

APPENDIX E
HOUSING RESOURCES EVALUATION AND IMPACT ANALYSIS

AFFECTED ENVIRONMENT

South Downtown's residential population has long been an important part of Seattle's urban center. Pioneer Square and Chinatown/International District feature many of Seattle's oldest apartment buildings and a large number of affordable housing units.

South Downtown is expected to grow in the coming years under all land use scenarios, adding both jobs and residences. A key objective of Livable South Downtown planning is to evaluate and protect existing housing resources, particularly those that serve households with below-median incomes. Planning efforts should also evaluate how future residential growth that serves a diversity of households may complement the historic and cultural neighborhoods of South Downtown.

Analysis of housing issues involves understanding how complex land use, zoning and housing policies and regulations can be guided to successfully maintain affordable housing supplies and historic preservation objectives while accommodating feasible, well-situated new developments. Other important factors include urban design, architectural quality, cultural preservation, public amenities and services and environmental challenges such as noise and air pollution.

This analysis describes the housing growth trends and goals for South Downtown, the area's housing supply, and the potential threats to affordable housing supply. It then evaluates at a programmatic level the potential impacts of the EIS Alternatives on South Downtown neighborhoods' housing resources. A summary of conclusions can be found at the end of this chapter.

I. POLICY GUIDANCE FOR SOUTH DOWNTOWN HOUSING

Several important policy documents guide future development of housing resources in South Downtown. These documents provide a basis for evaluating the South Downtown EIS Alternatives.

Seattle Comprehensive Plan. According to the Seattle Comprehensive Plan's growth projections, the Downtown residential population is expected to more than double over the coming twenty years. This expectation is based on a number of factors: citywide growth targets from the Countywide Planning Policies, recent growth trends in the area, zoned capacity for additional growth, and data from the Puget Sound Regional Council.

The Comprehensive Plan identifies housing growth targets for the Pioneer Square and Chinatown/I.D. neighborhoods (see Table E-1). No housing targets are identified for areas currently within the Greater Duwamish Manufacturing and Industrial Center (MIC) and the Stadium Transition Area Overlay zone because these areas emphasize industrial uses as the preferred and dominant land use pattern. Residential uses are not permissible in those areas, except for artist live-work studios and caretaker units.

**Table E-1
Comprehensive Plan Household Growth Projections in Downtown Neighborhoods**

	Current Comprehensive Plan Growth Targets, 2004-2024	
	Households	Percent of Total Downtown Urban Center
Pioneer Square	1,000	10
Chinatown/I.D.	1,000	10
Belltown	4,700	47
Commercial Core	300	3
Denny Triangle	3,000	30
Downtown Urban Center Total (DUC)	10,000	100

In addition to identifying housing growth targets, Comprehensive Plan goals and policies promote: a mix of housing that appeals to a range of ages, incomes, household types and sizes, and cultural backgrounds; housing for children and seniors; home-ownership opportunities; public and private investment in housing resources; retention of existing housing units; quality design; safe and habitable housing conditions; and affordability for a diversity of households.

The Comprehensive Plan specifically states that future growth should accommodate the following affordability levels:

- At least 20 percent of expected residential growth should be affordable to households earning up to 50 percent of median income
- At least 17 percent of expected residential growth should be affordable to households earning between 51 and 80 percent median income

Other goals and policies indicate:

- the City’s commitment to “take a leadership role in regional efforts to increase affordable housing preservation and production in order to ensure a balanced regional commitment to affordable housing, while also maintaining the City’s commitment to affordable housing.” (Policy H3).
- the goal to “achieve a mix of housing types that are attractive and affordable to a diversity of ages, incomes, household types, household sizes, and cultural backgrounds.” (Goal HG4).
- a policy of “encourag[ing] greater ethnic and economic integration of neighborhoods [without] displacement of existing low-income residents from their communities [and] allocat[ing] housing subsidy resources in a manner that increases opportunities for low-income households, including ethnic minorities, to choose among neighborhoods throughout the city.” (Policy H16).

These policies articulate the City’s commitment to preservation and production of affordable housing serving diverse populations, including existing low-income and ethnic minority households. The presence of numerous low-income and minority households in Pioneer Square and Chinatown/I.D. underscores the importance of making choices in Livable South Downtown planning that will preserve affordable housing, provide for future affordable housing production in the study area, and define how future development of all kinds will contribute effectively to affordable housing objectives.

It should be noted that land in Chinatown/I.D. and Pioneer Square is relatively affordable compared to other Downtown Urban Center areas. Chinatown/I.D. in particular has several properties that could be candidates for future affordable housing development. Future development could benefit by receiving funds available from City programs to support affordable housing. At the same time, property values would be influenced to some degree by zoning, which may be changed through Livable South Downtown recommendations. The dynamics of real estate markets, zoning and available funding could influence future housing types.

Neighborhood Plans. The Pioneer Square and Chinatown/International District neighborhood plans strongly emphasize increased residential development within the neighborhoods. Both plans include goals relating to housing diversity, design and development opportunities. The Pioneer Square neighborhood plan strongly supports residential uses within Pioneer Square, encouraging housing opportunities for all incomes while maintaining the area’s historic character. The Chinatown/I.D. neighborhood plan supports the diversification of the area’s housing stock with more moderate income and family housing and the preservation of existing affordable housing resources.

II. SOUTH DOWNTOWN HOUSING COUNT AND GROWTH TRENDS

South Downtown’s housing stock comprises approximately 16%¹ of Downtown’s overall housing units. There are currently 3,677 occupied housing units in the study area’s Pioneer Square and Chinatown/I.D. neighborhoods. Of these, 1,151 (31%) are located within Pioneer Square, and 2,526 (69%) are located in the Chinatown/International District neighborhood. Housing units in the Chinatown/I.D. neighborhood include 25 units² east of Interstate 5, in the vicinity known as Little Saigon. A detailed inventory of existing units is included at the end of this Appendix.

Prior to 1990, South Downtown’s housing inventory had been relatively static as many of the area’s units were located in older historic buildings, and new building development was infrequent. However, between 1990 and 2005, the number of housing units increased 51% throughout South Downtown (see Table E-2).

