



**Legislative Department  
Seattle City Council  
Memorandum**

**Date:** April 19, 2013  
**To:** Special Committee on South Lake Union  
**From:** Sara Belz and Ketil Freeman, Council Central Staff  
**Subject:** Council Bill (CB) 117603, South Lake Union Urban Center Rezone

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At its April 22, 2013, meeting, the Council's Special Committee on South Lake Union is scheduled to make a recommendation to the Council on Council Bill (C.B.) 117603, the Mayor's proposed rezone bill for the South Lake Union Urban Center.

The Committee may also make recommendations on two companion resolutions: 1) Resolution 31444, sponsored by Councilmember Burgess, which would establish a work program for an expert advisory team to advise the Council and make recommendations on changes to the Affordable Housing Incentive Program; and 2) Resolution 31445, sponsored by Councilmember Conlin, which would establish a work program for implementing the recommendations of the Race and Social Justice Initiative Change Team.

Action on C.B. 117603 is scheduled to include:

- Action on a second substitute bill prepared by the Department of Planning and Development (DPD), which makes clarifications to the Mayor's proposal and corrects errors;
- Discussion of options and direction to staff for increasing height and establishing development standards for a block in the Westlake Panhandle bounded by Dexter Avenue, Galer Street, Highland Drive, and Westlake Avenue;
- Action on options for amending the Affordable Housing Incentive Program proposed for South Lake Union;
- Action on other affordable housing-related amendments;
- Action on amendments to the Official Land Use Map and development standards that a majority of the Committee has previously recommended for approval (consent items), for example requiring LEED Gold for buildings using extra floor area and raising the height limit for residential uses in the Cascade neighborhood to 85 feet;
- Action on other amendments proposed by Councilmembers.

This memorandum is organized as follows:

- A. Options for the Westlake Panhandle;
- B. Affordable Housing Incentive Program Fee Changes;
- C. Other Affordable Housing-Related Amendments;
- D. Consent Amendments;
- E. Other Amendments Proposed by Councilmembers; and
- F. Description of Forthcoming Companion Resolution to C.B. 117603.

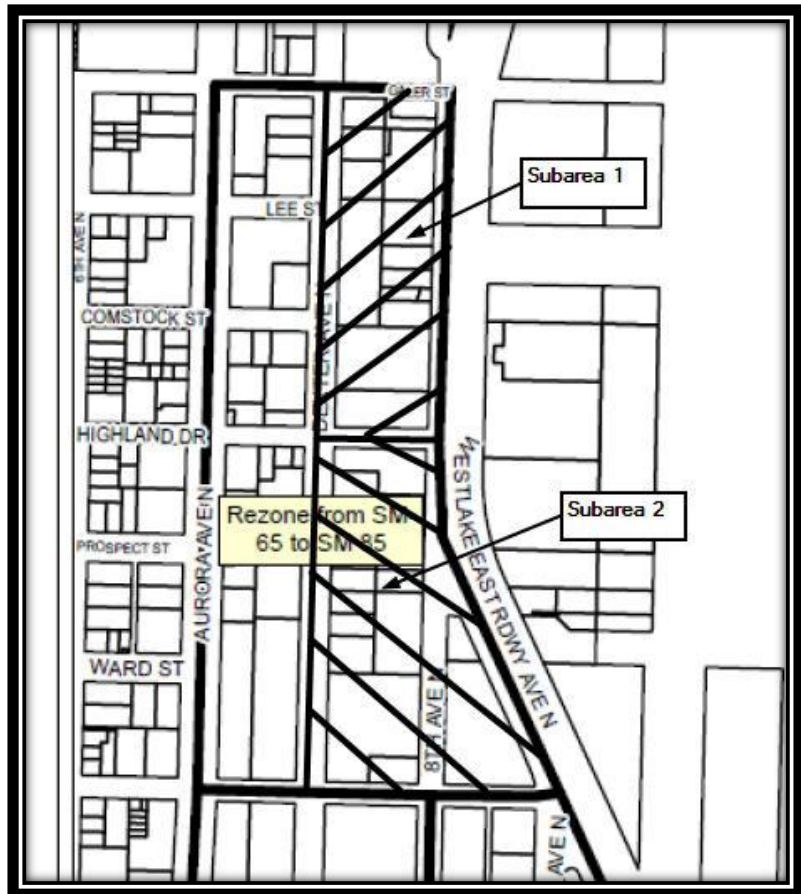
## A - Options for the Westlake Panhandle

### Discussion

The Westlake Panhandle is comprised of the area between Westlake Avenue, Aloha Street, Aurora Avenue, and Galer Street. The Mayor proposes to upzone this area from SM 65 to SM 85. The proposed zoning for properties located immediately south of the panhandle is a mix of SM 160/85-240 and SM 85/65-160.

