

A panoramic view of the Seattle skyline featuring the Space Needle, various skyscrapers, and Mount Rainier in the background under a clear blue sky. The foreground shows green trees and a building.

URM TDR/Retrofit Credit Sub-Group

Photo by John Skelton



Seattle Department of
Construction & Inspections

Apr 11, 2023

Meeting Agenda

Goal

Identify gaps between existing TDR programs and policy and ASAP! Retrofit Credit Proposal.

Review current TDR programs and policy

- City of Seattle Incentive Zoning Program
- King County Rural Forest and Farmland Transfer of Development Rights Program

ASAP! Proposal

- Retrofit Credits

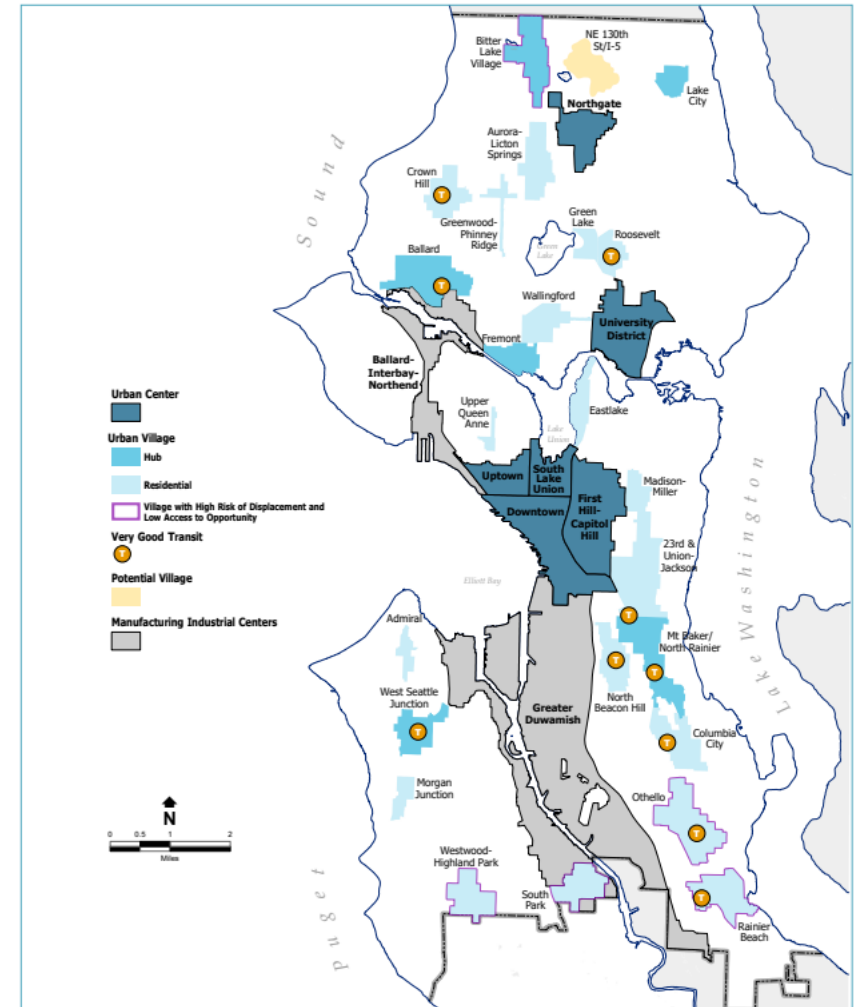
Identify key policy questions and needed areas of study

City of Seattle Incentive Zoning Program- Codified

- Seattle Municipal Code
 - 23.58A
 - SDCI Tip 258 Develop Contributions- Incentive Zoning
- Current Types of Available Transfer of Development Rights (TDR) and Transfer of Development Potential (TDP)
 - Historic landmarks
 - Open space
 - Affordable housing preservation
 - Vulnerable masonry structures

Seattle IZ Geographies with URM TDR

- Geographic Areas
 - University District Urban Center
 - Uptown Urban Center
 - Coming soon: Maritime Industrial Centers (MIC)



