

URM Policy Development Committee
Funding Working Group- Retrofit Credit/TDR Sub-Group
May 2, 2023

	Attendee	Organization
1	Rebecca Ascencio	Seattle Public Schools Capital Planning Group
2	Matthew Berman	Clark Construction
3	Paul Cathcart	Seattle Public Schools Capital Planning Group
4	Chuck DePew	Sr Managing Director National Development Council (NDC)
5	Andrew Ellis	GLY Construction/AIA- Historic Resources Committee/URM Owner
6	Amanda Hertzfeld	SDCI
7	Yolanda Ho	Council Central Staff
8	Jim Holmes	OPCD
9	Lisa Howard	Ex. Director Alliance for Pioneer Square
10	Kathleen Johnson	Historic South Downtown
11	Derek Lum	Interim CDA
12	Ellen Mirro	Studio TJP Architects/AIA Historic Resources Committee
13	Peter Nitze	Nitze-Stagen/ASAP!
14	Christie Parker	CBO
15	Jeronimo Roldan	WA Dept of Archeology & Historic Preservation
16	Nathan Rosenbaum	URM Owner/ URM Historic Resources Committee
17	Jared Silliker	Silliker & Partners/ 2030/AIA
18	Sarah Sodt	Seattle Historic Preservation Officer
19	Cynthia Weaver	Beneficial State Bank
20	Geoffrey Wentlandt	OPCD

Meeting Goal: Establish TDR Working Group Deliverable

Alternate Method & Technical Standard:

The meeting began with an overview of SDCI's work developing a URM program through both technical standard and policy development. A high level overview of the Alternate Method was provided, describing to meeting attendees the planned requirements associated with the minimum seismic standard. It was noted that neither the Alternate Method or a code-based retrofit will be a contributing factor for substantial alteration. The draft technical standard was recently shared with the Structural Engineers Association of WA Existing Building Committee for a technical review.

During presentation of the proposed Alternate Method, it was also noted that URM retrofits will increase the life safety of a URM and that damage is still likely. Seismic retrofits can be conducted to higher performance levels and can also be paired with energy upgrades to increase the overall resilience of the building.

The Alternate Method is planned to be adopted by Director's Rule by the end of 2023. The complete Technical Standard is expected by summer 2023.

Policy Development Working Groups:

A brief summary of existing working groups and their focus was shared. The intent of these groups is to engage with a diverse set of stakeholders, including BOMA, developers, historic preservation groups, development authorities, city departments, subject matter experts, etc. to develop solutions and resources to build support for ordinance adoption and implementation.

Proposed Ordinance Timeline:

A draft timeline was shared showing that the soonest a mandatory ordinance could be adopted is summer 2025. The reason for the distant and aggressive timeline is to accommodate for the development of financial and communication resources to support URM tenants and building owners. Upon adoption of the mandatory ordinance, a timeline compliance will be established.

Tentative Retrofit Credit/URM Transfer of Development Rights Timeline:

The working group discussed using the remainder of 2023 to develop a Framework Concept for what a URM Retrofit Credit program could look like with a year-end deliverable goal to be a scope of work for a future feasibility study. In 2024, the goal is to conduct a real estate study and any other analysis to understand feasibility and impacts of a URM TDR program. In 2025, the city will be completing its Comprehensive Plan Update which can support potential zoning changes in support of this program. Ideally, the Retrofit Credit/TDR program would be developed during this time, aligned with the adoption of the mandatory URM Retrofit Ordinance. In 2026, a mandatory URM retrofit program and Retrofit Credit program could begin.

Establishing Framework Concept for URM Retrofit Credits/TDR:

Meeting attendees established they will be working together to create a framework of concept for a future URM retrofit credit/TDR program. They will answer questions of how the program could work while brainstorming details with the intent of arriving at a concept to support a future detailed feasibility analysis.

The group reviewed the draft document:

URM Transfer of Development Rights (TDR) Program Exploration.

The Principals for URM TDR Geography

- A. Create a program that is functional and useful- ultimately leading to retrofits of URM structures to increase safety.
 - A healthy number of URM owners would be interested in selling their development rights and upgrading their structure.
 - A healthy number of developers would be interested in buying development rights from URM owners.
 - There is a rough balance/equalization between the volume of credits to send, and sites to receive, within the program geographic area.
 - There is no acute shortage of either eligible sending sites or receiving sites within the program geography.

