HOUSING

AFFECTED ENVIRONMENT

INTRODUCTION

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 residents.

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. Analysis of housing issues should involve 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 well-situated new developments with housing for a range of incomes. Other important factors include urban design, architectural quality, cultural preservation, public amenities and services and environmental challenges such as noise and air pollution.

HOUSING UNIT COUNTS AND GROWTH TRENDS

South Downtown contains 3,677 dwelling units, and comprises approximately 16% of Downtown's overall housing inventory. Approximately 1,151 (31%) of these units are located in Pioneer Square and approximately 2,526 (69%) are located in the Chinatown/I.D. neighborhood. Only about 25 dwelling units are currently located east of I-5 in the Little Saigon vicinity of Chinatown/I.D.

Prior to 1990, South Downtown had a low housing growth rate, with many units located in older historic buildings, and infrequent development of new buildings. However, between 1990 and 2005, housing growth occurred at a faster pace, leading to a 51% gain in housing unit totals throughout South Downtown. Table 3-8 summarizes the growth since 1990 for Pioneer Square and Chinatown/I.D. and compares it to the amount of growth in the Downtown Urban Center as a whole. These neighborhoods' housing growth only represented 1/8th of Downtown's overall housing growth, as illustrated in Tables 3-9 and 3-10.

Table 3-8
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%
TOTAL, Downtown Seattle Urban Center*	7,432	12,852	17,819	10,387	140%

*The totals shown for the Downtown Urban Center include housing within Pioneer Square and Chinatown/I.D.

Many reasons underlie South Downtown's relatively slow pace of residential development. Limits on development capacity related to historic districts and low zoned height and density limits play a role, and industrial zoning in part of the study area prohibits nearly all forms of housing. Aside from regulatory limitations, demand for housing in South Downtown has been weak relative to other parts of Downtown, as indicated by current market-rate sales prices 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 (Easton, 2007). Interviews with developers indicate that some 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.

Table 3-9
Housing Unit Growth in Downtown Urban Center Neighborhoods Per Half-Decade, 1991-2005

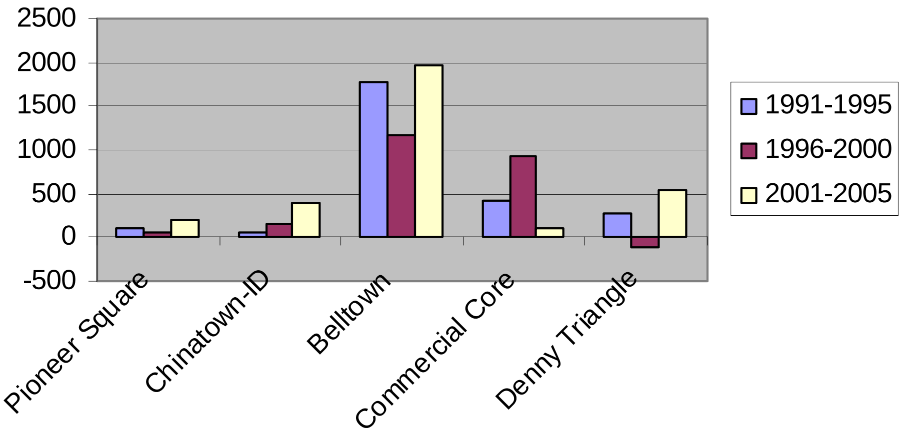


Table 3-10
Net Units Built and Permitted 1991-2005
Seattle Downtown Urban Center

Neighborhood	Percent of Downtown Growth
Pioneer Square	4.5%
Chinatown/I.D.	7.6%
Belltown	61%
Commercial Core	18%
Denny Triangle	9%
Downtown Urban Center (Total)	100%

Source: DPD, 2007

Interviews with developers also suggest that the area is potentially attractive for future residential and commercial growth, due to its proximity to Downtown amenities, regional transit services, and its historic and cultural neighborhood character. Recent trends in actual and possible development projects indicate an increased level of interest. These include a few conversions of apartments to condominiums, rehabilitation of existing buildings, and construction of new apartment buildings in different parts of Pioneer Square and Chinatown/I.D. west of I-5. No such trend is observed in Little Saigon, where industrial zoning east of 12th Avenue S. is one factor that has limited housing development.