TDR Program Mechanics

- Transfers are limited to within an Urban Center area
- Receiving sites are limited to certain zones that have bonus development capacity
- Vulnerable masonry TDR/TDP is grouped with other amenity options

UPTOWN	
Residential & Non-Residential Development	Bonus Floor Area
Affordable Housing and Childcare	65%
Open space/ landmark / vulnerable masonry TDP; or onsite open space	35%
UNIVERSITY DISTRICT	
Residential & Non-Residential Development	Bonus Floor Area
Affordable Housing and Childcare	65%
Open space/ landmark / vulnerable masonry TDP; or onsite open space	35%
MANUFACTURING INDUSTRIAL CENTERS (Proposed)	
	Bonus Floor Area
Bona-Fide Industrial Space	5.5 FAR
Vulnerable masonry TDP, or mass timber construction	0.5 FAR

TDR Program Mechanics

- In Landscape Conservation and Local Infrastructure Program (LCLIP) areas Regional Development Credits are required as the first tier of bonus floor area.
- TDP credits for landmarks are reportedly trading at ~\$19 per sq. ft.

DOWNTOWN (DOC1, DOC2, DMC zones)	
Regional Development Credits (LCLIP) First increment of bonus FAR	0.25 - 1.0 FAR (depends on the zone)
Residential Development	
Affordable Housing and Childcare	60%
Open space, green streets; or TDP for Landmarks, open space	40%
Non-Residential Development	
Affordable Housing and Childcare	75%
Open space, green streets; or TDP for Landmarks, open space	25%
SOUTH LAKE UNION (In LCLIP area)	
Residential Development	Bonus Floor Area
Affordable Housing	60%
Regional Development Credits (LCLIP)	40%
Non Residential Development	
Affordable Housing	75%
25% Regional Development Credits (LCLIP)	25%

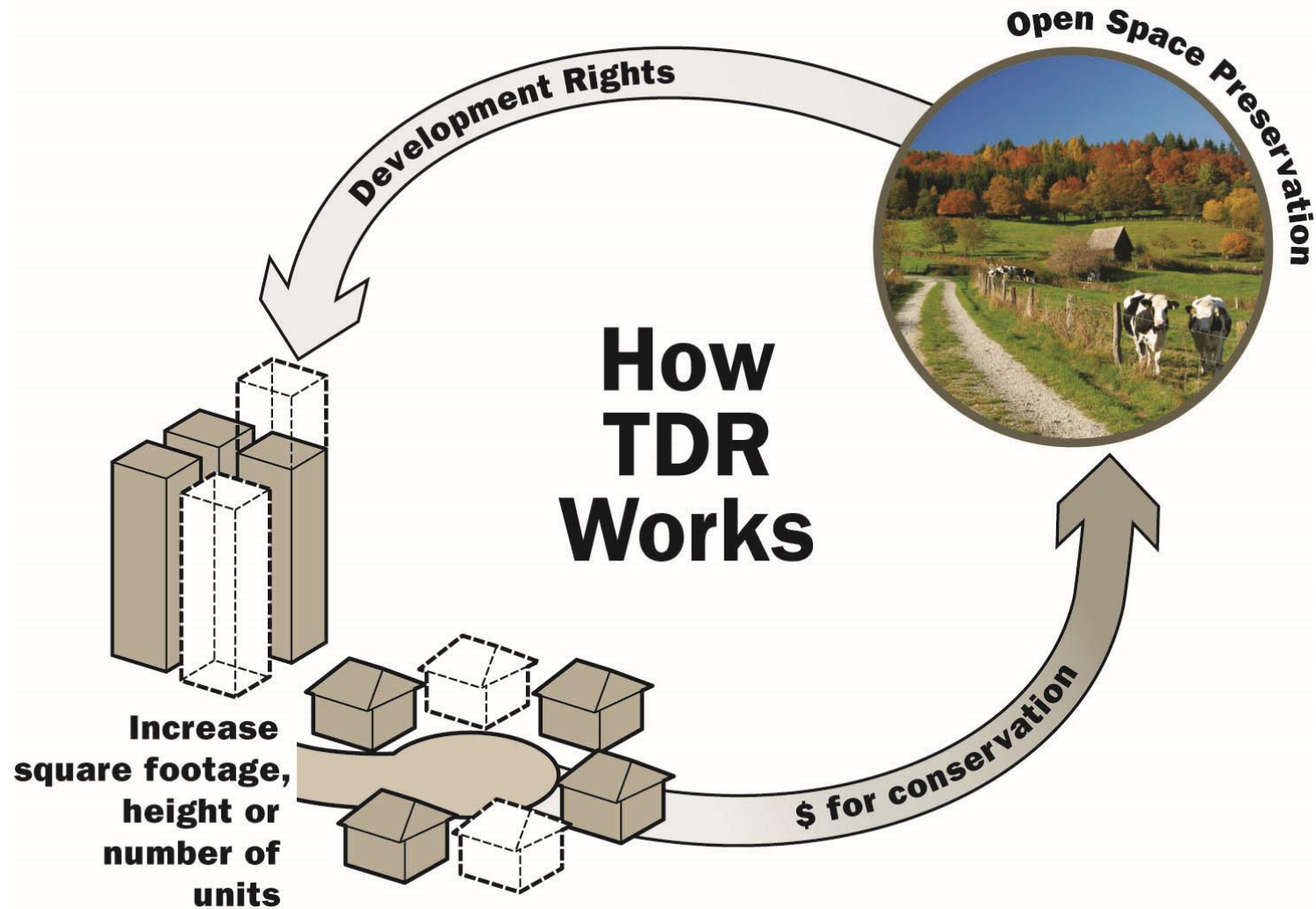
Seattle Incentive Zoning Program Management

