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Discussion of MUR-70' Zone

City Council-Planning Commission
Joint Meeting
October 25, 2021



Subarea Background

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- Adopted 2015-16
- Create desirable transit communities
- Growth mostly occurring as anticipated



Why Now?

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- Lack of MUR-70' development
 - But interest among developers
- Assess what *refinements* needed



145th Station

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252 units
Ground floor Comm.

482 units

238 units
Ground floor Comm.

Shoreline South Station
(opens 2024)

Zoning Designation

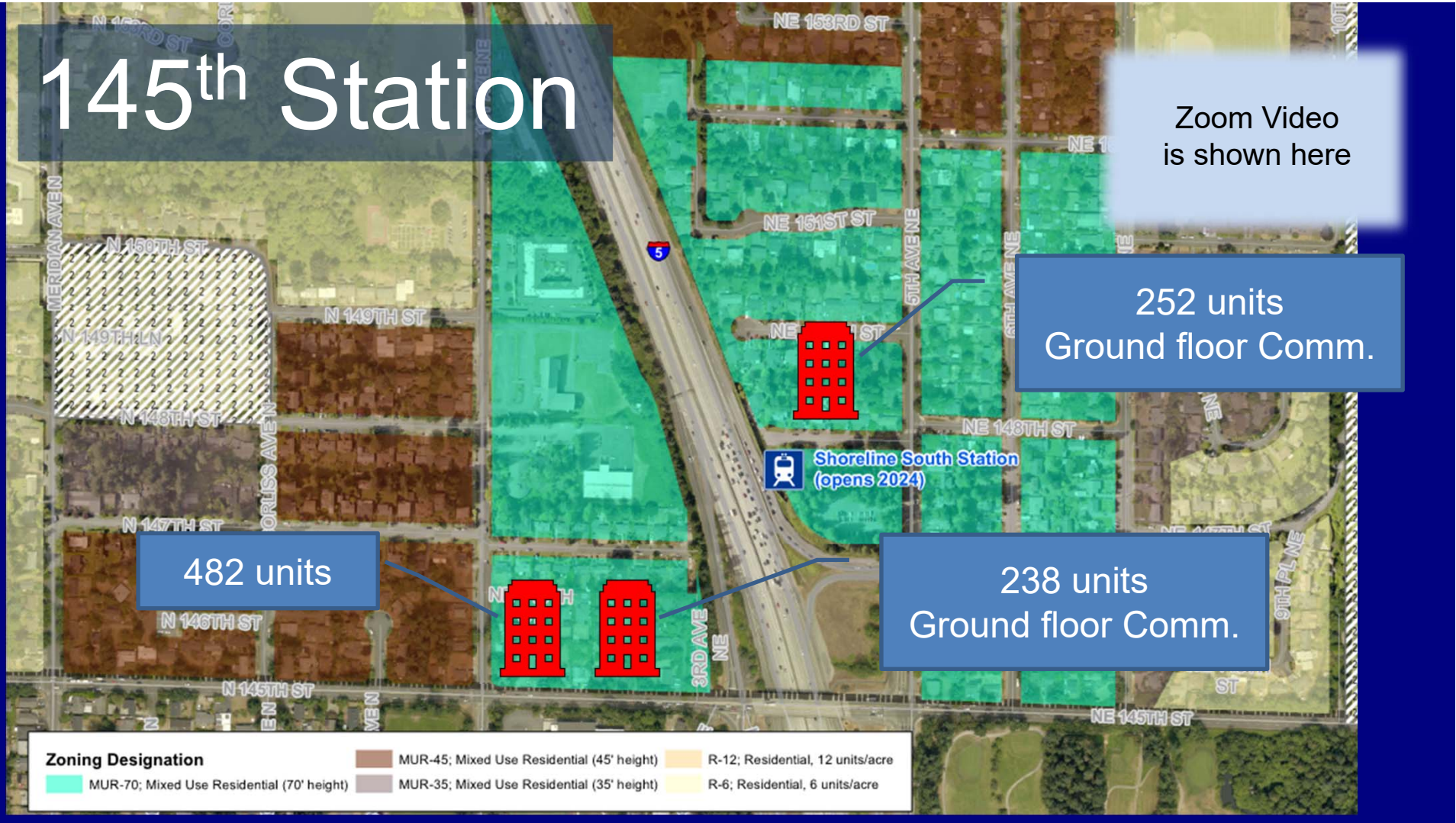
MUR-70; Mixed Use Residential (70' height)

