



# AGENDA

## PLANNING COMMISSION

### VIRTUAL/ELECTRONIC REGULAR MEETING

Thursday, January 20, 2022

Held Remotely on Zoom

7:00 p.m. <https://us02web.zoom.us/j/84974669051?pwd=RmJLdVlXR1JLVUpBUnlwaWxWTzBVQT09>

Passcode: 594963

In an effort to curtail the spread of the COVID-19 virus, the Planning Commission meeting will take place online using the Zoom platform and the public will not be allowed to attend in-person. You may watch a live feed of the meeting online; join the meeting via Zoom Webinar; or listen to the meeting over the telephone.

The Planning Commission is providing opportunities for public comment by submitting written comment or calling into the meeting to provide oral public comment. To provide oral public comment you must sign-up by 6:30 p.m. the night of the meeting.

Please see the information listed below to access all of these options:



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Passcode: 594963



**Call into the Live Meeting: (253) 215-8782 - Webinar ID: 849 7466 9051**



[Click Here to Sign-Up to Provide Oral Testimony](#)

*Pre-registration is required by 6:30 p.m. the night of the meeting.*



[Click Here to Submit Written Public Comment](#)

*Written comments will be presented to Council and posted to the website if received by 4:00 p.m. the night of the meeting; otherwise they will be sent and posted the next day.*

	<u>Estimated Time</u>
1. CALL TO ORDER	7:00
2. ROLL CALL	7:01
3. APPROVAL OF AGENDA	7:02
4. APPROVAL OF MINUTES FROM:	7:03
a. <a href="#">January 6, 2022 - Draft Minutes</a>	

#### **Public Comment and Testimony at Planning Commission**

*During General Public Comment, the Planning Commission will take public comment on any subject which is not specifically scheduled later on the agenda. During Public Hearings and Study Sessions, public testimony/comment occurs after initial questions by the Commission which follows the presentation of each staff report. Please be advised that each speaker's testimony is being recorded. Speakers are asked to sign-up by 6:30 p.m. the night of the meeting. Individuals wishing to speak to agenda items will be called to speak first, generally in the order in which they have signed. In all cases, speakers are asked to state their first and last*

*name, and city of residence. The Chair has discretion to limit or extend time limitations and the number of people permitted to speak. Generally, individuals may speak for three minutes or less, depending on the number of people wishing to speak. When representing the official position of an agency or City-recognized organization, a speaker will be given 5 minutes. Questions for staff will be directed to staff through the Commission.*

<b>5. GENERAL PUBLIC COMMENT</b>	7:04
<b>6. STUDY ITEMS</b>	
a. <a href="#"><u>MUR70' Development Code Amendments</u></a>	7:05
<b>7. UNFINISHED BUSINESS</b>	7:45
<b>8. NEW BUSINESS</b>	7:46
<b>9. REPORTS OF COMMITTEES &amp; COMMISSIONERS/ANNOUNCEMENTS</b>	7:47
<b>10. AGENDA FOR Next meeting – February 3, 2022</b>	7:55
<b>11. ADJOURNMENT</b>	8:00

*The Planning Commission meeting is wheelchair accessible. Any person requiring a disability accommodation should contact the City Clerk's Office at 801-2230 in advance for more information. For TTY telephone service call 546-0457.*

**DRAFT**  
**CITY OF SHORELINE**

**SHORELINE PLANNING COMMISSION**  
**MINUTES OF REGULAR MEETING**  
*(Via Zoom)*

January 6, 2022  
7:00 P.M.

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**Commissioners Present**

Chair Pam Sager  
Commissioner Julius Rwamashongye  
Commissioner Jack Malek  
Commissioner Janelle Callahan  
Commissioner Andy Galuska  
Commissioner Mei-shiou Lin

**Staff Present**

Rachel Markle, Planning Director  
Andrew Bauer, Planning Manager  
Steve Szafran, Senior Planner  
Julie Ainsworth-Taylor, Assistant City Attorney  
Carla Hoekzema, Planning Commission Clerk

**CALL TO ORDER**

Chair Sager called the regular meeting of the Shoreline Planning Commission to order at 7:00 p.m.

