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In Seattle, a New Life for a Once-Derelict Lakefront

By Harriet King

SEATTLE, Nov. 27 — Final touches are being put on the interiors of some 500,000 square feet of office, laboratory and apartment buildings here that are to receive their first tenants in a few months. They are the first new structures in what is eventually to be 10 million square feet of development in a rundown lakefront district long isolated by highways from the downtown area.

The developer is Paul G. Allen, the Microsoft co-founder whose Vulcan Inc. has spent more than \$200 million to amass 53 acres, roughly 25 percent of the area, in parcels spread over 10 blocks and ranging from entire blocks to small holdings.

The new construction is replacing 80-year-old factories, boarded-up warehouses, small stores and parking lots in the south Lake Union area. The area is a 15-minute walk from downtown, but it deteriorated because two freeways isolate it: Interstate 5 to the east and Highway 99 to the west.

Until the 1990's, the southern shoreline of the 6,718-acre lake to the north was unsightly, walled off from view and public use by rusting ships and factories. Today, the city is designing a small lakefront park in an area where restaurants will overlook marinas.



Doug Wilson for The New York Times

The park is years away, but five new buildings being developed by Vulcan are filling up. "We did a big search on where to locate," said John J. King II, chief operating officer of Rosetta Inpharmatics, a biotechnology unit of Merck & Company. "South Lake Union is by far the best site. The key is that we are close to other research institutions for interaction."

Rosetta will move into a 133,000-square-foot structure that Vulcan is developing. In the spring, the Seattle Biomedical Research Institute and immunology and infectious disease researchers from Children's Hospital and Regional Medical Center will

both move into a 112,000-square-foot complex that Vulcan is building a block away from Rosetta.

Seattle already had concentrations of biotechnology research laboratories. The sprawling University of Washington Medical Center, a leader in infectious disease research, is north of the lake. The Fred Hutchinson Cancer Research Center is adjacent to Vulcan's holdings.

Two other biotechnology companies have their own projects under way. ZymoGenetics, which develops protein therapeutics to treat and prevent disease, moved to the Lake Union area in 1994 and is expanding

its 200,000-square-foot research complex by 45,000 square feet. A mile west of the neighborhood along Puget Sound, the former Immunex, now owned by Amgen Inc., will consolidate offices and research labs scattered around the Seattle area into a new \$650 million, 860,000-square-foot campus in January.

Vulcan's biotech neighborhood will be anchored by the university's new medical campus. Its first 105,000 square feet are to open next fall, and a total of 800,000 square feet is planned by 2006. The campus will employ 12,000 when it is complete, increasing the medical center's total Seattle work force to 24,000, with a \$2.2 billion payroll. This will rival Microsoft, based in Redmond, Wash., which employs 26,000 people locally.

Mr. Allen focused on Lake Union in 1991 when plans were percolating for the Commons, a proposed \$300 million, 74-acre park that would have stretched from downtown to Lake Union; 400 acres ringing the planned park were to be redeveloped as housing and offices. He lent the city \$20 million to buy 10 acres for the park's initial parcels and planned to donate the money if the Commons were built. But voters rejected tax levies for the park plan, and by 1996 the Commons plan went under.

Many expected Mr. Allen to get rid of the property. Instead, consultants persuaded him to acquire land in Lake Union while it was cheap and develop a multiuse revitalization plan.

"For decades, south Lake Union was an underutilized backwater with the potential to be something more," Mr. Allen said in an interview. "At first blush the Commons outcome was not favorable. But what emerged is even more positive, an opportunity to create an economic focal point for the region."



With the October purchase of three acres across Valley Street from Lake Union, now occupied by a car dealership, Vulcan controls four blocks with water views, which will be the lake's gateway. The seller of the three-acre property was Mike Foley, who organized the battle that sank the Commons, saying he was outraged the city might seize his property for a low price and take prime commercial land off tax rolls. Mr. Allen paid him \$21.3 million, or \$157 a square foot. In 1995, land sold for \$45 to \$50 a square foot.

Two-year sales data compiled by Trish McRae, a market research analyst with the Colliers International Seattle office, shows that land prices paid by Vulcan and others ranged from \$110 to \$280 a square foot depending on zoning, location and amenities. Vulcan and other developers, she said, "really want the land and are willing to pay whatever is necessary."

Mr. Allen was previously known for building high-profile projects. In 2001 he invested \$130 million of the \$430 million cost of a stadium for his Seattle Seahawks football team; public funds were used for the

balance of the stadium's cost. Vulcan was co-developer of a striking 292,000-square-foot office building, in which Mr. Allen has his office, across Fourth Avenue from the stadium.

His Experience Music Project, a \$240 million museum inspired by the Seattle-born guitarist Jimi Hendrix, opened in 2000 across Highway 99 from his Lake Union property. Mr. Allen, who plays guitar, once had a recording studio on his Lake Union property and noted, "I wrote a whole bunch of songs there."

In Portland, Ore., in 1995, Mr. Allen personally financed the \$262 million construction of the Rose Garden, the home arena for his Portland Trailblazers basketball team.

In 2001, when Vulcan's real estate arm had three employees, Mr. Allen hired Ada M. Healey, who managed a \$3 billion real estate portfolio for Clarion Partners, part of ING, the giant Dutch financial services company, to create an asset investment strategy. "Vulcan had spent lots of time planning," Ms. Healey said. "I thought it was time to stop planning and start building."

Vulcan now has 17 employees and plans to hire an equities portfolio manager, real estate finance director and social sector investment associate. In October, Vulcan hired Michael Kranda, a former president of Immunex, as director of its biotechnology venture investments. The company has mostly worked with development partners but in the future will go it alone more often, Ms. Healey said.

Vulcan's primary focus is the Seattle area. It has restored the historic Union Station, now headquarters for the light rail agency Sound Transit; is conducting an environmental

cleanup of 20 lakefront acres in suburban Renton, where no development plans have yet been announced; and owns a 575,000-square-foot business park in Issaquah.

Besides the three research centers that Vulcan is working on in south Lake Union, it has two other projects nearing completion in the neighborhood. One is an 88,000-square-foot office building that will become headquarters for Tommy Bahama, a clothing manufacturer and retailer. The other is the 160-unit Alcyone apartments for people earning \$30,000 to \$60,000 a year.

Vulcan plans to start work in the summer on a 362,000-square-foot mixed-use office and residential development and next winter on a 550,000-square-foot complex with retail and residential components, as well as a luxury hotel.

City officials strongly support Lake Union development and plan to invest in road improvements and additional parks. Tim Ceis, the deputy mayor, said a crucial component would be to run a streetcar line to Lake Union. "Bus service is bad there now," he said. "Some 20,000 jobs may occur, so we need a way to move people in and out."

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