
Committee OKs Arctic

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Committee OKs Arctic, Alaska building sales

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Journal
Staff Reporter

A Seattle City Council committee on Wednesday approved the sale of the Alaska and Arctic buildings for \$13.6 million.

The City Clerk's Office said the city bought the buildings for \$21 million in 1988.

Arctic Club Hotel LLC will purchase the Arctic Building for \$5.1 million, and convert it to an upscale hotel. Kauri Investments/Ariel Development will purchase the Alaska for \$8.5 million and create market rate housing.

About \$9 million of the sale proceeds will be needed to pay remaining debt on the purchase price of the buildings. Another \$4 million will go to moving and tenant improvements, to accommodate city staff in the Municipal Tower. Additional expenses include staff time and the lost revenues from tenants in the Municipal Tower.

Although the Finance & Budget Committee approved the sale, members questioned why city staff did not have the buildings appraised and did not seek written assurance from the buyers that they will carry out their development plans.

Fleets and Facilities Department director Brenda Bauer said the appraisal was not needed, because the city relied on a competitive bidding process to find the best price. Bauer said "we got a good measure of the market" from the eight offers on the Arctic Building and 10 offers on the Alaska Building. The city took the highest bidder on the Arctic, and took the best proposal, but not the highest bid, on the Alaska.

Bauer said the Arctic will require extensive remodeling, including a seismic upgrade.

Finance & Budget Committee Chair Richard McIver and council member Richard Conlin said the city should have a provision in the sale agreement that the Alaska will be used for housing. Without that provision, the buyer could "flip" the building — turn a quick profit — by remodeling and selling it for a profit, McIver said.

Council member said not having the guarantee "makes me nervous," but he said there is only a slight chance either developer would flip the properties.

Bauer said such a provision would have meant a lower bid from Kauri. "I'm confident this group has the ability to carry out housing, because housing is what they do," she said. "We can't force them to do something they don't want."

She said the Arctic Club LLC, including Spokane developer Rob Brewster, is “heavily invested” in operating the building as a hotel. Brewster could not be reached on Wednesday, but in a prior interview he said the Arctic Club Hotel will follow a wider trend for historic/boutique hotels.

The matter goes to full council on Monday, and if approved, the sale will be effective in late May.

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