Within the panhandle area, there is a significant grade change between Aurora Avenue and Westlake Avenue as the east slope of Queen Anne Hill extends down toward Lake Union. The southernmost portion of panhandle, near Aloha Street, is located in the flight path for the Kenmore Air seaplane terminal.

Equity Office, a major property owner in the panhandle blocks, has requested the Council consider further upzoning this area, particularly the blocks located east of Dexter Avenue between Aloha and Galer Streets (shown on the map at right as Subareas 1 and 2) in order to allow greater maximum residential building heights. At the April 1 Special Committee meeting, a majority of Councilmembers expressed interest in applying SM 85 zoning, as proposed by the Mayor, in Subarea 2. However, no consensus was reached about appropriate zoning for Subarea 1. This lack of consensus was due, in part, to concerns expressed by Kenmore Air about how further increasing the maximum residential building heights permitted in Subarea 1 could potentially impact flight safety.



Since the April 1 Special Committee meeting, both Equity Office and Kenmore Air appear to have agreed that further increasing the maximum height limit for residential development in Subarea 1 to 125 feet (SM 85/65-125) would reasonably allow both of them to meet their business goals. (Equity Office's original proposal called for a residential height limit of 160 feet.) Equity Office has also requested the following development standards for Subarea 1: 65 foot podium heights, 12,500 square foot tower floor plates, and a maximum allowance of one tower for every 30,000 square feet of land area.

After reviewing both the 125 foot residential building height compromise reached by Equity Office and Kenmore Air and the proposed package of associated development standards put forward by Equity Office, DPD continues to support the Mayor's original proposal. However, if Subarea 1 is upzoned to

SM 85/65-125, DPD recommends that podium heights be limited to 45 feet and permitted tower spacing be restricted to one tower for every 60,000 square feet of land area.

Options

Option	Tower Limitation	Podium Height
<i>Option A</i>	Retain the Mayor’s Proposal for Subarea 1	
<i>Option B</i>	1Tower / 30,000 s.f.	45’
<i>Option C</i>	1Tower / 30,000 s.f.	65’
<i>Option D</i>	1Tower / 60,000 s.f.	45’
<i>Option E</i>	1Tower / 60,000 s.f.	65’
<i>Option F</i>	1Tower / 30,000 s.f.	<ul style="list-style-type: none"> <li>▪ 45’ on Dexter</li> <li>▪ 65’ on Westlake</li> </ul>

**B - Affordable Housing Incentive Program Fee Changes**

Discussion

The Mayor’s proposal would establish an affordable housing incentive program for the South Lake Union Urban Center. Under the program, residential or commercial development that exceeds a base height or floor area ratio (FAR) could gain extra floor area by either “performing,” building affordable housing, or making an in-lieu payment.

Options for Programmatic Changes to In-Lieu Fee Amounts

Proposals for changes to the fees in-lieu of performance that are proposed for the South Lake Union Affordable Housing Incentive Program are summarized in the table below:

Mayor		Consolidated Council Proposal
In Lieu Fees in \$ / Gross Square Foot of Bonus Floor Area		
Residential	\$15.15	<ul style="list-style-type: none"> <li>▪ \$21.68</li> <li>▪ Annual Automatic Inflationary Adjustments Beginning 7/1/2014</li> </ul>
Commercial*	\$22.00	<ul style="list-style-type: none"> <li>▪ Tier 1 (Eff. Date – 12/31/2013) – \$24.43</li> <li>▪ Tier 2 (1/1/2014 – 6/30/2014) – \$26.85</li> <li>▪ Tier 3(7/1/2014 – 6/30/2015) – \$29.27 + 2013 Inflationary Adjustment</li> <li>▪ Annual Automatic Inflationary Adjustments Beginning 7/1/2015</li> </ul>
<small>* The commercial in-lieu fee is composed of two separate fees: 1) approximately 85% is a fee for affordable housing and 2) approximately 15% is a fee for child care. Using the Mayor’s proposal as an example, the \$22.00 / g.s.f. fee is \$18.75 for affordable housing and \$3.25 for child care</small>		

***Mayor’s Proposal***

The Mayor’s proposal would retain performance requirements and in-lieu fee amounts currently established for the Affordable Housing Incentive Program with some minor modifications, such as calculating requirements on gross square footage as opposed to net square footage

Performance would require setting aside 14% of 60% of the gross extra residential floor area above a base height - an amount equal to approximately 5% of the floor area in a residential building fully utilizing the bonus. Rental units created through performance would be required to be affordable to households earning no more than 80% of Area Median Income (AMI). Under the Mayor's proposal, in-lieu payments would be \$15.15 / g.s.f. of extra residential floor area and \$22 / g.s.f. of extra commercial floor area.

