

ULI Technical Assistance Panel Recommendations

University of Washington - University District Station



ULI Northwest

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Our mission is to:

- Build a regional vision of the Pacific Northwest that embraces and acts upon quality growth principles.
- Encourage the collaboration among all domains – public and private – of the real estate industry.
- Build consensus among industry and public leaders who influence land use, transportation, environmental, and economic development policies.

University of Washington Project Description

Sound Transit is building a station that will serve the surrounding residential community, the “Ave” business district (the University Way corridor), other nearby employment sites, the University of Washington Tower, and the University of Washington (UW) campus. UW owns the air rights above the Sound Transit University District Station, which is currently zoned as NC-65. Based on discussions in 2013 with the City of Seattle, UW anticipated a zoning change to NC-85. More recent planning by the City indicates zoning based on a Floor Area Ratio (FAR) of 6-10 and height range of 160-300 feet may be possible. UW is soliciting the advice from ULI Northwest, who convened a Technical Assistance Panel (TAP) consisting of real estate, land use, retail, and design experts to determine the highest and best use of the site. ULI TAP recommendations will be considered among other options currently being evaluated by UW.

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ULI Technical Assistance Panel Recommendations

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EXECUTIVE SUMMARY

The rare opportunity to add increased density at the University District Station should be pursued in the most cost-effective and strategic way possible. High-density office development above the transit station provides an opportunity to create a “front door” to the University of Washington (UW) and brand the area as an innovation district. With a projected 12,000 riders arriving daily via the University District Station (U District), this development will become an important gateway to UW and a powerful catalyst and branding mechanism reinforcing the values of UW.

In the opinion of the panel, the highest and best use above the transit station is a non-traditional, creative office tower with strategic retail, setting the tone for an innovation district. UW departments that support the innovation district concept could be relocated to the tower,

along with companies that evolve from Startup Hall and satellite offices of tech companies (e.g., Google and Facebook), thereby creating a powerful synergy with UW. UW can follow the successful lead of other major universities such as University of Pennsylvania and Stanford University that have created innovation districts that attract corporate partners, serve as powerful recruitment tools, and reinforce the forward-thinking nature of higher education. The transit station site offers UW the opportunity to do the same.

“University of Washington has a unique development opportunity, but it would require UW to act quickly.”

To further support the concept of an innovation district and branding this area as the “front door” to UW, the anchor retail tenant should be the University Bookstore, occupying the first floor and potentially portions of the second floor of the tower, with shared open space concepts and high visibility, sensitive to pathways through and around the tower and flexible first floor uses. Having an updated version of a hip bookstore as a multi-purpose center that incorporates all the different departments, such as logo wear, art supplies, school supplies, books, resource center, coffee shop, gift store, and community gathering place would be very valuable to the University. A shared space for transit riders, office users, and the public to co-mingle could be achieved through integration between the first and second floor lobby and the headhouses. Upon exiting the lobby, the 43rd Street corridor should be improved



to be a more pedestrian-friendly street with strong retail leading to the main campus. These measures that encourage co-mingling, cohesion, and consistency can be a catalyst for UW to create an innovation district and reinforce its brand.

BACKGROUND

On January 10, 2013, UW and Sound Transit agreed to a multi-faceted and complex transaction that resulted in UW owning the condominium air rights over the U District Station.

Key terms of the agreement include:

- Sound Transit is required to deliver infrastructure/platform to support above ground 85 foot transit-oriented development
- Sound Transit will install vibration mitigation measures to FTA standards above grade
- UW is required to build a transit oriented development above the station

Key mutual understandings include:

- Sound Transit is required to finish the platform by December 31, 2019 and open light rail service by 2021
- UW has the right to reopen consideration of what Sound Transit will provide to support above grade construction subject to schedule and payment mitigation
- Sound Transit approval cannot be unreasonably withheld
- UW must use reasonable efforts to complete construction soon after the platform has been constructed
- If UW transit-oriented development project is not complete within three years after Sound Transit begins Light rail service (approximately 2024), Sound Transit can buy back air rights from UW at the then appraised fair market value

UW has not formulated specific plans for the site, but intends to inform its decision making with the recommendations of the panel, as well as other considerations. The City of Seattle has recently indicated that it might be open to an up-zone for the site as part of an overall zoning review for the University District. This potential up-zone has prompted UW to evaluate the possibilities that a zoning change beyond NC-85 could provide. Contractually, the modification to the current Sound Transit design of the station platform to support height and weight above NC-85 zoning (which contemplated five stories of wood frame over a two story concrete podium) would need to be completed by the summer of 2015.