However, the area has accommodated only a small fraction of Downtown’s overall growth during that same 15-year period (see Tables E-3 and E-4). Over the past two decades, Pioneer Square and Chinatown/I.D. received 12% of Downtown’s total housing growth while representing 33% of its total land area.

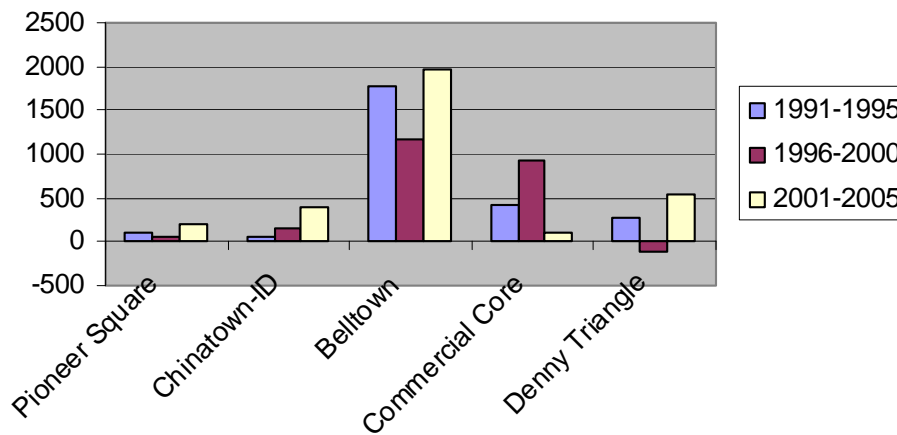
**Table E-2
Total Housing Unit Count Per 2000 U.S. Census and DPD Permit Data**

	1990	2000	2006	Total Growth, 1990-2006	Percent Increase, 1990-2006
Pioneer Square	635	797	1,022	387	61%
Chinatown/I.D.	996	1,641	2,230	1,234	24%
Downtown Seattle Urban Center	7,432	12,852	17,819	10,387	140%

¹ A total of 16,953 units in the five Downtown urban center villages in 2005, using 2000 census and permitted units.

² There are 9 single family residences, 1 duplex at 500 12th Ave. S., and 14 units at the Victorian Row Apartments.

**Table E-3
Unit Growth in Downtown Urban Center Neighborhoods Per Half-Decade, 1991-2005**



Many reasons may contribute to South Downtown’s relatively slow pace of residential development.

- Historic district regulations and processes.
- Zoned height and density limits that are low compared to other areas of the Downtown Urban Center.
- Presence of industrial zoning in parts of South Downtown.
- Demand for housing in South Downtown has been weak relative to other parts of Downtown, as expressed in current market-rate sales prices and rents that remain low. For example, rental rates in newer units in South Downtown are approximately \$1.65 per square foot per month compared to \$2.00 per square foot or more in Belltown.³

According to interviews conducted in 2006, some investors are reluctant to invest in South Downtown due to concerns about public safety and the condition of the physical environment. Further, while land costs have been historically lower in South Downtown, development costs in some areas may be higher due to high water tables and soil conditions associated with former tidelands.

³ *An Assessment of Real Estate and Economic Conditions in South Downtown Neighborhoods*, Property Counselors, BHC Consultants (Roger Wagoner and Greg Easton), January 2007

Table E-4
Net Units Built and Permitted 1991-2005 by Neighborhood as Percentage of
Seattle Downtown Urban Center Residential Growth⁴

Neighborhood	Percent of Downtown Growth
Pioneer Square*	4.5%
Chinatown/I.D.*	7.6%
Belltown	61.0%
Commercial Core	18.0%
Denny Triangle	8.7%
Downtown Urban Center (Total)	100.0%

**Includes National Register Historic Districts.*

In the near term, South Downtown offers a lower-cost alternative to development in other areas of Downtown. That may change over time as development opportunities in other areas of Downtown become further constrained by limited availability of property and increasing development costs.

While housing growth has lagged in the past, interviews with potential developers indicate that the area is potentially attractive for future residents and employees. Its proximity to Downtown amenities, regional transit services, and its historic and cultural neighborhood character make South Downtown an appealing potential location for both housing and jobs. Recent trends indicate an increased level of actual and prospective residential developments.

In the near term, analysis of residential development feasibility in 2006 shows rental unit development is feasible in mid-rise projects, and condominiums are feasible in mid-rise and high-rise construction and in some renovations of historic buildings. As a result, a condominium market has begun to emerge in South Downtown as indicated by the recent conversion of a few buildings from apartments to condominiums.

Only one residential/mixed use development occurred in Little Saigon over the past decade, the Pacific Rim Center, completed in 2001. Zoning in Little Saigon allows housing to varying degrees in its commercially zoned areas (NC3-65' and C1-65'), but prohibits nearly all residential uses in Industrial zoned areas (e.g., the IC-65 area east of 12th Avenue S.).

III. COMPOSITION OF HOUSING IN SOUTH DOWNTOWN

Housing Unit Occupancy

Housing unit occupancy is often divided into three categories: owner-occupied units, market-rate rental apartments, and subsidized apartments. In the South Downtown study area:

- 13% are owner-occupied units
- 20% are market rate rental apartments
- 67% are subsidized rental apartments

⁴ Department of Planning and Development, Permit Data, March 2007.

