



M. Shoppen Photography

Harbor Steps

Seattle, Washington

Project Type:
Residential

Case No:
C032012

Year:
2002

SUMMARY

Twenty years before construction was even contemplated for this 2.5-acre (one-hectare), 1.3 million-square-foot (120,770-square-meter) mixed-use complex, a Seattle landowner—with no prior experience as a developer—assembled a distressed downtown parcel for eventual redevelopment. As the neighborhood declined, Stimson Bullitt, founder of Harbor Properties, Inc., positioned and consolidated his properties by swapping with other owners, and striking agreements with them and the city to fortify his germinating concept for a high-density downtown residential village, supporting and supported by retail establishments and restaurants. The entire enterprise was a risky venture, as there was then no identified market for high-end apartments in the downtown district. However, Harbor Properties' decision to build a 16,300-square-foot (1,514-square-meter) public park and to reinforce an eight-block-long pedestrian corridor with retail spaces introduced new uses that enlivened the neighborhood and made the idea of living there attractive.

FEATURES

- Public park financed and built by private developer
 - Phased mixed-use development
 - Retention of development team through all phases and over a decade-long period
 - Pioneering, large-scale, downtown market-rate apartments
 - Provides a retail node along a major pedestrian spine that connects two landmark public spaces
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SPECIAL FEATURES

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PROJECT ADDRESS

1221 First Avenue
Seattle, Washington 98101
www.harborproperties.com

OWNER/DEVELOPER

Harbor Properties, Inc.
500 Union Street
Suite 200
Seattle, Washington 98101
206-623-0916
Fax: 206-682-6995
www.harborproperties.com

ARCHITECTS

All phases:
Hewitt Architects
119 Pine Street
Suite 400
Seattle, Washington 98101
206-624-8154
Fax: 206-626-0541
www.hewittarchitects.com

SITE DESCRIPTION

During the 19th century, the lower portion of the Harbor Steps site was the shoreline of Puget Sound. Timber and shipbuilding were mainstay industries of the port of Seattle, which peaked with the Alaskan gold rush. Around the turn of the century, the beach was filled in, covering the existing piers to allow for waterfront development, and new piers were built higher to accommodate modern cargo freighters.

First Avenue, which forms the upper border of the site, is 60 feet (18 meters) higher than the lower border at Western Avenue. The 2.5-acre (one-hectare) site is bounded on the south by Seneca Street. On First Avenue, across the street from Harbor Steps North, is the Seattle Art Museum. One block to the east of the museum is the Seattle Symphony Orchestra's home, Benaroya Hall.

Four residential towers, varying in height from 16 to 25 stories, mark the corners of the project. At one time, University Street extended through the block down to Western Avenue; it is now a 68-by-243-foot (21-by-74-meter) public park, cascading down from First Avenue. Crossing the park at a perpendicular angle is Post Alley, an 18-foot-wide (5.5-meter-wide) pedestrian-only link between Pike Place Market, two blocks north, and Pioneer Square, five blocks to the south. The two terminal points are historic markets, and Post Alley connects them.

DEVELOPMENT PROCESS

Seattle's shipping industry brought in merchant seamen, sailors, and prospectors. Whether passing through or working at the docks, they frequented the neighborhoods along the waterfront. First Avenue became crowded with single-room occupancy hotels, brothels, and adult entertainment shops. "Sailor's Row" was replaced by "Flesh Avenue." When the national recession of the early 1980s hit Seattle, seedy but nevertheless legitimate commercial activity dwindled, and drug dealers displaced strippers. Downtown went from merely disreputable to downright scary.

Stimson Bullitt, a third-generation Seattle native and scion of a family with extensive real estate holdings throughout the Puget Sound region, saw potential in the desecrated waterfront neighborhood. Civic-minded and interested in his city's historic neighborhoods, Bullitt envisioned a European-style neighborhood of shops and residences. Starting in 1972, he secretly assembled properties—his mother would have been horrified were the family name sullied by a "slumlord" reputation—allowing people to assume that he was acting on behalf of King Broadcasting, his family's cash-cow enterprise. Instead, Bullitt sold his interest in King Broadcasting, and formed Harbor Properties to become a real estate developer.

