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A Junction of dreams and obstacles in West Seattle

Developer bankruptcies and lost financing stall one project after another — the national real estate scene in miniature

Puget Sound Business Journal (Seattle) - by [Jeanne Lang Jones](#)

In early 2008, West Seattle's Alaska Junction area seemed on the verge of a major reinvention as a new-style urban neighborhood.

Eight multifamily projects were proposed that would have brought nearly 1,000 new residents to the Junction, a neighborhood studded with empty auto lots after the demise of several auto dealerships.

The recession has put most of those projects on hold, turning what promised to be an extreme makeover into a much more gradual evolution.

As such, Alaska Junction offers a microcosm of the commercial real estate scene in dozens of Puget Sound area towns and neighborhoods. In the Junction as elsewhere, developers have slammed into harsh barriers of debt and fading market demand.

The Junction also offers an example of the impact stalled projects can have on their surroundings. The area has a daily reminder of what might have been in the form of a large pit where the Fauntleroy Place project was to bring a **Whole Foods** grocery, new Hancock Fabrics store and 180 apartments.

“To leave the community with a large hole in the ground in such a pivotal, visible location is not good for community morale,” said Susan Melrose, director of the Junction Association.

The hole is located on Alaska Street between 39th and 40th avenues. Four blocks to the west, developer Charlie Conner, president of **Conner Homes Co.** Inc. in Bellevue, is delaying his proposed 200-unit mixed-use residential project until the market rebounds.

Meanwhile, construction of a 60-unit multifamily project on 35th Avenue Southwest just north of the West Seattle Golf Course and the 40-unit Aqua Bella Apartments project at 3300 Harbor Ave. S.W. also appear stalled. The properties are associated with Seattle developer Michael Mastro Sr., who is going through bankruptcy proceedings. A call to Mastro's attorney for comment was not immediately returned.

There are other casualties of the recession, as well. Seven retailers have shuttered their stores on California Avenue between Edmunds and Oregon streets, said Dave Montoure, owner of the West 5

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restaurant. "We've not seen that in some time."

As a business owner, Montoure had been looking forward to having the projects completed, thinking they would provide more customers for his neighborhood restaurant.

An interesting contrast with West Seattle's Junction is the Capitol Hill/First Hill neighborhood east of downtown Seattle, which also had a plateful of residential projects proposed during the recent real estate boom, including the Braeburn, Trace Lofts, Trace North and the Pearl. Unlike the Junction, many of the Capitol Hill projects were completed before the market meltdown.

"A whole series of really cool improvements happened in that area in this period of expansion. It also brought in amazing restaurants," said Dana Behar, president of HAL Real Estate Services Inc. in Seattle, which developed the 153-unit Braeburn.

Nine completed multifamily projects, 18 restaurants, a toy store, two movie theaters, a billiards lounge, a bowling alley and a live music venue were opened during the growth spurt, along with new buildings for **Seattle University** and **Swedish Medical Center** and three new public parks.

With real estate building cycles typically lasting about 10 years, timing is everything, according to Behar.

"I think the real lesson that needs to be made is 'Make hay while the sun shines — while there's a favorable climate for real estate development,'" Behar said. "The neighborhood needs to get as much done as possible because there will be an idle period."

Slower development cycles are a good time for neighborhoods to envision what they'd like to see in future development, Behar said. Capitol Hill, for instance, is working on a new vision for what Broadway might become.

Back in West Seattle, getting a head start before the economy soured definitely helped Seattle-based **Harbor Properties** complete its 136-unit Mural apartment project and West Seattle developer Leon Capelouto his 157-unit Altamira mixed-use apartment project, said Harbor's chief development officer, Denny Onslow. Mural opened in May and more than 80 percent of the units are now leased.

"I don't think we've ever had any building that has sustained that lease-up pace ever," Onslow said.

Half of the renters are from outside King County, he said. Onslow points to the Junction's growing buzz, with Bakery Nouveau, whose owner William Leaman led the team that won the world cup of baking in 2005, and the new Springhill Restaurant being named one of the top 10 best new restaurants in the United States by Bon Appétit magazine.

The new developments are bringing in new merchants: a restaurant, frame shop and new-format QFC grocery, among others. Capelouto is already leasing Altamira, which opens in mid-September. He said leasing is "going well — very well, actually."

Onslow hopes to break ground this fall on Harbor's 200-unit Link apartment project. Onslow said he does have an investor in the project and he's working hard to obtain a construction loan.

While Harbor is going ahead with its second Junction project, the developer is slowing its pace on other proposed projects.

“We can only spread our money out so far,” Onslow said. “I don’t know any developer going at the same pace as before.”

Conner said obtaining financing is so difficult that some opportunity funds are financing projects entirely on their own, while large builders also are raising their own equity to fund projects.

“I don’t know who out there is profitable this year. We were profitable last year, but we’ve written a lot down this year,” Conner said. “We have to spend a lot of time working on financing .”

While he waits for the economy to improve, Conner is fine-tuning his design for a new project in the Junction and has extended the leases for his current tenants through 2011.

“This is maybe a little rougher than we’ve seen in the last few recessions,” he said, “but it will come back.”

In the meantime, Montoure hopes the slower pace of development will give West Seattle’s neighborhoods time to work together to develop an overall plan for their peninsula.

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