As compared to Downtown overall, South Downtown has a relatively higher percentage of subsidized rental units (67%) than other Downtown neighborhoods (38% elsewhere in Downtown). Subsidized rentals in the South Downtown neighborhoods account for 31% of all subsidized rental units in Downtown.⁵

Compared to other “Center City” neighborhoods, the South Downtown neighborhoods have been slow to develop owner-occupied units. Condominiums account for 13% of all South Downtown residential units as compared to 23% of all units in other Downtown neighborhoods. However, following the strong citywide market for condominiums in recent years, at least two apartment buildings in Chinatown/I.D. have converted to condominiums in the past year or so. In 2006, the Empress on 5th (now the Tobira Condos) converted 88 units and the Mosaic Apartments (now the Asia Condos) converted 75 units from rental to condominium ownership. Table E-5 summarizes the amount and type of housing in South Downtown neighborhoods as compared to the other three Downtown neighborhoods.⁶

**Table E-5
Downtown Housing Units by Tenure**

	Pioneer Square* 2006	Chinatown/I.D.* 2006	Other Downtown Neighborhoods (Belltown, Commercial Core, Denny Triangle) 2000**
Homeowner Units	244 (21%)	247 (10%)	2,366 (23%)
Market-Rate Rental Units	136 (12%)	584 (23%)	4,069 (39%)
Subsidized Rentals	771 (67%)	1,695 (67%)	3,979 (38%)
Total Units	1,151 (100%)	2,526 (100%)	10,414 (100%)

*South Downtown Housing Inventory, Office of Housing, 2006

**Downtown Height and Density Changes Draft EIS, November 2004, p.3-14

Size of Units

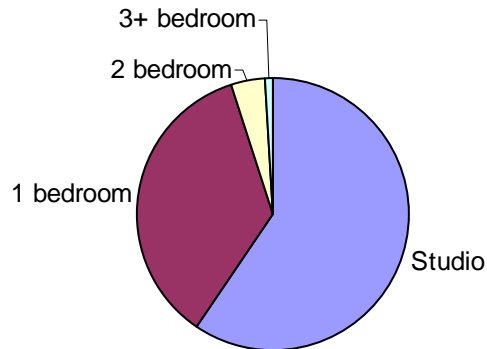
Like much of Downtown, the majority of dwelling units in South Downtown are studio and one-bedroom units (see Table E-6). South Downtown housing historically has included studio units and single room occupancy units (SROs) that share a common bathroom. Generally speaking, South Downtown neighborhoods follow the general Downtown trend of small unit sizes and small households with only a modest presence of children and extended families. Larger units with three or more bedrooms allow for the possibility of households with children. Fewer than 1.3%⁷ (23 units) of all units in South Downtown featured three or more bedrooms at the time of the 2000 U.S. Census compared to 36% of all units citywide.

⁵ Seattle Office of Housing, March 2007

⁶ Downtown neighborhoods include Belltown, Chinatown/I.D., Commercial Core, Denny Triangle, Pioneer Square.

⁷ 1.2% of all housing units in the Downtown Urban Center have three or more bedrooms.

**Table E-6
Housing Unit Size in South Downtown
2000 U.S. Census**



Vacant Residential Buildings in Chinatown/I.D.

Five historic buildings in Chinatown/I.D. have upper residential floors that remain vacant and in disrepair in spite of active ground floor retail uses. Many of these buildings contain SRO units that once housed working men during Chinatown’s early history. The *Chinatown/International District Strategic Plan* (1998) identified rehabilitation of historic buildings in Chinatown/I.D. as a major priority. These include buildings listed in Table E-7.

**Table E-7
Partially Vacant Buildings in Chinatown/International District**

Building	Number of Vacant Residential Units
Eclipse	80
Hip Sing	40
Louisa	149
Kong Yick	28
Milwaukee Hotel	150

Another 245 occupied SRO units are present in four historic buildings that are in need of significant repairs: the Publix, the Republic Hotel, The New American Hotel and the Atlas Apartments.

In 2002, staff from Seattle’s Department of Planning and Development, Office of Housing and Office of Economic Development worked together to identify twelve residential buildings in Chinatown/I.D. that are in need of significant repair. Staff met with several property owners to address life safety issues and encourage investment and rehabilitation to active use. Staff had mixed results in working with property owners. Several buildings have family and multi-party ownership structures that complicate decision-making.

Today, several buildings are now being redeveloped. The Freeman Hotel/Gong Dip Building is being transformed into the new Wing Luke Museum. This historic building contained 60 vacant SRO units. The Hong Kong Building and the Alps Hotel contained 72 and 110 SRO units, respectively, and are being

rehabilitated to accommodate a total of 137 units of various sizes. Fifty percent of these units will be affordable to households earning 70% of area median income (AMI) or less for a period of ten years.

Several historic buildings in Pioneer Square also include upper floors that appear to be under-used. However, a survey by City staff and community members in 2006 indicated that, while rehabilitation of some historic buildings is needed, there are few vacant or un-inhabitable spaces in Pioneer Square.

This range of existing housing conditions suggests that a Transfer of Development Rights (TDR) program for historic buildings could be a viable strategy. These would allow owners to sell unused development rights from historic buildings and gain resources to support significant rehabilitation. The TDR program could apply to historic areas within Chinatown/International District and Pioneer Square. This topic is discussed further in the Impacts section of this report

Affordability

Despite its location adjacent to the Downtown office core, South Downtown remains an area where housing is still affordable across a broad range of income levels. A relatively higher number of units are affordable to people at lower income levels in South Downtown than for the Downtown Urban Center overall.

“Affordable housing” simply means housing that people can afford. That typically means a household’s housing costs are no more than 30% of their monthly income if they rent, and no more than 40% of their monthly income if they own. Within South Downtown, approximately thirty-two percent of all units are affordable to people with incomes below 30% of median income. Forty-two percent of units within South Downtown (58%) are affordable to people earning between 50% and 80% of median income. Twenty-six percent of all units are affordable to people earning greater than 80% of median income. The U.S. Department of Housing and Urban Development (HUD) defines all housing that is affordable to people earning less than 80% of median income as “low-income”, regardless of whether it is publicly subsidized or market-rate.

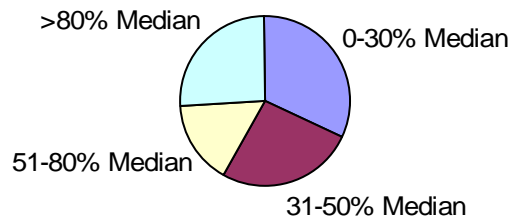
Many people have difficulty finding housing that they can afford in areas near where they work; retail salespersons, teachers, cashiers, loan officers, janitors, and administrative specialists are a few examples. Retirees, those on fixed incomes or otherwise constrained in their income generation are others. For those reasons, retention and rehabilitation of South Downtown’s existing affordable housing stock and construction of additional affordable units is important. The following Table E-8 and pie chart show the affordability breakdown of South Downtown’s housing stock.