Bullitt had intended to purchase land cheaply and hold it until the market was ready, but it was not until the early 1990s—almost 20 years later—that conditions were right for him. The intervening 20 years had transformed the downtown neighborhood, some by changing economic conditions and some by Harbor Properties' own doing. In the 1970s, Harbor Properties entered into a series of cooperative agreements with Cornerstone Development, a Seattle-based Weyerhaeuser subsidiary that also had purchased parcels near the Harbor Steps site and, like Harbor Properties, was converting older industrial buildings into mixed-use projects. Cornerstone Development, then headed by Paul Schell, who later became mayor of Seattle, agreed to swap selected parcels with Harbor Properties to rationalize ownership so that each would own contiguous tracts. As part of the deal, Cornerstone Development agreed to build more than 170 residential units, which Harbor Properties felt were essential to forming a critical mass of housing.

In the time since Harbor Properties acquired its original permits, the city enacted height restrictions in the downtown area. Although not technically obligated to conform to the reduced height limits, Harbor Properties decided to follow them and applied for new permits, which were granted in 1991. Instead of two 35-story condominium towers, the new plan included four smaller apartment towers combined with retail, hotel, and office uses. This 1.3 million-square-foot (120,770-square-meter) development was expected to be completed in three phases. The change from condominiums to apartments supported the company's traditional long-term hold approach to real estate. Moreover, Harbor Properties recognized a market for luxury rentals at a time when most high-end residences in the city were condominiums.

Seattle architects historically had been intrigued with the concept of expressing the downtown's hilly topography by building dramatic steps down to the harborfront. Canadian architect Arthur Erickson, who was originally selected to design Harbor Steps, quickly grasped the value of Post Alley, which cuts through the site and connects with Pike Place Market to the north and Pioneer Square to the south. Accordingly, he turned the intersection of University Street and Post Alley into a public plaza, which became the center of a 16,300-square-foot (1,514-square-meter) park that stepped down to the waterfront. To create this "grand staircase"—the heart of the project—Harbor Properties petitioned the city to close off University Street between First and Western avenues. The city approved the closing, and sold the street sections to Harbor Properties, retaining a permanent public easement.

DESIGN AND CONSTRUCTION

When Bullitt became interested in real estate with his first development project in 1959, he immersed himself in

books on architecture and urban design. Over the years, he met a number of prominent architects, some of whom he commissioned. Among them was Mies van der Rohe, who designed a new headquarters building for King Broadcasting, of which Bullitt was then chairman and CEO. The project was never built, but Bullitt recouped his investment in the architect's fees by learning how to work with architects. As he assembled properties along First Avenue, Bullitt went to another renowned architect known for au courant design. This time it was Richard Rogers, the London architect who had built his reputation on his 1970s collaboration with Renzo Piano to design the museum at Centre Georges Pompidou in Paris, and Arthur Erickson, an architect in Vancouver known for designs in the "Brutalist" style, and whose portfolio included many successful urban parks and plazas. The resulting design, again, remained unbuilt, but this time, Bullitt took away from the experience ideas that reconstituted themselves in the built Harbor Steps project.

Bullitt's self-education in architecture led him to envision a dense residential project clustered on two axes: the major one a steeply stepped plaza, not unlike the Spanish Steps in Rome, serving as an urban, egalitarian gathering place of residents and downtown workers—embodying the very concept of *civitas*, according to Bullitt. The idea of incorporating fountains, cascading waterfalls, plants, terraces with seating areas, and grand steps was first proposed by Erickson, who designed Harbor Steps Park as a destination, a place of quiet enjoyment, where eight waterfalls drown out the traffic noise from nearby Alaskan Way. But it also provided a necessary link between the waterfront and the city, where none had existed before. With the ferry terminal only a block away, the stairway park is now the preferred route for commuting island residents who walk to their offices nearby. The concentration of hotels on University Street above First Avenue also makes the park a convenient route for tourists walking down to the harbor. They can continue across Western Avenue, down the short remnant of University Street, and hop on a streetcar, which plies its 1.5-mile (2.4-kilometer) waterfront route from Chinatown north to Broad Street. Approximately 10,000 people use the park daily.

