



FILED
CITY OF SEATTLE
2015 JUL 31 PM 2:12
CITY CLERK

City of Seattle
Edward B. Murray, Mayor

Date: July 31, 2015
To: Seattle City Council
From: Mike Fong, Deputy Director, Office of Policy and Innovation
Ben Noble, Director, City Budget Office
Subject: Response to Council Green Sheet 14-1-A-1

Background

Council Request

The City Council provided \$121,000 in the 2015-2016 Budget and directed Finance and Administrative Services (FAS) to evaluate three city-owned properties in South Lake Union for a variety of potential uses, including housing/human services, social enterprises, arts and culture, community facilities, and nonprofit space. The analysis results in an important opportunity to address Seattle's housing affordability crisis.

Proposed Concepts for an Integrated Campus

This integrated campus idea grew out of a proposal from Vulcan, Inc. to donate land commonly known as "Block 59" in exchange for certain zoning modifications in South Lake Union. The Block 59 concept would have developed an integrated campus with support, education/training, and housing for homeless youth/families and other low-and moderate-income residents on a full block bounded by Mercer Street, Dexter Avenue N., N. Republican Street and Aurora Avenue. The campus could potentially take advantage of a robust employment center and deliver comprehensive support for vulnerable populations.

Although the City Council did not accept Vulcan's proposal, Council asked the Executive to evaluate the feasibility of building an integrated campus on City-owned property in the South Lake Union area that could provide a location for the following programmatic options:

- Arts and culture organizations
- Housing and human services cohort
- Social enterprises
- Community facilities and nonprofit space

In early 2014, City departments were asked to submit program ideas for the integrated campus concept based on current priorities. At the same time, the Mayor began work with the new Council to establish some joint priorities. A shared responsibility to address Seattle's affordability crisis reached the top of the list. The Housing

Response to Council Green Sheet 14-1-A-1

Affordability and Livability Agenda provides the roadmap to address 2015's priorities. The City-owned assets in South Lake Union provide a unique opportunity to test out some new delivery mechanisms to develop mixed-income housing.

Overview

Property locations

A map of the properties is provided on page 6 of this document.

Property Summaries

Location	Lot Size	Estimated Value	Maximum Height ¹ per City Zoning	Fund Source Used for Purchase
8th and Roy Seattle City Light (SCL), owner	67,000 sq. ft.; including 30,000 building foot print	\$20 M ²	85 feet residential and commercial	SCL Enterprise Fund
Megablock Seattle Department of Transportation (SDOT), owner	89,000 sq. ft.	\$37 M	240 feet residential; 160 feet commercial	30% commercial parking tax; 12% Gas Tax; 58% private/GSF
Copiers Northwest SDOT, owner	24,000 sq. ft.	\$10 M	240 feet residential; 160 feet commercial	Gas Tax revenue

Specific requirements regarding the sale of these properties and the uses of sales proceeds are determined by the fund sources used to acquire the properties. All three properties must be sold for fair market value. The SCL property revenues must be repaid to the SCL Enterprise Fund, which provides funds for utility-related purposes. Proceeds from the sale of the SDOT properties funded with gas tax and commercial parking tax must be used for transportation purposes. In addition to these requirements, the SCL and SDOT Megablock property sale proceeds are planned to be used for capital projects. In addition to the restrictions on use of proceeds, there are other factors that need to be taken into consideration including:

8th and Roy Property Considerations

- Given its location and layout, this property appears to be the most appropriate for development of housing, and potentially for pursuing other public interests.
- The 8th and Roy property includes a building that the City of Seattle Landmark Preservation Board has designated as a historic landmark to preserve specified features and characteristics of the building.³ Consequently, proposed changes to this landmark status including demolishing or irreversibly altering the building, or changes to alter the overall volume of the spaces or hide the exposed interior structure will require a review and approval process administered by the City's Historic Preservation program.
- In order to properly assess the property value and evaluate adaptive re-use options, it is necessary to determine the constraints the landmark designation places on additional construction above and below the existing landmarked building. The remainder of the parcel is a parking lot.