**Table E-8
Existing Affordable Units in South Downtown⁸**

Neighborhood	0-30% AMI	31-50% AMI	51-80% AMI	> 80% AMI	Totals
Pioneer Square	425	201	180	345	1,151
Chinatown/International District	735	764	414	613	2,526
Total in study area	1,160	965	594	958	3,677
Percent of study area	(32%)	(26%)	(16%)	(26%)	(100%)

AMI = area median income (Seattle-Bellevue HUD Metro Fair Market Rent Area (HMFA))

South Downtown Housing Affordability 2006



⁸ South Downtown Housing Inventory, December 5, 2006

IMPACTS

The South Downtown Draft EIS identifies zoning alternatives and associated development scenarios, including three “action alternatives” that include zone changes, and one “No Action Alternative” studies what may occur if no zoning changes are made. Each of the three action alternatives conforms to the geographic themes from the Livable South Downtown Phase I Staff Report of:

- encouraging careful infill in core neighborhoods
- emphasizing housing in “edge” areas
- allowing a mix of uses in “emerging areas”
- providing for a transition to industrial areas

The EIS alternatives are described in Chapter Two of this Draft EIS. More information about anticipated jobs and housing per South Downtown sub-area can be found in the Chapter 3 Population and Employment section of this Draft EIS.

IV. FUTURE HOUSING GROWTH AND DENSITY

Each of the four alternatives, including the No Action Alternative (Alternative 4), anticipates considerable housing growth in South Downtown through year 2030 as shown in Table E-9 below. These projections were made with perspective provided by review of Downtown growth trends, and are aligned with future regional projections for 2030 applicable to Downtown. Downtown trend analysis included review of growth-per-acre figures for the Downtown neighborhoods and Downtown Urban Center as a whole. Similarly, DPD analysis informed the selection of employment estimates that are consistent with regional projections.

**Table E-9
Projected Residential Growth per EIS Alternatives, South Downtown Study Area**

Alternative	Description	Projected Growth Distribution of Housing Through 2030
1	West: concentrate more residential and employment growth toward 1 st Avenue S. and Pioneer Square	5,726 units
2	Central: concentrate more residential and employment growth toward 4 th Avenue S. and Chinatown/International District	6,014 units
3	Balanced distribution of growth: concentrate more residential and employment growth toward 4 th Avenue S. and south of Dearborn Street, as well as residential growth concentrated in Chinatown/International District	6,063 units
4	No-change, existing zoning alternative with generalized spread of residential and employment growth around these areas	3,395* units

Zoned Capacity

Estimations of future zoned capacity under the alternatives involves zone-specific assumptions about how much growth is likely to fit within redevelopable properties in an area, and how much will occur as residential and non-residential uses. This was calculated for the alternatives, including assumptions about growth in new zones such as South Downtown Mixed. This sort of analysis is best applied to larger areas to assist in evaluating capacity available for future growth at the neighborhood and city levels. Table E-10 shows the estimated maximum capacities for the entire study area under the alternatives.

Table E-10
Estimated Total Housing Unit and Employment
Zoned Capacity per EIS Alternative

Alternative	Residential Capacity (New Housing Units)	Employment Capacity (New Jobs)
1	7,142 units	32,797 jobs
2	8,319 units	31,784 jobs
3	6,640 units	35,043 jobs
4	4,414 units	28,277 jobs

By comparing the residential growth projections for the alternatives in Table E-9 to the residential capacity in Table E-10, a few observations can be made. This analysis suggests that zoning under Alternatives 1, 2 and 3 would provide a sufficient amount of additional capacity for future housing development to meet projected residential growth through 2030, and would also have enough capacity for additional residential growth after 2030. It also suggests that retaining the existing zoning pattern, under Alternative 4—No Action, would not provide enough capacity to be able to meet the projected growth of 6,000 additional dwelling units by 2030. These conclusions are not identified as impacts, but are provided to describe planning assumptions and their relationship to development capacity of the alternative zoning options. Additional details on zoned capacity are provided in the Population and Employment section of EIS Chapter 3.

Jobs to Housing Ratio

The Comprehensive Plan encourages proximity of jobs to housing in order to promote efficient investments in infrastructure, encourage sustainable forms of transportation, serve neighborhood needs, and to provide residential opportunities for workers. The Downtown Urban Center continues to be the region's most central location for jobs in King County. For that reason, anticipated jobs in the Downtown Urban Center exceed anticipated households to a considerable extent (refer to Table E-10). Providing additional capacity for residential growth, as the EIS alternatives would accomplish, will potentially generate more of the benefits of housing within the Downtown Urban Center, but at the same time would create more capacity for employment growth as well.

V. CHARACTERISTICS OF FUTURE HOUSING SUPPLY AND DEMAND

Influences on Future Housing Development

Future housing production in the study area neighborhoods will depend on how market forces interact with zoning limits and the economic feasibility of developing new structures. Several observations can be made about these elements that will affect future outcomes.

- **Future housing likely will continue to favor small dwelling sizes.** The expected range will be from studios up to two-bedroom units. This may make it difficult for larger family households to obtain suitable housing in South Downtown.
- **Condominium housing would likely be more feasible than rental housing in new construction.** Recent pro-forma economic study of development conditions in South Downtown suggests greater profitability for condominium development rather than apartments. Recent conversions of a few buildings to condominiums in Chinatown/I.D., as an indication of the current status of the market, support this finding.
- **Zoned height limits to 125 feet may create uncertainties about building size and construction type.** The pro-forma economic study of development conditions suggests development is economically feasible and profitable for condominium at 125 feet, and is less feasible for apartment construction. Building to 125 feet would require steel frame construction. However, when compared to a smaller and less costly wood frame building to 85 feet, the 85-foot development scenario is concluded to generate higher rates of investment return.

