

**Jensen-Byrd Information Session  
Oct. 27, 2006**

**Q&A Informal Transcription**

**Notes will be posted online at:**

[www.spokane.wsu.edu/aboutWSUSpokane/campusdevelopment.asp](http://www.spokane.wsu.edu/aboutWSUSpokane/campusdevelopment.asp)

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*Teresa Brum, City of Spokane, Historic Preservation/Economic Development*

Q: Good job on research; included Investment Tax Credit which is important to this project. Property tax exemption program; federal ITC and LIHTC listed on pg. 13 of report, and special valuation, not factored into pro forma.

A: That's an add'l tool that could be brought. Effect is ballpark \$1M, which reduces gap on apartment option (doesn't eliminate it altogether).

Q: Property tax exemption runs 10 years, so effect could be more. Does university pay property tax?

A: No. One issue w/tax abatement is question of how improvements will be taxed, if subject to long-term lease. Would depend on whether assessor views them as real property.

Q: Those would come into play if the property is sold to a developer who is eligible for them. Would be interested in calculation of effect of this.

A: Initial calculations were run; can check into it some more. Looked at millage rate of 15/1000.

*Dick Winchell, EWU*

Q: 30,000-foot view of the whole development project involves smart growth, encouraging mixed use that comes more at the edges of the development. Would be hard to find more contrast than between this and smart growth presentation Wednesday on campus development around Vancouver, BC, and the amazing changes that have gone on there. Smart growth reflects a different perspective in terms of parking requirements, requirements for development--market processes in play will be different in future. There is need to base projections on what's here, but vision for future is different for what will surround campus.

WSU doesn't put the campus plan in front of us every time we have this discussion so we can see what the new footprint is like; that would be helpful. There was an update to that plan, but there have been other changes since then such as update to city plan—would be helpful to update again. Nationally and internationally universities are becoming drivers for revitalization of areas, where university is partnering in change and leadership. We've been involved in small Cheney trying to do that & have had success; that creates a different framework for development; I would encourage looking at that.

Question for study: We see cost of reuse. We don't see cost if this were torn down and built to standards that would be required to build university building. How much difference is there, and which way? You'd create better quality space but it's not clear to me how that would pencil out cost-benefit comparison. Would be helpful to have rough comparisons in the study.

Something unique here in potential of larger area and specific spaces. Tying parking to this one project as opposed to solving parking problem for larger campus—seems to me there's potential to try to address that. You had 60-100 spaces that fit in here; maybe sharing parking since there's nothing but parking lots around that area; need for parking is questionable to me.

Tax credits and other options: Some available, some not. We have EPA grant to do studies; charrette in January 2007 that includes financials on projects in this area. Interesting to have them look at this data & this project as well; I'm sure they will.

I think there are lots of opportunities from EPA, brownfields, wider range of redevelopment that may be funding. Would be interesting to see this campus develop as the most exciting, the most sustainable, the development that is best at preserving historic buildings instead of an efficient place to go to class and leave.

*Steve Simmons, EWU*

My experience has been in mixture between historic preservation and high-tech. Worked with Steam Plant, Holley Mason, Schade Tower for historic buildings. Most recently did large 93,000-sq-ft building at EWU Cptr Eng building--\$31M new construction project.

Study concerned with retail, office, & living space. Those are things like existing markets. What about the next business that's around the corner, things that haven't been thought of yet? As a budget closer for \$3M-\$8M gap, I was in a meeting with companies that put \$8M-\$10M on table if we can develop data center in/near downtown. Basement would be perfect for secure data center; their \$\$ would close the gap.

Evolution of office space. Considered a service. Union Depot RR Station office space in beautiful historic building that's virtually intact (in Portland). Intangible manufacturers represent the future, e.g. Digimark electronic watermarking. Can go anywhere from info-mfg company—we have many in Spokane in the Terabyte Triangle (150 companies in TT). Evolution to make money out of office space thanks to income stream from all over the world, not just local market.

Stretch into mfg. xN first office in basement of Cheney pizza parlor, now has 120 employees in large facility. Matrical another example: lucrative mfg business with worldwide clientele in Sirti building office space.

Look at examples in downtown Portland for office, mfg, fusion of intangible goods being manufactured like software & creative properties. Undervaluing office space if looking backward.

Google coming to Spokane for recruiting, and may eventually look at office space expansion here. Maybe there's a trend that supports Dr. Winchell's trend of a different future in which office space can be more lucrative than the historic market.

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*Gary Lauerman, RenCorp*

Just did large warehouse redevelopment 120,000 sq ft. \$170-\$200 cost. Luxury condos. Design-build effort, bought the building. If you talked w/us about what we did & how we did it, your # would go down and change the pro forma dramatically.