¹ Actual height limits for the Copiers Northwest and the Megablock sites are likely to be lower because all parcels are in the South Lake Union Seaport Flight Corridor and require a wind study to determine actual height. The specific impacts would be determined during the site review and permitting process.

² The \$20M estimated is not the appraised value but an opinion of value from a Real Estate advisory firm. An appraisal by an MAI designated appraiser with the Appraisal Institute would be required.

³ In May 2013 the City of Seattle's Landmarks Preservation Board approved designation of the Puget Sound Power & Light Co. Utilities Building at 800 Aloha Street (also known as 8th and Roy) as a Seattle Landmark based upon satisfaction of standards in the Seattle Municipal Code.

Response to Council Green Sheet 14-1-A-1

- The 2015 Financial Plan for Seattle City Light includes \$19 million in revenues from the sale of the 8th and Roy property. City Light must obtain fair market value of the property, which would be established and verified through an independent appraisal based on highest and best use. Placing any conditions on the sale of this property will decrease the property value, which City Light ratepayers must be compensated for to ensure that fair market value is obtained.



Exterior of the 8th and Roy Shops building, which is protected by the landmark designation. The area behind the fence is a portion of parking lot, which is available for development.

Megablock Property Considerations

- The \$37 million estimate for the Megablock assumes that Broad Street is vacated prior to the sale of the property; furthermore, the valuation assumes that there are minimal conditions placed on the sale of the property. Placing significant conditions on the sale of this parcel would likely decrease the property value and could require General Subfund revenues to make the transportation sources whole.
- Since at least 1999, the funding plan for the Mercer Street project has identified property sales in the South Lake Union area as a significant source of project funding. The 2015 Adopted Capital Improvement Plan includes \$30.2 million in property sale revenues for the Mercer West project.
- Interfund Loan Legislation — Approval of a \$30 million interfund loan is needed to pay the contractor for expenses on the Mercer West project; the loan will be repaid with proceeds from the Megablock sale.
- The City issued tax-exempt bonds to purchase the “Teardrop” parcel which is part of the Megablock. The City has been using commercial parking tax revenue to pay the debt service; outstanding debt of \$4.6 million remains and will be fully repaid at the end of 2022.

Copiers Northwest Property Considerations

The Copiers Northwest property was purchased entirely with state gas tax revenue as part of the Bay Freeway project.

Executive Proposal: 8th & Roy Street Affordable Housing Opportunity Project

Guiding Principles

The principles that guided the review and evaluation of potential options were:

- Prioritizing use of restricted property to pay existing City obligations (such as the costs for the Mercer project, appraised value of the City Light property at 8th and Roy, and the retirement of longstanding debt for the South Lake Union streetcar);
- Adhering to legal requirements regarding the use of property proceeds, and adequately compensating the appropriate fund for the value of the property; and

Response to Council Green Sheet 14-1-A-1

- Providing an option that leverages the site control the City holds over the properties and the potential unrestricted revenues from their sale to take advantage of the opportunities offered by the vibrant economic development now happening in South Lake Union. In particular, to provide an option that helps provide more equitable access to the employment options available in the area.

Recommended Actions

1. Sell the Copiers Northwest property when timing is appropriate, use the proceeds to pay back the South Lake Union streetcar capital Interfund loan, and allocate the remainder for an eligible transportation purpose.
2. Council should approve the vacation of Broad Street to facilitate the consolidation and sale of the Megablock. Vacating Broad Street to consolidate all property for sale will:
 - a. Help ensure the City receives maximum value of the block when the property is sold.
 - b. Establish a north-south through-block connector to provide open space and pedestrian access to and through the Megablock.
 - c. Realign the site with the original street grid in a way that supports the South Lake Union Urban Design Framework.
 - d. Provide final payment for the Mercer Street project which has the benefit of enhancing the connection between the South Lake Union urban center and the Uptown urban center, including Seattle Center.
3. Sell the Megablock, retire the \$30 million Mercer West debt, and identify a development team to invest any available net proceeds (currently estimated at \$7 million) in the 8th & Roy Street Affordable Housing Opportunity Project.
4. Purchase the 8th and Roy property at fair market value, pay SCL fair market value for the property, and pursue development of a mixed-income housing development on the site.
5. The City must create the right development partnership to identify a workable finance structure and secure sufficient public subsidy from non-transportation sources to provide further support for affordable housing at the 8th and Roy site.

