



WITH SEVERAL NEW DOWNTOWN PROJECTS, PLUS THE LINK LIGHT RAIL (AT RIGHT), TACOMA BUSINESSES HOPE THESE FREEWAYS AREN'T EMPTY FOR MUCH LONGER.



## TACOMA 2.0

THE CITY OF DESTINY MAKES ITS MOVE TO ATTRACT DOWNTOWN BUSINESSES. By Todd Matthews

**I**N THE LATE-1990s, executives at Rainier Pacific Bank wanted to move their headquarters from a drab, rust-colored building in Fife to a more spacious and contemporary setting that would please both customers and employees.

With 11 of Rainier Pacific's 14 branches located in Pierce County (three others are situated in South King County), moving to larger cities like Seattle or Bellevue didn't make sense. The natural choice was Tacoma, which was in the midst of a development boom that would bring two new museums, a University of Washington branch campus and a convention center. However, the city's downtown core had yet to completely shake its image of blight and crime.

Although some considered the investment risky, the bank spent \$1.6 million on land in Tacoma's central business district, near South 15th Street and Pacific Avenue.

"We thought it would be one of the future hubs of downtown," recalls Joel G. Edwards, Rainier Pacific's vice president and chief financial officer.

Fast-forward to December 2004: Rainier Pacific moved its headquarters to a new four-story, \$13.5-million building. Drive into the city from I-705, and the attractive facility is likely the first thing you'll see from the off ramp. The bank's 118 employees occupy 40,000 square feet. Nine months after moving in, the remaining 20,000 square feet were leased, as well.

Rainier Pacific's move to Tacoma follows a familiar script for the city: while Bellevue and Seattle get the most attention, Tacoma has seen a slow, quiet growth of its own. As of June 30, the city of Tacoma's central business district boasted 3.1 million square feet of commercial office space in 55 buildings, with an average rental rate of \$18.44 per square foot, according to

OfficeSpace.com. The city's vacancy rate for the downtown area was just under 7.5 percent, excluding sublease space.

Kip Spencer, OfficeSpace.com's co-founder, says the city has amenities that cannot be overlooked. The city's much-touted museum district, growing restaurant scene, Link light rail line and UW campus, Spencer says, could create a critical mass that prompts more interest from developers in Seattle and points north.

"You don't hear the term 'upscale' too often when you're talking about Tacoma, but that's what's happening," he adds.

Indeed, some pioneers have recently staked claims. In May, Best Western cut the ribbon on the grand opening of a \$7.2-million renovation of the 21-year-old Tacoma Dome Hotel. Also last spring, a new \$12-million Courtyard Marriott hotel opened across the street from the Greater Tacoma Convention and Trade Center. New businesses, such as Pacific Grill, Indochine restaurant and Avanti Spas, have opened downtown in the past 12 months. Plus, the city already has some centrally located corporate heavyweights: three of the tallest buildings bear the corporate logos of Wells Fargo, U.S. Bank and Columbia Bank.

### STILL SOME ROUGH SPOTS

THE FUTURE MAY look bright for the City of Destiny, but some cautionary symbols of urban decay still remain downtown: two decades-old parking garages; a crumbling, four-story building; and a handful of empty storefronts. Most ominous of all are

MIKE HIPPLE

the 20 real estate brokerage signs that hang in downtown windows.

"There is a block in the middle of our city that is vacant," says Eric Cederstrand, senior vice president at Colliers International Tacoma, a brokerage firm that put up several of those signs along Pacific Avenue.

"If there was a big tenant that rolled into the market, it would have to be in a new [office building]," Cederstrand says. "If you want 30,000 square feet, you don't have any options in downtown Tacoma."

Still, two trends keep most brokers optimistic. First, several businesses located in surrounding areas such as Fife, Federal Way, Puyallup and Lakewood have made moves to downtown Tacoma during the revitalization efforts of the past decade or so. Second, businesses headquartered elsewhere have set up hubs for "back-office" operations such as customer service and administration in Tacoma. "For a company in Seattle that is growing and needs to expand, it's more expensive [in Seattle or Bellevue]," Cederstrand adds.

