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Questions for: Brian Franklin, PMF Investments executive

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Brian Franklin was two years old when his father, Nat Franklin, president of PMF Investments, acquired Kelsey Creek Center in Bellevue. Brian Franklin was in high school when the shopping center lost its anchor tenant, [Kmart](#). Ten years later, Brian Franklin is executive vice president of PMF, and president and CEO of PMF subsidiary Franklin Pacific. This summer, Brian Franklin finally filled the remainder of that long-vacant Kmart space with Bellevue's first [Walmart](#) grocery. Revitalizing a shopping center one city official nicknamed "Little Detroit" has been patient work. Brian Franklin talks about getting into the family business with his dad and their years-long effort to reinvigorate the Kelsey Creek property.

How did you get interested in real estate? We would sit around the dinner table and I would hear my dad talk about working with this municipality or what cap rates were for a particular real estate transaction or building a new development. You just start picking up on what's going on around you. I always found it incredibly interesting.

What's it like working with your dad? At work, it's work; at home, it's home — we had to separate the two. When I'm here, it's a working relationship. We need to focus on the job and task at hand. But we still have a great relationship and we're the best of friends.

What's the best advice your dad has given you? His mantra is you make your money on the buy. We're very selective about the projects we undertake.

How did the company first get involved with the Kelsey Creek shopping center? We acquired the project in 1988 when I was two years old. It was just a Kmart shopping center and had some miscellaneous tenants. It wasn't a prime center by any means but my father saw the value-add aspect to it. It's in a great location and there were a lot of people in the area who really were looking for more options to shop at the center.

We redid a little bit of the shopping center in the '90s. Then Kmart did a big expansion and turned its space into a big Kmart store. We actually looked at adding some shop space at one point but, because of the zoning on the property, we were not able to. In the early 2002, Kmart filed for bankruptcy and we lost them as a tenant. I was in high school at the time. I found out about it at home. I heard my father talking about it. It was a bit of a shock but it's one of those things where you've always got another plan. When they vacated, we immediately went to look at how to revitalize

the shopping center. We wanted to redo it as a whole to make it a whole new shopping experience for the customer. ... You do not want to fix a bullet hole with a Band-Aid.

Weren't you in discussions with Costco about taking some of the Kmart space off your hands? We started talking to Costco (in 2003). They wanted to do a concept that became known as Costco Fresh. For whatever internal reasons, that idea never came to be. Then they were looking at doing a normal Costco store. ... Costco is a larger format so splitting the (Kmart) building did not really work. ... They stuck around until 2009 or 2010. Eventually we all came to the realization that it just wasn't going to work on this site.

What was happening with your other tenants while you were trying to fill the Kmart space? We tried to make them as happy as possible. We also kept the space at the market rent for an unanchored center... Typically an anchored center gets up to \$10 per square foot more in rent than an unanchored center, depending on who the anchor is. We stayed fairly full most of the time.

Didn't the gas station on the corner burn down at one point? It certainly does not give you a great image to have a burned structure next to a site you are trying to get redeveloped.

What about the "Little Detroit" nickname? The only time I heard that name was when an East Bellevue community council member said the center used to remind him of that at a meeting. He felt it was a little scary at night. There weren't a lot of people around at night. ... There was also a lot of graffiti. We would repaint as soon as it would happen. I think we repainted about every two weeks — a lot of it was on the old Kmart building. As soon as we started redeveloping the center, it stopped.

When did Walmart enter the picture? They were pretty late in the game. We really did not start talking to them seriously until 2011. They liked the fact we were developing a more sustainable site. They also liked the fact that it's a great location. They were able to assemble a good team of experienced men and women to get the deal and the deal points done in a timely manner. We had to move fast to meet the construction deadlines and we needed a tenant who could move as fast as we were doing.

What did you have to do to get the redevelopment going? In order to get the site redeveloped we had to do a concomittant zoning agreement with the City of Bellevue. That in itself took a lot of time. ... The zoning agreement required that if we added any square footage to the shopping center, we had to daylight Kelsey Creek. That was written into the zoning in the original development of the shopping center before we ever owned it. It isn't feasible to have a creek running through the middle of a shopping center. The creek is very small and ran in a small culvert under the parking lot. When it was originally developed they used timber that may or may not have had chemicals in it. ... We used new lightweight aluminum and gave the creek a natural streambed bottom so it flows like a real creek. We put grates on the surface so there's a certain amount of light that it gets.We had to build water detention vaults. ... One vault under the parking lot is as big as a football field.

What are some of the other improvements you made? Because we redid the entire shopping center at the same time, we were able to redo the parking lot to make the cars flow a lot better. We upgraded all the lighting. ... We built a new 8,200-square-foot building on Main Street. There will be six tenants, all new to the area. We also moved an entrance to the shopping center to make it more efficient, built an entire third lane on 148th going north and a larger left-hand turn lane heading south on 148th. The entire cost, I bet, was probably between \$12 million to \$15 million. It will take a while to earn that back. We did not overpay for the property when we bought it so we will be able to plug in some of these costs. Also the area supports that sort of investment because of the type of tenants that want to be here.

What's been the biggest challenge for you in this project? The hardest part is just being patient

and following step-by-step to get everything done. But this project will be worth it in the end, from both a monetary standpoint as well as a self-satisfaction standpoint.

—Interview conducted and condensed by Jeanne Lang Jones

Jeanne Lang Jones covers retail and real estate for the Puget Sound Business Journal.