To assist the panel in its deliberations, UW provided preliminary design and structural analysis of both “5 over 2” as well as high-rise (160 and above) construction impacts and order of magnitude cost estimates for the delivery of the extra platform construction costs.

**PANEL
RECOMMENDATIONS**

Key questions evaluated by the TAP:

What should be developed on the site in terms of size, scale, and uses?

What is the highest and best use for this transit-oriented development site?

How can this development support and enhance UW’s goal to transform the U District into an innovation district and portal to the University?

What street level design will provide meaningful connections to the station below as well as with existing retail activities on the “Ave” and with the campus?

How can some open space goals be met as part of development of the site?

Are there design features and/or uses that would encourage congregation, activation, and multiple uses depending on the time of year and weather?

How can UW maximize the value of the site and provide for future and flexible University demand?

Consensus Best Usage

The panel considered low-rise and high-rise residential, open space, and office development. A strategically conceived office development became the preferred choice for highest and best use after a deliberation regarding the merits of residential and open space as stand-alone concepts.

Residential Development – Locational Challenges Trump Need

The tenant possibilities for residential development include students, faculty, and staff of UW, as well as the greater Seattle population. Although increased student housing is needed, the expected rental levels do not provide adequate cash flow to support the cost of a high-rise development greater than 85 feet. The option to build student housing with the NC-85 zoning could be financially feasible in terms of development costs; however, the location is not ideal. The current UW managed student housing concentrations are either on the northeast portion of the campus or south of Campus Parkway with supporting infrastructure located there as well.

“Someone has to set the vision – it should be UW who sets the tone.”

The market for a residential tower for faculty and staff is also not compelling, as local and national studies have shown faculty and staff typically do not want to live in close proximity to the student population. There are several other options along the transit line that are better suited for this demographic, such as Capitol Hill to the south and Ravenna to the north. Other mixed use buildings, from 47th Street to 50th Street, have built more traditional housing units hoping to get a more mixed professional tenant base, but over 90% of the people that live in those buildings continue to be students.

The fundamentals for residential development for the greater Seattle population also do not support a residential tower, even though it is above a transit station. Tenants are market driven and the retail and aesthetic environment they seek simply does not exist at this location in the near to medium term. The experience and livability must be in place before the greater non-UW connected rental market will be attracted to the University District in general and this site in particular.



Open Space – Goals Achievable, but not as a Stand-Alone Concept

The panel does not believe this site is appropriate for stand-alone open space for a variety of reasons including specific topography, programming needs, and maintenance challenges. The site itself and the surrounding frontages would make it difficult to create retail that would serve as “eyes on the plaza.” In general, retail is not compatible with large public plazas. Locally, both Pioneer Square and the core of downtown Seattle have examples of gathering spaces such as Westlake, Occidental, and Steinbrueck parks that lack public safety and are difficult to control. Our recommendation is to develop the site and integrate elements in the design that allow for community gathering and avoid creating a stand-alone public open space that could become a detriment to both the community and transit ridership itself.



Open space goals can be achieved through strategic placement with a program that combines an office tower with well-suited retail and well-maintained smaller open spaces, sensitive to the pathways followed by users of the transit facility and tower. Revitalizing this area with a component of retail should be a part of any development. If publicly accessible space in the context of an office building with retail were strongly programmed and managed with security and safety, the goals of public space within this development would be possible. Design features for this type of development should encourage connectivity and incorporate a detailed understanding of pathways and user needs. Retail on the first and second floor that incorporates open spaces and gathering areas could be amalgamated to support public space goals. This type of space should be flexible in design, well programmed, and visible from the street while ensuring safety and security.