Rich interesting urban experience drawing people—that's what historic preservation does. Wiping everything out & developing campus w/o something organic & original that you work around—more apartment to do that if you keep building. Most interesting, rich projects happen with difficult pieces of property, makes you come up w/design solutions. Interesting geometry on property, if you organize streets around it will end up with something richer & more different.

Eco/green building: Nothing could be less green than hauling a bunch of material to the landfill and then replacing it with brand new material for another building. Sound transmission & low beam heights—for apartment housing these could be solved easily & wonderfully, could be wonderful apts.

Column connections to beams—easy problems to solve.

Hope you'll rethink that & talk to our firm.

If the property could be isolated and sold that would be part of great organic development of campus; should be something university wants to do.

*Greg Higgins, architect*

Make Steve Simmons's ideas concept #5: "extreme mixed use." Ground-floor retail, maybe storage space in the low-ceiling floors, light mfg, tangible & intangible, business incubator, artist studios with free rent/subsidized, condos/penthouses on top floor. Probably many possible mixes that could occur, and it's been done—not that extreme or unusual. Think of NYC, people living on floors between retail down/mfg up, lots of mixes.

*Susanne Croft, City of Spokane, Office of Economic Development*

Multi-family tax exemption program—not mentioned in the report.

A: Roughly same as special valuation.

Q: On new improved value related to housing for 10 years. Focus on housing extremely important for econ development. Private investors may be waiting for more activity. Residents in an urban center support twice as much restaurant/retail space as office worker. Need to get critical mass of residents before the rest falls into place.

Multi-family tax exemption can be used for apartments or condos, can be used in conjunction with LIHTC. Some parents are buying condos for their student children to avoid paying for dorm; can resell when market value goes up, after college.

If building were torn down, something else would be built there. All the uses that would be really creative, attract creative businesses, "third place" office spaces I'm reading about—they only happen in funky, original, organic buildings—not attracted to shiny new buildings. They like authentic connections to the history of the place. Creative spaces are the value for these people. That's a huge piece of revitalizing that end of downtown, where a lot of creative energy is moving. The more creative the spaces are, the more creative the people who will want to use those spaces.

Updated numbers about projects using the multi-family tax exempt (not all condo activity in the city): since starting in 2000, 71% of units created through program are priced under \$500K; high-end units not the bulk of the units being created; 12% priced at \$750K+; avg around \$250/sq ft selling price.

*Chris Kelley*

Wondering if you had looked at any scenarios that didn't require Class A type space that would create raw space sublet perhaps for "option 5". How much that would cost where you don't do anything to floors/ceilings. Have something like Pike Place Market on ground floor, more like when it was originally saved than today after investment.

A: Scenarios are not specific to uses, don't rule out the ones you've talked about here, they're relatively generic and don't rule specify user. Open loft-type environment that could be more creative type of space is represented in the schemes we used.

You still have to bring the building up to code, still have to have stairs/elevators for circulation, still have to address building systems even to create the kind of space you're talking about. We're addressing that.

These are not Class A improvements in the report. Studio office proposal (concept 3) is very flexible space, with divisions sketched in that can be changed. Corridor needed for required exits; spaces can be divided however you want. Cost is in infrastructure: stairs, sprinklers, HVAC, electrical—all the things no one is interested in. Definitely a funky space that would appeal to a more creative market, those actively looking for something more interesting than typical Class A.

Q: Do you need air conditioning?

A: We didn't propose specifically—can do heat pump on roof for heating/cooling. Essential fact is you have to have mechanical ventilation, some kind of heating/cooling. For residential you don't need air conditioning. Building presents problems for natural ventilation because of the large floor plates.

Q: Could you do proforma for absolute minimum for code requirements?

A: That's pretty much what we did.

Q: You have walls, window replacement.

A: There we're dealing with energy code issues. Many of the windows do need replacement, then even refurbishing just sills could cost as much as replacement. We looked at replacement, and building insulation issues. Possible to replace windows & still have historic character, achieve historic tax credits. In terms of minimal scenario, we were aiming for middle—not high end, not entirely scaled back. What is a development scenario that can absorb various influences? With value engineering you can drive costs down.

What we put together was fairly generic, not a lot of high-end finishes. Used prevailing wage because it was priced for WSU, which has to pay that. Developers may be able to pay less.

This is a very conceptual design, can be cheaper. It brings building up to code, supports these types of scenarios. Square-foot cost to put in plumbing for office or residential—not completely finished high-end spaces by any means.

We show total project costs including soft development costs. Backing it out would be more comparable to Gary's, with additional contingencies.

*Suzanne Schreiner, Pacific Northwest Inlander*

55-year lease as an obstacle to developers—is selling an option?

A: If you're doing a condo, the 55-yr lease kills that option because you can't keep the condo past that. Selling gives developer more options. They can look at the selling price and decide whether they can make it work.

