

The future of Terminal 46: Cargo or condos?

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Frank **Stagen** has a reputation for taking on real-estate deals others wouldn't touch.

But the Seattle developer's latest gambit is his boldest yet: transforming one of the city's three major cargo terminals into a waterfront neighborhood of condominiums, offices, parks and, perhaps, a basketball stadium.

In the year since he unveiled the plan for Terminal 46 as part of a larger private effort to revitalize the area south of downtown, **Stagen** has managed to anger and intrigue the Port of Seattle, worry the longshore union, confuse one of the world's largest shipping companies, and set the stage for an economic battle between condos and cargo on the waterfront.

Stagen, the chief executive of Nitze-**Stagen**, has spent between \$300,000 and \$350,000 promoting the redevelopment of the 88-acre terminal across from Seahawks Stadium. He's planning the future of publicly owned land that generates nearly \$100 million a year in wages and taxes without any guarantee that he will ever control it.

In February, Port commissioners symbolically slapped Stagen's wrist, passing a resolution noting its recent \$71 million renovation of Terminal 46 and vowing to keep its tenant, Hanjin Shipping, in Seattle.

Rather than retreat, **Stagen** will up the ante. This month, he plans to release a privately funded study on the economic benefits of redevelopment and is in discussions with a major international construction firm.

"Are we going to continue to look at 46 ... as a container yard or are we going to look at it as a part of the waterfront for the region to enjoy?" **Stagen** asked.

Judging by the reaction to his proposal, the question is far from settled.

Sweeping plan unveiled

In February 2003, **Stagen** and fellow developers William Justen of Samis Land and Greg Smith of Gregory Broderick Smith Real Estate met with Port commissioners and unveiled a sweeping plan to revitalize Pioneer Square and the area around the city's baseball and football stadiums.

They brought artist renderings of the area, one showing Hanjin's container yard transformed by 4,000 to 5,000 apartments and condominiums, millions of square feet of office and research space, parks and public spaces, a marina, a cruise-ship terminal and a streetcar line that would connect it to downtown.

Later, a proposal surfaced to build a basketball arena for the Sonics at the terminal.

In the year since, the three developers have held 50 or so meetings to present their plan to business and community organizations, largely receiving positive reviews. The group is opening a marketing center soon at Columbia Street and Third Avenue that will feature a room-sized model of the downtown area.

Smith and Justen have focused their effort in and around Pioneer Square and the stadiums, where they own land. They are seeking zoning changes that will allow them to build taller, skinnier residential buildings. **Stagen** has set his sights exclusively on Terminal 46.

Stagen moved to Seattle in the early 1980s after a career in real estate and investment banking in both New York and Los Angeles. He showed his penchant for unconventional real-estate projects in 1990, when his company bought a dumpy building in the middle of the industrial area south of downtown and dubbed it "SoDo Center." Today, it is Starbucks' headquarters.

More recently, Nitze-**Stagen** partnered with Paul Allen's Vulcan to redevelop Seattle's historic Union Station and a two-block stretch of property along Fourth Avenue South. The company has 30 employees and manages 3.5 million square feet of office and industrial property around the city.

Port in awkward position

Stagen's proposal for Terminal 46 has put the Port of Seattle in an awkward position. The Port can't afford to lose Hanjin as a customer. But the proposal comes as the Port is increasingly divided over whether to redevelop some of its waterfront properties to boost its bottom line and create a more steady stream of income at the expense of traditional maritime industries.

Initially, the Port's focus has been on the 82 acres north of Terminal 91, where it is spending \$5 million to plan for a redevelopment that could including housing, retail space and offices.

But in Stagen's view, a series of changes in and around Terminal 46 — including plans for replacing the Alaskan Way Viaduct and construction of the new sports stadiums — created another chance to build a new urban neighborhood close to downtown that would draw people and jobs to the city.