The worsening housing crisis in Seattle and rising development pressure in South Lake Union require the City to take immediate action to realize this unique opportunity. Land prices in South Lake Union are expensive relative to other locations in the City, but the Mayor's Action Plan to Address Seattle's Affordability Crisis creates new momentum for the City to strategically use public assets to grow housing affordability in Seattle. South Lake Union is a neighborhood of opportunity which is particularly rich with employment opportunities and transportation options.

Key Decision Points

Once the process gets underway, Council would be asked to:

- Approve a Mercer West Interfund loan by October 2015.
- Transfer jurisdiction of 8th and Roy from City Light to another City department, e.g., OH, FAS.
- Approve the Broad Street vacation by April 2016.
- Approve a purchase and sale agreement for the Megablock property.
- Approve a purchase and sale agreement for the Copiers Northwest property.
- Approve purchase and sales agreement for 8th and Roy to an external party.

Response to Council Green Sheet 14-1-A-1

Next Steps

The following actions are needed to implement this recommendation.

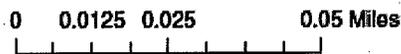
1. Appraisal – The Executive will arrange for an MAI-designated appraiser to conduct an appraisal of the 8th and Roy property. The appraisal will be based on a “before and after” methodology to determine the fair market value with no conditions placed on the sale of the entire parcel as well as the separate values of the north and south portion.
2. Purchase and Sale Agreement — Based on the appraisal, the City will work with City Light and Law to transfer jurisdiction of the 8th and Roy property from City Light.
3. Housing Project - Upon transfer of 8th and Roy, the Office of Housing will competitively select a developer, via a request for proposals, to acquire the site and construct mixed-income housing.
4. Options for public uses on the ground floor of the new building at 8th and Roy — The Executive will evaluate the feasibility and funding availability of potential options and present a recommendation to Council.



Parcels under Consideration for 2014 Green Sheet 14-1-A-1



Legend	
STATUS	
	Excess SDOT
	SCL Excess



Produced by the City of Seattle
Finance and Administrative Services
Real Estate Services
January 21, 2014

All Rights Reserved. No guarantee of any part implied, including accuracy, completeness or fitness of use.

**Program Concepts for South Lake Union
Response to Council Green Sheet 14-1-A-1**

Program Concepts

Finance and Administrative Services contacted four departments and requested that they elaborate on various program concepts identified in the statement of legislative intent. The concepts are summarized below by department. The Office of Economic Development believes that the most acute economic development issues are not in South Lake Union, but rather in Southeast Seattle. Therefore, the OED proposals contemplate selling the properties identified by the statement of legislative intent, and using the net proceeds for investments in Southeast Seattle. The program elements identified by the other departments are all intended for South Lake Union.

Human Services Department

- HSD-1. Homeless Services. A facility for services for homeless persons, including overnight shelter, hygiene facilities, meals, and day center with information and referral services. Facility may also include a health / medical room and a kitchen facility.
- HSD-2. Community Service Center. Community services center with programming targeting lower-income residents and community members. Services or programming include a space for a formal licensed child care provider; youth, adult, and senior programming and information and assistance; and community kitchen for meal preparation and services.