The Mayor has convened a stakeholder group to examine the program that could lead to future changes in South Lake Union and elsewhere in the City where the program operates.

### ***Consolidated Council Proposal (Blue)***

The consolidated Council proposal would make evenly-spaced inflationary adjustments to commercial in-lieu fees over the next two years and immediate inflationary adjustments to residential fees. Inflationary adjustments would be based on the date of program inception, which is 2001 for commercial fees and 2006 for residential fees. The residential in-lieu fee of \$21.68 would also include a 20% premium over the inflation-adjusted amount to induce performance. Additionally, the proposal would establish that fees be automatically adjusted for inflation annually beginning on July 1, 2014, for residential fees and July 1, 2015, for commercial fees.

Separately from C.B. 117603, Council members have also expressed interest in 1) a resolution establishing a work program for an expert advisory team, to be hired by the Council, to advise the Council on changes to the Affordable Housing Incentive Program and other affordable housing programs and 2) a council bill that would make commensurate fee adjustments to the downtown Affordable Housing Incentive Program. However, the downtown bill would not change commercial and residential in-lieu fees until January 1, 2014.

## **C - Other Affordable Housing-related Amendments**

### ***Amendment 1 – Lower the base commercial FAR for the SM 160/85-240 zone – Licata (Green).***

The Mayor's proposal establishes a 4.5 base commercial FAR for the proposed SM 160/85-240 zone, which would be the predominant zone for most of the rezone area west of Fairview and south of Mercer. Current zoning in this area is a mix of Industrial Commercial and Seattle Mixed zones with commercial FAR limits of 3 or 4.5, depending on the zone.

Councilmember Licata proposes to lower the base FAR to 4. On the margin, lowering the base may provide a modest incentive to develop residential uses as opposed to commercial uses. Lowering the base could also increase by up to approximately 630,000 square feet the amount of commercial floor area that could be subject to bonus provisions, such as participation in the Affordable Housing Incentive Program and purchase of regional development credits or landmark TDR.

### ***Amendment 2 – Modify the definition of “TDR Housing Site” – Licata (Purple).***

The Mayor's proposal would allow purchase of Housing TDR along with an in-lieu fee payment as a means to achieve 75% of bonus non-residential floor area. Housing TDR is used to preserve existing buildings with low-income and very-low-income units by allowing owners to sell unused development rights in exchange for a commitment to the City to preserve the affordable housing. That commitment is memorialized in a recorded agreement with the City that typically includes a requirement to sequester

revenue from the sale in a capital reserve account for asset preservation. Qualifying requirements for a site to be eligible includes a structure age limit. Structures built more recently than 2001 do not qualify. In the last five years Housing TDR has sold for between \$15 -\$20 / square foot.

Councilmember Licata proposes to amend the definition of “TDR Housing Site” to eliminate the structure age limitation. Owners of qualifying structures built since 2001 would be able to sell unused development rights.

***Amendment 3 – Affordability levels for income-eligible households – Licata (Blue).***

The Mayor’s proposal would retain existing affordability levels for rental units. Specifically, rental units created through performance would be required to be affordable to households earning no more than 80% of AMI.

Councilmember Licata propose to require that half of the units provided through performance be affordable to households earning no more than 80% of AMI and half be affordable to households earning no more than 60% of AMI. For 2013, 80% of AMI for a one person household is \$45,100 annually, and 60% of AMI is \$36,420 annually. One bedroom affordable rents for persons earning 80% and 60% of AMI are \$1208 / month and \$975 / month, respectively.

***Amendment 4 – In-lieu payment option sunset – Licata (Pink).***

Councilmember Licata proposes to sunset the in-lieu payment option for development in South Lake Union on July 1, 2014. After that, performance would be required for all residential and mixed use development that exceeds the base residential height.

**D - Consent Amendments**

***Amendment 5 – Consent amendment package – South Lake Union Special Committee (Green).***

Consent items include those amendments that a majority of the South Lake Union Special Committee has discussed and recommended for approval. Those items include:

- New recitals stating support for allowing institutional uses, such as biomedical research facilities operated by the University of Washington, to locate in the northern portion of the 8<sup>th</sup> Avenue North residential corridor if the corridor is not functioning as a residential area by the end of 2020;
- Reducing the maximum proposed east/west tower dimension for development on the Mercer Blocks to 105 feet;
- Requiring LEED Gold for development exceeding a base residential height or base commercial FAR, but allowing LEED Silver for development that is connected to a district energy system;
- Raising the maximum height for residential development in the Cascade Neighborhood from 75 feet to 85 feet by changing the zone designation from SM/R 55/75 to SM/R 55/85; and
- Reducing the maximum allowed height for the Mercer Blocks by changing the proposed zone designation from SM 85/65-240 to SM 85/65-160 and striking language authorizing greater heights through a development agreement.