There are signs that development activity is heating up, especially around UW-Tacoma. In late June, plans were announced for a 140-room hotel near the campus. A group of developers have also proposed demolishing the former Heidelberg Brewery building nearby and replacing it with a mixed-use complex of

RAINIER PACIFIC BANK'S BOLD DECISION TO MOVE FROM FIFE TO A NEW \$13.5-MILLION BUILDING IN DOWNTOWN TACOMA IN 2004 HAS PAID OFF HANDSOMELY.



retail, office space and residential housing.

Premier Media Group, a marketing and publishing company, moved from nearby Lakewood last summer to an older, restored building on St. Helens Avenue, and hasn't looked back. "There is this tremendous urban growth and renaissance in Tacoma, and we are excited to be a part of it," says Josh Dunn, president of Premier. According to Dunn, moving downtown has meant more visibility. In turn, that presence has meant a 40 percent growth in his business; Dunn has hired five new employees since the move.

Ryan Petty, director of Tacoma's

Community and Economic Development Department, notes the interest his office receives isn't necessarily from businesses priced out of, say, Bellevue or Seattle. "I'm seeing more the trend of small, growing companies moving their headquarters here from smaller towns," he says.

Back at Rainier Pacific headquarters, Joel Edwards reflects on the bank's decision to move downtown, where there was little activity at the time.

"Subsequently, the convention center and Marriott hotel opened right across the street," he says. "We found it [turned] out just right for us."

## » IF YOU LIVED HERE, YOU'D BE HOME BY NOW

RESIDENTIAL GROWTH IN DOWNTOWN NEIGHBORHOODS IS PAVING THE WAY FOR COMMERCIAL DEVELOPMENT.

THE NEXT TIME you admire the latest gleaming office tower rising up in Seattle, Bellevue or Tacoma, take a look at the surrounding blocks and note the number of new mixed-use residential projects going up at the same time. You may ask yourself: When did that condo go up? Odds are, the answer is: very recently. » Spurred on partly by increasing commuting woes—especially the ever-crumbling 520 bridge—and skyrocketing single-family housing prices, many residents throughout Puget Sound are reversing the postwar suburban housing model and moving in droves back into urban areas. In keeping with the laws of economics, commercial development usually follows success in the residential market, which is what these areas are seeing now. » With 54,582 estimated residents in downtown Seattle in 2005, the city's core population has grown by 65.3 percent in the last 15 years, compared to an approximate 12 percent increase citywide, according to statistics offered by the Downtown Seattle Association (DSA). » Such growth, however, can have adverse consequences, if not managed properly, says David Dillman, vice president of operations and services for the DSA. Dillman depicts Vancouver, B.C.'s recent downtown residential boom as a cautionary tale. With condominium projects swallowing up most available land in Vancouver, new office space is now being forced to

locate away from the city's core, sending downtown residents to the outskirts and removing the incentive for people to move downtown in the first place. » In Seattle, Dillman says many developers are combining offices with residential and retail space, a practice that, if executed properly, will ensure a healthy balance of growth. "Today's developer is creating a combination of urban living with an urban work environment that includes services such as sub shops, markets and dry cleaners," Dillman says. » The same trend can be seen in other Puget Sound cities. Leslie Lloyd, president of the Bellevue Downtown Association, says that many of the Bellevue developments under way are condos or apartments. In Tacoma, most of the city's new projects are mixed-use retail/residential buildings, designed by developers that have been spurred on by Tacoma's 10-year tax abatement. According to city estimates, 30 apartment and condo projects, with some 1,700 units, are in various stages of planning and construction. » Most people agree, however, that commercial and residential growth of this magnitude will eventually result in rental rates that are out of reach for many prospective tenants. » "Between now and the time these new buildings are ready to occupy," Lloyd says, "tenants will be challenged to find space with a price they like." —S.B. & T.M.