Office of Arts and Cultural

- OAC-1. Literary Arts Center. A Literary Arts Center, a mix of large and small nonprofits supporting the written word in Seattle, including classrooms, bookstore, performance space, shared offices and live/work space.
- OAC-2 Youth Arts Center. Youth Arts Center housing a collaborative mix of large and small organizations, providing theater, rehearsals, recording space, social “mixing” space, and administrative offices.
- OAC-3. Theatre. Social Center for Theatre and Literacy, anchored by Book-It Repertory Theatre, would include a theatre, classroom space, rehearsal space, library or book store, community meeting space, and café.
- OAC-4. Seattle Youth Symphony Orchestra. An independent facility for the Seattle Youth Symphony Orchestra, providing rehearsal space, meeting space and administrative offices.

Office of Housing

- OH-1. Housing. 250 units of mixed income housing financed by a private developer with some public financing to enable at least 20-40% of units affordable to households with income of 50% of AMI.

Office of Economic Development

- OED-1. Affordable Commercial Space. Strategic support for businesses in Southeast Seattle by targeting affordable commercial space and business technical assistance.
- OED-2. Multi-Cultural Center – a community center in Southeast Seattle shared and operated by a coalition of immigrant and refugee communities to provide services, cultural celebrations and a place to address community concerns through problem solving and advocacy.

**Program Concepts for South Lake Union
Response to Council Green Sheet 14-1-A-1**

- OED-3 Food Innovation Center - a campus including community college, production space, food manufacturing, and commercial kitchen, located near light rail station and urban farm in Rainier Beach.
- OED-4 Financial Opportunity Center – a program, modeled on a similar successful effort at the North Seattle Community College, which provides integrated educational, vocational, employment and supportive services through a partnership of multiple community-based agencies and community colleges. These organizations are working together to provide seamless employment and educational services and public assistance benefits to the unemployed, the underemployed, students and their families. This Opportunity Center would be located in South Seattle.

Many of the program elements suggested include funding strategies for first costs that include external partners. Funding partnerships will be important, because many program elements will likely cost more than the net sales proceeds from the South Lake Union parcels.

HUMAN SERVICES DEPARTMENT

HSD 1: Homeless Services Facility

Idea Summary: Establish a facility for services or permanent supportive housing for homeless persons. A non-permanent housing facility could include overnight shelter, hygiene facilities, meals, and day center with information and referral services, and possibly a health/medical room and a kitchen facility. The permanent supportive housing option would include permanent housing, intensive support services, a kitchen and meal facility, and possibly a health/medical room.

Space Requirements (include square footage estimates): A day / hygiene and shelter facility will require a minimum of 67,000 square feet.

Location Adjacencies (favorable and unfavorable neighbors): Siting such a facility will require much sensitivity and engagement with the community, as proximity to retail businesses and residential structures will cause much controversy. Strong programming will be required on the part of the service provider to avoid issues of clients congregating outside the facility. This facility may very well incorporate a community kitchen.

Source of Operational Funds: City General Fund. Operating costs may be around \$750,000 per year.

Source of Capital Funds: City Community Development Block Grant funds are an ideal source of funds for the development of such a facility. Service provider partners may engage in capital campaigns to raise initial funds as well.

Time Requirement: Securing a service provider partner may take up to six months if a competitive process is used. Capital campaign fundraising will require several years, though the facility may be financed initially with short-term bank or other loans.

HSD 2: South Lake Union Community Center

Idea Summary: Create a community services center with programming targeting lower-income residents and community members. Services or programming include a space for a formal licensed child care provider;

**Program Concepts for South Lake Union
Response to Council Green Sheet 14-1-A-1**

youth, adult, and senior programming and information and assistance; and community kitchen for meal preparation and services.

Space Requirements (include square footage estimates): The child care space will require between 7,000 – 10,000 square feet, minimum, plus an outdoor play area. The community kitchen must be of commercial grade to handle the planned programming (food preparation and education) and will require a minimum 2,000 square feet. The community drop-in portion of the programming, including large and small meeting rooms in various configurations, requires approximately 15,000 square feet. The total minimum amounts to between 27,000 – 30,000 square feet, plus requisite parking and loading areas (both for the child care and the kitchen).

