

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

IX. MISCELLANEOUS PROJECTS AND CORRESPONDENCE WITH INDUSTRY

D. Market Feasibility and Investment Consulting

3. Correspondence and Newspaper Article re: Port of Seattle Waterfront Project Development Panel, November, 1987 through March 23, 1988



30 November 1987

Professor James Graaskamp
4610 University Avenue
Suite 105
Madison, Wisconsin 53705

Dear Jim,

Thanks for the videotape. McGregor makes his points well. It's interesting to note that Meyer Frucher, Cooper's Battery Park client, also makes the same points in his public presentations--all the better to have the client validate the urban design principles, particularly as owner/investor.

I appreciate your sending resume along. All appears on track for week of March 13, 1988 although Lee Copeland cannot chair process at that time since it is Penn's first week of new semester. I would appreciate your thoughts on further participants in our experts panel. I'm not sure this is a "big" enough deal for Alex Cooper & Co.. I am convinced that we need urban design/landscape architecture expertise, both in terms of design/development principles and to look more rigorously into the area of public/private objectives and related cost apportionment. Retailing may also merit particular attention in that opportunities for it will exist but its prospects are not immediately obvious. As I mentioned on the phone, there is a good hotel specialist based in Seattle, and our transportation needs are cared for as well.

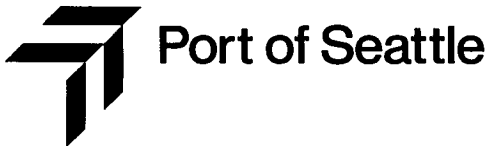
As to format, my thought is three intensive days/evenings would suffice. A draft panel report would be the final product of the three days, perhaps concluding with a presentation to our Commission, the five person governing board of the port authority. Additionally, I would foresee several, if not all, members continuing to serve as "jurors" in the Developer Request for Qualifications/Request for Proposal process. This would occur at two subsequent times during the year.

I'd welcome your thoughts on any of the above. I hope your calendar still permits your participation. We can promise first rate wallpaper with a stimulating time thrown in.

Sincerely,

A handwritten signature in black ink, appearing to read "Dan Dingfield", written over a white background.

Dan Dingfield



January 18, 1988

Dr. James Graaskamp
Landmark Research, Inc.
4610 University Avenue
Suite 105
Madison, Wisconsin 53705

Dear Jim:

Thank you for agreeing to participate in our expert advisory panel on the Port of Seattle's Central Waterfront project. As I mentioned on the phone, the panel will be chaired by Bill Eager, a transportation planning professional based here in Seattle. We envision this to be a group of approximately six people covering the disciplines of finance, development, retailing, hotel feasibility, urban design/landscape architecture, and transportation. Our preliminary assessment is that this process will take approximately four days to complete. The expected product is the group's advice contained in a report to our Commission, the port authority's governing board.

As to specifics, we will expect members to arrive at Seattle's Alexis Hotel, where we have reserved a block of rooms, on March 13th in time for a light supper social get together. Work in earnest will commence on March 14th at the Alexis and conclude with a Commission briefing on your recommendations on March 17th. Compensation will be a \$1200. per day honorarium plus all expenses. We would certainly anticipate accommodating your assistants, covering their expenses, and wish to explore appropriate compensation for them with you. You indicated staying on through March 17th could pose a problem for you and I would expect we can work around your needs there.

We will be forwarding a briefing book to you at least 30 days prior to the panel beginning. Working with me on this is Ms. Ann Nichols, our development manager for this effort. Either she or I will be in touch with you shortly concerning further details. In the meantime, if there are any questions, observations, or insights you wish to pass along, please don't hesitate to call.

We look forward to your help and an enjoyable time working this stimulating challenge.

Sincerely,

A handwritten signature in black ink that reads "Dan Dingfield".

Dan Dingfield
Director of Development

cc: A. Nichols

P.O. Box 1209
Seattle, WA 98111 U.S.A.
(206) 728-3000
Telex 703433

PORT OF SEATTLE WATERFRONT PROJECT DEVELOPMENT PANEL

INTRODUCTION

The Port of Seattle (POS) is an independent municipal corporation governed by an elected 5 member Commission which serves on a voluntary part-time basis. It seeks to assist the community's efforts to revitalize Seattle's central waterfront by initiating a joint private/public development effort on two parcels it controls. While wanting to ensure that an appropriate high quality development occurs on its properties, the POS does not wish to assume the role of developer. Rather, it wishes to have a private development company assume full responsibility for proposing and implementing a project which it will own and manage.