- OPCD role
 - Development of TDR policy, requirements
 - No currently dedicated staff time. Support by the Land Use Policy group as time allows.
- SDCI
 - Permit tracking and approval
 - Filing of signed, executed, and recorded agreement of transfer of development rights/potential.

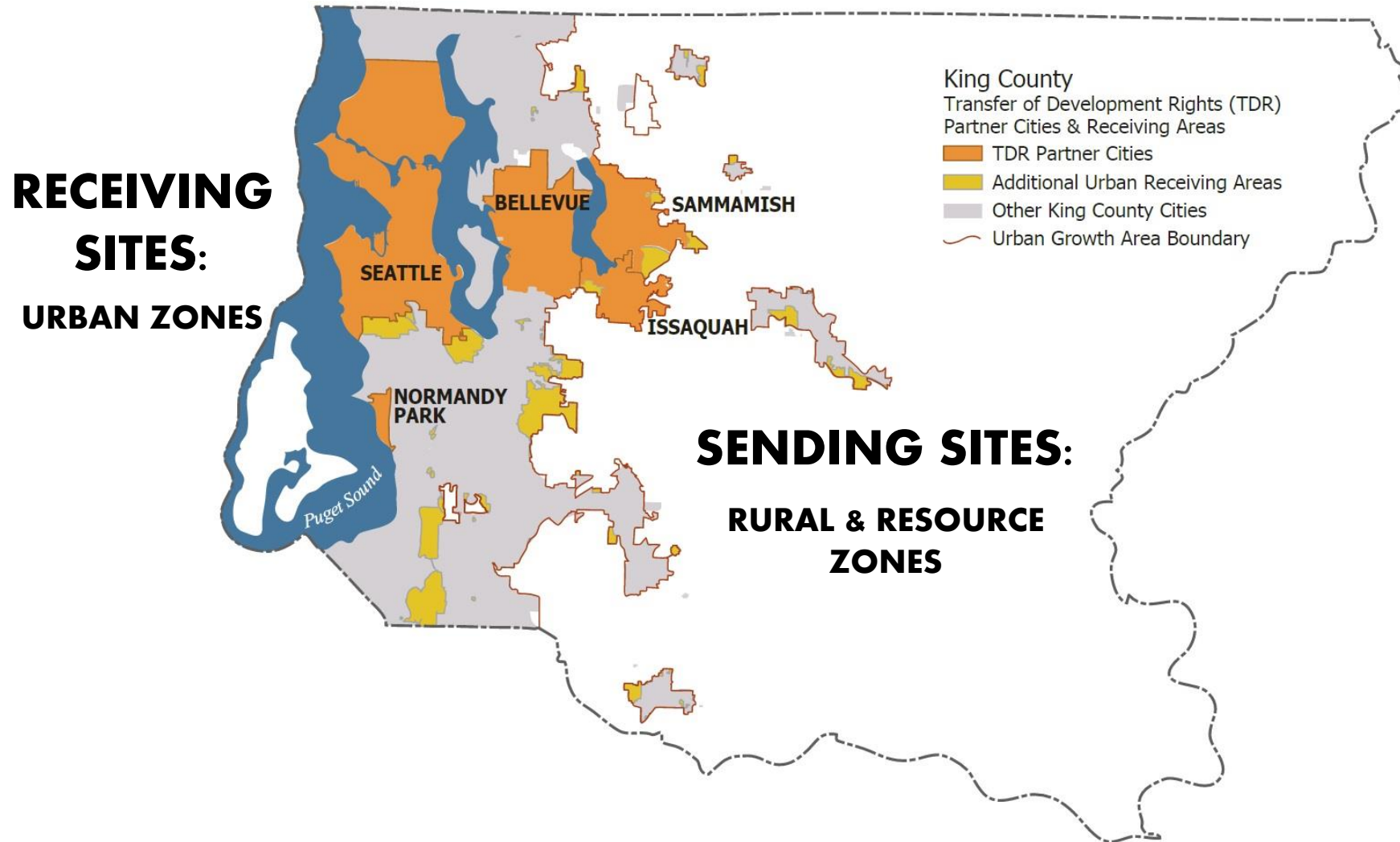
King County Rural Forest & Farmland TDR- Codified

