensuring public safety, but they are also expensive. Unlike private landlords, we can't raise rents to cover retrofits, so we really need to work with the city and the state to identify workable solutions for nonprofit developers.

HOTELS

CONTINUED FROM PAGE 17

from all over the world.

Despite strong and growing interest in the Northwest markets, there are reasons for caution. Looking ahead, the region will continue to face challenges as an unprecedented amount of new multifamily and hotel supply will be delivered over the next 24 months. As these new properties enter the market, hotels will have to contend with new competition that will likely further dilute occupancy growth and place downward pressure on average daily rates.

Additionally, the lodging sector will continue to compete for quality employees, which will drive wages higher as the already tight labor market hovers in the low 4 percent unemployment range.

While concerns surrounding these conditions will linger, bright spots in our regional economies such as the expansion of the Washington State Convention Center, continued infrastructure spending, growing tourist demand, powerful employment drivers, and the continued growth of port and cruise demand are all positives for the long-term health of the Northwest hotel and lodging sector.

Chris Burdett is executive vice president of investment properties at CBRE Hotels in Seattle.