MISSION

Assist the Port of Seattle in its efforts to define the development opportunities for its Seattle central waterfront properties. Provide expert counsel to the Port through formulation of a conceptual development scheme and recommended processes to follow which might maximize implementation strategies (possibilities) for the development plan.

OBJECTIVES

- A. Create a development plan (or framework) for the Port's Pier 66 and Upland sites which includes:
 1. A recommended mix of uses
 2. Feasibility assessment of markets for preferred uses
 3. An urban design concept encompassing both Port properties and relating to the City's Harborfront Improvement Plan
 4. Desirable public amenity features to be accomplished by the developer and Port respectively
 5. Design guidelines
 6. Recommended resolution of alternate public improvement features
- B. Define a private developer selection process and recommend content of a developer solicitation prospectus.

BACKGROUND CONTEXT

A two year grassroots citizen effort led to the creation of a Mayor's Harborfront Improvement Plan which was proposed in early 1986. The Port's historic headquarters and initial terminal facilities reside in this downtown waterfront area. Knowing that traditional maritime terminal uses were no longer viable for these properties, the Port undertook several pre-development planning efforts for participation in the broader effort of waterfront renewal. The Port also took several specific actions on its properties in preparation for this development effort.

In December 1985, the POS terminated for default a lease of its 4+ acre Pier 66 property. Seeking to create a complete development environment, the POS acquired 4 separate parcels on the upland side of its waterfront holdings, which when combined, equate to a 3+ acre site. In 1987, the POS removed a blighted pier adjoining the Pier 66 property. It still controls the 4 acre open water area and has been involved in joint State/City/Port planning of a public transient moorage facility proposed for that site.

Products of the staff planning work, citizen participation efforts, and various consultant analyses are included in these briefing materials. Various citizens and citizen groups have been involved throughout the City and Port planning efforts. Port and City officials and staff have worked closely and cooperatively on this redevelopment initiative. A general agreement on what ought to be done exists. The Seattle City Council is presently deliberating City plan elements and hopes to act in April by voting to put a levy plan on the ballot for September, 1988. The present status of both Port and City "plans" is still conceptual. The elements and their relationships are defined but not designed.

It is the Port's expectation that the development panel's work will add considerable definition to the Port development project and its relationship to probable City improvements. In addition to generating the products envisioned by the previous "panel objectives", the Port seeks specific recommendations regarding several important urban design elements of how the Port and City plans might relate. These are briefly summarized below.

Realignment of Alaskan Way - the opportunity exists to move the harbor frontage road, Alaskan Way, behind the Port's Upland site rather than continuing it in its present alignment which bisects the Port properties. Such a realignment might also create an opportunity for a new public space within the Port development. Questions arise regarding the respective beneficiaries of such realignment--what value does it create and for whom, and the concomitant questions of who should pay and for what parts ought they pay.

Desirable and appropriate connections to the City - the Port properties, though directly below the Pike Place Market, are cut off from uptown connections. Solutions for such connections need to be defined as well as related issues of who benefits and who pays.

Public transient moorage - the potential for creating an approximate 100 slip breakwater protected transient moorage facility is being explored. This site is in the "heart" of the Port development area. Although there is tacit agreement that development costs shall be shared equally among the State, City, and Port, questions remain about the facility's value added benefits, which take the form of an aesthetic benefit and a potential density bonus, and who might be "assessed" given the beneficial effects.

DEVELOPMENT PANEL MEMBERS

William E. Eager(Chairman of the Panel)-Seattle, Washington. Bill Eager is co-founder and President of TDA, Inc. He has more than 25 years of experience in the transportation field: as an educator in transportation engineering, as a member of an industrial team seeking new approaches to the economics and hardware of urban transportation, and as a consultant on projects throughout the United States. Bill has conducted market research on transit needs for more than 40 North American cities, many private urban developments and destination resorts. In addition, Bill has managed interdisciplinary teams that developed comprehensive transit programs.