- King County Code
 - 21A.37
 - Sending and receiving site eligibility
 - Establishes TDR Bank
- Interlocal Agreements with Partner Cities
 - City specific provisions documented in Interlocal Agreements (ILAs)

King County Rural Forest & Farmland TDR



King County TDR Geographies



King County TDR

King County TDR Bank

- Purchase development rights based on easement value
- Facilitate markets in cities (KC and Cities adopt ILAs)
- Sell development rights to developers in cities
- Use proceeds to buy more development rights

Private TDR Program

- Landowner voluntarily grants a conservation easement to King County (No \$ is paid for the easement)
- King County “certifies” resulting TDRs in landowner’s name
- King County facilitates transactions and helps match private buyers and sellers.

King County TDR Program Management

- 1 ½ FTEs
- Program Manager, Program Support, Program Supervisor
- TDR Program Staff funded from sale of TDRs (seed money from internal loan)
- Closely coordinated with King County staff acquiring properties
- Provides match for grant funding
- Revolving fund

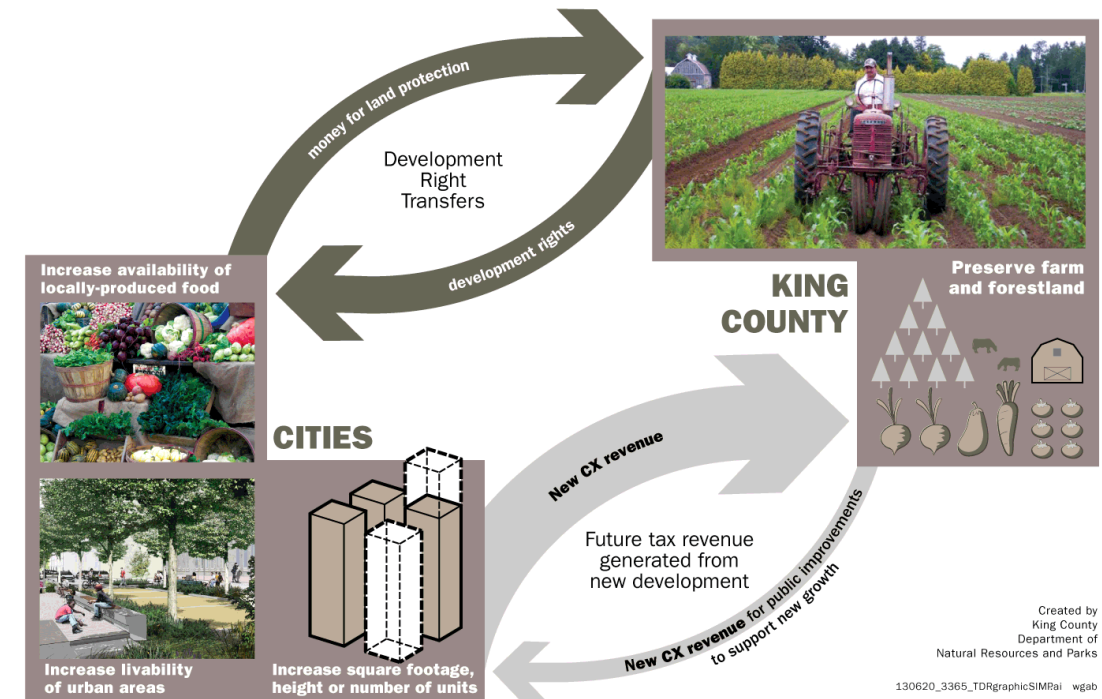


King County and Seattle Agreement

- Interlocal Agreement
- Seattle code recognizes King County TDRs
- Preference for farmland protection
- King County facilitates transfers
- Property tax revenue shared with Seattle for conservation and urban infrastructure
- Regional benefits

