

URM Policy Development Committee
 Building Owner & Tenant Needs Working Group
 Meeting 1
 March 1, 2023

Attendee	Organization	Title
Matt Aalfs	Building Work	Principle
Andrea Akita	Seattle Public Schools	Capital Planning Manager
Becky Asencio	Seattle Public Schools	Capital Planning Manager
Sara Belz	Dept. of Neighborhoods	Division Director
Robert Cochran	City Light	Sr. Civil Engineer
David Della	Eco-Ready LLC, former Council	Principle Owner
Dan Foley	Office of Housing	Multi-Family Asset Manager
Jess Harris	SDCI	Green Building Program Manager
Amana Hertzfeld	SDCI	URM Program Manager
Yolanda Ho	Council Central Staff	Supervising Legislative Analyst
John Hornibrook	Bellwether Housing	Sr. Construction Manager
Tom Im	Interim CDA	Deputy Director
Duane Jonlin	SDCI	Energy Code & Conservation Advisor
Rod Kauffman	BOMA	President
Naomi Lewis	Legislative Department	Legislative Assistant to CM Strauss
Sophia Lopez	OEM	Outreach Manager
Sandra Mallory	OES	Buildings and Energy Manager
Marnie Mar	Atlas Building	Representative
TJ McDonald	OEM	Hazard Impact Research Coordinator
Brad Padden	Housing Diversity Corporation, ASAP!	Founder
Mary Kate Ryan	Historic South Downtown	Community Preservation Associate
Dan Say	SSF Engineering	Founding Principle
Sarah Sodt	DON	Historic Preservation Officer
Jessa Timmer	Alliance for Pioneer Square	Deputy Director
Eugenia Woo	Historic South Downtown	Director of Preservation Services

Background on the meeting was discussed. The Building Owners and Tenant Needs Working Group is a result of the 2021 Council passed Resolution 32033.

The Resolution asks that the URM Program:

- Conduct community outreach with a focus on those who may be disproportionately impacted by earthquake damage.
- Coordinate and streamline URM retrofits, their timing, & permitting.
- Mitigate displacement and higher commercial and residential rent as a result of URM retrofits.
- Provide coaching and resources for owners of URMs & their tenants.

Meeting attendees introduced themselves, sharing their experience with URM buildings, their owners and tenants. A summary of issues was discussed.

- Historic Seattle: Owns ten buildings, two of which are URMs.
- Office of Housing: There are approximately 37 buildings in the City’s affordable housing portfolio that are on the URM list. (Property Asset and management)
- BOMA estimates around 600 commercial buildings are URMs.
- Several meeting attendees were from the design-build profession with expertise in URM retrofits.
- Representatives with Seattle’s energy code and decarbonization efforts were in attendance.
- Representatives of community preservation groups were present, representing neighborhoods with high concentrations of URMs.

A tentative timeline was discussed showing that in order for the mandatory retrofit ordinance to be adopted, the technical standard must be completed and communicated, multiple funding sources need to be identified, and the ordinance compliance requirements and options will need to be widely communicated. Given the potential for unintended impacts of the required retrofits, such as increased rents and tenant displacements, a communications strategy and supporting resources are critical. Additionally, educating building owners on building performance compliant with the minimum standard will also be important.

Prior for the ordinance to be adopted, it will have to be shared with city lawyers, and it will have to be approved by Council and the Mayor. The shared tentative timeline uses fall/winter 2024 as the earliest an ordinance could be adopted. However, with the turnover in council, this will likely be pushed. Anticipating and addressing building owner and tenant needs, like streamlined permitting processes, alignment with energy upgrades, and mitigating displacement both during construction and after retrofits are completed will be critical to the success of the program.

The goal of the meeting was stated to walk through these issues and determine what deliverables can best reduce impact to building owners and tenants.

Completing retrofits and energy upgrades together:

- Attendees discussed the Living Building Challenge, Energy Code Upgrades, and Decarbonizing efforts. There was expressed interest in both aligning URM retrofits with energy upgrades as well as disaggregating them.
 - When conducting a full substantial alteration, everything is brought up to current code, thus bringing an inefficient structure with single pane glass and antiquated systems to a much higher performing building. This does increase costs significantly beyond solely URM retrofits, but it does holistically update the building.
 - If paying the hundreds of thousands of dollars to relocate tenants during construction, owners will likely look at what other capital needs are within the building that should be addressed to minimize future disruptions and duplications of costs.
 - Current estimates for retrofits of affordable housing within the City’s portfolio are approx. \$400,000 per unit.
 - There are different levels of incorporating energy efficient or sustainable design strategies. Removal of fossil fuels, meeting energy code, exceeding energy code, LEED,

Salmon-Safe, etc. This is an important, but separate issue. Combining the two might be confusing due to the other menu options for sustainable and environmental design strategies. Disaggregating would keep costs lower.