Joseph Brown-Joe Brown is Senior Vice President and a Principal of EDAW. Mr. Brown has directed numerous EDAW projects throughout the United States and internationally. He is an experienced planner and landscape architect with a strong background in urban design, environmental inventory and master planning. Major projects under his direction as Principal-in-Charge include Signers Memorial located in Constitution Gardens, the Independence and Constitution Avenues Special Street Plan, the Vietnam Veterans Memorial Site Selection Study and Landscape, and the facilities for the Papal Mass on the Mall.

Tom Dyer-Seattle, Washington-Tom Dyer is President of Union Bay Shipbuilding and co-founder and former President of the Seattle Marine Business Coalition. He also serves as a member of the Seattle Planning Commission. Tom has been active in dealing with marine interests along many of Seattle's major waterways and harbors including Salmon Bay, Lake Union and the central waterfront for many years. He most recently served on the Port of Seattle's Central Waterfront Citizens' Committee and is familiar with many of the complex issues involved in the future development of the Port's properties.

James A. Graaskamp-Madison, Wisconsin-Jim Graaskamp is the President and founder of Landmark Research, Inc. which was established in 1968. He is the designer and instructor of the Urban Land Institute School of Real Estate Finance. His work includes substantial and varied consulting and valuation assignments such as investment counseling to insurance companies and banks, court testimony as an expert witness, and the market/financial analyses of various projects, both nationally and locally. Currently Jim is a member of Salomon Brothers Real Estate Advisory Board.

Jack N. Hodgson-Seattle, Washington-Jack Hodgson has devoted over twenty years to the hotel and resort development industry. As a consulting firm, the Jack N. Hodgson Company is involved in the development and marketing of in-city hotels, resort accommodations and new recreation communities. Prior to founding his own firm in 1972, Jack was the development officer for Western International Hotels Company. Jack has travelled to more than 100 metropolitan areas of the Western Hemisphere, Europe, and Asia on hotel-related assignments.

Jonathan Rose-New York City, New York-Jonathan Rose is Senior Vice President of Rose Associates in New York City. His firm is a multi-faceted real estate development firm with projects located predominantly in the Northeast. Mr. Rose received his Masters in Regional Planning from the University of Pennsylvania and is currently a member of the New York Real Estate Board and the Young Men's Real Estate Association.

Charles J. Shaffer-San Francisco, California-Chuck Shaffer is Executive Vice President of Urban Centre Developments, Ltd.(UCD), a San Francisco based retail real estate firm. UCD specializes in the planning, development, management and leasing of the retail component of urban mixed-use projects, downtowns and airports. UCD's retail consulting work is comprehensive and encompasses the planning and implementation of retail concepts and strategy. Projects in which UCD has participated include Embarcadero Center, the Jack London Waterfront and The Cannery. Prior to coming to UCD, Chuck Shaffer was Corporate Vice President of Real Estate for the Dayton Hudson Corporation. His current affiliations include the International Council of Shopping Centers and the Urban Land Institute.

DAN DINGFIELD

Dan Dingfield, Director of Development for the Port of Seattle, joined the Port in 1979 as a manager in the Planning and Research Department. He was senior special projects manager in the same department before being named Director of Marketing in 1981. In 1985 he was named Director of Development.

Previously Dingfield was employed by the Massachusetts Commissioner of Education and involved in municipal planning, community development and policy planning for the City of Seattle.

A director of the Japan-America Society and a member of the Seattle Chamber of Commerce, he earned his master's degree from Boston College, Boston in 1969 and a bachelor's degree from the University of Washington, Seattle in 1966. In 1971, he completed advanced graduate studies in city planning at the Massachusetts Institute of Technology, Cambridge, Massachusetts.

ANN NICHOLS

Ann Nichols, Development Manager for the Port of Seattle, joined the Port in 1987 following a move from Kansas City. Previously Nichols was associated with the J. C. Nichols Company of Kansas City in their commercial properties department. Prior to that she was Assistant Director of Property Management for En-Com Properties, a national syndication firm specializing in Real Estate Investment Trusts.