The actual outcomes of future development will depend on the strength of market demand for new housing in the study area and the equation of costs, risks and returns. If housing prices for new dwelling units are higher than indicated by the pro-forma analysis, building to the maximum of 125 feet would become more feasible and profitable. The pro-forma analysis results might also indicate that additional higher height limits should be considered if the intent is to encourage the achievement of development to the maximum zoned heights.

- **Zone changes would likely increase property values, affecting the ability to realize new affordable housing construction by non-profit developers.** Non-profit developers that have constructed much new housing in the study area in recent years could be negatively affected by zoning with higher height limits. The increased development capacity on affected properties would increase the assumed property value. Due to this property value increase and higher development costs of taller steel-frame buildings, the increase in zoned development capacity could negatively impact feasibility of new development by non-profit developers in portions of the study area.
- **Planned development on the Qwest Field north parking lot would provide at least 400 units of new housing.** The proposed development at this location will include approximately 400 units of new housing, of which 100 are required by purchase and sale agreement to be affordable to households earning 100% of median income for owner-occupied units or 60% of median income for rental units. This amount of new housing in Pioneer Square would help satisfy a portion of the demand for housing in the study area.
- **In zones with higher height limits, hotel/condominium forms of development may be possible.** Areas zoned for allowable buildings heights of 180-240 feet might support a mixed use hotel/condominium form of development, in which residents would enjoy services and amenities available to hotel guests. These developments would be more likely to include higher-cost dwelling units.

Housing Demand Generated by New South Downtown Employment

Total Housing Demand from New Employment

Additional employment growth in South Downtown would generate new demand for housing. Past Downtown zoning analyses inform estimates of this added housing demand. For example, analysis of Downtown housing supply and demand determined an employment factor of approximately 1.65 workers per household (Keyser Marston Associates, 2001). A 1983 survey of Downtown employees indicated

that 29% would choose to live Downtown if a dwelling unit was available at an acceptable price and size (Gruen & Gruen, 1983). Using these assumptions, an estimate of total housing demand and Downtown housing demand that could be generated by additional South Downtown employment is calculated for the alternatives, as shown in Table E-11.

**Table E-11
Estimated Total Housing Demand Generated by New South Downtown Employment to 2030**

Alternative	Projected Job Growth per EIS Alternative	Estimated Total New Demand for Housing Units in All Locales	Estimated Demand for Housing Units in the Downtown Area
1, 2 & 3	24,600	14,910	4,320
4 (No Action)	16,600	10,060	2,920

Source: DPD, 2007

Table E-11 illustrates the relatively similar impacts on total housing demand of Alternatives 1, 2 and 3, and the lesser impacts under the No Action Alternative (Alt. 4) that would be approximately one-third lower than Alternatives 1, 2 and 3.

New Demand for Affordable Housing

A housing analysis for Downtown zoning concluded that approximately 16% of all office worker households would earn less than 80% of the area’s median income (Keyser Marston Associates, 2001). Applying this factor, an estimate of total demand for housing serving households earning 80% or less of median income is calculated for the alternatives, as shown in Table E-12. These households would be among those that may need some subsidy to afford housing in South Downtown. The table also shows the estimated demand that could be generated for such units in Downtown using the 29% factor explained above.

**Table E-12
Projected Total New Demand for Housing Units
Affordable to Households earning less than 80% Median Income**

Alternative	Projected New Total Demand For Affordable Dwelling Units	Downtown’s Portion of the New Demand for Affordable Dwelling Units
1, 2 & 3	2,386	692
4 (No Action)	1,610	467

Source: DPD, 2007

Table E-12 illustrates the relatively similar impacts on total housing demand of Alternatives 1, 2 and 3, and lesser impacts under the No Action Alternative (Alt. 4), approximately one-third lower.

Potential Loss of Existing Affordable Housing in South Downtown

With or without zoning changes, South Downtown is likely to become a more active housing market in the future. This is due to the area’s close proximity to the Downtown office core and transit hub and the resulting probable effects on real estate values. An active market for housing in South Downtown—

characterized in part by low vacancies and rising property values—could increase the potential for rent levels to increase and become less affordable. Rent levels that are not guaranteed by regulatory agreement or loan conditions may increase over time. The Seattle Office of Housing considers affordable housing to be at “medium” or “high” risk of rent level changes if:

- A regulatory agreement that guarantees affordability associated with government subsidy will expire within the coming twenty years
- The unit is not subsidized by government funding and is therefore not regulated for affordability.

Using these criteria, approximately 1,102 currently affordable dwelling units in Chinatown/I.D. and 178 currently affordable dwelling units in Pioneer Square are at medium risk or high risk of potential rent increases within the next twenty years (DPD, 2007). Tables E-13 and E-14 categorize these units according to their affordability to households at different income levels. Figure E-1 illustrates the location of the at-risk housing resources.

According to data from the Seattle Office of Housing, approximately 819 dwelling units in Chinatown/I.D. and 630 dwelling units in Pioneer Square are classified as “low” risk for rent changes because they have regulatory agreements to provide affordable housing for more than 20 years, or are in the SHA portfolio. The majority of these low-risk units in each neighborhood serve households earning 50% of area median income or less.