The minor axis would cross the development at a perpendicular. Therefore, it would be on level grade from one end to the other—ideal terrain for a retail-oriented pedestrian way—and augment the development's street-facing commercial spaces. Undergirding the entire project would be underground parking, providing only one point of entry and exit so that vehicular traffic would interrupt pedestrian traffic at only one point along the periphery, and not at all within the complex, where there are no roadways.

Preliminary studies showed just how impractical this might have been. The landfill contained thousands of leached-out batteries. Utilities crisscrossed the property; they would have had to be relocated in order to make room for the underground parking. Financiers could not see the benefit of the park, and insurers warned of high premiums to cover the risks that the steep steps, open to the public, would entail. Harbor Properties had been hoping to convince the city that this public amenity should be built at public expense, but with all the difficulties that the park project presented, the city stalled. Finally, in 1992, Harbor Properties decided to build it itself for \$6 million.

The first-phase apartment building, built simultaneously with the park, was the southwest corner tower, at Seneca Street and Western Avenue. It came to be called Harbor Steps West (Phase II is East, and Phase III is North). Its 17 stories offer views over and under the elevated Alaskan Way, to Elliott Bay in Puget Sound. Its U-shape, facing Post Alley, allows for an interior courtyard. The entire complex's one access to underground parking was constructed in this phase, at the lowest point along Western Avenue.

Excavation was minimized with a mat foundation of reinforced concrete more than three feet (one meter) thick in some places, which serves as the wearing surface of the lowest level of underground parking. Because it is built on landfill proximate to the harborfront, 24-inch (61-centimeter) augercast concrete piles were drilled to a capacity of 225 tons (102 metric tons). Concrete shear walls and two-way, flat plate post-tensioned decks (to minimize structural depth) complete the structural frame.

Despite the phased construction of the four towers, they share a consistent design theme. The architects for the first tower were two Seattle firms: Callison Architecture, with Hewitt Architects as design consultant. Hewitt went on to serve as architect for the subsequent two phases. "The main structural expression," says David Hewitt, senior principal of the firm, "is the concrete structural frame that forms a giant grid." To create dramatic contrast on the exterior, the architects designed thin concrete floor plates that cantilever beyond the frame elements. "We manipulated the structural necessities to achieve variety," he notes. The east and west towers feature external glass elevator shafts, an idea borrowed from an earlier Richard Rogers design.

The external frame is in keeping with the older warehouses and industrial buildings in the neighborhood. Concrete is used to an appealing effect. The concrete slab floors are finished with flooring materials above, and below, they are finished with paint. Concrete frame and slab construction was chosen as much for cost, efficiency, and engineering reasons as it was for architectural expression. It performs well for high-rise construction in a region ranked three on a four-point seismic zone scale. And it is a building material that lends itself well to material handling, placement, and vibration control on a restricted urban site.

Phases II and III are of similar construction. Harbor Steps East occupies the southeast corner of First Avenue and Seneca. Harbor Properties intended to introduce a large luxury hotel in Harbor Steps East, but a 1996 Urban Land Institute project analysis session noted that hotel operators would want to control their hotel site, and recommended that Harbor Properties substitute additional apartments for it. Harbor Properties went with a 25-room luxury boutique hotel, operated as a bed and breakfast "urban inn" by San Francisco-based Four Sisters Inn. The hotel guests have

access to all Harbor Steps amenities, which include a jetted lap pool, a weight room, a sport court, a health club, Jacuzzis, a library, and meeting rooms.

A courtyard was built into Phase II, facing and continuing the one in Phase I. Together, they form a single, large courtyard through which Post Alley traverses, marking an important retail node along the eight-block-long Post Alley. Densely landscaped, the courtyard softens the silhouettes of the concrete buildings, draws in light, and preserves waterfront views. Two skybridges cross the Post Alley span to connect the east and west towers, providing an above-grade link to the public circulation systems.