Nichols received her bachelor's degree in Ancient Greek and Latin from the University of Colorado and is currently pursuing an MBA at Seattle University.

Landmark
Research
Inc.

James A. Graaskamp, Ph.D., S.R.E.A., C.R.E.
Jean B. Davis, M.S.

March 19, 1988

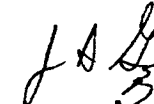
Ann Nichols
Seattle Port Authority
P.O. Box 1209
Seattle, Washington 98111

Dear Ann:

The rough draft of our comments to the Port Commission needed amendments, and these are included in the draft attached. You are welcome to revise as you wish.

Thank you for managing a very effective planning session, and I hope we can be of service again. You and Dan run a very professional shop.

Best regards,


James A. Graaskamp

JAG:sb

Enclosure

Public Amenities

Public amenities include the natural waterscape and the manmade features which enhance enjoyment of the waterscape and its urban frame. Manmade public amenities should be paid for by public agencies rather than exacted from individual private uses, which discourages private participation and therefore reduces choice and quality of private developers. Port Authority contributions to the cost of amenities identified below are already capital obligations of the Port Authority and small additions thereto are the cost of being the catalyst and corporate citizen of the central harbor. Ultimately, the values created by publicly financed amenities will be recovered indirectly from increased real estate tax, sales tax, and ground lease participations.

The panel considered the following public investment in amenities which advance public policy goals from the waters edge to upland connectors to the vigorous downtown Seattle core:

1. Transient boat moorage south of dock 66 and adjacent to the maritime heritage facility is endorsed by the panel as a public amenity to increase water related activities and provide an interchange between pleasure boats and the upland recreation zone. The moorage could utilize a stepped plaza down to the water to permit pedestrians an opportunity at water contact at various tide levels. Alternatively, transient small boat moorage could utilize a floating apron to bring pedestrians to water level. The Port Authority is already committed to 1/3 of the cost of the transient boat moorage improvement.
2. An observation deck with ramped access should be placed on the roof of any new one-story shed placed on the rebuilt Pier 66 or an observation deck should be replaced on the roof of the Port Authority building itself.

Historically, there once was a roof top garden on the Port headquarters building. These observation points would permit people to watch replenishment and repairs of processing ships moored at the dock, visiting Navy ships, occasional cruise ships, and other vessels mooring at dock 66. Both platforms would provide better perspective on the transient mooring basin as well.

The observation platform would protect the observers from the activities on the dock 66 and secure the dock apron for the protection of equipment of the moored boat owners stored at the dock. At the same time, the observation deck respects the right of the public to enjoy the working Port activities which might otherwise be screened from view.

3. A skyway pedestrian walk is recommended to connect Elliott street and the Art Institute parking ramp to the Port Authority elevator tower. This skyway will permit removal of parking at the front of the Port Authority building for landscaping in the northwest vernacular for accent of the mayor's pedestrian plan. The skyway provides office workers protection from the partially concealed rail line crossing and a sense of security in the evening at this more remote office center. At the same time, the Elliott street connection serves art students and residents of the Regrade area with handicap access to public functions at the Port Authority or the seawall promenade. The parking ramp will provide low cost public parking support for visitors to the mayor's promenade without introducing additional traffic on Alaskan Way, and in the future a connection to this parking ramp will increase the ground lease value of the land held in reserve to the south of the parking ramp. This skyway is the responsibility of the Port Authority and makes maximum use of the recommended purchase of the three additional floors of parking available for sale in the Art Institute ramp. It is also a critical linkage in the aesthetic

enhancement of the Port Authority building and the historical rooftop observation deck. The deck will be truly functional when the existing old sheds are removed to rebuild Pier 66 in concrete and create large shore activity aprons for large ship moorage.