“Strategic co-tenancy needs to be at the forefront to reinforce goals of the innovation district.”

To further safety and security measures, the alley to the east of the station could be improved by the addition of light, the application of a painted, cleaned look, and the commitment for the space to be continually maintained. The alley should not be part of the open-space concept, but instead restricted to core services, largely due to the station constraints requiring that the alley side of any building be devoted to core functions including loading, stairs, and elevators. This concept also fits into the overall recommendations of the panel because alley activation is counter to promoting retail and improving the overall street environment in areas lacking an extreme density of pedestrian traffic. While alley activation is a currently popular redevelopment strategy, TAP participants urged significant

attention to context and emphasis on other gateway corridors in early development stages.

Innovative Office Development with Strategic Retail allowing for Transit Riders, the Public, and Office Users to Co-mingle

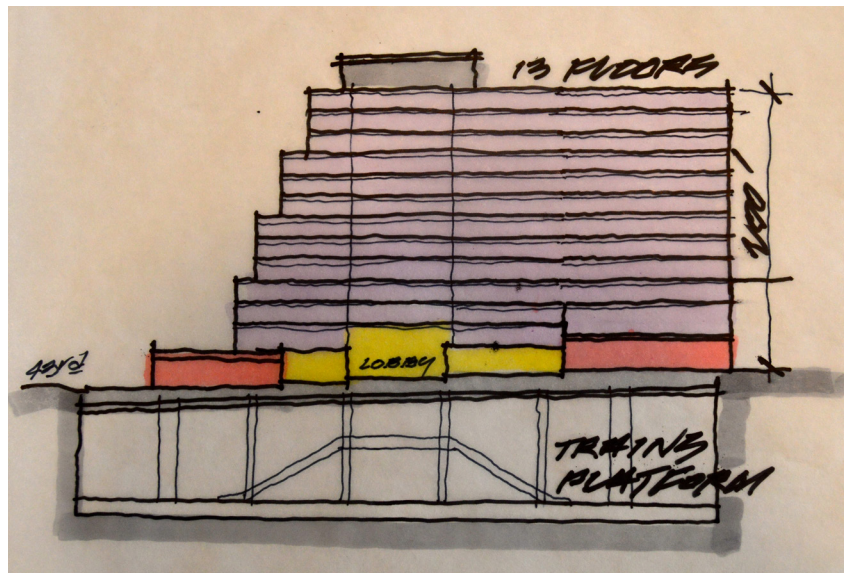
The most compelling use of this space is an innovative office environment; however, office design, user selection, and mix must be done with a strategic perspective. Traditional office space would not be appropriate for this space because it would not compete well with the downtown office core users who desire all the amenities available in the core. The limited on-site parking opportunities would be an issue with private sector tenants. Given these constraints alone, UW as the anchor tenant and users with a high desire to be near UW would be the most logical.

The highest and best use is a non-traditional, creative office space that sets the tone for an innovation district. UW, as the anchor tenant, could provide an opportunity to brand this area as the UW innovation district and blur the edges of the campus. UW would greatly benefit from this strategic step, as many of its competitors such as the University of Pennsylvania and Stanford University already have successful innovation districts established. The innovation district could be a powerful recruitment tool for corporate entities, UW partners, faculty, and new students.

UW, as the anchor tenant and developer, can lead the design of an innovative, green, forward-looking building that would be consistent with UW and tenant values. Current office trends are moving in the direction of offering comingling and flexible space. This is an ideal opportunity for UW to provide leadership in incorporating lifestyle and office trends. Inspiration for this forward-thinking design could include Stone34, Terry Thomas Building, and the Bullitt Center, rather than a standard office building.



“The U District Station is at the front porch of the University, which is remarkable, as this development could generate excitement about innovation with UW leading the movement.”



Today, UW already has a strong demand for office space, but currently is being priced out. Many departments within UW that strategically complement the innovation concept, such as business, computer science, and engineering, could relocate certain functions to the new tower. UW can also incorporate synergistic co-tenancy to further support this tower as an innovation hub. The relocation of key UW departments would free up some of the district's class B and class C space, which inherently have lower rents, making them attractive to startups. All of these factors coalesce to transform an innovation tower into an innovation district that incorporates nearby properties.