Phase III, Harbor Steps North, comprises two towers and occupies the entire parcel north of the park from First Avenue down to Western Avenue. A 25-story tower is at the northeast corner, and a 16-story tower at the northwest corner. Two buildings that Harbor Properties had renovated earlier, the Oceanic and Erikson buildings, were razed to make room. Large granite blocks from the facade of the 1903-built Erikson building were salvaged and incorporated into the base of the tower.

FINANCING

Harbor Steps was privately financed, with Bank of America providing construction financing.

Phase I was fully leased within four months after it was open to leasing in June 1994. When construction began in 1992, residential market rents had topped out at \$1.23 per square foot (\$13.24 per square meter), and Harbor Properties was projecting \$1.25 per square foot (\$13.46 per square meter). In 2001, it was attaining \$2.10 per square foot (\$22.61 per square meter), compared with the downtown Seattle average of \$1.64 (\$17.65 per square meter). The developer is carrying Harbor Steps at a book value of \$185 million (2000). Its cost was \$139 million, with debt of \$119 million, and represents created value of \$45.4 million. In 2001, Harbor Steps achieved permanent financing with TIAA-CREF at a capitalization rate of 7.75 percent, with Harbor Properties realizing \$6 million in equity. The return on assets, on a cash-on-cash basis, is 10.1 percent.

TENANTS

The idea of living downtown seemed implausible during the 1970s and 1980s, when Bullitt was still assembling properties on First Avenue. His bankers were more interested in hotels, but he worried that hotels would make difficult partners. Bullitt remained interested in apartments. He argued that in a down market, Harbor Properties could simply lower rents enough to cover loan payments, and as the market recovered, residential lease terms could be raised on relatively short notice. Apartment renters were likelier to experiment with downtown living on a one-year lease than condominium purchasers would be.

Renters are primarily professional, single men with an average age of 41 and an average annual income of \$104,000. Eighty percent stay for at least a year, and 40 percent remain for more than two years. Approximately 15 percent of the units are leased by area businesses as temporary corporate housing.

EXPERIENCE GAINED

Develop a project as part of its neighborhood. Harbor Steps' development scheme evolved as the neighborhood began to flourish as one with a desirable mixture of cultural, retail, entertainment, commercial, tourist, and residential offerings. By the time Phase I was fully designed and ready to begin construction, its scheme was a comfortable fit for the developer and the neighborhood, in terms of risk and use. Also, the developer cooperated with a competitor to ensure that a critical mass of residential units would be available in the neighborhood to help support Harbor Steps' mixed uses.

Work slowly to mitigate disruptions. Doing so accommodates existing residents and businesses, and builds loyalty. This pertains to planning as well as to construction, and is a corollary of developing a project as part of its neighborhood.

Learn from one phase to another. For example, Phase II had bigger rooms, more variety in room layouts, and added amenities than Phase I. In another example, a prospective tenant wanted a penthouse unit but did not want to live 25 stories up, so Phase II penthouse units are at the second, third, and fourth stories.

Form good teams that trust each other, and keep them together for many projects. This is a corollary of learning from one phase to another. The architecture firm and contractor worked together with the developer for the entire nine-year duration, carrying over from one phase to the next lessons learned not only in their respective processes, but also in communicating among team members.

PROJECT DATA**LAND USE INFORMATION**

Site area (acres/hectares): 2.5/1.0
 Gross building area (square feet/square meters): 1,303,000/121,049
 Parking spaces: 640
 Floor/area ratio: 12

LAND USE PLAN

Use	Acres/Hectares	Percentage of Site
Building	1.48/0.6	59
Landscaping/open space	1.02/0.4	41
Total	2.5/1.0	100

OFFICE INFORMATION

Net leasable area (square feet/square meters): 31,000/2,880
 Percentage of net leasable area occupied: 100
 Number of tenants: 73
 Average tenant area (square feet/square meters): 425/39
 Annual rents: \$625,000
 Length of lease: 1-5 years
 Typical term of lease: Triple net

RETAIL INFORMATION

Gross leasable area (square feet/square meters): 51,600/4,794
 Percentage of leasable area occupied: 97
 Number of tenants: 30
 Average length of lease: 2-6 years
 Typical term of lease: Triple net