- Costs are the key issue at play, layering on energy and other upgrades may make these projects not financially feasible. While C-PACER and other funding options may be available, adding energy and other upgrades will likely cause this effort to fail.
- The Resolution directs us to only mandate the seismic retrofit of URMs. Other upgrades are voluntary, but if capital is available, it is wise to do them together to align City climate and housing goals.

Communicating Funding:

- Outreach must include different cultural language issues that building owners might have. Certain neighborhoods have different needs, and we should make sure funding resources are translated in an accessible way.
- Government isn't always viewed as trustworthy, identifying community-based groups can help build trust.
 - A Pilot Study was conducted in Columbia City that can help inform our messaging and communication strategies.
- California had success in hosting workshops where lenders, contractors, and government were available to answer questions from building owners.

Displacement During Construction:

- Retrofitting URMs requires significant interior work throughout the building, opening up large amounts of wall, if not most of the walls. This is highly disruptive, thus the need to relocate tenants during construction. No one wants to live in the building during this type of construction. Construction takes between one and two years to complete, with a year prior for design and permitting.
 - During the construction timeframe (1-2 years), tenants and businesses are displaced, and landlords aren't collecting rent.
 - Loans will add to the costs.
 - A video showing the different construction practices used to strengthen a building will help to build trust in the safety of retrofitted buildings and demonstrate why tenants need to be relocated- at how disruptive the construction is.
 - The Cambridge Apartments, a Bellwether Project, did an occupied rehabilitation. SMR was the architect. They moved people from Unit to Unit. The general sentiment upon completion of that program was that it was a lot of work, and was very disruptive to tenants, and they wouldn't do it again.
- Relocating tenants becomes another development cost. If funded with federal dollars, the Uniform Relocation Assistance Act must be followed. If there isn't federal funding, the city has their own relocation requirements, which serve as rent differential. It adds hundreds of thousands of dollars to the cost.
 - This relocation is often permanent, people reestablish their lives elsewhere.

- Some building owners own multiple buildings and have had success relocating tenants to other vacant units within their portfolio. They moved some of the tenants back once construction was complete.
 - Example: Recent Community Roots Housing project.
- Affordable housing is currently a challenge, many people in the city struggle with rent and displacing them to a location that is affordable for them is a challenge. URM's are naturally occurring affordable housing, once owners retrofit, they will pass the costs along to renters, inevitably increasing rent. Adding energy and other upgrade costs will contribute to increased rents unless we are able to find funding to support the building owners to keep their costs lower.
 - City Program: TRAO- Tenant Relocation Assistance Ordinance. Residents get some funding to find alternative housing.
 - There is a lack of housing stock available at low income price points and Office of Housing has steered away from small and micro apartments, which can be built to accommodate the low income price points. Increasing investments in micro-apartments could provide additional housing stock to be used for tenant relocation.

Vouchers

- If more affordable housing can't be made available to support relocation efforts, a Voucher program is needed. ASAP! identified a need for additional assistance for tenants and has suggested the potential development of a voucher program, which would need its own funding source.
 - Vouchers through the State of Washington are a protected class and aren't limited to a building.
 - It was asked if the Washington Housing Committee could create a new class of renter for "URM displaced" and create a new type of voucher and what the process to create it would look like. This would involve the federal government, the state doesn't have the tax base to fund something like this.
 - Potentially a significant increase of funding from HUD to the Seattle Housing Authority.
 - This isn't just a Seattle problem, by showing it's a problem through the state, Oregon, Montana, etc., there could be more success in securing funding as a new program.
 - There is research showing the benefit of relocating tenants into higher opportunity neighborhoods with rent differential. Relocation and displacement doesn't have to be negative.
 - Seattle currently issues two types of Section 8 Vouchers:
 - Affordable Housing Payment Standard- used in income restricted buildings where rents are reduced.
 - Private Market Standard- used in private market where rents are higher.
 - Currently, the rents are often still higher than what the voucher covers, there are many people with this voucher type that cannot find availability.