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

As compared to Downtown overall, South Downtown neighborhoods have a higher percentage of subsidized rental units (67%) than other Downtown neighborhoods (38%). Also, condominiums account for just 13% of all South Downtown residential units, as compared to 23% of all units in other Downtown neighborhoods. Table 3-11 summarizes the amount and tenure of housing in South Downtown neighborhoods as compared to the other three Downtown neighborhoods.

Table 3-11
Downtown Housing Units by Tenure

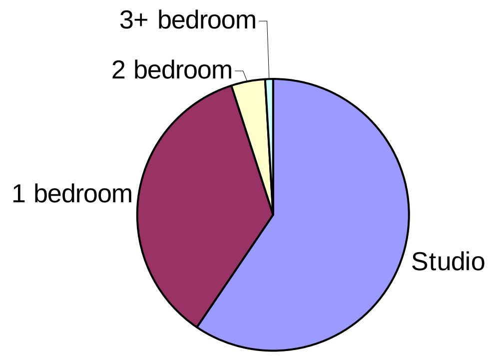
	Pioneer Square* 2006	Chinatown/I.D.* 2006	Other Downtown Neighborhoods (Belltown, Commercial Core, Denny Triangle) 2000**
Homeowner Units	244 (21%)	247 (10%)	2,366 (23%)
Market-Rate Rentals	136 (12%)	584 (23%)	4,069 (39%)
Subsidized Rentals	771 (67%)	1,695 (67%)	3,979 (38%)
Total Units	1,151 (100%)	2,526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

*South Downtown Housing Inventory, Office of Housing, December 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, tending to be occupied by single or two-person households rather than larger families (see Table 3-12). The low presence of three-bedroom or larger dwelling units in this study area (only 23 such units counted in the 2000 U.S. Census) reinforces the typical small household sizes.

Table 3-12
Housing Unit Size in South Downtown
2000 U.S. Census



<u>Vacant Residential Buildings in the Chinatown/I.D. Neighborhood</u>

Five historic buildings in the Chinatown/I.D. neighborhood have upper residential floors that remain vacant despite the presence of ground-floor retail uses. Many of these buildings contain single-room occupancy (SRO) units that previously housed working men in past decades. The 1998 *Chinatown/ International District Strategic Plan* (the neighborhood plan) identified rehabilitation of historic buildings in this neighborhood as a priority, including the buildings listed in Table 3-13.

Table 3-13
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 SRO dwelling units are present in four historic buildings that are in need of significant repairs: the Publix (75 dwelling units, not in use), the Republic Hotel (70 dwelling units), the New American Hotel (54 dwelling units) and the Atlas Apartments (46 dwelling units).

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. Also, rehabilitation is costly due to seismic and other existing requirements.

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 median income 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 uninhabitable 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. This 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 the Chinatown/I.D. and Pioneer Square neighborhoods. This topic is discussed further later in this section and in Appendix E to this DEIS.

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 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.

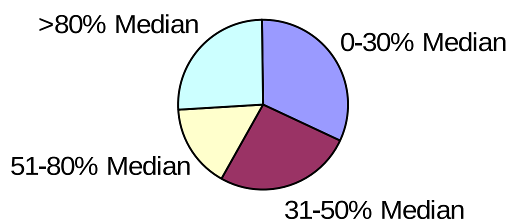
Many people have difficulty finding housing they can afford in areas near where they work. A few examples are retail salespersons, teachers, cashiers, loan officers, janitors, and administrative specialists. Others include retirees and those on fixed incomes or otherwise constrained in ability to earn income. Such individuals and households are common in these neighborhoods (see the Population and Employment section in this chapter for more discussion), which means that retention and rehabilitation of South Downtown’s existing affordable housing stock and construction of additional affordable units is important. The following Table 3-14 and accompanying pie chart show the affordability breakdown of South Downtown’s housing stock.

Table 3-14
Existing Affordable Units in South Downtown

Neighborhood	Number of Dwelling Units Serving Households at Income Level (% of Median Income)				
	0-30%	**31-50%**	**51-80%**	**> 80%**	**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%)

Median income = as defined by the Seattle-Bellevue HUD Metro Fair Market Rent Area (HMFA)
Source: South Downtown Housing Inventory, Office of Housing, December 2006

South Downtown Housing Affordability 2006



COMPREHENSIVE PLAN AND NEIGHBORHOOD PLAN HOUSING GUIDANCE

Seattle's Comprehensive Plan

The Comprehensive Plan's projections for Pioneer Square and Chinatown/I.D. are for approximately 1,000 new households in each neighborhood by 2024 (see the Population and Employment section in this chapter for further discussion).

