Monorail station site to get high-rise condos

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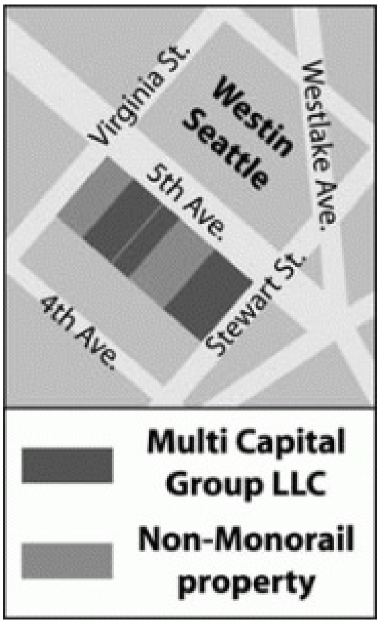
By LYNN PORTER
Journal Real Estate Editor

When the Seattle Monorail board bought three properties between Virginia and Stewart streets along Fifth Avenue collectively for $9 million it planned to build a station and right-of-way there.



If a deal approved Thursday by the board closes for Multi Capital Group, LLC to buy the sites for $15 million, expect to see condominiums rise up on that land across from the Westin.

The privately-held New York City investment group believes the best use for the property is condos, said Jason Rosauer, an investment broker with GVA Kidder Mathews, who, with GVA's Dave Speers, represented Multi Capital.

"The condominium market supports that price per foot for the land," he said.

Representatives for Multi Capital could not be reached for comment.

Multi Capital will benefit from zoning changes approved by the Seattle City Council this month. The changes allow Multi Capital to build to potentially 38 stories, about 13 floors higher than under the old zoning at the sites at 1903, 1921 and 1923 Fifth Ave. The allowable floor area also is about 40 percent greater under the new zoning.

The parcels are among 34 purchased in 2004 and 2005 for the now dead Seattle monorail. Voters pulled the plug on the project in November 2005, before construction began on the 14-mile line.

So far, the board has approved purchase and sale agreements for 31 parcels, including nine OK'd Thursday.

If all those deals close, the board will have collected $70.7 million, $14 million (or about 25 percent) more than it paid for the properties. However it must pay a total of $1.7 million out of that to GVA Kidder Mathews, the brokers in the sale of the properties, and to the buyers' brokers. Three parcels have not yet sold; one of them was not offered for sale to the public. Its purchase is being negotiated for use for railroad track expansion.

After the sales close and the last motor vehicle taxes are collected, the board will have enough money to pay its debts and liabilities. Because the sales have gone so well, the board agreed Friday to stop collecting the tax on vehicle registrations that are due after June 30.

Jonathan Buchter, the monorail projects's chief operating officer, believes the premium paid for the monorail property is reflective of a solid real estate market and also the ability of buyers to purchase clustered sites from one owner at one time rather than making deals separately.

“It's very hot at the moment,” he said of the market.

But not all the Monopoly pieces fell together neatly for purchasers of the properties. For instance the Multi Capital Group does not hold one of the parcels, now home to a garage and not a monorail property, that would make its site contiguous. However, Rosauer said the project is not dependant on the investors acquiring the site, but “we would entertain negotiations to acquire the site if the owner so desired.”

Another set of contiguous properties now home to a parking lot at 417 Broad St. and 416 John St. are pending sale to Kakei Ventures, LLC, Seattle-area investors, for $3,850,000. The monorail board paid $3,409,000 for the properties.

Seattle-based Triad Development intends to build condos, a hotel, or a combination of the two on the parcels, which allow construction up to eight stories, said Brett Allen, director of new business development for Triad.

The development company would also like to purchase the site across the alley between Broad and John. But it purposely did not bid on it as it is home to Caffe Appassionato, which the cafe owners had pleaded in the media to be able to buy back. The monorail board on Friday agreed that the cafe's owners, Young and Taiki Lee, could indeed buy the site for $650,000, a total of $70,000 more than the paid for it.

If the Lees want to sell the site now that they have it back to make way for an even bigger development for Triad, Allen said the company would welcome that. Regardless, he said, Triad is “very pleased” that the Lees were able to purchase the property.

“We're confidant that we can put together a fantastic project with just the two parcels,” he said.

The properties purchased for the monorail run from Ballard to West Seattle. They have housed a variety of uses, from a radiator and muffler shop to parking lots and residences. They are zoned for a variety of uses.

One of those approved for sale Friday was intended to be the operations center for the monorail. It is pending purchase by Port 106, LLC, which is made up of Kauri Investments and Ariel Development. Kauri is headed by Jim Potter, who, as a consultant, negotiated the purchase by the monorail board of the site and several sites intended as downtown stations.

If the sale closes, Port 106 will pay $12.5 million for the 7.6-acre Interbay site, which had housed the Northwest Center, a Seattle nonprofit for developmentally disabled children and adults. The monorail board bought the land at 1600 W. Armory Way for $16 million.

Kauri Investments CEO Kent Angier said Potter, chairman of Kauri, was not involved in purchasing the site for Port 106, and that he is not involved in day-to-day operations of the company. Buchter said Port 106 was the highest bidder for the property.

“The difference between Kauri’s acquisition and the monorail’s acquisition of any of the monorail properties was that the property owner knew that the monorail either had to have the property or wanted it pretty badly,” said Angier “The difference is here it is really a market transaction.”

Angier, who is a partner with Potter in Kauri, said that the company and Ariel have a couple of ideas for the site and are talking with possible tenants.

Retail and office are allowed on the land, which is just north of the Magnolia Bridge, he said.

“We looked at it initially with a retail/commercial use in mind,” said Angier, although the developers will explore all possibilities he said.

Ariel Development also is purchasing four parcels in the sodo district across from Starbucks headquarters in the 2400 block of First Avenue South for $5 million. In partnership with American Life Inc., it intends to do repairs to the buildings, one of which is leased, and then bring in more tenants, said Herzel Hazan of Ariel.

Long term, the developers would like to tear down the building on the parcels and construct one big office/retail/work loft building, he said.

He is hoping that the city of Seattle eventually allows for more residential and mixed-use and will increase the allowed floor area ratio.

“I hope that one day the zoning will change and I can build more than I can now,” said Hazan.

Hazan would like to see the area become like the Pearl district of Portland, with a funky neighborhood with art galleries and the like and many more residents.

Hazan said the fact that the parcels were assembled adjacent to each other entered into the decision to buy as a large development is possible on the assembled sites.

Seattle-based Harbor Properties is another developer which believes it can get more out of its pending purchase because it is buying assembled property. Harbor plans to build a residential project with ground-floor retail on two parcels — a parking lot and medical/dental office — it purchased in West Seattle in the 4700 block of 42nd Avenue Southwest, said Denny Onslow, Harbor executive vice president and chief development officer. He said that the company can get more density because it does not have to have the setbacks that it would if it bought the properties separately and built two buildings.

“The assemblage helps,” he said.

The company will look at market conditions later in the development process to decide whether to go with condos or apartments on the site which is zoned for eight stories, he said.

Lynn Porter can be reached by email or by phone at (206) 622-8272 begin_of_the_skype_highlighting (206) 622-8272 end_of_the_skype_highlighting.