Location Adjacencies (favorable and unfavorable neighbors): Residential buildings may have concerns about noise and unruly / disruptive / inappropriate behavior during evening and late night hours if youth late night activities are programmed.

Source of Operational Funds: The commercial kitchen could potentially generate revenue to offset its costs, while the child care would be a separate non-profit or for-profit concern that would fund its own operations from parent fees, currently available tuition subsidies from the State or the City, and fundraising. Funding for the community center operations may need to come from the City's General Fund, at up to \$500,000 annually.

Source of Capital Funds: The Child Care Bonus fund could contribute a proportionate amount of money toward the initial capital costs; other sources include the City's annual Community Development Block Grant allocation. The balance might need to come from the CIP budget.

Time Requirement: Securing partnerships with service providers will require about six months if a competitive process is undertaken.

OFFICE OF ARTS & CULTURE

OAC 1: Literary Arts Center

Idea Summary: Literary Arts Center. As part of a larger mixed-use development, include 10,000 – 20,000 square feet of ground-floor and second floor space for a new Literary Arts Center, whose component organizations would be a mix of some of the largest, and some of the smallest, nonprofits supporting the written word in Seattle.

Imagine an independent bookstore / museum shop / arts library in the windows of a ground floor space. Over to one side there's an old Franklin Press, running handbills as a demonstration. In the afternoons there are classes taught in a back open area, or book clubs in the library. In the evenings there are author readings and signings. Upstairs there are small, shared offices for a half-dozen literary arts organizations, and a live/work space for visiting writers-in-residence.

**Program Concepts for South Lake Union
Response to Council Green Sheet 14-1-A-1**

- **Hugo House** is Seattle's 17-year-old home of the literary arts, hosting classes, readings, residencies, a café and bar, and more.
- **Copper Canyon Press** is an independent nonprofit poetry press, founded in 1972, and winner of multiple Pulitzer prizes.
- **ZAPP**, an acronym for Zine Archive and Publishing Project, is a library of over 20,000 zines, comics, chapbooks and other small press periodicals. It is one of the world's largest collections of such publications.
- **Short Run Press** produces the Seattle Comix & Arts Festival, a series of readings, performances, art shows, and hands-on workshops celebrating local commix culture.
- **City of Literature** is a grass-roots effort to establish Seattle as a UNESCO "City of Literature," a bid supported by both Mayor and Council.

Space Requirements (include square footage estimates): 10,000-20,000 square feet of interior space on two stories. The ability to program temporarily vacant residential units as writers' residency spaces is also of interest. With at least 20 feet of retail-type space accessible from the street, the rest of the project could reside in more "hidden" space, back from the street, allowing for more profit-generating enterprises to take the more valuable space.

Location Adjacencies (favorable and unfavorable neighbors): This is exactly the type of project that humans want to locate around. It's social, it's cultural, it's intellectual, it's an attractor for audiences (without being a nighttime nuisance) and it's an in-building amenity for residents. It can coexist with almost any other use.

Source of Operational Funds: All of the component nonprofit organizations in this proposal have demonstrated the capacity to raise significant operating funds from private sources, and to earn the remainder through public programs. There should be no ongoing operating support expected from city funds.

Source of Capital Funds: Again, these organizations have proven track records of capital fundraising from independent sources that could, combined with significant commercial financing, provide a fair market purchase price for the property. If the city were to match the nonprofits' investment, however, the need for costly financing could be avoided, and those ongoing costs could be put into programming, where they belong.

Time Requirement: Typically campaigns to fund large nonprofit developments on this scale take 3-5 years from planning to completion.