**Table E-13
Chinatown/I.D. Housing Units at Medium or High Risk of Future Rent Level Changes**

Risk of Rent Level Change	Number of Dwelling Units Serving Households at Income Level (% of Median Income)				
	0-30%	31-50%	51-65%	66-80%	Total
Medium Risk (regulatory agreement or loan expiration under 20 years)	23	50	0	5	78
High Risk (MFTE agreement needed or long-term funding needed)	0	364	26	104	494
Unsubsidized Rentals	237	176	55	62	530
Totals	260	590	81	171	1,102

SHA = Seattle Housing Authority. MFTE = Multifamily Tax Exemption
Source: DPD, OH, 2007

Table E-14
Pioneer Square Housing Units at Medium or High Risk of Future Rent Level Changes⁹

Risk of Rent Level Change	Number of Dwelling Units Serving Households at Income Level (% of Median Income)				
	0-30%	31-50%	51-65%	66-80%	Total
Medium Risk (regulatory agreement or loan expiration under 20 years)	0	26	113	0	139
Unsubsidized Rentals	0	2	30	7	39
Totals	0	28	143	7	178

Source: DPD, 2007

The majority of affordable units at medium or high risk for rent changes are located within Chinatown/I.D. Many of these units are located within buildings where demolition and redevelopment is unlikely due to their contributions to Chinatown's National Register Historic District. Similarly, in Pioneer Square, the buildings identified as having medium or high risk are located within historic-contributing buildings that are unlikely to face a greater probability of demolition and redevelopment due to the alternative zoning proposals. Due to the alternatives' lack of direct effect on the zoning of these properties, no direct adverse housing impacts are identified at these locations. A potential indirect adverse impact of increases in rent levels could be anticipated in some cases.

However, some properties with affordable units would more directly experience increases in zoned development capacity, which could contribute to loss of affordable housing units. This would affect approximately five buildings in the Japantown vicinity, as well as two buildings in the Chinatown core. These units could be subject to rent increases, conversion to other more expensive housing types, or future redevelopment. These are the most identifiable adverse housing impacts potentially generated by zoning changes under Alternatives 1, 2 and 3. The buildings and their current number of dwelling units are listed in Table E-15.

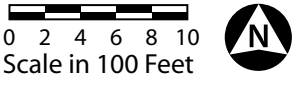
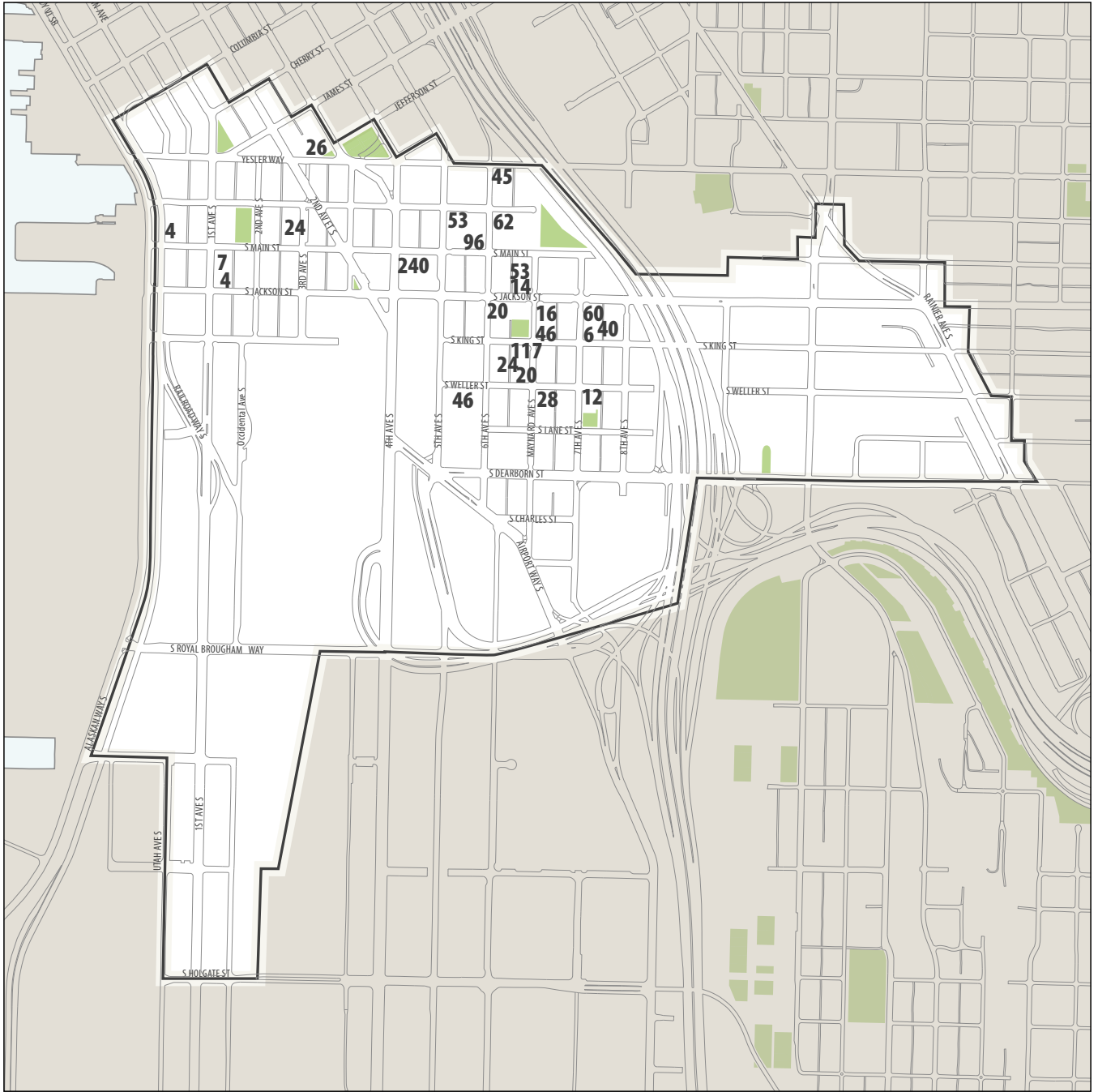


Figure E-1

Affordable Housing Units at Medium or High Risk
Livable South Downtown for Rent Increase by 2030

**Table E-15
Affordable Housing That is Directly Impacted by Alternative Zoning Changes**

Japantown	Chinatown core	Pioneer Square
Downtowner Apts.: 240 units (High risk)*	Uwajimaya Village: 46 units (High risk)*	None (historically-contributing buildings not impacted)
Imperial House: 96 units (High risk)*	Weller Apts.: 12 units (High risk)*	
Ascona Apts.: 53 units (no risk rating)		
Metropolitan Park: 62 units (no risk rating)		
Ticino Apts.: 45 units (no risk rating)		
TOTAL: 496 units	TOTAL: 58 units	TOTAL: 0 units

Source: DPD, 2007. * “High risk” refers to the rating assigned by the City’s Office of Housing, briefly described in the written discussion above.