- The program is mostly market-driven, but the public sector will play a role to guide or incentivize.
- B. Create a program that has a rational connection and relationship between sending and receiving areas.
- Strive for added development capacity to be a shift, rather than an overall net increase. (Zoning capacity increases are in progress for other policy purposes, specifically added housing capacity)
 - Community members experience a balance between the added density and preservation or forgone development.
 - Sending and receiving sites have similar real estate values so there is no heavy inflow or outflow from an area.
- C. Consider principles of racial equity when setting geographic areas to ensure no disproportionate impacts on BIPOC communities and consider potential for repair of past harms.

Attendees discussed the above, noting that:

- URM owners should be interested in selling their development rights if there was a mandatory ordinance in place because the option of selling rights is likely preferred to personally financing the upgrades.
- Receiving zones for URM Retrofit Credits will need to be designated in order for developers to be motivated to buy these credits.
- A public sector or private partnership could help manage aligning of selling and receiving.

Option 1: Individual Urban Village/ Urban Center Scale Geographies

Draft for discussion purposes only – May 2023

OPTION: INDIVIDUAL URBAN VILLAGE / URBAN CENTER SCALE GEOGRAPHIES

Description: The geographic scale of the TDR areas would be at the scale of individual Urban Centers, or urban villages - generally considered a “neighborhood scale”. Eligible sending sites and eligible receiving sites would have to be within the same Urban Center or Urban Village. This is consistent with how the City structures existing TDR programs for Landmarks and open space and vulnerable masonry structure TDR.

Pros	Cons
<ul style="list-style-type: none"> • Relatively low quantity of sending and receiving sites within each area could allow manageable balancing of sending and receiving sites. • Increased development capacity could be achieved and tailored on a neighborhood scale. • Similar real estate values with the area • Consistent with existing regulatory framework 	<ul style="list-style-type: none"> • Too limited in terms of both sending and receiving sites creating shortages. • Some neighborhoods may have little or no demand for development for long periods of time. • Complexity and administrative burden of calibrating standards in each village. • Complexity and administrative burden of monitoring and tracking credits in individual villages.

General Conclusion: The cons substantially outweigh the pros. A program at the individual urban center / urban village scale would be likely to be too cumbersome to establish, and it could lead to stagnant markets in many areas.

Option 2: Citywide Geography

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OPTION: CITYWIDE GEOGRAPHY

Description: The geographic scale of the TDR areas would be the City of Seattle as a whole. Transfer of credits from any eligible structure could be used in new development anywhere the zoning contains a capacity bonus for URM TDR.	
Pros	Cons
<ul style="list-style-type: none">• Single program provides for potential simplicity in the tracking and oversight of credits.• All URM structures would be covered by the program.	<ul style="list-style-type: none">• Big imbalances in real estate values could lead to heavy inflows or outflows – potential equity impacts.• Community members would not experience rational balancing.• It would be difficult to identify and calibrate appropriate capacity increases across the city as a whole.• Strong potential for a flooded market with many eligible sites could deflate value of credits making the program unused.
General Conclusion: The cons outweigh the pros. A program at the citywide scale would be unwieldy and have potential shortcomings.	

Option 3: Hybrid Geography

Draft for discussion purposes only – May 2023

OPTION: A HYBRID GEOGRAPHY

Description: The geographic scale of the TDR areas would be in several broad sub-geographies. A.) The contiguous center city Urban Centers (Downtown, First Hill/Cap Hill, Uptown, South Lake Union); B.) The Manufacturing / Industrial Centers; and C.) A set of about 4-5 non-Center district areas, loosely based on Council districts or ‘sectors’ of the city (i.e. NW, NE, Central, SW, SE or similar).	
Pros	Cons
<ul style="list-style-type: none">• Relatively balanced real estate values within geographies.• Relatively manageable quantities of sending and receiving sites• Similar zone designations and land use regulatory tools within geographies• Achieves ‘shifting’ principal	<ul style="list-style-type: none">• Somewhat difficult to set up and administer credits in sub-geographies• Potential for differential in how robust the markets would be in different areas.
General Conclusion: Approach may be achievable. Pros outweigh the cons more than in the other options.	