**Program Concepts for South Lake Union
Response to Council Green Sheet 14-1-A-1**

OAC 2: Youth Arts Center

Idea Summary: Youth Arts Center. Roughly a dozen arts organizations serving youth in Seattle are all attempting to move to newer, larger, and more centrally located facilities. We have encouraged them to collaborate and collocate, and this opportunity would be the perfect chance to create a hub for youth arts in Seattle, a lightning rod for interest in, funding for, and participation in youth arts programming. The facility would house:

- rehearsal rooms for music and theater
- performance spaces
- “maker” space – shop space, studio space, arts interactivity space
- social gathering spaces
- offices for various organizations

The organizations included in this proposal are some of the largest, and some of the smaller, organizations serving youth in Seattle. This mix is intentional, and designed to foster collaboration and growth in the sector. It would include some subset of the following:

Majors

Seattle Youth Symphony Orchestra
JazzEd
Broadway Bound
Northwest Choirs

Supporting

Teen Tix
Hollow Earth Radio
Nu Black Arts West
Red Eagle Soaring
Ewajo Dance
Rain City Rock Camp for Girls
Young Shakespeare Workshop

Space Requirements (include square footage estimates): 20,000-30,000 square feet of interior space on one or more stories. Large spaces (2,500 square feet) that can accommodate rehearsals for up to 100 orchestral instruments. At least one accessible assembly space, arranged as a traditional theater, for public performances. Also smaller, more intimate rehearsal spaces, recording spaces, social “mixing” spaces and administrative spaces. All of the programmatic spaces will need significant sound insulation.

Location Adjacencies (favorable and unfavorable neighbors): Given the age of the constituency, any adjacency to vice would be inappropriate – bars, liquor stores, marijuana, adult entertainment, etc. Favorable adjacencies would include coffeeshops, restaurants, retail (bookstore?), etc.

Source of Operational Funds: All of the component nonprofit organizations in this proposal have demonstrated the capacity to raise significant operating funds from private sources, and to earn the

**Program Concepts for South Lake Union
Response to Council Green Sheet 14-1-A-1**

remainder through public programs. There should be no ongoing operating support expected from city funds.

Source of Capital Funds: Again, these organizations have proven track records of capital fundraising from independent sources that could, combined with significant commercial financing, provide a fair market purchase price for the property. If the city were to match the nonprofits' investment, however, the need for costly financing could be avoided, and those ongoing costs could be put into programming, where they belong.

Time Requirement: Typically campaigns to fund large nonprofit developments on this scale take 3-5 years from planning to completion.

OAC 3: Book-It Repertory Theatre

Idea Summary: Social Center for Theatre and Literacy. Anchored by Book-It Repertory Theatre, this center would include a theatre, classroom space, rehearsal space, library or book store, community meeting space, and café. Book-It Theater has for years been looking for a permanent home, and has been exploring ways to work with the city to activate surplus building stock, specifically in South Lake Union. A world-renowned, award-winning, professional theater company, Book-It would make a valuable asset in a neighborhood already home to "the world's largest bookseller."

Space Requirements (include square footage estimates): 40-50,000 square feet including 300 seat theatre, rehearsal room, classroom space, offices, lobby and concessions area, reception, café or coffee shop, shop space, bookstore, and community meeting rooms.

Location Adjacencies (favorable and unfavorable neighbors): Close to other businesses and restaurants, walking neighborhoods, schools. There will be evening programming, so parking is necessary.

Source of Operational Funds: In addition to earned income in the form of ticket sales and class tuition, Book-It has demonstrated the capacity to raise significant operating funds from private sources, and to earn the remainder through public programs. There should be no ongoing operating support expected from city funds.

Source of Capital Funds: Again, Book-It has a proven track record of capital fundraising from independent sources that could, combined with significant commercial financing, provide a fair market purchase price for the property. If the city were to match the nonprofits' investment, however, the need for costly financing could be avoided, and those ongoing costs could be put into programming, where they belong.

Time Requirement: Typically campaigns to fund large nonprofit developments on this scale take 3-5 years from planning to completion. It's of note that Book-It has done extensive preparatory work for a large capital campaign, which could reduce the time needed.

**Program Concepts for South Lake Union
Response to Council Green Sheet 14-1-A-1**

OAC 4: Seattle Youth Symphony Orchestra

Idea Summary: Seattle Youth Symphony Orchestra (YSO). The YSO group was included in another of Arts' recommendations, the aggregated Youth Artspace model, but YSO could just as well "go it alone" and build a facility that would stand independently. This facility could be collocated with housing or other human services, or with market-rate uses. The facility would house orchestral rehearsal spaces, meeting spaces, and administrative space.