“What better way to say, ‘I have arrived at UW’, than having riders greeted with the University Bookstore and all that it stands for?”

The innovation tower could also provide transition space for Startup Hall tenants or be programed similarly to WeWork, which would allow businesses to grow from single occupancy to larger offices. Consideration should be given to moving or expanding Startup Hall into the tower to further support the innovation goals. Companies, such as Google or Facebook, may also want a satellite presence at this tower because it will be a hub for innovation, creativity, and ideas.

One building, however, does not make an innovation district. UW needs to explore the use and integration of other nearby properties, and continue strategic land assembly. Acting as both a developer and consolidator of property to make an innovation district is key to the success of this endeavor. Upon exiting the retail plaza, 43rd Street will become the gateway to UW. UW should focus on creating a strong 43rd Street corridor that is a pedestrian-friendly portal to the U District and campus. Pedestrians, bikes, and automobiles support the conditions for improved retail along 43rd; however, 43rd Street revitalization must avoid the pitfalls of being on a bus route because it would inhibit the pedestrian experience and the ability for a thriving retail environment. The goal of blurring the edges of campus could be achieved through this strategy.

Well-designed, flexible office space with retail that supports the objectives of an innovation district is key to the success of this strategy, with continuity as a key unifier. The ideal anchor retail tenant for this project is the University Bookstore, incorporating the first floor and portions of the second floor of the office tower while providing open space for gathering with retail. Separate, but visible retail should be designed intentionally for shared uses. The University Bookstore and surrounding retail along 43rd Street sets the tone for arriving at UW's innovation district and reinforces branding.

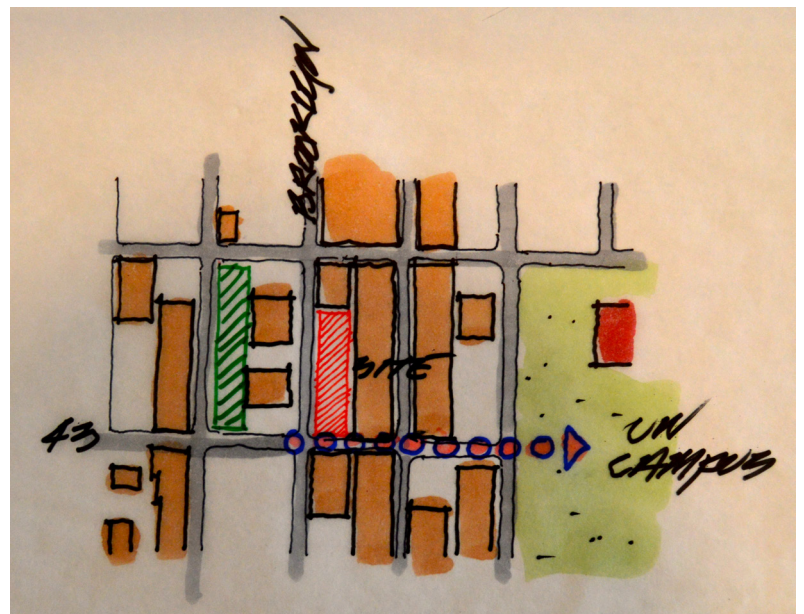
“With 12,000 riders each day arriving at the U District Station, this location could be the new front door to UW.”