Tenant Classification	Number of Stores	Size (Square Feet/Square Meters)
Restaurants	8	17,887/1,662
Other retail	22	32,165/2,988

RESIDENTIAL INFORMATION

Percentage occupied: 95

Unit Type	Average Area (Square Feet/Square Meters)	Number Leased	Rent
Studio	500-875/46-81	66	\$880-1,595
One bedroom (some with den)	540-1,354/50-126	375	\$1,100-1,945
Two bedroom and townhomes	880-1,603/82-149	247	\$1,550-3,425
Penthouses	940-1,863/87-173	36	\$1,825-5,500
Phase I		169	
Phase II		270	
Phase III		285	
Total		724	

OPERATIONS INFORMATION (2001)

Use	Revenue
Residential (including hotel)	\$14,100,000
Retail	1,260,000
Office	625,000
Parking	1,499,000
Other	181,000
Total	\$17,665,000
Expenses	\$5,302
Net	\$12,363,000

DEVELOPMENT COST INFORMATION

Acquisition cost: \$1,660,000
 Park construction: 6,000,000
 Phase I: 28,000,000
 Phase II: 37,000,000
 Phase III: 67,000,000
 Total development cost: \$139,660,000

DEVELOPMENT SCHEDULE

	Phase I (Including park)	Phase II	Phase III
Site purchased	1974-1987		
Planning started	January 1991	February 1994	April 1997
Construction started	April 1992	September 1995	November 1998
Sales/leasing started	June 1994	March 1997	March 2000
Project completed	September 1994	August 1997	November 2000

DIRECTIONS

From SeaTac Airport (13 miles): Harbor Steps is north of the airport, at the northern end of downtown Seattle. Exit the airport via North Exit Drive, and exit at the Route 518 West/Burien ramp. Merge onto Route 518 West, and continue approximately 1.3 miles to Route 509 North exit. Merge onto Route 509/Route 99 North, toward Seattle. Bear left onto East Marginal Way (Route 99), and continue approximately 2.5 miles as it merges with Alaskan Way (Route 99). Turn right at Seneca Street. Turn left at First Avenue. Harbor Steps is on the left.

Driving Time: 45 minutes in nonpeak traffic.

David Takesuye, report author
 David Takesuye, editor, *Development Case Studies*
 David James Rose, copy editor
 Joanne Nanez, online production manager

This Development Case Study is intended as a resource for subscribers in improving the quality of future projects. Data contained herein were made available by the project's development team and constitute a report on, not an endorsement of, the project by ULI-the Urban Land Institute.

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 1025 Thomas Jefferson Street, N.W., Suite 500 West, Washington D.C. 20007-5201



The Harbor Steps residential towers step down with the topography, preserving views to the water for residents and office workers in the downtown neighborhood. The wide swath between the towers is Harbor Steps park. This aerial view also shows the elevated Alaskan Way, a viaduct with two levels of highways above grade, paralleling the waterfront.



Shoppenn Photography

The ground-level retail spaces offer views under the viaduct toward the waterfront, and the residential levels above have views over the viaduct toward puget Sound.



Harbor Steps park is Seattle's version of Rome's Spanish Steps. Its curvilinear shapes and densely planted foliage soften the hard edges and impervious surfaces that serve up to 10,000 daily visitors who traverse the park and linger for special events. The cascading waterfalls and fountains mask the noise of nearby city traffic, and provide points of interest along the 60-foot (18-meter) drop from First to Western Avenue.



Approximately 10,000 people use the park daily, as a commuter, tourist, and shopping connector between First Avenue above and the harborfront below the visible elevated viaduct. phase III is at right, with retail spaces at the base and for-rent residential units above.



post Alley widens between phases I and II to form a courtyard that brings in light between the towers and provides a respite for pedestrians shopping along the eight-block-long post Alley retail corridor. Trellises add to the human scale, and two skybridges connect the two towers above grade.



The park, post Alley, and the phase I tower were built first in 1994. phase II was completed in 1997; and phase III, the entire block north (left) of the park, completed the development in 2000.