

Future Development & Urban Design Working Group
Meeting #10: Who will live in the University District in the future?
November 30, 2012

Meeting Notes

Members in attendance: Stephen Antupit, Rebecca Barnes, David Cohan, Marty Curry, Dan Eernisse, Steve Wilkins, Anne Gantt, Mark Griffin, Ron Moe-Lobeda, Barbara Quinn, George Petrie, Miles Richardson, Ruedi Risler, Matt Roewe, Roger Wagoner, Alfred Shiga, Scott Soules, Patty Whisler, Nancy Amidei

Also in attendance: Chuck Broches, Sonya Warner, Kateri Schlessman, Suni Pak, Matt Hoehnen, Jeffrey Linn, Dorothy Lengyel, JR Fulton, Jeremy Eknoian, Greg Miller, Kristine Cunningham

Staff in Attendance: Brian Scott (facilitator), Susan McLain (Seattle Department of Planning and Development-DPD), Dave LaClergue (DPD), Andres Mantilla, (Office of Economic Development—OED), Jenny Frankl (DON)

Welcome

Brian Scott introduced the panelists and described the Future Development and Urban Design Working Group work in the context of the University District Livability Partnership.

Introduction

The panelists provide some background:

Laura Hewitt Walker, Seattle Office of Housing.

The Seattle Office of Housing (OH) works to develop and preserve affordable housing throughout Seattle through direct investment of public funds and through various policy-based programs targeted to the private housing market. Laura is involved with a wide variety of policy- and planning-related work at OH, including incentive zoning, fair housing, housing elements of the City's Comprehensive Plan and Consolidated Plan, and housing needs analysis.

The Seattle Office of Housing (OH) has awarded \$20 million through its Multi Family Rental Program for the creation of new units and the preservation of existing units throughout the life of the program. OH administers other programs for homebuyer assistance, weatherization in addition to conducting policy work on incentive programs and comprehensive planning (\$36 million annually for programs).

In the U District, Laura reported there are five City-funded low-income rental apartment buildings. She is aware of 300 subsidized units that are subsidized and that serve households at or below 30% area median income (AMI). The Low Income Housing Institute (LIHI) project on 12th Avenue NE north of 47th is the most recent housing that includes subsidized units for formerly homeless individuals. Laura also noted that most of the rental housing in the U District is currently affordable at or below 80% of median

income (average rents according to Dupre + Scott Fall 2012 Apartment Vacancy Report are \$857 for studios, \$1,041 for 1-bedrooms, and \$1,299 for 2-bedroom/1baths – all affordable to households with incomes 60-65% of AMI). Citywide market-rate rents are also affordable, averaging from \$965 for studios to \$1,331 for 2-bedroom/1 bath apartments (affordable to households with incomes less than 60% of AMI).

Bill Rumpf, Mercy Housing.

Mercy Housing's mission is to create stable, vibrant and healthy communities by developing, financing and operating affordable, program-enriched housing for families, seniors and people with special needs who lack the economic resources to access quality, safe housing opportunities.

Evolving from 5 sisters' order, Mercy housing today owns and manages 1,800 apartments in Washington State from Bellingham to Olympia. A typical affordable housing project includes 50-60 units of housing with an average household income of \$17,000. 2/3 are occupied by families and 1/3 are occupied by elderly people.

Chris Fiori, Heartland LLC.

Chris provides economic analysis on a wide array of real estate and planning initiatives, most often providing market analysis for multifamily residential developers . He is currently under contract with Seattle DPD to study the current and future market for residential development in the University District. He said he studies how markets function in the region to inform policy decisions, and he often works to analyze how policies affect land values and outcomes of redevelopment. Often he is asked to evaluate how to catalyze investment in neighborhoods.

For the University District, he is looking at the potential for the residential market, particularly highrise development. He will be conducting interviews with developers, and conducting independent analysis. Chris noted that long-term projections are based on assumptions about larger trends in Seattle and the region over time, and that beyond a 3-year horizon, they are fairly speculative.