**ROLL CALL**

Ms. Hoekzema called the roll.

**APPROVAL OF AGENDA**

The agenda was accepted as presented.

**APPROVAL OF MINUTES**

The minutes of December 16, 2021 were accepted as presented.

**GENERAL PUBLIC COMMENT**

There were no general public comments.

**STUDY ITEM: 2021 DEVELOPMENT CODE AMENDMENTS – BATCH #2 – MISCELLANEOUS, SEPA AND TREE AMENDMENTS**

Staff Presentation:

Senior Planner Szafran presented the 2021 Development Code Amendments Batch #2.

Miscellaneous Amendments: The staff-initiated amendments discussed on July 15 are a mix of updates, clarification and policy changes to parking, setbacks, adaptive reuse of commercial buildings. The Planning Commission previously focused on the following amendments:

- Amendment #8 – Lots with two front yards may reduce one of the yard setbacks by half the setback specified in Table 20.50.020(1). The Director will determine the reduced front yard setback based on the development pattern of adjacent houses and look of lot access.
- Amendment #9 – Another section similar to above pertaining to reduced setbacks for lots with two front yards.
- Amendment #11 – Commercial adaptive reuse of existing commercial buildings – would exempt certain site improvements for uses such as theater, health club, daycare, offices, retail trade and services, eating and drinking establishments if other criteria are met.
- Amendment #13 – This would delete the requirement that parking for residential, units must be included in the rental or sales price of the apartment or condo unit. Staff believes this should be removed to provide affordability and equity as well as meet sustainability goals.

SEPA (State Environmental Policy Act) Amendments – These staff-initiated amendments are related to the way certain permits are reviewed and appealed and how SEPA, if required, is reviewed and appealed.

Tree Amendments – These mostly privately-initiated amendments relate to the regulation of trees which include new revised definitions, protection of trees during development, tree retention, tree replacement, and public notification when trees are removed in the public right-of-way.

Next steps include a public hearing with the Planning Commission on February 3, Council discussion on February 28 and March 7, and potential Council action on March 21.

Public Comment:

Wally Fosmore, Shoreline resident, Tree Preservation Code Team member, spoke in support of Amendment #6 which ensures trees on new development sites will be protected during clearing and grading. It provides stop work orders, remedies, and penalties for injury or obstruction of trees. Trees on development sites are at the greatest risk of being lost. This would apply to new development in R8, R12, R24, R48, TC4, MUR35 and MUR45 zones. This code was submitted to the City more than a year ago. If necessary, this code should be studied by staff within the 60 days prior to Council review so staff can submit their study to the Council in February.

Martha Diesner, Shoreline resident, Tree Preservation Code Team member, spoke in support of Amendment #10, Tree Replacements. She asked that exception SMC 20.50.360(c), item b be simplified to state that the developer can replace trees on site or pay the fee-in-lieu for tree replacement. The code as presented by the Code Team would require replacement of all significant trees required by code on site, replace as many as possible and pay the fee-in-lieu for trees not accommodated on site, or the developer can redesign the building or structure to accommodate significant tree replacement.

**DRAFT**

Suzanne Tsoming, Shoreline resident, Tree Preservation Code Team member, spoke in support of Amendment #2, Definitions, which would change the standard diameter at breast height (DBH) measurements to 6” DBH for a significant tree and 24” DBH for a landmark tree. Regarding Amendment #6, General Requirements, stop work orders and penalties only currently exist to protect trees on critical areas or critical areas buffers. The Code Team recommends the same protection for trees in residential zones from R8 to R48, in Town Center 4, and in MUR35 and MUR45. Regarding Amendment #7, Exemption from Permit, the Code Team created a table entitled Maximum Number of Trees Exempt on 1 acre to 25 acres.

Gayle Janzen, North Seattle resident, Tree Preservation Code Team member, summarized several tree code amendments:

- Amendment #8 – Increase the Retention of Significant Trees on development sites to 25%. The Code Team originally included incentives to retain more trees, but staff considered these to be labor intensive. The Code Team asked the Planning Commission to ask staff to develop appropriate incentives to retain more than 25% trees.
- Amendment #9 – Deny the word “waive” and eliminate the word “reduce”
- Amendment #10 – Tree replacements should be on site or a fee-in-lieu should be paid

Nancy Morris, Shoreline resident, Tree Preservation Code Team member, spoke to the importance of preserving tree canopy and mature trees. She urged the Planning Commission to recommend the new protective tree code amendments to the City Council.