MUR-45; Mixed Use Residential (45' height)

R-12; Residential, 12 units/acre

MUR-35; Mixed Use Residential (35' height)

R-6; Residential, 6 units/acre



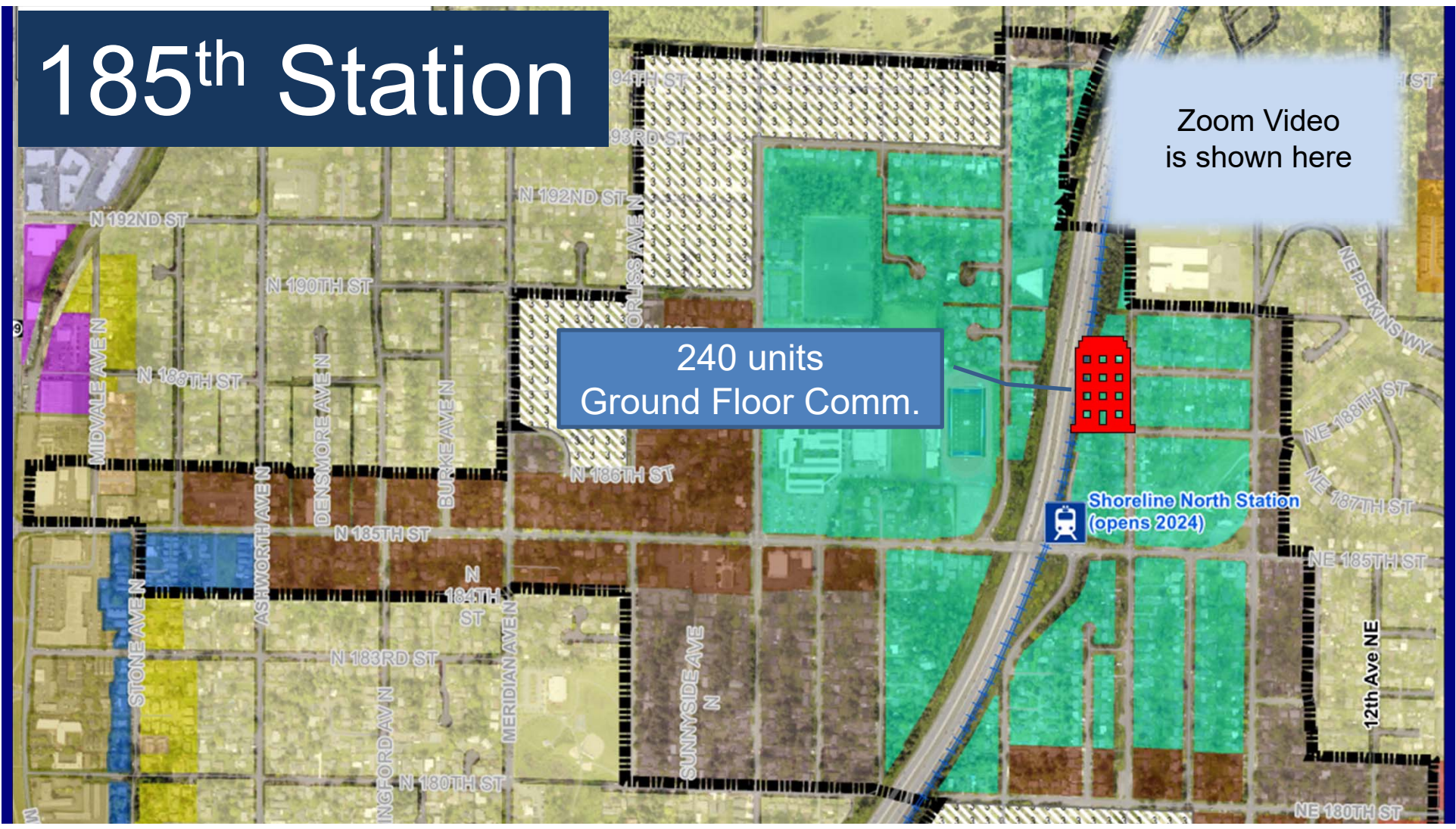
185th Station

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240 units
Ground Floor Comm.



Shoreline North Station
(opens 2024)



Feasibility Analysis

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- Res. High Rise Prototypes
 - 5 – 10 levels of housing over parking/commercial
- Evaluate Financial Feasibility
- Sensitivity Analysis of Incentives
 - Parking
 - Affordable Housing
 - Impact Fees
 - Other



Major Assumptions

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- 1 acre site
- No major off-site requirements
- Minor site prep/building demolition
- 90% lot coverage
- Ground floor commercial (7,500 SF)
- 6, 8 or 13 levels
- Yields 170, 286 or 463 dwellings
- 20% of housing is affordable @70%AMI
- Parking on site (structure with 1 level below ground)
- Parking ratio: 0.75 to 1.0 stalls / DU



Major Assumptions cont.

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Construction Costs

- “Green” building
- Type V (wood frame) \$265/SF per unit*
- Type I (steel) @\$323/SF per unit*
- *Cost per Dwelling = \$327,000 to \$356,000**
- **Cost includes parking but excludes land and developer profit/overhead which adds up to 20%*

Income and Equity

- Apt. Rents: \$2.89 to \$3.35 per SF / month
- Commercial rents: \$30 per SF per year
- Parking lease: \$100 to \$150 per stall per month
- Vacancy Allowance 4.0%
- Equity assumptions
 - 9% required annual average return on equity



Approach

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- Reflect For-Profit Developer Perspective
- Apply “Local” Market Conditions as of May 2021
- Residual Land Value Test
 - Determines what developer should be willing to pay for the land
 - Given development assumptions, costs and revenues
 - Given required average annual return on equity of 9% per year
 - May result in positive or negative “land value”