Other notes on possibilities for a hybrid approach:

General:

- Consider a stand-alone program section of the Land Use code to the greatest possible extent. Structure it similarly to the religious properties bonus subsections within each major zone chapter.

Non-Urban-Center Development Capacity Increases

- Increases that add a 1-2 story increase in wood construction in zones that already allow multi-story development convey strong value (site work, infrastructure, etc. is already in).
- These types of capacity increases are strong candidates, and could be attainable and reasonable, in a zone-based approach:
 - i.e. Neighborhood Commercial NC40→NC65 (FAR 3.0→4.5, increment of 1.5; +50%, +25' height)
 - i.e. NC55→NC75 (FAR 3.75→5.5, increment of 1.75; +50% +20' height)
 - i.e. LR3→MR (FAR 2.3→4.5; +96% +30' height)
 - i.e. LR2→LR3 (FAR 1.4 → 2.3; +65% +10' height)
- In general, Urban Village areas are not currently contemplated for upzone for other purposes through the Comprehensive Plan major update.

Urban Center Geography Capacity Increases

- Minor modifications to the existing incentive zoning bonus structure sections of the code could be made.
- Position a new URM bonus relative to other bonus features.

Manufacturing/Industrial Centers

- Focus on the new Industrial and Innovation zone near light rail. This is the best eligible receiving area within MICs.

Group Discussion:

- The hybrid approach appears more practical and more feasible.
 - Positive view of wanting to balance equivalent values and wanting a large enough region that results in a more robust trade of TDRs.
- Something unique about this approach is that standard TDR programs are based on geographic areas, this program would be based on building status- sending sites are predefined as being in a URM building which are spread throughout the city. Receiving zones should be logical to create demand for the credits- future discussions of the group should be focused on identifying these potential receiving zones.
 - Best place to start may be reviewing all the zones that have an eligible up-zone and understanding possible sending sites within that geography to study the economics.
 - Understanding perspectives of developers is needed regarding what they deem as valuable. What would the developer be willing to pay?

- What is the likelihood of an owner selling their credits?
- There is some concern about flooding the market with credits once the mandatory ordinance is adopted. An approach to balance supply and demand will be needed.
 - Opportunities to phase in and prioritize different geographies. Consider prioritizing disadvantaged communities, those in liquefaction zones, etc.
- Consider a Pilot area for this program. Consider First Hill, Downtown, Pioneer Square and select a subset of sending sites.
- Price of credits was discussed. The average price of a current TDR under the current city program is around \$19-20, can it increase to \$150-200? Depending on the cost per square foot to retrofit, they could be sold for \$40-60.
 - There are some concerns, especially in CID, that this program won't generate enough funding to complete a retrofit. Additionally, this concept is confusing, especially for non-English speakers.
 - The Communication Group could focus on a communication strategy specifically for the TDR program. It will need to create awareness and understanding of this TDR program.
- How would layering of credits work? Credits for a URM and a credit for historic landmark preservation?
- Are there opportunities for incentivizing additional housing development as opposed to a commercial or hotel project?
 - Purchase of credits could be managed, lower cost for housing ~\$30 vs ~\$50 for commercial.
- Discussion on a TDR Bank:
 - King County sells their credits and they conduct an appraisal regarding what the development could be vs what it is currently, and they take the difference between the two numbers. For URMs this could be the appraisal of the URM needing retrofits against the URM retrofitted with maximum FAR.
 - King County can serve as both a matchmaker for selling of rights and as a communicator for In Search Of credits.
 - The Concept of Framework will need to have a section on bank creation, administration, and clearinghouse.
 - King County received an initial \$5,000,000 from the general fund to create the bank.
 - Can Seattle leverage the STORM Revolving Loan fund to start the bank?
 - Can the bank set the price?

Topics for Next Meeting:

- Layering of incentives
 - Do you have to subtract the amount of floor area that you have in your structure
 - Zoning and non-conforming uses, i.e. School located in residential zone
- Understanding Demand- identifying 2-3 geographies that encompass a large number of sending sights and also zones of opportunity.
 - Bring in some owners and developers to discuss.
 - Begin quantification of development capacity and potential for upzones

- Map showing neighborhoods with URM's and zoning with FAR values
- Marketing of TDR programs