Landscape Conservation and Local Infrastructure Program (LCLIP) – RCW 39.108

Passed by the Washington State Legislature in 2011



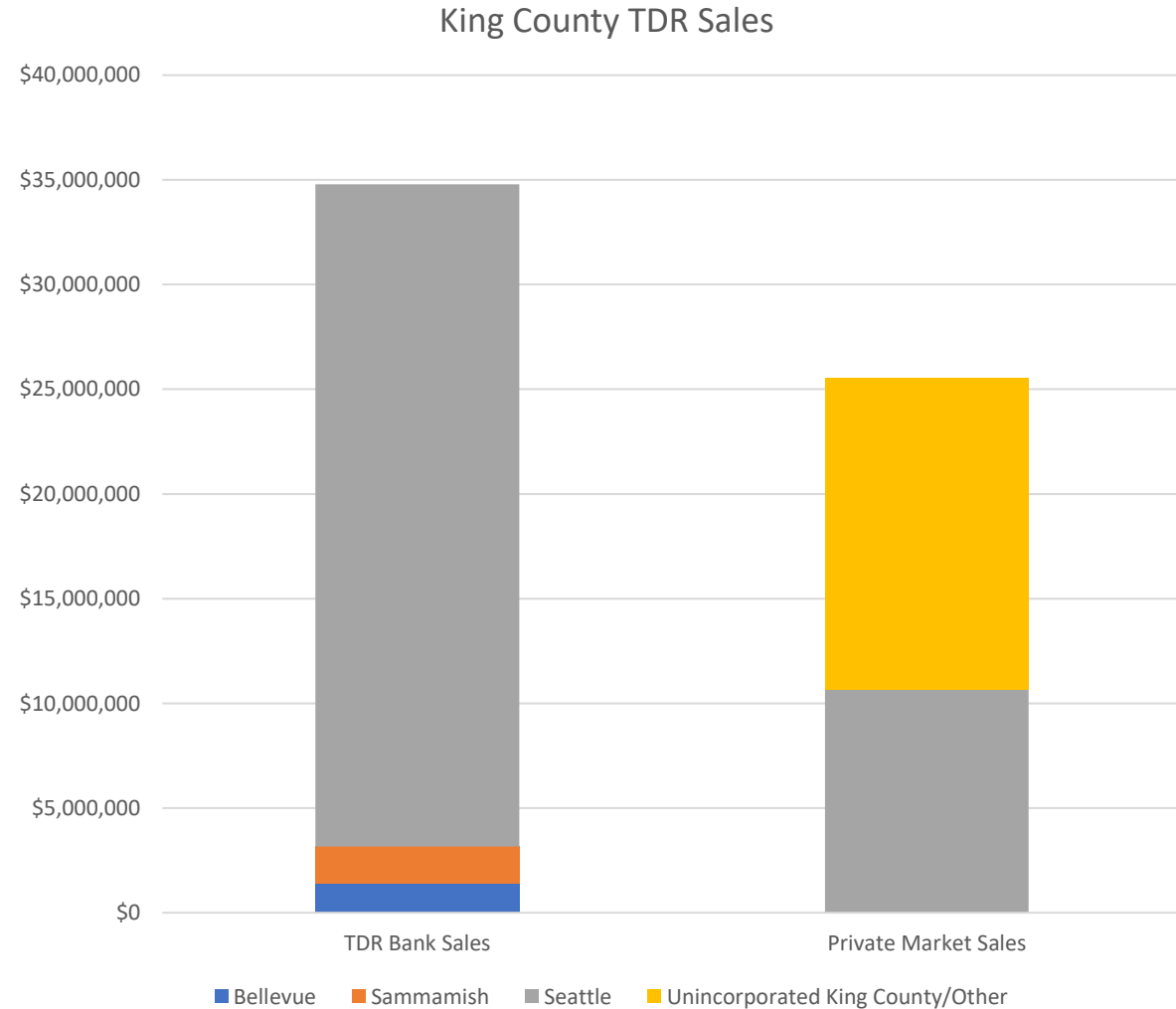