John Marasco, Security Properties.

Security Properties is the developer of the former CURVe project, a mixed-use development planned at 4557 11th Avenue. The project is a collaboration between Children's Hospital and the University of Washington, and it contains a diversity of residential units, including affordable, market rate and units appropriate for families.

Security Properties is a Seattle-based developer/owner/operator of multifamily projects. The CURVe project is being developed on behalf of Children's Hospital and the UW, and the housing will be geared toward the staff each institution. Funding for the project is coming from Children's Hospital and the property is provided by the UW. The project will feature 184 units including larger units (3 bedrooms). Twenty percent of the units will be set aside for income-restricted households meeting 75% of area median income (AMI). The project is using Seattle's MFTE program, which provides a 12-year tax abatement incentive.

Panel Discussion

Brian Scott provided some introductory remarks. Brian is the facilitator for the University District Livability Partnership (UDLP). He said he has observed broad consensus that things need to be different in the University District including: more families, more development generally, a diversity of housing choices and residents beyond student housing, and affordable housing that is balanced with market-rate housing.

Question #1: What is needed to help the U District neighborhood move toward:

- **A diversity of housing choices that includes rental, ownership, various sizes of housing in lowrise, single family and highrise developments**
- **A diversity of residents that include young professionals, families and seniors in addition to the existing student mix**

Chris Fiori: There is a question of feasibility, what would the private market and nonprofits do? The U District is going to be different regardless of planning because light rail will change the dynamics of the area, making the neighborhood “time-competitive” similar to Capitol Hill. Light rail will give the neighborhood an almost-immediate lift. In the Roosevelt neighborhood, Heartland assumes a 10-20% lift in market rents, for example. In the U District the market will build on the UW. One possible shift to an increase in non-student population could be through development that targets graduate students and young professors/staff, which could help to establish pockets of “adult” housing. A key question is “how best to shape growth?”

Bill Rumpf. The way Mercy Housing approaches affordable housing is “how do we do something the market does not produce?” Mercy Housing likes to combine residential development with services such as child care, senior services and access to jobs. He noted that greater density relieves some of the development pressure on the low-income housing market.

Laura Hewitt Walker: Public resources for housing are not growing. A key question is where we should prioritize low-income housing that Seattle funds in Seattle’s neighborhoods. The University District offers great access to quality schools, a YMCA, farmer’s market, transit, jobs. Challenges the neighborhood needs to continue to address includes coordination between social service agencies, crime, ensuring that homeless people have access to services.

The Seattle Office of Housing will never have adequate resources to address affordable housing. It is paramount that the private market has a role to play in the provision of affordable housing. Example of private affordable housing include micro-housing for student. Further, the MFTE is important because it gets projects through the new construction phase. It is important to note that up-zones increase the value of land and the cost of housing.

John Marasco: The University District needs a more diverse housing stock. The neighborhood needs to re-brand itself for the non-student market. New UW housing in the southern part of the district creates opportunities for a more diverse “Seattle neighborhood” north of NE 45th Street.

The Security Properties project will introduce a new housing type. More projects like this are needed. The type of retail along the Ave will also influence the neighborhood’s “brand”. Businesses that are oriented toward non-students will help orient the residential market toward being more of a “Seattle neighborhood.”

Question #2: What is the role of financing, zoning, construction costs in moving toward more diversity in housing choices and diversity?

John Marasco: Today is the perfect storm for the market: strong demand for multifamily housing combined with good access to capital and new retail coming in. A major asset in the neighborhood is the UW’s Health Sciences Center. Much of the neighborhood is zoned for 65’ in height.

Do we provide the opportunity for higher heights and densities? John said he is not sure the market today would support concrete and steel construction. However, he cautioned planners to not let that influence the potential for higher zoned heights in the future. The market may support heights up to 240’ in the future in ten years or so.