Alternative 1 zoning changes, with increased maximum height limits to 240 feet, would represent the largest potential zoning change in Japantown, with lesser increases to 180 feet under Alternative 2. It should be noted that the Metropolitan Park and Ticino Apartments (and the Imperial House under Alternative 3) would experience a somewhat lower potential for such impacts because the proposed zoning changes at these locations would only modestly adjust the existing IDR 150’ zone’s development capabilities. Also, the two locations listed in the Chinatown core have a somewhat lower potential for zoning-related impacts because they are buildings not likely to be redeveloped in the future.

EXISTING PROGRAMS AND TRENDS THAT WILL CONTINUE TO SUPPORT AFFORDABLE HOUSING DEVELOPMENT

The following programs will be available over the long term to continue supporting the future development of affordable housing resources in the study area.

Direct funding for affordable housing construction and rehabilitation

Traditional government sources of low-income housing funds should be available to support the construction of units serving households earning up to 80% of area median income. The City awards capital subsidies for the construction and rehabilitation of affordable housing in Seattle twice a year. In the past decade, the City has helped fund rehabilitation of 9 buildings with 821 affordable housing units and new construction of 5 buildings with 311 units of affordable housing in South Downtown. If that trend continues, it is reasonable to assume that 2,800 units of affordable South Downtown housing could be funded over the coming 25 years through leveraging traditional housing funding sources. Approximately two-thirds of these projects are expected to involve substantial rehabilitation of existing housing and vacant residential buildings, and will serve “extremely” and “very low” income households, which are those earning up to 30% and 30-50% of area median income, respectively.

Seattle Homes Within Reach Program (Multifamily Housing Tax Exemption)

Seattle Homes Within Reach, formerly known as the Multifamily Housing Tax Exemption (MFTE) Program was initiated in 1998 to stimulate construction of multifamily housing in weak market areas and, in strong market areas, to encourage some new construction units to be affordable to moderate-wage workers. Developers who take advantage of the program receive a 10-year property tax exemption on the improvements. For rental housing, this means the developer pays no taxes on the residential portion of the building. For homeowner housing, owners of affordable condominium units pay no property taxes. Pioneer Square and Chinatown/I.D. are “target areas” for this program. Four of the 17 rental developments that have taken advantage of the tax exemption are located in South Downtown, including the Tashiro Kaplan and Quintessa Apartments in Pioneer Square and the Uwajimaya Village and Weller Apartments in Chinatown/I.D. (see Table E-16 below).

**Table E-16
Details on Projects That Have Used Multifamily Housing Tax Exemption**

Chinatown/International District Urban Village			
Project	Developer Type	Total Units	Minimum Affordability
Uwajimaya Village Apts	For-profit	176	25% at 80% AMI
Weller Apartments	For-profit	40	30% at 70% AMI

Pioneer Square Urban Village			
Project	Developer Type	Total Units	Minimum Affordability
Tashiro Kaplan	Non-profit	50	25% at 80% AMI
Quintessa Apartments	For-profit	40	30% at 70% AMI

Existing Downtown Incentive Programs

A number of incentive programs are currently part of Downtown zoning. Programs targeted to commercial developers are focused primarily in DOC1, DOC2, and DMC zones in the Downtown core and Denny Triangle. Resources generated by transfer of development rights (TDR) purchases and bonus contributions by office and hotel developments in those areas may be used in South Downtown. Three South Downtown residential projects (I.D. Village Square II, Legacy House and the Morrison Hotel rehabilitation) have been funded in part through sale of TDR or through the Commercial Bonus Program, using approximately \$3.8 million in funds (see Table E-17 below).

**Table E-17
Residential Development in South Downtown That Has Used TDR as a Funding Source**

Project	Project Type	Total Units	TDR or Bonus Funding
IDVS II	New construction	56	\$800,000
Legacy House	New construction	75	\$2,289,224
Morrison Hotel	Rehabilitation	190	\$702,900

Contributions made by Downtown residential developers through the Residential Bonus Program adopted for portions of Downtown in 2006 may also be awarded to new construction projects in South Downtown. This has not yet resulted in new affordable housing construction in the study area.

Some of the existing housing supply may become more affordable over time

Local real estate research indicates that rental rates tend to become more affordable after five to ten years, due to wear and tear, and the presence of fewer amenities as compared to those provided in newer buildings. For example, a case study in the Seattle Office of Housing’s *Seattle Housing Inventory* (2007)⁹ showed that the rents of 506 Belltown units became more affordable over time. Although rents increased 2% per year on average, all units became affordable to households in lower income categories within a five to ten year period. Rising housing prices through Downtown could reduce the assurance that this trend would definitely occur in South Downtown. However, it is reasonable to anticipate that some residential units not under affordable rent agreements will become more affordable over time, due to location, condition of the building, small unit size, and a variety of other factors. The total pool of such “unregulated” units currently in the study area includes approximately 580 dwelling units in Chinatown/I.D. and approximately 136 dwelling units in Pioneer Square.

Table E-18 shows the current South Downtown inventory of units that are not regulated by contracts specifying affordability levels but are nonetheless considered to be affordable.

**Table E-18
Unregulated Rental Housing that is Affordable in South Downtown Study Area (December 2006)**

	0-30%	31-50%	51-80%	>80%	TOTAL	Percentage of Unregulated Units that are Affordable¹⁰
Chinatown/International District	237	176	117	54	584	91%
Pioneer Square	0	2	37	97	136	38%

HOUSING-SUPPORTIVE AND PROTECTIVE STRATEGIES OF THE ALTERNATIVES

Livable South Downtown planning proposes a number of strategies relating to development bonus and TDR programs, primarily intended to mitigate impacts of increased development potential on housing affordability. These include commercial and residential bonus programs as well as a TDR program that would encourage rehabilitation for housing within existing buildings in Pioneer Square and Chinatown/I.D. The approach is similar to strategies employed in other portions of Downtown. It is meant to respond to the City’s housing and comprehensive plan policies that support the preservation and production of affordable housing serving diverse populations. The complexity of the housing-supportive strategies means there are many specific details that affect how the programs would work, how individual development projects could be affected, and how much affordable housing is ultimately achieved. Such details will be discussed in greater detail during later decision-making processes. The following discussion represents draft conclusions based on the information available at the time of this Draft EIS analysis.