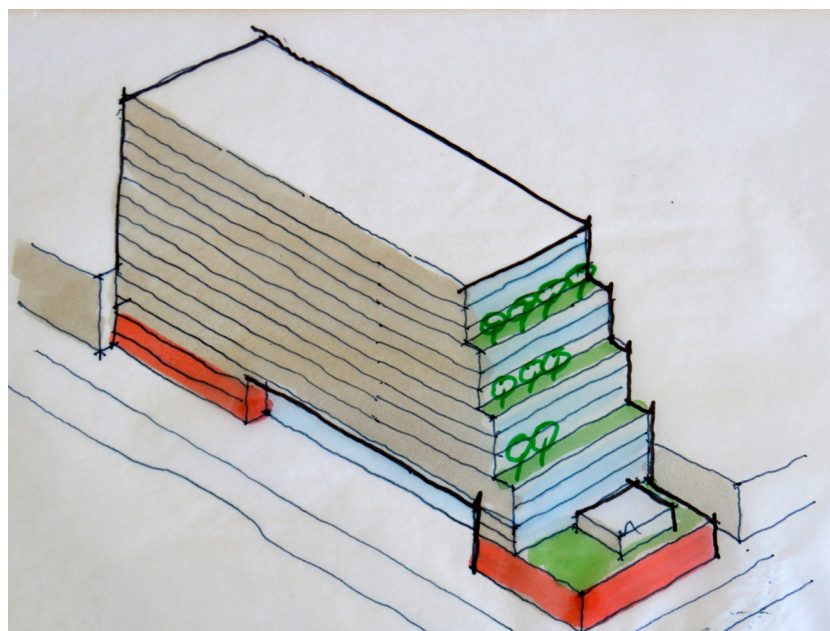
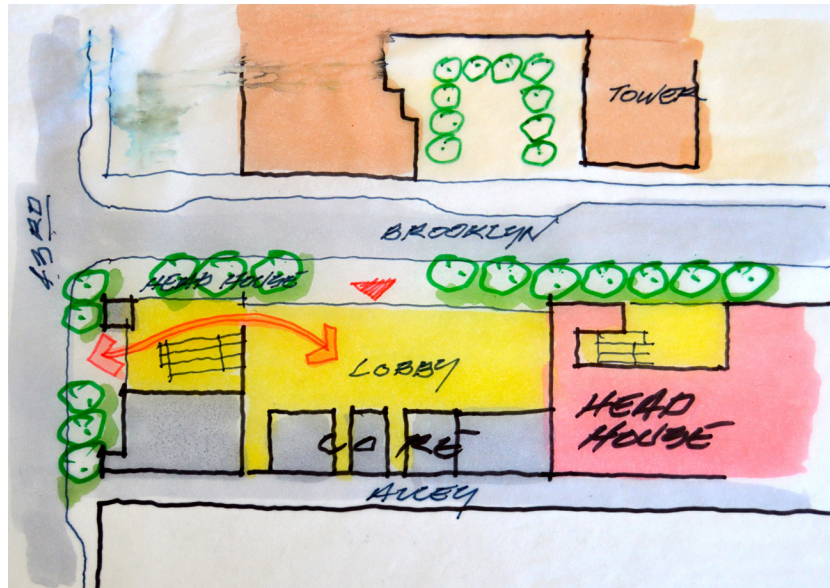
A reconfigured University Bookstore is the ideal anchor tenant in that it creates the magic of entry experience. The University Bookstore could take up the first and second floor space with potential gathering areas to answer the challenge of activating second floors. The lively atmosphere of this retail space would also be a huge draw for people living in adjacent neighborhoods. Other supporting retail should include a great coffee shop, a café or restaurant such as Portage Bay or the Purple Café & Wine Bar, and a brewpub. Transit hubs do not typically support traditional retail, but impulse-oriented goods offered by a bookstore make sense together with some food offerings.

Relocating the University Bookstore would give it the opportunity to create a space that works better in today’s context than its current location. At this location, the bookstore benefits from easy access by the station’s estimated 12,000 riders per day. The University Bookstore may need to be enticed with tenant improvements and some parking spots within the tower or in very close proximity. Another benefit of this relocation would be freeing up of the current space on the “Ave.” Today, retail conditions on the “Ave” are not conducive to successful retail and there are also safety concerns. Redeveloping the current bookstore location with a more retail-friendly experience at the street-level could be the spark that leads to further improvements on the “Ave” by other property owners.

All requirements for transit, including all ticketing activity, should be incorporated below ground at the U District Station. Arriving riders will take an escalator up to the ground floor and enter the innovation district through the shared lobby with the office tower. This concept of transit-oriented activities underground with an escalator to a lobby filled with strategic retail would further activate the space throughout the day, which is a goal of the City of Seattle. The rider also experiences a certain synergy between the University Bookstore, other supporting retail, and the office space being at the “front door” of UW.