Space Requirements (include square footage estimates): 10,000 -20,000 square feet of interior space sound-insulated from neighbors and from street and mechanical noise. Street frontage not necessary but desired.

Location Adjacencies (favorable and unfavorable neighbors): Given the age of the constituency, any adjacency to vice would be inappropriate – bars, liquor stores, marijuana, adult entertainment, etc. Favorable adjacencies would include coffeeshops, restaurants, retail (record store?),

Source of Operational Funds: YSO has demonstrated the capacity to raise significant operating funds from private sources, and to earn the remainder through public programs. There should be no ongoing operating support expected from city funds.

Source of Capital Funds: YSO has a proven track record of capital fundraising from independent sources that could, combined with significant commercial financing, provide a fair market purchase price for the property. If the city were to match the nonprofits' investment, however, the need for costly financing could be avoided, and those ongoing costs could be put into programming, where they belong.

Time Requirement: Typically campaigns to fund large nonprofit developments on this scale take 3-5 years from planning to completion. It's of note that YSO has done extensive preparatory work for a large capital campaign, which could reduce the time needed.

OFFICE OF HOUSING

OH 1: 8th & Roy Street Housing Opportunity Project

Strategic Context: As the City strives to promote equitable development patterns throughout Seattle, housing affordability provides an important means for combatting economic and racial segregation, reducing involuntary displacement, and advancing access to opportunity for all. Unfortunately, public resources available for production of new affordable housing units are at a premium, with State funding in decline. Other cities have capitalized on these two trends by using growth – and the resulting high rents commanded by market-rate housing – to cross-subsidize below-market rents within the same mixed-income housing development. Some new entrants into Seattle's development market have expressed interest in tapping financing strategies that have been successfully used in other cities that have experienced similar growth and affordability trends. South Lake Union provides an exceptional opportunity to test out a new

**Program Concepts for South Lake Union
Response to Council Green Sheet 14-1-A-1**

financing strategy that produces mixed-income housing by balancing high market-rate rents with affordable rents with little to no reliance on direct public subsidy.

Concept Summary: The Office of Housing will competitively select a developer, via a request for proposals, to acquire the site and construct mixed-income housing.

Time Requirement: If the project is to involve primarily residential development, we expect that any private development partner would require 18 months to perform due diligence, propose a development plan with rough schematics, assemble financing, and negotiate a purchase-and-sale agreement with the City.

OFFICE OF ECONOMIC DEVELOPMENT & DEPARTMENT OF PLANNING AND DEVELOPMENT

Reinvestment proposals for supporting Southeast Seattle

OED and DPD recommend investing revenues from the sale of city-owned properties in South Lake Union to support strategic investments in Southeast Seattle. Many of these neighborhoods are poised for increased growth and development and the city has an opportunity to prioritize some key investments that would strengthen community anchors to create stability and enhance economic mobility for area residents. Light rail did not bring the scale of private investment to Southeast Seattle as was anticipated and residents and businesses are at risk of displacement in coming years without targeted public investments to stimulate desired activity. In particular, land acquisition and pre-development funding for several catalytic projects in Rainier Beach and Othello directly benefiting low and moderate income communities would be a strategic way to redirect proceeds generated from the sale of these properties.

OED 1: Affordable commercial space strategy and business stabilization

Rapid increases in commercial rent in neighborhoods undergoing redevelopment, rent in new spaces that is much more expensive than other neighborhood commercial spaces, commercial spaces that are too large for neighborhood businesses and often sit vacant are challenges that many if not most of our neighborhoods are confronting. Investment in an affordable commercial space strategy will further stabilize key business districts threatened by displacement from rapidly increasing rents as a result of redevelopment and/or infrastructure investments. This strategy would provide neighborhood businesses some time to adapt to rapidly changing market conditions and would further support existing businesses so they are stronger and better able to sustain themselves amidst neighborhood and market changes.