All new construction projects in South Downtown that exceed base development rights would be required to take part in housing bonus programs. For residential development, the incentive program would allow developers to achieve development capacity above base development rights by constructing affordable

⁹ <http://www.seattle.gov/housing/>

¹⁰ Based on Office of Housing data. In Chinatown/I.D., 530 units out of a total 584 market rate units are affordable to households at <80% AMI. In Pioneer Square, 37 out of a total of 97 market-rate units are affordable. The majority of all units (70%) in Pioneer Square are affordable to households earning less than 80% AMI.

housing units on-site or by contributing a fee-in-lieu to support construction of affordable units off-site by purchasing TDR and/or by providing public amenities that mitigate non-housing development impacts. For commercial development, the incentive program would be similar to the one already in place in other parts of Downtown, whereby approximately 75% of development above the base FAR is achieved through housing TDR and/or commercial bonus for housing and child-care, and the other 25% is achieved through other public amenity bonus or TDR.

Impacts of the South Downtown Commercial Incentive Program

Table E-19 illustrates the amount of TDR that could be generated by the commercial development incentive program.

**Table E-19
Livable South Downtown EIS Alternatives
Estimated Commercial Bonus Program Workforce Housing Production**

Alternative	Total Bonus Floor Area in New Construction Projects Through 2030 (square feet)	75% of the Total Bonus Floor Area Gained Through Housing Bonus and/or TDR (square feet)	Estimated Dollars Generated at a Sales Price of \$18.75/sq.ft.	Equivalent Number of Dwelling Units at \$130,000 per Unit
1	820,703	615,527	\$11,541,131	89 units
2	1,052,685	789,514	\$14,803,387	114 units
3	1,015,033	761,275	\$14,273,906	110 units
4 (no change)	0	0	0	0 units

Source: DPD, 2007

Impacts of the South Downtown Residential Density Bonus Program

New State law (RCW 36.70A.540) allows the City to include affordable housing incentive programs that are directed at new residential development. It is likely that the program, as applied to South Downtown, would allow a base development right without an affordable housing requirement. Any density above the base development right would need to be achieved through participation in the South Downtown Residential Density Bonus Program. The program would require construction of affordable units on-site or participation in a payment-in-lieu fee structure.

Depending upon final bonus program design, approximately 10-15% of the gross square feet of bonus area within a residential project would need to be devoted to affordable workforce housing under the new residential density bonus program. This percentage could yield the following amount of affordable workforce housing, per growth under the EIS Alternatives to 2030, assuming that 75% of all new projects would take advantage of the potential bonus development capacity. Table E-20 identifies total residential bonus floor area estimated under each Alternative, and the potential number of units that could be generated.

Table E-20
Livable South Downtown EIS Alternatives,
Estimated Residential Bonus Program Workforce Housing Production

Alternative	Residential Bonus Floor Area (square feet)	Estimated Affordable Housing Production (square feet)	Number of Dwelling Units That Could be Generated (700 sq.ft. per unit)
1	1,147,611	94,677	135 units
2	1,015,033	83,741	120 units
3	907,739	74,888	107 units
4 (No Action)	0	0	0

Source: DPD, 2007

Impacts of the South Downtown Transfer of Development Rights (TDR) Program

Future commercial development in South Downtown could take advantage of the South Downtown TDR programs that would support the development of affordable housing resources. Two specific TDR programs could be available to developers in South Downtown that would result in dollars for: 1) retaining existing affordable housing resources and 2) renovating historic buildings, many of which contain existing affordable housing resources.

Several TDR programs are available to property owners in Downtown, as discussed previously in this report. However, only one of these programs—affordable housing TDR—is available for use by property owners in the South Downtown area. Since the inception of the affordable housing TDR program in 1985, only two affordable housing projects in South Downtown have used the program to sell development rights (Morrison Hotel, and I.D. Village Square I “Legacy House”). It is expected that new South Downtown bonus programs would increase the demand for TDR throughout South Downtown, stimulating the market for both sales and purchases of TDR.

South Downtown historic housing TDR is a proposed program that would allow TDR from historic-contributing buildings in Chinatown/I.D. and Pioneer Square. Dollars generated from the program could be used to contribute to the stock of affordable workforce housing in South Downtown and provide much-needed resources for rehabilitation of historic buildings.

Zoning Strategies Tailored to Support New Housing and Protect Existing Housing

In addition to programs described above, several aspects of the Livable South Downtown zoning strategies would help avoid potential housing impacts. These are briefly described below.

- Retain existing zoning and development capacity or recommend only modest regulatory changes affecting properties where sensitive historic resources and affordable housing resources exist, such as in the historic districts of Pioneer Square and Chinatown/I.D.
- Zone for taller and higher-density residential towers in areas where market forces may support and encourage the development of expensive new residential construction (areas where views are present, for example) near the edges of the core neighborhood areas. With this development, require participation in housing bonus programs to provide resources toward the construction of new affordable housing elsewhere in South Downtown.
- Zone for larger-scale future commercial development outside the core of South Downtown neighborhood areas, in order to avoid displacing affordable housing. With such development,

require participation in the commercial bonus program in order to provide funding resources toward the construction of new affordable housing elsewhere in South Downtown.

- Provide targeted resources to support new and existing affordable housing in South Downtown by allowing affordable housing TDR to be sent to receiving sites outside of South Downtown. Require receiving sites in South Downtown to purchase South Downtown TDR from buildings that are historic-contributing and/or that contain existing affordable housing whenever possible.