



## Memo

**Date:** October 7, 2016  
**To:** Hillary Hamilton, FAS  
Katherine Tassery, Jeanette Blankenship, Lisa Mueller, CBO

**From:** Prithy Korathu, Office of Housing  
Emily Alvarado, Office of Housing

**cc:** Miriam Roskin, Office of Housing

**RE:** OH Response to 1933 Minor Avenue/PMA 92

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### **Summary of OH Analysis:**

Office of Housing (OH) has been asked to review the property at 1933 Minor Avenue. After analyzing the property, OH recommends that the property be sold to the highest bidder and a portion of the sale proceeds be used to develop affordable housing at an alternative site that would maximize affordable housing funds and the provide the greatest benefit to the city. The following is our analysis of the site.

### **Analysis of Basic Residential Development Criteria:**

**Site Size, topography and shape:** The site is 14,400 square feet, level, and square in shape with each side measuring 120 feet. Our analysis indicates that this parcel has a relatively small floorplate that makes it less desirable as a development site. **The size, topography, and shape of the site is considered average.**

**Zoning:** The site is zoned DMC 240/290-400 and lies in the Denny Triangle Urban Center, two blocks northwest of South Lake Union. The DMC designation is a mixed-use commercial zone intended serve as a physical buffer between areas of intense commercial development and lower scale commercial development. Development standards for DMC zoned land are oriented toward tower developments, specifically the maximum and average floorplate for a tower structure.

The property lies in the Downtown market scheduled to be upzoned as part of the new MHA legislation. The legislation will increase a project's development capacity in exchange for mandatory affordable housing requirements. We anticipate that the strong development activity in the Downtown and South Lake Union markets will not be adversely impacted when the MHA payment and housing requirements for affordable housing are approved.

The high-rise orientation of the designation is generally unfavorable to affordable housing developers due to the higher construction cost of high-rise development and development standards such as the maximum average floor area of 10,000 square feet. **An affordable housing provider could develop a mid-rise housing development on the site; however, the higher cost of high-rise construction would not allow them to fully realize the building capacity of the city due to the higher cost of high-rise construction.**

**Current Improvements:** A property is improved with a single-story masonry structure totaling 3,788 gross square feet. The existing improvements were construction in 1951, for use as a fire station and radio shop. In 1972, the fire station was relocated and the building renovated for use as a communications center. Updates to various building systems were completed in 1990, 2002, and 2006.

**Development Activity in Immediate Subject Area:** In a two block radius surrounding the subject site, 16 projects are under construction or in the permitting process, and one development site is under contract to sell. The significant amount of development activity in the immediate subject area suggests that were the subject property has excellent marketability.

Sales of development sites adjacent to the subject support the desirable location of the subject site. These sales include the 28,032 square foot site adjacent to the subject site that sold for \$660 a square foot in September 2014 and the 54,720 square foot site to the north of the subject that sold for \$950 a square foot in September 2015. The current assessed land value of the site south of the subject is \$10,440,00, or \$725 per square foot.

**Highest and Best Use of Site:** The high Downtown land values, the property's relatively small floorplate, the four feet alley dedication required to achieve the minimum alley width, and the required minimum clearance of 60 feet from any adjacent tower, suggests that the highest and best use of the property would be to sell the property to an adjacent owner as part of an assemblage to create a larger development site. Such an assemblage would be possible with the proposed 1901 Minor Avenue development southeast of the subject.

**Suitability as a Residential Site:** The site is located in the Denny Triangle neighborhood, two blocks south of the South Lake Union neighborhood. During the last 15 years, South Lake Union has experienced a dramatic change, with upscale apartments, high-tech offices, and medical and biotech research labs, replacing parking lots and warehouses in the market. A similar transformation is currently underway in the Denny Triangle neighborhood. Employers such as Amazon, Google, UW Medicine at SLU, have located offices in the area. The influx of new, well compensated employees has created a walkable area interspersed with restaurants, cafes, and retailers. **Overall, the property's location as a residential site is considered a good.**

**Originating Fund Source / Restrictions on Use:** The property was acquired with General Funds. There are no restrictions on the use of the property or sale proceeds.

**Capacity to Achieve Other Policy Objectives:** Developing affordable housing on the site would achieve the city's mandate to create more affordable housing. However, the demand for affordable housing would be better served by selling the site, and the proceeds to develop affordable housing on an alternate site in the market that where it would be financially feasible to construction more affordable units.

**OH Property Recommendation:** Given the high market value and small footprint of the site, OH recommends selling the property and using the proceeds to relocate the communications operations and develop affordable housing at an alternate site in the market such as Copiers NW, or in an area experiencing significant displacement. In the event the property is redeveloped with market rate housing, we recommend that as a condition of sale, affordable units be required, in addition to those required by MHA.

**Overall, the development standards of the zone and potential high sale price leads us to recommend that selling the property and using the sale proceeds to develop affordable on an alternative site in the neighborhood or in an area experiencing a significant displacement, would achieve the greatest benefit.**