"You need land and the only piece of urban land in the core that can handle that kind of development is Terminal 46," **Stagen** said.

Stagen isn't the only one considering the future of Terminal 46. The city included the sprawling container yard in its planning for waterfront development, a process that was spurred by the viaduct project.

The Port has been criticized for sending mixed signals on the future of the terminal.

With so much outside attention focused on redeveloping the property, Port Chief Executive Mic Dinsmore and Commissioner Pat Davis flew to Seoul last year to reassure Hanjin that the Port wanted it to stay put.

But the resolution the commission passed unanimously two weeks ago stops short of promising to keep Terminal 46 a container yard for the long term.

Hanjin's lease expires in 2010. But it has an option to extend that to 2015, a decision the company must make by the end of next year.

Losing the South Korean shipping line, which accounts for nearly one-fifth of the Port's income from cargo, would blow a hole in the Port's finances while it is struggling to recover from the recession and deal with the nation's trade deficit. Revenue from the seaport has fallen 18 percent since 2001 and is projected to drop again this year.

Meanwhile, the Port of Tacoma has quietly courted Hanjin, hoping to lure the shipper to space that will open up when Evergreen Marine moves into a new terminal. And that has complicated the Port of Seattle's job, Davis said.

"Our competition is undoubtedly sending (Stagen's proposal) to South Korea and saying, 'See what is happening to you?' ," she said.

Hanjin move good for Port?

Stagen says he is not trying to drive Hanjin out of Elliott Bay. But he believes the Port may be better off financially if the shipping company used one of the two other major terminals — on Harbor Island or in West Seattle.

Hanjin explored the idea of moving several years ago but decided against it, regional manager J. H. Ryu said.

The Port says about 1,400 people work at Terminal 46, earning about \$73 million a year in combined wages. The terminal also generates \$22.5 million in state and local taxes, Port officials said.

Hoping to counter the economic argument, **Stagen** is paying for a study to compare the economic benefits of developing the terminal. He won't discuss the preliminary results but said they indicate that his plans would produce a far bigger boon for the region.

The study will give **Stagen** ammunition, but it is unlikely to settle the debate. Ryu, for one, isn't buying it.

"Our terminal is one of the gateways to the Asian economies," Ryu said. "I'm sure it will be more advantageous for Washington's economy if Hanjin stays rather than replacing it with condominiums."

So does the waterfront's most powerful union. The International Longshore and Warehouse Union Local 19 has pressed the Port Commission for nearly a year to come out strongly against redeveloping Terminal 46.

The union argues that the land is one of the few deep-water terminals on the West Coast that can support larger cargo ships without being dredged. And once it is redeveloped, it is gone for good.

"You can build biotech, condos or a coliseum anywhere," said Herald Ugles, who monitors the Port for Local 19. "But you can't build a deep-water terminal anywhere. They are part of our national security."

Viaduct an obstacle

For **Stagen**, Hanjin and the Port, the future of Terminal 46 has become intertwined with replacement of the viaduct, which now stands like a concrete curtain, walling the property from the city.

Traffic planners are scheduled to select a preferred plan for the viaduct this year — either replacing it with a tunnel, a surface street, or a new elevated road. Although how to pay for it remains a question, design work is supposed to begin later this year and construction is supposed to start in 2008.

The Port and Hanjin want to ensure that, whatever the shape of the road project, cargo containers can continue to move on and off the terminal during construction and after work is completed.

Stagen will be looking to make sure that the design also allows for much more traffic heading to and from the terminal to accommodate the housing and offices he envisions.

"That's the turning point," **Stagen** said. "If the plan forestalls getting people in and out of that terminal in a rational manner, then it's over."

But the viaduct is just the first of many hurdles for **Stagen**. If his plan progresses, the developer will face a slew of environmental issues and zoning changes and a city traditionally skeptical of grandiose visions.

How would **Stagen** overcome them?

"Try," he said, shrugging. "That's all."