Case Study: Brooks Rand Campus Sale

Assignment

Hired by the Trustee of the Estate of a groundbreaking local entrepreneur, ORION Commercial Partners was charged with the sale of complicated campus а property with future development potential in the Fremont neighborhood of Seattle. The property consisted of three primary structures with different construction types and

uses in each. The location was one block from 'The Cut' (the scenic waterway connecting South Lake Union to Lake Washington and the Puget Sound) and abutted the famous Burke-Gilman recreational trail system, and had a long rent roll with a diverse array of tenants.

ORION had previously represented the anchor tenant (Brooks Rand Labs or "BRL") in its interest in purchasing the property. When it became apparent to BRL that its returns would be far higher investing more into its industry expansion than in real estate, ORION negotiated a new 4-year lease at the site followed by four 1-year Options to Renew, giving the anchor tenant the ability to time it's expansion perfectly. The Trustee was impressed with ORION's acumen, and hired the agents in charge to turnaround and sell the campus. The property is very developable, despite a small section that exists within the Shoreline Management Act radius.

Challenges

By the time ORION was hired by the Estate, it was under intense pressure from the Court System to sell the asset and wrap up the Estate. The closing of the Estate had already taken more than a decade to divest itself of complex and valuable assets, but the campus property ended up being dealt with last. The Courts gave the Trustee and ORION a very tight timeline to perform on the sale and would thereby be able to distribute proceeds to heirs and charitable causes. If ORION could not perform timely, then the asset would be distributed to the charity with a note for the heirs, which was not an outcome any party outside of the Courts desired. Physically, the three primary structures on the site were developed with no master plan over the course of a long period of time. The primary building (90% occupied by Brooks Rand Labs) never received a Building Permit or Certificate Occupancy subsequent to the original construction by the entrepreneur who constructed it for Brooks Rand Labs.

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Additionally, that building was behind on a number of building code issues and required HVAC and energy code upgrades. The site was environmentally contaminated from several sources (UST's and Heating Oil Tanks) with plumes that had migrated under public Right of Ways, and was in a restrictive Zoning that required majority industrial classifications as a protection of industrial uses within the City of Seattle. Accounting and Maintenance procedures on the property were haphazard, and several key tenants were sensitive to the outcome of the sale as related to their occupancy rights.

Results

Since the code and environmental issues precluded any sale transaction due to Buyer and Lender reluctance, ORION started by aligning the Estate with top tier vendors to create mitigation plans and execute them in the fastest possible timeline without creating any surcharge. ORION aligned the Estate with a space planning and engineering vendor that produced reliable seismic reports and were able to convince the city to issue a Certificate of Occupancy 'Post-Mortem' after the creating of new building plans and simple, inexpensive Fire/Life/Safety upgrades. On the environmental issues ORION recommended a firm with the clout and connections to secure access underneath the City of Seattle street for the cleanup and secure a reasonable consensus with the State's Department of Ecology on a binding plan that would result in issuance of a No Further Action letter. The vendor's final program consisted of a mix of excavation, soil export/import with chain

of custody, macrobiotics and air-sparging. Throughout the mitigation processes, ORION vetted the vendors for bandwidth, pricing and capabilities, managed the relationship and workflow, and held the vendors accountable for meeting performance goals. ORION then hired a 'Core and Shell' architect to create a Development Vision for the site that was consistent with retaining 90%+ of the current income while new construction occurred. Working jointly with the firm and the City's Zoning Code, ORION was able to demonstrate to the market the ability to quadruple the footage on the site with feasible, attractive, high-yielding real estate. After surveying many different buyer types, ORION guided the Estate to work with a motivated owneruser group to buy the property at pricing well above the Court's expectations. The buyer is able to backfill Brooks Rand Labs as they expand out of their original headquarters, which will represent a significant upgrade for their operations and the property will work in conjunction with other industrial operations they have in the neighborhood, thereby negating the restrictive zoning issue. The company purchasing the property we ensured had great experience with environmental and building code matters, and were able to close the sale midway through the environmental mitigation without any other building upgrades. The new ownership will hold on the vertical development plan until they fill the existing building.