4. The sharp embankment immediately south of the skyway above and east of the railroad track should be planted with native evergreens for a vertical green accent on a non-buildable parcel, to pick up landscaping in front of Port Authority building and to frame the linear character of Alaskan Way in green and soften rail line encroachment. This landscaping should be included in Port Authority facade enhancement and pedestrian bridge budgets.
5. The Lenora Street concourse should provide a special view corridor and arrival point framed as a gateway to the waterfront by the proposed development. The gateway and landing from the Lenora concourse needs an elevator for handicapped and elderly access to the Alaskan Way level. The elevator could be a freestanding architectural element visible from the Elliott/Lenora and Western intersection east of the viaduct so that the accessibility factor is abundantly clear to those needing a route without steps to the waterfront. The Port Authority should pay for conversion of the Lenora concourse to this pedestrian connector but share financial costs of a funicular rail component using part of the bridge corridor with the city and the hotel.
6. North of the development flanking the Lenora concourse connection the land parcel should be held in reserve for future development. When the mayor's plan is completed and the proposed suite hotel is in operation, this parcel and its 85 foot structural height allotment will become very valuable for the

second phase of development. This site together with Pier 66 reconstruction and ground leasing is key to the concept of value banking for the residents of Seattle and the Port Authority. In the mean time, it should be used as a lighted, landscaped surface parking lot with limited term parking meters for those who would like to visit the waterfront by car for a jog, a walk, or visit to the aquarium, etc. It may be possible to design some spaces for bus parking for summer tours. A parking lot can be reclaimed at a future point in time and the parking space amenities incorporated into the building program of the future use to be determined.

7. View corridors formed by each east-west street would be recognized by architectural spacing and delineation in building masses on the upland strip owned by the Port Authority. These building masses should also reinforce the linear theme of the mayor's plan for Alaskan Way.

These amenities underscore the Seattle waterfront ethic of a working port, water edge activities, waterfront drama, and accent convenience to all Seattle citizens. There is landbanking of some capacity to respond to future opportunities.

Seattle Daily Journal of Commerce
Vol. 95 No. 64 Fri. 3/8/88

Port envisions green on St. Patrick's Day

BY PETER BARDSLEY
Journal maritime editor

"It warms the cockles of my non-Irish heart," remarked Seattle Port Commissioner Pat Davis at a St. Patrick's Day work session yesterday, when a team of consultants concluded its presentation of a report on development prospects of the central waterfront to the port commission.

While the report was encouraging to the commission, the six-member panel avoided blarney in expressing an immediate need for the port to begin plans to rebuild Pier 66. It was pointed out to the commission by consultants Tom Dyer and Jonathan Rose that there is a need to replace the rotting wood piling with concrete piles to save the port headquarters from further deterioration.

Dyer, president of Union Bay Shipbuilding in Seattle, remarked about the need "to avoid deterioration of another pier," in reference to the demolition of piers 64 and 65 last year because of their dilapidated condition and safety risks.

He projected the cost to the port to install concrete piling at "\$55 a square foot."

Rose, vice president of a New York City real estate development

firm, called for work to begin immediately. "I can't see any reason for a delay," he said.

The consultants, under the auspices of Dan Dingfield, port director of development, were paid \$1,200 a day for their four-day consultation. Besides Dyer and Rose, other panel members were: William Eager, head of the local transportation concern of TDA; Joseph Brown, vice president and principal of EDAA, a Virginia-based landscaping firm; James Graaskamp, president of a Madison, Wis. research company; and Charles Shaffer, a vice president of a San Francisco retail real estate firm.

In their report to the commissioners, the panel also advocated immediate action to purchase the upper three levels of the Bell Street garage.

Graaskamp told the meeting it would only be a matter of time

before the parking area would be needed. The cost will be less now before development of the central waterfront is in progress.

Initial development activity should include housing, mainly studio and one-bedroom residences, Shaffer advocated. He also recom-

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URBAN CENTRE DEVELOPMENTS, LTD.

One Embarcadero Center, Suite 2216
San Francisco, California 94111
415/397-5984
Telex: 888445

March 23, 1988

Mr. James A. Graaskamp
President
Landmark Research, Inc.
4610 University Avenue, Suite 105
Madison, WI 53705

Dear Jim:

I certainly enjoyed working with you in Seattle last week on the Central Waterfront Redevelopment Panel. It was my first experience with such a group and needless to say I was not only impressed with the results but with all the individual members of our panel. I thought you might be interested in a Waterfront project that we have been working on with the Port of Oakland that has a totally different configuration than the one suggested for Seattle. A copy of our preliminary leasing brochure is enclosed.