- a. Affordable commercial space strategy, including a master lease project with 1-3 partner non-profit organizations in an existing vacant commercial space and/or as part of a new development. Also engage with developers early to shape some commercial spaces to support the types of businesses most likely to be a fit for the neighborhood, including footprint, certain features in key spaces, orientation, etc.

If this is a desirable project, OED would further develop the investment strategy. Key components include providing administrative capacity and technical assistance for the nonprofit lease holder(s),

**Program Concepts for South Lake Union
Response to Council Green Sheet 14-1-A-1**

potentially writing down the rent for a limited period for eligible businesses, exploring permanent financing for 2-4 new developments in key neighborhoods experiencing displacement pressures to develop alternative commercial models.

- b. Business Technical Assistance – Rainier Valley Community Development Fund, in partnership with OED is offering in-depth business technical assistance to businesses in Othello-Graham as well as a series of workshops open to all businesses throughout the summer. Department of Neighborhood's Public Outreach and Engagement Liaisons (POEL) have partnered in this work by recruiting immigrant-owned businesses to attend and providing translation and interpretation support during the workshops. This is funded through Cornerstones and has been very successful.

Expand this targeted technical assistance and POEL engagement of immigrant owned businesses to other Southeast Seattle neighborhoods, including Othello and Rainier Beach (estimate \$125,000).

OED 2: Multi-Cultural Center

The Multi-Cultural Steering Committee is a coalition of leaders of the immigrant and refugee communities in Southeast Seattle. The MCC will be a community center shared and operated by this coalition. Bringing the communities together allows them to leverage scarce resources in creating a place to provide services, community problem solving and cultural celebrations as well as a place to work together on shared concerns and advocacy. This work has been supported by Community Cornerstones (OED, DPD, OH, DON). Process thus far has focused on establishing the MCC coalition and building the capacity of the organizations involved, developing and exploring three alternatives for a MCC, and a feasibility analysis. With additional Cornerstones funding dedicated to the MCC through June 2014 (dependent on HUD extension), there will be deeper feasibility analysis resulting in a detailed programmatic and physical concept for a Multi-Cultural Center in Southeast Seattle by mid-2014. Revenues could support pre-development and capital for a MCC, including design, feasibility, and community engagement to advance this project. This would be in the range of \$1-1.5 million.

OED 3: Rainier Beach Innovation Center

The idea of a Rainier Beach Innovation District emerged from the neighborhood plan update (DPD). The RBID is centered on education, employment and entrepreneurship to create pathways toward community stability and economic mobility, and that can also be both catalytic and transformative for the neighborhood. A Food Innovation Center is being explored as the key project near the light rail station to support this concept and build on the urban farm. The community is invested in this concept, a feasibility analysis has been completed, and initial concepts and site plans have been developed. Plans are for a 100,000 square foot campus that includes community college, production space and food manufacturing, commercial kitchen, and other features. Land acquisition funding is the lynchpin to move this forward since land prices will begin to escalate in the near future.

Revenues could support land acquisition and pre-development work to move this project to the permit

**Program Concepts for South Lake Union
Response to Council Green Sheet 14-1-A-1**

phase. This is a larger and more complex project so site acquisition and pre-development work is estimated to be in the range of \$3 million.

OED 4: Financial Opportunity Center

A preliminary feasibility analysis has been completed for a Financial Opportunity Center in Southeast Seattle, modeled in part on the center at North Seattle Community College. A specific site has not been selected although sites accessible to light rail will be prioritized. There is a potential to co-locate something like this with the innovation center in Rainier Beach if acquisition funding is invested, to further strengthen the postsecondary and employment training components of both projects. Othello is also a consideration if there is a viable site.

The capital and operational funder would be the state, through the community college budget. An investment by the city could support site specific analysis and pre-development work in the near term that could move along this initiative for South Seattle.