Kathleen Russell, Shoreline resident, Tree Preservation Code Team member, asked the Planning Commission to recommend the amendments proposed by the Code Team to the City Council.

Michael Oxman, Seattle resident, Tree Preservation Code Team member, encouraged Shoreline to pass these amendments to protect trees and require that new construction go alongside existing trees without encroaching into the root zones or the canopy area of the tree very much. This is essential for ecosystem health and residents’ emotional and mental health.

Discussion:

Commissioner Malek asked about the percentage of the city that these regulations would apply to. Planning Director Markle commented that these regulations would apply to approximately 80-82% of the City.

This item will be forwarded to a Public Hearing next month.

### **UNFINISHED BUSINESS**

None

### **NEW BUSINESS**

**DRAFT**

**Election of Planning Commission Vice Chair**

**COMMISSIONER MALEK NOMINATED COMMISSIONER RWAMASHONGYE AS VICE CHAIR. COMMISSIONER RWAMASHONGYE WAS UNANIMOUSLY ELECTED VICE CHAIR.**

**REPORTS OF COMMITTEES AND COMMISSIONER ANNOUNCEMENTS**

Commissioner Malek gave a brief history of the Point Wells issue on behalf of the Point Wells Sub Committee. Assistant City Attorney Taylor commented that the judge has not made a ruling yet.

**AGENDA FOR NEXT MEETING**

The next meeting is scheduled for January 20, 2022.

**ADJOURNMENT**

The meeting was adjourned at 7:46 p.m.

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Pam Sager  
Chair, Planning Commission

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Carla Hoekzema  
Clerk, Planning Commission

## 6a. Staff Report - MUR-70' Zone Development Code Amendments

Planning Commission Meeting Date: January 20, 2022

Agenda Item: 6a.

### PLANNING COMMISSION AGENDA ITEM

CITY OF SHORELINE, WASHINGTON

**AGENDA TITLE:** MUR-70' Zone Development Code Amendments

**DEPARTMENT:** Planning & Community Development

**PRESENTED BY:** Andrew Bauer, Planning Manager

Public Hearing

Study Session

Recommendation Only

Discussion

Update

Other

#### INTRODUCTION

Development activity in the MUR-70' zone has not occurred at the same pace relative to the other MUR zones in the first 6+ years since adoption. The Planning Commission directed staff at their December 2, 2021 meeting to prepare draft Development Code amendments to expand parking reductions as well as change the building height and development agreement requirements in response to the joint City Council-Planning Commission discussion on October 25, 2021.

At tonight's meeting, staff will present draft Development Code amendments in response from the Planning Commission's direction and intended to facilitate development in the MUR-70' zone.

#### BACKGROUND

The City's light rail station subarea plans were adopted in 2015 and 2016, respectively. The plans call for the subareas surrounding the future light rail stations to transform into compact transit-oriented communities with a range of housing types, open space, and services. The plans are generally performing as anticipated through the first 6+ years since adoption.

Many of the development challenges identified in the plans are playing out, such as aggregating small lots into sites large enough to accommodate the scale of development envisioned – particularly in the MUR-70' zone where the highest density development is allowed.

Even with these challenges, there are approximately 1,200 new apartment units in varying stages of the permit pipeline. However, as with any plan, refinements and updates are periodically needed to respond to feedback and outcomes observed. The purpose of the Development Code amendments is to refine the code to facilitate better development outcomes in the MUR-70' zone without compromising on core elements of the plans which advance the broader citywide goals such as creating housing choices affordable to range of income levels and supporting sustainability goals.

Approved By:      Project Manager: *AB*      Planning Director: *RM*

## **6a. Staff Report - MUR-70' Zone Development Code Amendments**

### **Previous Planning Commission Discussions**

At the December 3, 2020 Planning Commission meeting the 185<sup>th</sup> Station Subarea Plan Progress Report was presented which included an update on growth within the 185<sup>th</sup> subarea and key findings. The staff report can be viewed at the following link:

<https://www.shorelinewa.gov/home/showpublisheddocument/50349/637419051635830000>.