Comprehensive Plan housing-related 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% of expected residential growth should be affordable to households earning up to 50% median income.
- At least 17% of expected residential growth should be affordable to households earning between 51% and 80% 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/I.D. neighborhood plans emphasize increased residential development within the neighborhoods. Both plans include goals relating to housing diversity, design and development opportunities.

- The Pioneer Square neighborhood plan promotes residential growth as a key theme for 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 house and the preservation of existing affordable housing resources.

ENVIRONMENTAL IMPACTS

The evaluation of housing impacts for this programmatic EIS addresses the following topics:

- Relationships between projected residential growth and development capacity for housing
- Housing supply and demand characteristics relating to future growth in the study area
- Potential impacts relating to affordable housing
- Existing programs and trends that will continue to support affordable housing development
- Housing-supportive and protective strategies of the proposed alternatives

Following the Impacts discussion is a listing of possible impact mitigation strategies that could be included to address adverse housing impacts of the alternatives.

RELATIONSHIPS OF PROJECTED HOUSING GROWTH AND ZONED CAPACITY

Alternatives 1, 2 and 3 assume that the amount of residential growth to year 2030 would be approximately 6,000 dwelling units in the study area. This would be a faster growth rate than has occurred in recent decades in this area, but is a plausible growth rate according to DPD's analysis of Downtown growth trends. In fact, it is consistent with other 2030 growth forecasts recently identified by DPD for this vicinity, derived from regional growth forecasts.

DPD's analysis of the capacity within the alternatives' zoning indicates the following total capacity for additional residential growth would result:

- Alternative 1: 7,142 dwelling units
- Alternative 2: 8,319 dwelling units
- Alternative 3: 6,640 dwelling units
- Alternative 4: 4,414 dwelling units

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 that would be present in the alternative zoning options. Additional details on zoned capacity are provided in the Population and Employment section of this chapter.

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 condominiums 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.

<u>Housing Demand Generated by New South Downtown Employment</u>

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 3-15.

Table 3-15
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 3-15 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.

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 3-16. 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 3-16
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 3-16 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 less.

AFFORDABLE HOUSING IMPACTS

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.

