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Columbia West manages about $250 million in Seattle-area real estate assets

It's all in the family

By Jeanne Lang Jones – Staff Writer
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Next month, Columbia West Properties Inc. will open the Maxwell Hotel near Seattle Center in the Queen Anne district. It's the first hotel to be built by the family-owned real estate investment and development firm, although the company owns three other neighborhood hotels as well.

Building the Maxwell is part of a continuing effort by the Bellevue firm to diversify a portfolio of property inherited from a family trust by founder Diane Foreman, who is the daughter of parking lot magnate Josef Diamond.

Closely held Columbia West manages approximately $250 million in real estate assets. Holdings range from land bank properties held for future development to hotels, a marina, a mini-storage facility and Class A and Class B office buildings in Seattle and Bellevue.

The 50 properties in the portfolio generate about $25 million in annual revenue, said Michelle Foreman Barnet, Foreman's daughter and president of the family-owned business. In all, Columbia West manages about 587,000 square feet of space. Counting hotel staff, the firm has 160 employees.

Located at 300 Roy St., the 140-room Maxwell Hotel built by the real estate investment and development firm is named after Barnet's son Max. With the moderately priced hotel, Barnet is hoping to attract arts patrons who want to attend the nearby opera, theater and ballet events.

Columbia West's other hospitality properties include the 120-room Watertown Hotel at 4242 Roosevelt Way N.E. and the 102-room University Inn at 4140 Roosevelt Way N.E., both in the University District, and the 120-room Ramada Seattle at 2200 Fifth Ave. in Belltown.

A retired school teacher, Diane Foreman started Columbia West Properties in 1988 when she "saw shopping at Nordstrom receding into the background," her daughter Barnet jokes. Richard Foreman, a retired attorney, joined his wife in the business, which started with two properties.

In the mid-'90s, Diane Foreman inherited 42 properties through a family trust after settling a legal dispute with her brother and father. She and her husband wanted Barnet's help ramping up the company to handle the sudden expansion of its holdings. At the time, Barnet was a seasoned hospitality executive working for Hospitality Associates in Spokane. She was poised to move to Denver to build a hotel.

When her parents asked her to join the family real estate business and develop it as an operating company, Barnet had her doubts.

"I love you guys," Barnet said, "but long term I don't think it will work."

Ultimately her parents persuaded Barnet to try it for a year as president of the company; they would remain in their roles as co-CEOs. Barnet was game."

She told them, "I have no real estate background other than I've bought a house. But I know hospitality and I know how to operate a company."

"What happened from there was amazing," Barnet said. "It sounds like a Hallmark card but there was this beautiful synergy."

"The wonderful thing about working with your mom and dad," she said, "is they always have your back."

There are no outside investors beyond the banks that provide construction loans.

"We chose not to have them. We felt the business was more for us as a family," Barnet said. "We are more flexible and fluid than if we had to answer to a board of directors and shareholders."

Barnet's most challenging time came in 2005. The business had a sizable asset base but was not producing the income needed to maintain it as a legacy for future generations, she said.

So Barnet set about rebalancing the portfolio with a broader mix of properties, including the two U District hotels and Pacific Plaza in Bellevue. Over the past four years, Barnet estimates she has bought and sold $160 million worth of commercial property in the Puget Sound region.

Last year, Columbia West had more than $24 million in revenue. With the economy still in a slump, Barnet expects that will decline roughly 20 percent this year to between $20 million and $22 million.

To help keep her properties leased, Barnet is staying in close touch with her tenants, particularly her retail tenants. If payments are slow, the company is not charging late fees. Instead, Barnet said, she'll work with tenants on a new payment plan that will help them make it through the downturn.

She would like to develop another hotel in the next five years.

One possible location: The company owns property at Second Avenue and Virginia Street in downtown Seattle in an area with zoning that allows buildings as tall as 400 feet. Barnet is talking to the Justen Co. about potentially developing a mixed-use project with a hotel there when the market improves.

Why the partnership? The development would be much larger than anything Barnet has undertaken to date — somewhere in the $500 million to $600 million range.

"It's too risky," Barnet said. "I've not developed in that scale."

Lessons learned
Here are a few words of advice from Michelle Foreman Barnet:

— Do not make the mistake of not hiring enough people. "We thought we could do it ourselves and did not recognize the magnitude of what we were undertaking."

— Be slow to hire, quick to fire. "I have been overly loyal and I did hurt the company and the asset base by not being quick enough to fire."