 - Negative residual land value indicates need to explore policy changes

Example

Residual Land Value per Dwelling Unit = \$50,000

Dwelling Units Permitted = 100

Optimal Land/Site Value = \$5,000,000 ($\$50,000 \times 100$)

This indicates that a developer may be willing to pay up to \$5 million for a site (inclusive of land and any demolition costs) for the right to build 100 units given all underlying assumptions.



Key Findings

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- Only the wood frame apartment prototype resulted in positive residual land value (+/- \$49,000 per Dwelling Unit) given underlying assumptions
- Higher cost with taller developments (steel frame) results in negative residual land value for the 8 and 13 level prototypes
- Cost off-sets of \$40,000+ per dwelling unit needed for apartments or condos with 8+ levels to “pencil” for for-profit developers
- Policies that can influence financial feasibility:
 - 1. Allowing developer to charge monthly fee for parking
 - 2. Providing 10-year tax abatement for all new housing
 - 3. Reducing parking requirements (to 0.5 stalls per dwelling if near transit)
 - 4. Waiving Green Building requirements
 - 5. Reducing City impact fees
 - 6. Changing affordable housing thresholds
 - 7. Changing upper-level setbacks and open space requirements



Parking Alternatives

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1. Expand 25% reduction
2. Reductions more than 25% when demand can be managed



Catalyst Alternatives

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1. Modify or waive standards
 - Impact fees, parking, height, step backs
2. Performance-based criteria to qualify
3. No performance-based criteria



Alternatives – DA / Height

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1. 140' closest to stations w/o DA
2. 90' outright
3. Revise DA requirements
4. No changes



Next Steps

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- Discussion tonight
- Planning Commission discussion of amendment alternatives – Q1 2022
- Potential outreach
- Further Council discussion