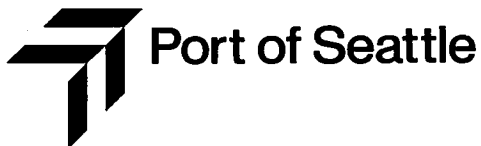
I look forward to the opportunity of meeting with you again and trust you will call me should your plans bring you to San Francisco.

Very truly yours,



Charles J. Shaffer
Executive Vice President

CJS:jc
Enclosure



March 21, 1988

Mr. James A. Graaskamp
President
Landmark Research, Inc.
4610 University Avenue, Suite 105
Madison, WI 53705

Dear Jim:

The press reports are in and enclosed. All favorable and quite even handed as you can see. Commissioners' reactions were very favorable and supportive. There seems to be a more action oriented frame of mind among them now, which is very good from the staff standpoint.

You were a big help and we're very appreciative of your efforts. Perhaps we may find a means for the "team" to continue providing us with assistance. In any event, we'll be in touch with you soon.

Our best regards,

A handwritten signature in cursive script that reads "Dan Dingfield".

Dan Dingfield
Director of Development

A handwritten signature in cursive script that reads "Ann Nichols".

Ann Nichols
Development Manager

Enclosures

Changing appraisal system costly, painful

BY MAUDE SCOTT
Journal real estate editor

Calling appraising a "discipline of disinformation," real estate consultant and educator Dr. James Graaskamp said the system must be changed to make appraisers independent.

But it will be expensive and painful to some appraisers and lenders to "redress the embarrassment to the appraisal industry."

Standardization of the appraisal business at federal and state levels is moving with fits and starts but is inevitable, because the government agencies ultimately responsible for banks with bad real estate loans are in no shape to handle major defaults, Graaskamp said.

Graaskamp, in Seattle this week as a consultant to the Port of Seattle on its waterfront development, said the appraisal process is frequently fraudulent and responsible for the overvaluation of financial institutions across the country.

"It is small exaggeration to believe that the difference between solvency and insolvency of at least a thousand of our financial institutions is probably 100 basis points

on the cap rate used to value their interest in distressed real estate," Graaskamp said.

"A little cooperation with their accountants allows them to evaluate their real estate on the loan value rather than asset value.

"Both the process and purpose of an appraisal for new development and related financing requires advocacy by the appraiser, disinformation for the files of the lender and fee structures based on contempt for the research process," he said.

Graaskamp said the thrift industry, banks and syndications stand to lose between \$25 and \$50 billion because of bad loans which were justified by faulty appraisals.

Congress is set to vote soon on HR-3675, the Real Estate Appraisal Reform Act of 1987, which would impose appraisal standards and certification on people dealing with federally-insured agencies or matters of "high public purpose," though just what that means is not defined.

Graaskamp said an earlier bill, R-41C, introduced needed discipline into the appraisal process, requiring, for example, an assessment of the value added by marketing,

signature of the loan officer indicating that he concurs with the appraisal and separation of the value of the real estate from the service provided in it such as nursing homes.

That bill also would have had lenders selecting and paying for appraisals and charging the expense back to the borrower.

Graaskamp said establishing appraisal standards similar to accounting standards will give appraisers more bargaining power with developers and lenders.

"Developers and their lenders will lose control of the appraisal process and the appraiser. The appraiser will become an advocate of the public interest as a check and balance on a lending system which is anti-appraisal, pro-transaction and biased toward credit enhancement."

But that will also give accountants a big advantage. Arthur Anderson & Co. is now the second largest appraisal firm in the country and Graaskamp expects more Big 8 firms to drive appraisers out of business.

"Soon developers will be dealing with accountants who understand

appraisal rather than appraisers who are bad accountants," he said.

But the expense will increase dramatically, he said, with more thorough reports costing four and five times as much as appraisals cost today.

Graaskamp said the industry feels like it is being picked on unfairly but the system is seriously flawed and changes must be made. "Doctors have malpractice insurance but they usually can't do so much damage."

Graaskamp, a professor at the University of Wisconsin, made his comments at a meeting sponsored by the Seattle law firm of Ferguson & Burdell.

Seattle Daily
Journal of
Commerce
Vol. 95 No. 64
Fri 3/18/88