King County TDR Sales

TDR Bank Sales: \$34.7M

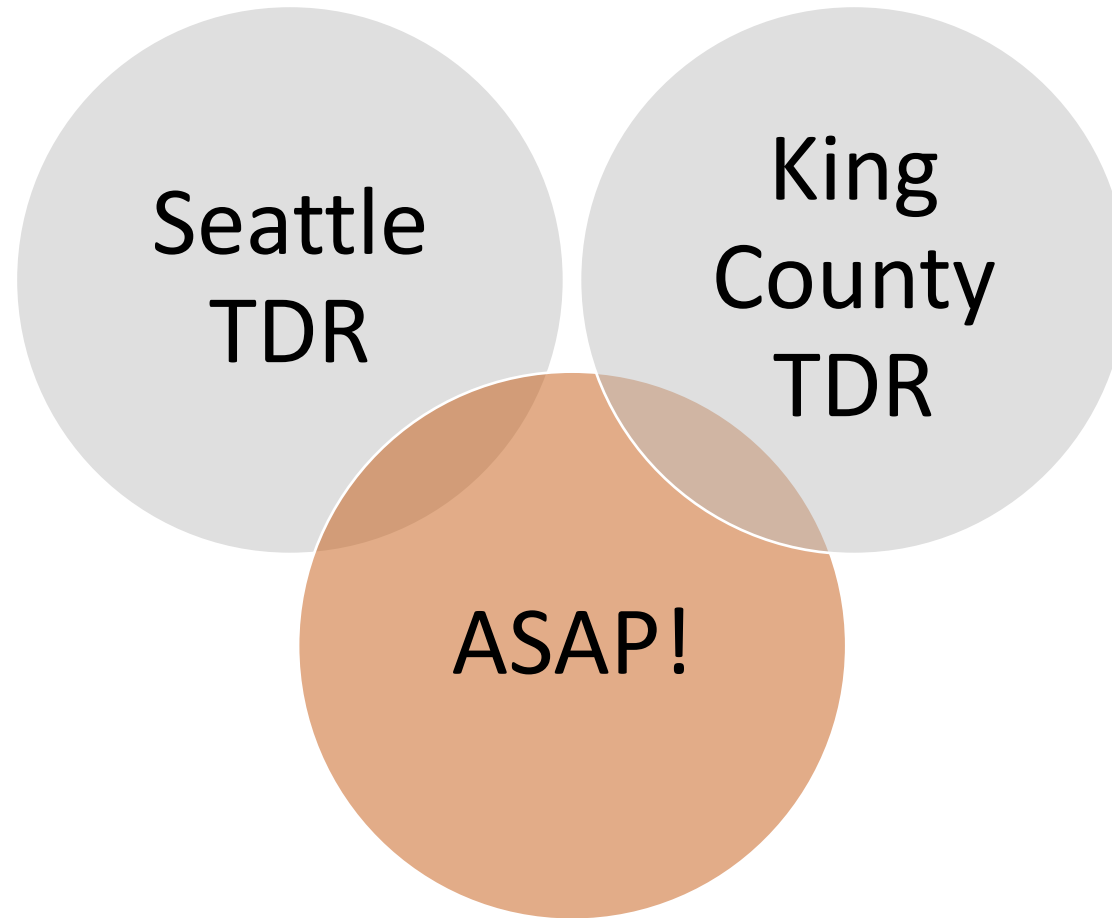
- Bellevue: \$1.4M
- Sammamish: \$1.7M
- Seattle: \$31.6M