Timing of Construction

- Concerns were expressed that if everyone had a voucher (1100 buildings in a ~ 10 year timeframe) the market may be flooded. Spreading out the development cycle over a longer period of time would alleviate the issue. It was recommended that the compliance timeline be adjusted to accommodate the lack of affordable housing to mitigate flooding of the market with displaced tenants and vouchers.
 - Attendees discussed the potential of purchasing buildings, like hotels, and converting them to affordable housing. These could be used as designated URM temporary relocation buildings. Tenants would then go back to their original units once construction is complete. Rent would need to remain low, or subsidies provided.
 - Opportunities for downtown office to residential conversions were discussed as was the high cost of developing affordable housing.
- Concerns were expressed that all this construction occurring at the same time in the same neighborhood would be detrimental. It would effectively close the neighborhoods. Pioneer Square has dealt with large construction projects that have closed entire blocks, significantly affecting the neighborhood.

Creative Construction Practices

- Attendees discussed potential creative construction solutions that would minimize the need for displacement. These approaches would have to be done on a case-by-case basis.
 - Exoskeletons with dampers limiting displacements
 - This has been done on some buildings, but won't work for historic structures.
 - Interior access will still be needed. Using partition walls and taping them with plastic can provide interior access without displacement. However, it is an unpleasant experience for tenants. This type of approach would only work for some levels of seismic retrofit.
 - Exoskeletons would not be allowed on historic or landmark structures or in historic districts.
 - This type of seismic design will cost more, but after calculating displacement costs, spending more on design to minimize displacement could be worthwhile.
- Opportunities to change occupancy type during retrofit was discussed, this would allow for the creation of more housing, thus providing more relocation sites and increasing rent income for owners.
- Partnerships were discussed. Given the large number of buildings that will need to relocate and the large number of buildings seeking new tenants post-displacement, perhaps there are opportunities to move people from a URM into a recently upgraded building, supplemented with a voucher (permanent) to support rent differential.
- Mitigating increased cost of rent was discussed.
- Opportunities to streamline permitting processes and speed construction times was discussed.
 - For example, relaxing restrictions on working hours to allow more work to be completed over a shorter duration of time.

- In February, City Council passed legislation to expand the Administrative Review allowed for Landmarks and Historic Districts. One of the items allowed for administrative review is seismic upgrades, this will streamline the permit review process.
 - Funding for these structures can come from Special Valuation or Federal Historic Tax Credits.

Building Owner and Tenant Education

- Each building is unique and will require an assessment to determine the appropriate approach to retrofit. Educating building owners on the different types and levels of retrofits, their timelines, and impact to tenants is important to the success of this program.
 - A video, pictures, or something experiential can help building owners better understand the retrofit and related challenges, as well as why there is a need for displacement.
- Building Owners will need guidance through this process. ASAP! recommended an Ombudsman or caseworker to support individuals on an individual basis, based on neighborhoods and community groups. Having localized support for certain types of buildings or contiguous areas may be effective in coordinating city processes and requirements with building owners and tenants.
 - This ombudsman or caseworker could also help to educate building owners on the opportunities of taking advantage of an empty building to conduct additional upgrades and the benefits of those upgrades. They could connect them to other support services for buildings which meet the state energy standards, etc.
 - The person serving the role of the ombudsman or caseworker would need to be familiar with historic preservation standards and processes, understanding that not every building can be treated in the same way.
 - The department housing this person should have broad regulatory authority in the city, perhaps SDCl, and they should be connected with Department of Neighborhoods.

Next steps:

- The group discussed unfamiliarity with all that goes into retrofit projects and how it differs for different building types. It was suggested that the next meeting feature examples of recent retrofit projects and lessons learned.
- The group discussed the known number of URMs and the unknown number of people being displaced. This is needed analysis.
- It was suggested to bring a lender into the group to inform them of lending dynamics associated with renovations and retrofits. Building Owners may not be able to afford the loans without raising rents and will close, exacerbating the lack of affordable housing. Private lending will be challenging to secure. A levy, property tax assessments, or credits is where the money will need to come from to limit rent increases.

- Concerns were expressed about the current availability of capital to support these safety investments. Finance mechanisms will need to be creative, different than what has been used before. Programs with longer-term funding at special rates.
 - The concept of declaring an emergency was discussed. It prompts development of policy and funding.
- Increased awareness and analysis of race and social justice impacts is needed, to better understand who will benefit from these investments.