Chris Fiori: Capital will follow where value works. By and large in Seattle, infill development with a strong economic study will entice capital to support higher construction, but successful precedents always have a bigger impact on the market than economic studies. Right now, the rental markets don’t support high rise, but in the future, the presence of views and transit will boost rents. Other important elements in the neighborhood include: retail, parks and open space, public safety. The character and quality of the public realm are an important part of the value equation. Chris cautioned planners to not over-promise with zoning that is too ambitious; “over-zoning” doesn’t have a big economic cost, but it burns political capital in a neighborhood and may slow redevelopment under certain circumstances.

Question #3: As the U District grows and develops, how can we ensure that the area continues to be affordable for all income ranges? The City provides some programs for affordability. What is the role of the community and developers in providing a range of affordable units?

Bill Rumpf: Financing and construction costs vary but zoning has more longevity. Mercy Housing relies on subsidized capital, so they’ve been able to develop during the recession. He noted that raising potential density raises land values. He recommended that existing zoned heights be retained where existing multifamily apartments are located, and that indiscriminate up-zoning be avoided. He cited Vancouver as a city that’s been strategic about leaving heights low in certain areas to avoid redevelopment pressure. He recommended that zoning changes be used to create a different community character. He noted that low-income housing providers will always construct wood frame

construction because of its relatively low cost (“5 over 1”: five floors of wood frame over two floors of concrete).

Laura Hewitt Walker: Laura noted that, in highrise zones, low-income housing developers continue to develop 5 over 1. However, land values increase, causing per-unit subsidy costs to rise.

Question #4: What other factors will help move the neighborhood toward a viable residential population, to encourage investment in new, high quality residential construction; and where people will want to live?

John Marasco: Factors that will move the U District a more viable population include: 1) marketing 2) sense of place through new development that introduces a new image. He cited Columbia City as an area that has made this transition; it took a long time, but eventually retail, services, and marketing reached the critical mass needed to give the neighborhood momentum.

Chris Fiori: There are 6,100 units in the U District, 75% of the units are apartments. There are 607 single family residents, 350 of these are occupied by the owner (the rest are rentals). It is important to think about the role of single family and multifamily housing in combination with the types of retail along the Ave. Put another way, the rental single-family houses may be a better fit for families than new construction, which will be more expensive.

Bill Rumpf: The U District is already an attractive neighborhood, and the light rail investment will make it moreso. The identity of commercial businesses can change the character of the neighborhood – a greater diversity of businesses will broaden the residential appeal. The area around Seattle University is an example of this.

Laura Hewitt Walker: Laura recommended the community think globally when thinking about housing. Consider creating a plan for housing. Think about what you want to achieve in terms of housing: how to keep current residents? How to provide for people in low-wage jobs? How to attract a broad range of new residents? It’s very complicated, but make sure you’re considering all the pieces. Evaluate resources that are available now and new strategies that the neighborhood might want to employ.

Questions from the Audience to the Panel

Mark Griffin: How much of a factor is supply/demand in land value? For example, wouldn’t adding more housing stock help decrease pressure on existing housing?

Chris Fiori: Increasing heights doesn’t automatically increase land value. But some property owners may get an inflated sense of property value, so it can affect their expectations about rents, etc.

George Petrie: Suggested a granular study of the neighborhood, block by block, to guide zoning recommendations.

Roger Wagoner remarked that he would like to see housing for seniors.

Dan Eernisse noted that light rail does not help attract faculty to the neighborhood, when more affordable housing may be accessible along the light rail line. He asked if we can tailor zoning to encourage faculty housing. Is there a way to subsidize housing for families?

Bill Rumpf: A trust fund that does not use public sources of funding can require certain housing types, including large “family” units. But the neighborhood has to be realistic about how much this can be controlled: families make their own choices, and there are lots of good options outside the U District. What does the U District offer families in terms of price point, safety, and amenities?