In order for the street level to provide meaningful connections to the station below and to existing retail activities on the “Ave” and with the campus, the design of connectivity and integration of uses must be emphasized. Ideally, the lobby connected to the first and second floor retail should be integrated with one or both headhouses. With all transit-related activities focused underground, UW could intentionally design





***“Anytime you have an interruption to retail, it’s deadly.
The headhouses have to integrate with the retail.”***

above-ground shared uses of lobby for transit riders, retail users, and office users through the building consistent with an innovation district. The design process should carefully assess user needs and model the experience of travel through and around the transit, tower, and related retail areas.

The current design of the headhouses must be addressed in order for the innovation district concept to work. Retail will be unable to survive unless the headhouses integrate with the retail and tower. This is especially true for the headhouse on 43rd Street, the key corner of the project. In the current iteration of the Sound Transit design, the headhouse would block the visibility of retail from the street.

This design incorporating shared uses is an ideal opportunity for UW to take lessons learned in new UW housing and academic buildings and apply them to innovative trends in commercial office buildings and retail. Combining the great room concept with lobby and coffee shop would accomplish these goals. Examples of great room concepts with lobby and coffee shop include: Amazon Headquarters, Brave Horse Tavern, Via6, Ace Hotel in New York City, and Melrose Market. Essentially, UW would be enabling the creation of a “reinvented” mixed-use University Bookstore.

Other potential users include a day care facility, as a large number of working parents prefer having their children in a location near the workplace. The southern oriented step back design envisioned by the panel could provide a desirable indoor space with an adjoining outdoor deck for childcare.

Other Considerations

Determining the value that UW might spend on the additional substructure should be considered using a back-end approach taking into account that UW already owns the air rights above the station. If the cost of land in an open market is approximately \$60-80 dollars per FAR square foot, UW can back in to the value of the additional cost for Sound Transit to deliver the required infrastructure for a high-rise building. Assuming a value of \$80 per FAR square foot, a 240-foot high rise, and 300,000 square feet, the value of the site would be approximately \$24 million in the open market.

CONCLUSION

- These recommendations endorse the idea of the U District Station site being developed as a high-rise innovation tower; however, it should be noted that the panel is making recommendations based on its collective knowledge and experience, but did not have the benefit of detailed market studies and analysis to guide it. The panel advises that UW complete a detailed analysis of projected total development costs for the site and market need for office use and parking.
- The panel also recommends that immediate discussions begin with the University Bookstore to determine willingness, feasibility, and costs of relocating to the new building. Part of this analysis should include the opportunity cost of being able to redevelop the current bookstore site and parking lot, while creating a much-needed vibrant pedestrian parkway from campus to station, which can also incorporate the design for the new Burke Museum.
- The panel does not recommend a mixed-use building of residential and office due to the complexity of co-mingling security and access requirements on such a tight site, as well as the market limitations for residential use as discussed earlier.
- As a final note, the panel believes a height of 240 feet or less will be most in scale with the neighborhood and most feasible so as not to trigger additional structural and life safety requirements, which apply above 240 feet.

ULI Northwest Technical Assistance Panel Professional Biographies

Al Levine, Affiliate Faculty, Runstad Center, College of Built Environments, UW (TAP Chair)

Al Levine retired as Deputy Executive Director of the Seattle Housing Authority (SHA) in July 2013 where he oversaw SHA's Development, Construction and Asset Management programs. Before SHA, Al was a partner at Lorig Associates and also worked as a development consultant. Al received a B.A. from Hunter College of the City University of New York and a Master's in Urban Planning from UW. Al currently serves on the Advisory Board of ULI Northwest and is a member of the UW Department of Planning and Urban Design Professional's Council.

Maria Barrientos, Maria Barrientos, LLC Seattle, WA

Maria Barrientos, the Managing Member and Principal of Barrientos LLC, has over 30 years of experience in real estate development, project management, and construction administration. She has successfully managed the development and construction of over \$900 million worth of projects. Maria's strong inter-personal communication skills, strategic thinking, leadership abilities, and problem-solving capabilities enable her to successfully analyze challenging problems and work toward workable positive solutions.