*Ryan Romaneski, ConoverBond Development*

One of the missing pieces – can't blame SERA because this was sort of done in a vacuum as a conceptual study – in a development project there is always give and take between developer, architect, contractor. Value engineering and other factors can work in favor of this project. That's a piece that's missing, understandably so—not part of the scope. In the hands of a private developer, there's more of an attitude of "what do we need to do to get the project done, see it happen". On sales side vs. leasing side, there's opportunity of not just working off cash flow, can also work from added value of potential resale.

A: Different developers will look at it in terms of how they would do it. If it's for sale, they look at cost, what they can sell or rent for, in between is where their creativity comes into play.

*Sarah Hansen, ConoverBond Development*

Preservation theme here is very poignant and cool. Represents an interesting and creative opportunity for university and community. My thanks to SERA; lots of good points in the assessment. Certainly a challenging, interesting space. Would be feasible to do something w/the building. Glad to hear the university is considering reuse options, taking a step back, taking another look—very important.

*Brian Pitcher, WSU Spokane*

55-yr lease—perceived or real impediment? We don't know final answer. When we prepared the RFP we engaged consultants who worked in other markets. Looked at 35 to 75-yr lease range, were advised that 55 yrs works and we tried it.

Look at Portland & Seattle markets: Portland State University and UW are buying more property. Would it be prudent to sell the property & need to buy it back in 30 or 50 years, or should we work to develop for future? No final answer but need to be careful, not let it go when all indications from experience are that sometime in the future, higher ed will need that property. Right now want to work with incentives & relationships. Maybe 55-yr lease needs to be something else—we don't know right now.

*Chris Kelley*

My perspective is coming back here from Silicon Valley after a long time, having left when Second City was here kind of like Pike Place Market, generated business start-ups, activated an underutilized part of downtown in old buildings that were later torn down for a skyscraper (18 stories). Spokane Farmers Market vibrant, lots of vendors, was here when I moved back. Put those two things together: Second City and Farmers' Market or Pike Place type market, combined w/raw space for start-ups, very vibrant. Make it raw space—if they want walls or carpets they put them in and pay for them. Look at YouTube that didn't exist 18 months ago—they need room to grow. Raw space that lets them grow could be both profitable and sensible w/lower investment up front, lower rents, still a profit that could be shared w/WSU. Creates a de facto student center, creates foot traffic, around it could be new projects. Institute for Systems Medicine will want a new building that will be expensive space. Having a place where you can eat lunch, watch a foreign film, see arts/crafts created there, you create the dynamism that will turn this into a true urban campus. That's another kind of development option that could be pursued.

*Dan Spalding*

Overall campus plan, parking spaces, what to do w/buildings. Take view up to 35,000 feet, include the buildings along the RR tracks (which WSU also owns)—would hate to see them slip through the cracks. I can see them working nicely w/whatever is worked out here.

*Gary Lauerman*

University need for land—how many campuses are in a few blocks. I don't know that you need a vast empty slate to create something wonderful that can grow in future. Sounds like it needs to be sold to create something. Having private nodes that you grow around isn't bad, creates highly desirable character. Hope need for acres of grass & parking doesn't control decision whether to sell.

*Samantha Jenkins, Rencorp*

New trend, preservation, catalyst. I like what I hear about new developments not at high level as mentioned by Steve Simmons & Chris Kelley.

I've moved away & come back; this is first time I'm actually seeing that we're hitting the mark. Opportunity like the JB Building to bring art & culture to facilitate university, draw people from Seattle & Portland. Allow for new types of development, new businesses, to come in at prices they can afford. Will draw people like me back into the area instead of watching it go down.

We're at a crux—can go back to standard like what we used to do, or go to Seattle standards and other areas that draw people away from Spokane.

*Dick Winchell*

Smart growth presentation—most of the UBC campuses ended up smaller than suburban model that we have now. Think of the buildings & structures we could pack into this space if we treated it like the city.

A: We all believe it needs to be this way (tightly packed buildings) in the future. Lots of opportunity to build around us.

*Matt Cohen, architect*

Excited about ideas being generated in the room. Important to note general political climate right now, notion of university as resident & neighbor of downtown. JB Building is on Main St—other end is Riverpark Square. Presumably Main St. will fill in more. JB Building façade makes a 45-degree turn & goes into campus. It's literally & symbolically the pivot point between the campus & downtown.

Look at the Rookery Block, which is coming down. Has been focus of major community concern past 3 years. Current mayor & city council worked on this, passed ordinances to act as go-between for owner & potential buyer, also anti-demolition ordinance passed probably as direct response to Rookery.

Historic preservation an issue for economic development as well as community & cultural pride. Community interested in seeing historic buildings put back into use, especially big important ones.

*Jerry Schlatter, WSU*

WSU bought the building thinking long-term, in terms of the future.

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