**E - Other Amendments**

***Amendment 6 – Public school height exception clarification – Burgess (Purple).***

The Mayor's proposal would create a height exception for co-development with the Seattle School District. Specifically, in the proposed SM 160 / 86-240 and SM 85-240 zones, heights for residential and commercial towers could be increased by 30% and 20%, respectively, if the building includes a public school.

Councilmember Burgess is proposing to strengthen these provisions by 1) providing more use-specific development standards that make reference to school district specifications for a 500 student elementary school and 2) providing the school district with a role in reviewing projects that invoke the exception.

***Amendment 7 – Tower placement at the Mercer off-ramp – Clark (Blue).***

The Mayor's proposal establishes upper level setback requirements to preserve view corridors through the South Lake Union Urban Center and to shape building massing.

Councilmember Clark proposes to establish a required setback for towers developed on the block bounded by Mercer Street, Fairview Avenue North, Republican Street and Boren Avenue North. The proposed setback would preclude tower development on the north half of the block to preserve some views of the Space Needle.

This block is currently developed with a new office building on the west half-block. Walsh Construction proposes to build a commercial tower on the southern half of the east half-block. Limitations proposed on the number of towers per block, the probability of the Walsh project being the first tower built on the site, and the presence of the new office building on the east side of the block make it unlikely that a tower would be proposed for the north half of the block subject to the proposed upper level setback.

***Amendment 8 – Maximum 10,500 square foot tower floor plate size on Mercer Blocks – Rasmussen/Licata (Pink).***

The Mayor's proposal establishes maximum floor plate sizes for residential and commercial towers that could be built on the Mercer Blocks. Towers are defined as the developed area above a building's podium. For towers on the Mercer Blocks with heights of up to 160 feet, the maximum floor plate size would be 12,500 square feet.

Councilmembers Rasmussen and Licata propose to limit the maximum floor plate size for residential towers and hotel towers meeting residential development standards to 10,500 square feet.

***Amendment 9 – Limited floor plate size departures for non-residential development on large sites – Burgess / Conlin (Green).***

The Mayor's proposal establishes a maximum floor plate size of 30,000 square feet for commercial towers on large lots, if a landmark structure or open space on that lot is preserved. This is a proposed exception from the 24,000 square foot maximum floor plate size for commercial development elsewhere in the rezone area. The exception is intended, in part, to encourage preservation of landmark structures and existing open space, such as the Troy Laundry and the Seattle Times Park.

Councilmembers Burgess and Conlin propose to make a limited maximum floor plate size departure – up to a 5% increase – allowable through design review.

***Amendment 10 – Change the proposed rezone zone designation for the blocks bounded by 8<sup>th</sup> Avenue, Roy Street, Westlake Avenue, and Broad Street from SM 85/65-160 to SM 85 – Licata / O’Brien (Purple)***

The Mayor proposes to rezone the blocks bounded by 8<sup>th</sup> Avenue, Roy Street, Westlake Avenue, and Broad Street from SM 65 to SM 85/65-160. However, development of taller structures in this area would be limited due to the location underneath the seaport flight corridor.

Councilmember O’Brien and Licata propose to change the proposed zone designation for the blocks to SM 85. This would create a step down in maximum allowed heights towards Lake Union and alleviate some development pressure on redevelopable sites, including a City-owned site currently under review by the Landmarks Preservation Board

**F - Description of Companion Resolution to C.B. 117603**

Central Staff is also in the process of preparing a companion resolution to C.B. 117603 that would express the Council’s intent to move forward with the following work items in collaboration with other City departments:

1. Amend the Seattle Municipal Code to add the view from Lake Union Park toward the Space Needle to the City’s list of SEPA-protected viewpoints;
2. Add funding to the Department of Neighborhoods’ budget to support the creation of a comprehensive historic resources survey for South Lake Union;
3. Add funding to the Seattle Department of Transportation to update the project list a fees for the South Lake Union alternative transportation mitigation program;
4. Direct the Budget Office to propose financial policies to govern use of revenue from the future Local Infrastructure Project Area created through participation in the regional transferable development rights program.

If there are items on this list that the Council is no longer interested in pursuing, or items that do not appear on the list that should be added, please notify Central Staff. It is likely that the companion resolution will be introduced on April 29 to allow for a Full Council vote on May 6.