Private TDR Sales: \$25.5M

- Seattle: \$10.6M
- Uninc. KC/other: \$14.9M



Existing vs. Proposed



ASAP! Retrofit Credit Proposal

- The URM Retrofit Credit (URMRC) proposal would leverage private sector dollars to fund a public good through the monetization of bonus development rights
- The concept is based on the same approach as TDRs but differs in several important respects and would operate independently.
- As part of the 2024 major update, enabling language would be added to the Comprehensive Plan as part of broader upzoning.
- Every URM building listed on the City-sanctioned inventory would be automatically designated as a “sending” site and be assigned credits equal to the square footage of the underlying lot times the maximum FAR for that lot based on current zoning.

ASAP! Retrofit Credit Proposal

- A newly formed, City-sanctioned entity would be created that would be responsible for holding and selling the retrofit credits allocated to each URM property (make a market).
- Each credit purchased would entitle the buyer/developer to add 1 square foot of bonus floor area in any eligible receiving site of their choice.
- The value of the URMRCs will depend on the existence of a robust market, which in turn depends on designating sufficient “receiving” areas with high value to prospective developers.
- The initial focus would be on designating receiving sites in areas with restrictive zoning that the City has already identified as prime candidates for additional density, including around new light rail stations, along major commercial corridors, and in the industrial areas of SODO and Interbay.

ASAP! Retrofit Credit Proposal

- Program Funding and Management
 - Retrofit Financing
 - Additional density obtained by purchasing Retrofit Credits from URM owners, through a PDA or PPP, would generate proceeds to be held by the PDA/PPP and allocated to covering the costs of the retrofit work.
 - Based on an analysis of the marginal value of bonus density, we would expect a single Retrofit Credit to fetch approximately \$150 if traded on an efficient market vs. the current average price of \$19/SF for existing TDRs.
 - Given the number of credits available for sale under this proposal, and their market value, this program has the potential to provide well over half of the estimated \$75/SF cost of retrofitting a representative URM building in Seattle. Alternative sources of funds for URM retrofits will only cover a small share of the costs.
 - Program Management
 - The proceeds from each sale of Retrofit Credits would be held by the PDA/PPP in a separate account for each URM building owner based on the credits associated with the building that had been sold.
 - URM owners would then submit detailed proposals/invoices from pre-qualified contractors for approval by the PDA/PPP, which would then disburse funds from their account - either upfront or as reimbursement.
 - Roles and Responsibilities
 - The City would need to provide initial start-up funding to stand up and staff the PDA/PPP, following which it would be self-sustaining, using a small percentage of the proceeds from the sale of Retrofit Credits to cover operating costs.

Policy Questions and Needed Areas of Study

- Define the standard for URM retrofit*
- Identify inventory or minimum criteria for eligible sending sites*
- Determine geographies for allowed transfers
- Determine timing of TDP/URMRC sale relative to the retrofit*
- Assess the existing or future market value of TDP credits
- Consider establishing a TDR bank [501(c)3 to act as URMRC bank?]
- Legal challenges
- Implementation Analysis
 - Costs
 - Benefits
 - Potential Impacts

Next Steps

- Scope impact and analysis study
 - Funding mechanisms
 - Timeline
- Future meetings
 - Frequency
 - Milestones