

Local News - Local News - December 24, 2009

Group to redevelop east downtown block

Among possible tenants is public market; startup wineries eyed for building

By Jeanne Gustafson

Of the Journal of Business



BR3 Development Group LLC currently envisions converting a vacant warehouse at its Pacific Bridge development into a facility for the nonprofit Spokane Public Market.

—Rendering courtesy of Nystrom Olson Collins Inc.

Realty LLC here.

A Spokane development group has formed here to redevelop an entire city block in the eastern end of downtown in a mixed-use project that eventually could include homes for the nonprofit Spokane Public Market, wineries and others that need incubator space, and workers who want to live downtown.

The group, BR3 Development Group LLC, says it plans to call the development Pacific Bridge, and plans to jump-start the project by moving the offices of its members there this spring, says Chris Batten, a member of the group and owner of Rencorp

Batten says he and his partners in BR3, Rob Burnett, Stacy Bjordahl, Todd Hume, Eric Johnson, and Kyle Knigge, wanted to "find a challenge."

He says they found it in a block, bounded by Pacific and Second Avenues and Browne and State Streets, comprised of nine parcels that contain an occupied building and several vacant buildings—including an apartment building that burned right after BR3 bought it in September.

"It sounds daunting, but we think it's exciting," Batten says of the project.

Batten says he and his partners believe the block, which is just south of the House of Charity, is the most underutilized piece of property in Spokane.

In transactions that will total about \$1.4 million overall, the group has bought the north half of the block and has a long-term lease with an option to buy the south side of the block, all through a separate company the investors formed called Pacific Bridge I LLC. The partners envision a three-phase redevelopment project, Batten says.

Currently, developers have no cost estimate to release for the entire project, because the redevelopment will depend on securing tenants for the various buildings and vacant land on the block, Batten says.

The first phase, which already has begun, entails an about \$300,000 project to renovate the 3,600-square-foot former Dusquene apartment building at 39 W. Pacific, about midway along the north edge of the block, for offices, and construction of a 50-stall parking lot directly south of it on vacant land in the center of the block.

Nystrom Olson Collins Inc., of Spokane, is designing the building for the offices of BR3 Development; Rencorp Realty; Parsons, Burnett, Bjordahl LLP; and the nonprofit Spokane Neighborhood Economic Development Alliance (SNEDA). Basso Construction, of Spokane, is the project manager for that project, Batten says. It will seek a permit in the spring to construct the parking lot, which Batten says could cost in the neighborhood of \$100,000.

That phase also will include refurbishing the State Street Flats Apartment Building, located on the east end of the block, converting it

either into housing units or affordable office space, Batten says. He says the building is structurally in good shape, but needs to be gutted and rehabilitated. Such a project would cost roughly \$800,000 if it was developed as 10 residential units, he says.

Batten says the members of the group have decided to move their respective offices to the site in part to show their commitment to the project, and to have their "boots on the ground."

Rencorp Realty has formed a for-profit company named Property Rehabilitation Corp., in collaboration with SNEDA, to create living-wage jobs through real estate development, Batten says. The new company recently was awarded a \$500,000 low-interest federal loan for the creation of jobs through real estate development, which will be used to help forward the redevelopment projects on the block, he says. SNEDA will relocate its offices to 39 W. Pacific also, Batten says.

In the second phase, the group envisions renovating the 25,200-square-foot former Roses & More warehouse space, which faces Second Avenue on the south side of the block and currently is owned by a company called RJH1 LLC. The group hopes to use that building as a new permanent home for the Spokane Public Market.

The Spokane Public Market, which seeks to establish a year-round indoor market is separate from the farmer's market held seasonally downtown.

That project would be supported in part by leases from several anchor retail tenants that would be located on the west side of the building, Batten says. He says the group would hope to attract retail businesses that would complement the marketplace. The group would keep the interior of the warehouse largely open and industrial in feel to accommodate booths for craft makers and growers and to minimize redevelopment costs.

In the summer months, some booths could be set up outdoors, on parking lots on the block, he says. He says the group also is considering including a test kitchen in the building.

Batten says the group still is completing due diligence on that phase of work, but sees the public market space as one of the best possible uses for that space, though it likely wouldn't happen for some time.

"We don't anticipate the market happening overnight," Batten says.

In a third and final phase of development, the group envisions developing a building on each of the two currently vacant lots that flank the Dusquene building on the north end of the block, and renovating the 15,000-square-foot Forester building, located at the southeast corner of Pacific and Browne Street. Batten says the group hasn't estimated the cost of possible improvements to the Forester building, but says the second floor of that building includes space once used as a U.S.O. dance hall that could be used as an events center. On the main floor of that building, he says, the group is considering possibilities such as converting that space into incubator space for wineries, because the building's basement lends itself to case storage or perhaps private wine cellars, he says.

BR3 Development plans to take advantage of tax incentives and programs to help it move the projects forward, including possibly seeking funds from the Washington state Department of Ecology's Brownfields program to mitigate some contamination related to a former pesticide business on one of the vacant lots.

At the southwest corner of Pacific and State Street, BR3 already has a tenant. Rapid Reduction Systems LLC, is leasing a 9,000-square-foot building that formerly housed an advertising agency and once was home to a German restaurant called Gasthaus Krone. Batten says the group also has had some interest in one of the vacant lots for future development.

Batten also has been involved in other projects in the eastern end of downtown including the Edge condominiums, located at 103 E. Sprague, and several other building-redevelopment projects near the Pacific Bridge project, including the Wetzel building, located at 114 W. Pacific.

Contact Jeanne Gustafson at (509) 344-1264 or via e-mail at jeanneg@spokanejournal.com.