On October 25, 2021, a joint meeting was convened between the City Council and Planning Commission to discuss a range of potential Development Code amendments for the MUR-70' zone. The staff report can be viewed at the following link:

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2021/staffreport102521-8a.pdf>.

At the December 2, 2021 meeting, Planning Commission directed staff to prepare Development Code amendments that would allow further parking reductions as well as explore options that would increase the building height allowance and development agreement threshold. The staff report can be viewed at the following link:

<https://www.shorelinewa.gov/home/showpublisheddocument/53473/637733632657730000>.

### **DISCUSSION**

The draft Development Code amendments (Attachments A and B) would:

1. Establish provisions to reduce off-street parking requirements up to 50%, with approval of a Transportation Demand Management (TDM) Plan.
2. Increase the base building height allowance up to 80 feet, but not exceeding seven stories above the average existing grade.
3. Increase the allowable building height to 100 feet (approximately 10 stories), without the need for a development agreement, when additional development requirements are met.
4. Continue to require a development agreement to achieve the maximum height of 140 feet, but with revised requirements to achieve the maximum height.

### **Parking Reductions**

Off street parking requirements can add significant cost to an overall development which is often passed on in the form of higher rents to tenants. SMC 20.50.400 allows a maximum 25% reduction of the minimum number of parking stalls for development within a quarter mile of a high capacity transit stop (i.e. bus rapid transit, light rail). The quarter mile distance does not capture all MUR-70' zoned properties. The Planning Commission directed staff to prepare amendments which would allow parking reductions greater than 25% for development in the MUR-70' zone with approval of a TDM plan, as noted above.

The proposed amendments (Attachment A) would allow a reduction in the minimum required parking stalls of up to 50% for new residential, mixed use, and commercial



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development. The development would need to include either a minimum of 100 dwelling units or 10,000 square feet of commercial floor area to be eligible for the reduction. The development would also be required to prepare a Transportation Demand Management Plan that would be reviewed and subject to approval by the Director.

### Transportation Demand Management

Transportation Demand Management (TDM) is a broad concept which has evolved over time. The US Department of Transportation notes that TDM is defined as a set of strategies aimed at maximizing travel choices. Traditionally, these strategies have been narrowly focused on commuter trips, but has evolved to encapsulate numerous strategies aimed to complement transportation infrastructure, including parking. TDM strategies have rapidly grown in recent years with the rise in new technologies. A list of example TDM strategies include:

- Bikeshare/carshare
- Free or reduced cost transit passes
- Enhanced bike facilities (e.g. storage, maintenance area, etc.)
- Wayfinding for non-vehicle trips
- Marketing and communications on alternative transportation options

TDM examples in the City include a recent multifamily development on Aurora which has committed to implementing bikeshare and is anticipating carshare options will be available to its residents in the future.

As noted above, the draft amendments would allow parking reductions up to 50%, provided the applicant prepares a TDM and it is approved by the City. In addition to project-specific strategies that could be included in a TDM, the amendments reference a list of strategies that will be maintained by the Director. Maintaining a list of TDM strategies as a companion to the Development Code (rather than adopted directly into the code) allows for flexibility to respond to rapidly changing transportation technologies as well as a way to prioritize strategies that advance City goals. For example, a TDM strategy could include contribution toward implementation of a mobility hub similar to the ideas presented at the June 3, 2021 Planning Commission meeting. The staff report on mobility hubs can be found at the following link:

<https://www.shorelinewa.gov/home/showdocument?id=51832>.

The proposed amendments also would require ongoing monitoring of the success of the TDM strategies and allow for adjustments to be made throughout the life of the development.

At the request of the City, the owner would be required to provide parking utilization data and an assessment of the plan's performance. Changes would need to be made in instances where the plan is found to be underperforming. Understanding the off-street parking utilization trends and having a mechanism in place to adapt will be particularly important components of managing the overall parking system in the years to come as the light rail station subareas are built out and demands for parking change.

