

Broadway Place Struggles

Project offers lessons for similar development downtown

The \$25 million Broadway Place garage, retail and apartment complex, completed in 1999 with \$13 million in taxpayer subsidies, is struggling to return a profit. The project's failures could provide the city with lessons for similar subsidized projects it is now considering downtown.

In response to a City Council inquiry about store vacancies in the complex, city staff forwarded an excerpt of an email from real estate broker Hugh Prichard, who partnered to develop the project with Lorig Associates of Seattle. Prichard wrote that about 20 percent of the 12,000 sq. ft. of retail space in the complex has remained unoccupied over the past three years despite low rents. He reports that three tenants have left in the past three years.

The commercial rents now average about \$1.02 per square foot, far less than the \$1.30/sq. ft. rents the developers anticipated charging seven years ago when they planned the project. "This rent level is not sufficient to pay for the costs of commercial construction," Prichard wrote.

Many of the newer commercial tenants appear to be more office and catering operations than retail store fronts that promote foot traffic. Some of the commercial space has never been rented, and the only enduring tenant, the Broadway market and

bistro, has its rent heavily subsidized by the project.

The retail was viewed as an "essential" component of the project. "We were creating a neighborhood and needed the vitality and the 'feel' that retail would provide," Prichard wrote. "We also understood that this was risky."

"Downtown has an abundance of cheap retail space with high vacancy," Prichard wrote. "This long-standing negative situation is a significant and unchanged barrier to downtown commercial development."

Despite the struggling retail, Broadway Place has kept its 170 apartments at near full occupancy. "The overall financial performance of Broadway Place in its fifth year is just now achieving our projections for the first stabilized year," Prichard wrote.

In addition to the \$13 million garage, the city subsidized the project with a 10-year property tax break worth about \$1.8 million. Prichard said that without the property-tax break, the development would have lost money for its first three years.

The project was supposed to share up to 10 percent of its profits with the city after a 10 percent profit to the private investors, but the developer has so far apparently made no payments to the city. A 2005 case study sponsored by the state reported that the project was returning a 6 percent profit

to the developers, less than the 9 percent they had projected. The city also had to eat a \$230,000 construction overrun.

The 750-car garage the city built for the project is also operating in the red with only about 20 percent of the spaces occupied. The garage was largely built to subsidize Symantec, which has since left for Springfield with other tax breaks.

The huge empty garage may have also hurt the project's ability to promote alternative transportation, a major city goal of such subsidized infill projects. Despite being only a block from the downtown bus terminal and a short walk to downtown offices, a higher percentage of Broadway Place residents drive to work than in the city as a whole, according to the state case study. But while fewer residents of the downtown apartments walk or ride the bus, their rate of bicycle commuting is twice as high as the city average.

Also, while many downtown apartment residents are retired, 70 percent of the renters at Broadway Place are under 35, and 40 percent are students, according to the case study, which cited a 2004 Lorig survey. Only 11 percent are retirees.

The Broadway Place project also cost the city two dozen of its oldest street trees downtown and caused considerable citizen ire. City police doused tree sitters and pro-

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testers in pepper spray in 1997 when they tried to delay the project until a public hearing.

It's unclear what, if any, lessons the city draws from the failures of Broadway Place. The city recently considered a package of tax breaks and a subsidized garage for a now canceled \$165 million Connor/Woolley/Opus redevelopment project on Broadway. A city offer to subsidize Whole Foods and its developer with a \$9 million garage is still up in the air. The city is also now negotiating subsidies and requirements for a similar private retail/condo development in the pit across from the downtown library.

The state case study cites city planner Kurt Yeiter saying that the city learned important lessons from Broadway Place and would do things differently today. The lessons listed include the city working to "engage the community in its vision" to avoid protests and being "realistic about the commercial aspects of smart development."

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