Steve Wilkins: Commented that density and development must be tied to infrastructure improvement costs, and that the City shouldn’t make large public investments that only serve to help private development make money. He also noted that public agencies, such as the UW, don’t pay real estate taxes.

Chris Fiori cited a study that demonstrated that City infrastructure investment in South Lake Union (including the Mercer corridor) has already been repaid through new tax revenue as a result of new development that is only 50% of maximum anticipated build-out in the neighborhood.

Chuck Broches asked if the neighborhood is thinking too narrowly in terms of the impacts of transportation.

Bill Rumpf said the Puget Sound Regional Council is looking at providing support for jurisdictions to optimize the effect of light rail.

John Marasco: The fact of the University District as a transportation hub will automatically result in more density. However, planning can help direct a different form of density, office, retail, residential. The University District needs more year-round residents, longevity, better retail and employment.

Stephen Antupit: Don’t let the tail wag the dog – discussion should focus on how the neighborhood should improve, or else the headlines will all focus on “zoning wars.” Quality of development and public realm is the most important thing, not height.

Marty Curry said that what the panel is telling the neighborhood is to ask “why do people want to live here?” The UW presence may not be enough. What are the other things the neighborhood needs to become more broadly attractive?

John Marasco: What makes this neighborhood unique, promote the great things about the neighborhood. For example, Berkeley has changed its character to represent more than just the university.

Mark Griffin. Seattle is land-constrained. Now, zoning seems to encourage small units. Can the City zone for larger units, create incentives for larger units?

John Marasco: Bellevue has taken incentive zoning to extremes by providing base development rights and providing a menu of options to get more density (FAR: floor area ratio).

Chris Fiori: It doesn't take a lot of 3 bedroom units in a project to undermine the financial benefits of increased zoning potential. If you require too many large units as part of larger developments, it won't pencil to build them.

Ruedi Risler: How can we maximize the value that comes back to the public in the form of schools or other infrastructure?

Anne Gantt: We are looking for ways for developers to contribute to open space.

Chris Fiori: Look to value-capture mechanisms. For example, the PSRC's Growing Transit Communities grant is studying tools to capture value for public benefits, such as forms of tax-increment financing as well as excess levies that are similar in function to Local Improvement Districts (LIDs) but could be more broadly applied. Tax Increment Financing has constitutional limitations in Washington State. Other tools include Business Improvement Areas, Local Improvement Developments. Incentive zoning can contribute to open space resources, but State law requires that a nexus between the open space incentive and the impacts of development be demonstrated.

Bill Rumpf: What is the 24-hour experience of a neighborhood? One of the most beneficial changes that developers can bring you is more people and more activity. For example, in South Lake Union, a new population is bringing a 24-hour neighborhood presence. Also, the character and amenities in a neighborhood are more important for attracting families than getting the "right" unit size. Family housing options will follow if families want to live in the neighborhood.

Matt Roewe: What would a catalyst project be, and what components of such as catalyst project be?

Dan Eernisse: Does the University District have a disproportionate share of low-income housing?

Laura Hewitt Walker: said the University doesn't have a lot of subsidized low-income housing.

Chris Fiori said that the vast majority of market-rate housing in the University District is affordable to households earning 80% and lower of AMI due to the age of buildings.

Laura Hewitt Walker noted that the average rent in Seattle in general is less than 80% AMI, so the U District isn't unique in that regard, but that it does have a higher percentage of rental housing.

Scott Soules: What would have to be done to encourage owner-occupied townhouse development?

Chris Fiori: Most of the opportunities for more zoning that accommodates townhouse development would come from rezoning single family zones in the U District, which is very difficult political hurdle and there are existing City of Seattle policies supporting the protection of single-family zones in most places.

John Marasco suggested that design guidelines can identify where townhouse development is preferred at the street level within a larger project.

Chris Fiori reiterated that townhouses can be built into the base of midrise or highrise structures.

Jeff Lin said that townhouses, if done right, can maintain human scale in a higher density environment.