### Parking Reduction Example

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The October 25, 2021 staff report included a comparison of how the City's parking regulations stack up against other cities in the region with either existing light rail stations or stations opening in the near future.

The comparison in Table 1 below highlights the City's parking requirements without a reduction, with the current maximum 25% reduction, and with the proposed 50% reduction. The comparison is based on a residential development scenario of 200 units.

Table 1 – Parking Comparison for 200 Residential Units

Unit Type	Units	Shoreline	Mountlake Terrace	Lynnwood	Bellevue (Spring District)	Seattle (Northgate & Roosevelt Station Overlays)
Studio	50	37.5	25	25	37.5	0
1 BR	100	75	75	50	75	0
2 BR	50	75	50	25	37.5	0
<b>Total</b>	<b>200</b>	<b>188 w/o reduction</b> <b>139 w/25% reduction*</b> <b>94 w/50% reduction**</b>	<b>150</b>	<b>100</b>	<b>150</b>	<b>0</b>
<b>Ratio - Stalls per unit</b>	--	<b>1.06 w/o reduction</b> <b>0.70 w/25% reduction*</b> <b>0.47 w/50% reduction**</b>	<b>0.75</b>	<b>0.5</b>	<b>0.75</b>	<b>0</b> <b>No minimum in overlay areas</b>

\*25% reduction applies to properties within ¼ mile of light rail station

\*\*up to 50% reduction (proposed draft) with approved TDM

### Parking Reduction Alternatives

1. Parking reduction up to 50% with TDM
2. Parking reductions more than 25%, but less than 50% with TDM
3. No further parking reductions beyond 25% (maximum currently allowed)

### **Building Height and Development Agreement Process**

The existing building height regulations in the MUR-70' zone are as follows:

- 70 feet – base height, allowed outright
- 80 feet – when at least 10 percent of significant trees are retained
- 90 feet – when at least 20 percent of significant trees are retained
- 140 feet – with approved Development Agreement

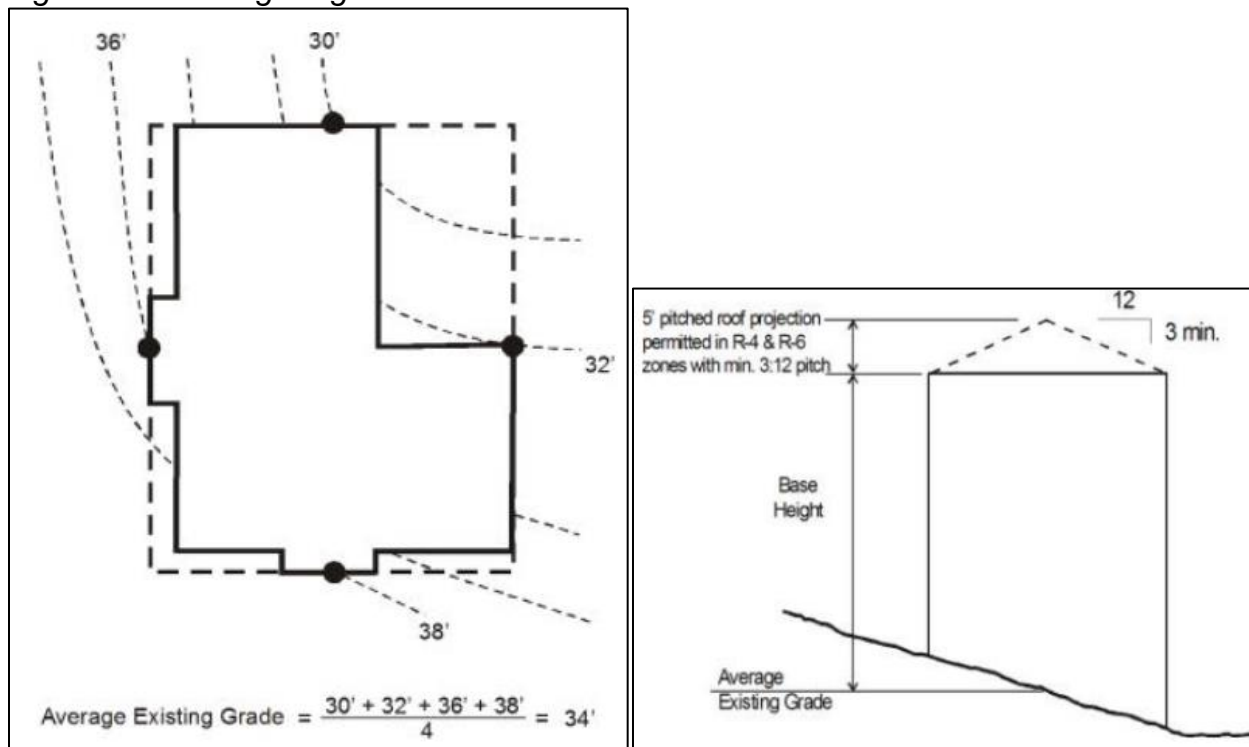
## 6a. Staff Report - MUR-70' Zone Development Code Amendments