John Bliss, Urban Renaissance Group, Seattle, WA

As Chief Investment Officer for Urban Renaissance Group, John Bliss has overall responsibility for the company's investment activities and relationships with institutional and private investment partners. He serves on the National Board of Advisors for the College of Business and is a past chair of the Real Estate Advisory Board, both for Washington State University.

Joe Ferguson, Lake Union Partners, Seattle, WA

Joe Ferguson leads Lake Union Partners' acquisition and capital development efforts. Utilizing his background in brokerage and land use economics, Joe combines a clear market vision with strong transaction instincts to guide clients and partners in creating effective real estate investment opportunities. His ability to analyze market fundamentals and build financial models appropriate to a wide variety of product types allows him to successfully lead risk assessment and negotiate deal structures.

Ada Healey, Vulcan Inc., Seattle, WA

Ada Healey directs all real estate strategies for Vulcan Inc. and oversees over \$2 billion in real estate assets including the redevelopment of nearly 60 acres in Seattle's South Lake Union neighborhood. Ada is a leader in the development of integrated transportation systems and was instrumental in the passage of legislation for the South Lake Union Streetcar. Under her direction, Vulcan has earned widespread industry recognition and honors for its innovative development approaches and commitment to sustainability. Ada is the Chair of ULI Northwest.

Kelly Kost, Downtown Works, Seattle, WA

A strategist with retail consulting firm Downtown Works, Kelly Kost has more than 15 years of entrepreneurial experience in retail and restaurant environments. She also worked for a major philanthropy focused on social and enterprise development. Kelly serves on the Board of the International Downtown Association and is a member of the Urban Land Institute. She has served as a judge for Retail Traffic magazine's Superior Achievement in Design & Imaging (SADI) awards.

Midge McCauley, Downtown Works, Seattle, WA

Margaret McCauley has been at the forefront of the urban retail industry since her days working with legendary retail developer and real estate visionary Jim Rouse. She draws on her deep experience and the resources and perspectives of retailers, private developers, corporations, urban planners, and design professionals to help clients successfully transform their downtowns into dynamic environments that serve the needs of residents, professionals, and visitors alike.

ULI Northwest Technical Assistance Panel Professional Biographies

Michael Nanney, Security Properties, Seattle, WA

Michael Nanney has 10 years of real estate development experience and 15 years of total real estate industry experience. He joined Security Properties in 2012 after seven years developing residential real estate for national developer Forest City Enterprises. Before that, he spent five years at Jones Lang LaSalle in a variety of roles including consulting with public sector agencies on the re-use of real estate assets, raising capital for real estate investments, and asset management.

Ev Ruffcorn, NBBJ, Seattle, WA

As a Design Principal at NBBJ, Ev Ruffcorn applies the art of architecture and community building with patience and tenacity to attain design excellence. With more than 40 years of experience leading science and higher education, civic, commercial, and corporate projects, he brings a unique understanding of the goals of his clients and the requirements of the users who will inhabit the buildings he designs.

Scott Thompson, Weber Thompson, Seattle, WA

As a founding Principal at Weber Thompson, Scott Thompson has over 35 years of architectural and planning experience, specializing in high-density, urban infill, and mixed-use buildings. He has additional experience in commercial structures, planned-unit developments, high-end condominiums, multifamily housing, hospitality projects, health clubs, and custom single-family residences.

Charles R. Wolfe, Attorney at Law, Seattle, WA

For more than 30 years, Chuck Wolfe, has helped clients resolve the complex issues that arise with redevelopment of constrained urban and suburban properties. He is known as a creative, goal-oriented team member with an unusual combination of legal, environmental, and land use experience. He is recognized nationally for his urban planning knowledge and related writing, including *Urbanism Without Effort* (Island Press, 2013). Private developers and public entities turn to him for advice and to bring together the ideas and people needed to successfully complete innovative—and often, high profile—land use and brownfield projects and to recover environmental cleanup costs. He is also a UW Affiliate Associate Professor of Urban Design & Planning.

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