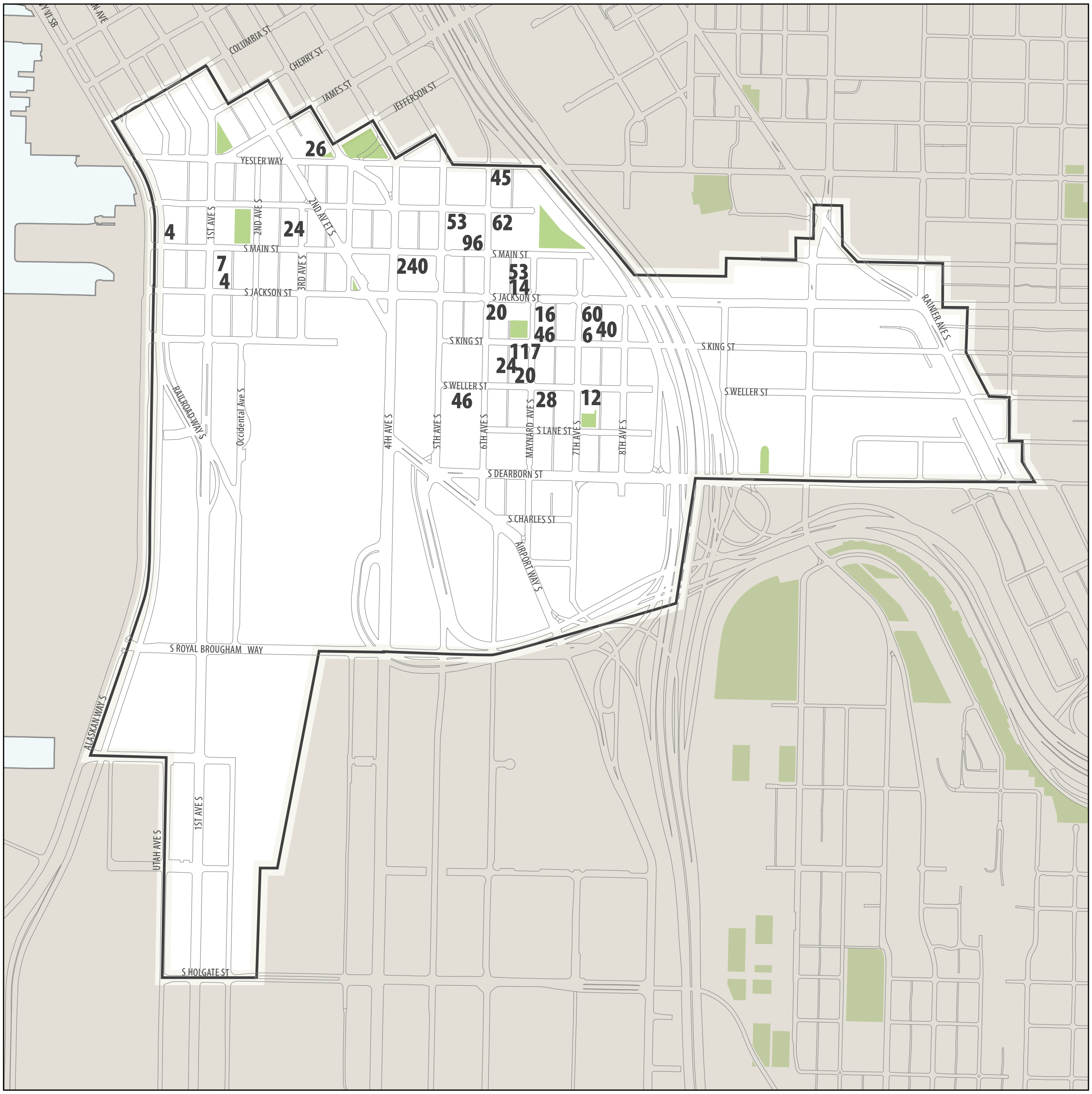
Using these criteria, approximately 1,102 currently affordable dwelling units in Chinatown/I.D. and 178 currently affordable dwelling units in Pioneer Square are at medium risk or high risk of potential rent increases within the next twenty years (DPD, 2007). Tables 3-17 and 3-18 categorize these units according to their affordability to households at different income levels. Figure 3-20 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 3-17
Chinatown/I.D. Housing Units at Medium or High Risk of Future Rent Level Changes

	Number of Dwelling Units Serving Households at Income Level (% of Median Income)				
Risk of Rent Level Change	**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



0 2 4 6 8 10
Scale in 100 Feet

N

Figure 3-20

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

Livable South Downtown

Table 3-18
Pioneer Square Housing Units at Medium or High Risk of Future Rent Level Changes[9]

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 3-19.

Table 3-19
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 to support 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.

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.

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)[1] 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.

[1] http://www.seattle.gov/housing/

HOUSING-SUPPORTIVE AND PROTECTIVE STRATEGIES OF THE ALTERNATIVES

Livable South Downtown planning proposes a number of strategies relating to development bonus and TDR programs. These programs are intended to mitigate impacts of increased development potential on housing affordability. They include commercial and residential bonus programs and 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 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 3-20 illustrates the amount of TDR that could be generated by the commercial development incentive program.

Table 3-20
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 3-21 identifies total residential bonus floor area estimated under each Alternative, and the potential number of units that could be generated.

Table 3-21
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 section. 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.

MITIGATION STRATEGIES

Future development within the study area would be influenced by zoning choices that are represented by the EIS alternatives. With future development there is a potential for adverse impacts on certain housing that is currently affordable, either through rent increases, conversion to condominiums, or redevelopment of buildings. The possible mitigation strategies are provided to suggest actions that could be taken if decisionmakers identify this adverse impact as something that should be addressed when zoning choices are made.

POSSIBLE MITIGATION STRATEGIES

All Alternatives

Japantown vicinity

- In order to avoid potential adverse housing impacts related to rent increases, conversion or redevelopment of buildings with currently affordable housing units, the City could identify public or private sector actions that would encourage or achieve the long-term retention in affordable status of buildings most at risk for such impacts.
- Affordable housing impacts could be considered as a factor in making specific zoning choices for different portions of Japantown.

SIGNIFICANT UNAVOIDABLE ADVERSE IMPACTS

No significant unavoidable adverse housing impacts of the EIS alternatives are identified.