### Increase to Base Height

The draft Development Code amendments (Attachment B) would increase the base building height in the MUR-70' zone to 80 feet, but would not allow buildings to exceed seven stories above average grade. Increasing the base height addresses complications some developments are encountering due to the City's method of calculating building height.

As illustrated in Figure 1, building height is measured from the "average existing grade" to the highest point of the roof (SMC 20.50.050). Buildings with large footprints and variation in grade from one elevation to the next are impacted with an "average existing grade" that is more restrictive than the intent of the 70 foot height allowance (e.g. seven stories). The proposed amendment would allow more design flexibility for larger buildings while not allowing another story of development.

Figure 1 – Building Height Measurement Method



### Development Agreement Requirements to Achieve Maximum Height

As currently written, a development agreement is required to achieve the maximum 140 foot height in the MUR-70' zone. A development agreement is a legislative decision that requires a public hearing, recommendation by the Planning Commission, and a final decision by the City Council.

As part of the development agreement, the requirements in SMC 20.30.355.D must be satisfied, which include:

- 20% of units are affordable at 60% of the area median income (AMI) for 99 years or 10% of units are affordable at 50% AMI (this represents deeper affordability than already required in SMC 20.40.235.B);
- The entire development is to be built to LEED Gold standards;

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- 90% of parking is to be within a structure;
- Agreement to purchase transfer of development rights (TDR) credits;
- Park space dedication; and
- Two of the following:
  - Entire site uses combined heat and power infrastructure or district energy.
  - Commercial space of 40,000 square feet or more.
  - 30% of the ground floor provides neighborhood amenities such as nonprofit office space, restaurant, etc.
  - 2% of the building construction value shall be paid to fund parks, open space, art, or other recreational opportunities.
  - Provide additional off-site frontage improvements that connect to nearby amenities such as transit, commercial areas, etc.
  - Provide street-to-street public access such as an alley or multimodal path.

To date, there has not been any developer interest in utilizing the development agreement process in the MUR-70' zone. The lack of interest likely originates from two factors:

1. The construction type for buildings over seven stories (approximately 70 feet) changes from wood frame to concrete and steel, which significantly increases construction costs impacting the financial viability of high rise buildings at this time; and
2. The development agreement process can be a lengthy legislative process with several additional development requirements (noted above) that add costs to the overall project.

### Financial Feasibility Analysis

The City hired FCS Group in 2021 to conduct a financial feasibility analysis of development scenarios in the MUR-70' zone (Attachment C). Three scenarios were analyzed:

1. Scenario 1: Six stories over structured parking
2. Scenario 2: Eight stories over structured parking
3. Scenario 3: 13 stories over structured parking

The analysis found that in the current market and with current development requirements, the eight and 13 story high-rise scenarios are not financially viable.

However, a sensitivity analysis was conducted to determine which regulations most influence the overall financial viability. Of the six factors identified, one is already in effect (multifamily tax exemption), and two are under consideration (allowance for landlords to charge tenants for parking under review with the 2021 Development Code batch amendments, and reducing parking requirements under consideration here). Based on the FCS Group analysis, these three regulatory changes could significantly decrease, if not close entirely, the financial gap for high rise buildings.

### Draft Building Height and Development Agreement Amendment

The draft amendments would also establish a new building height allowance of 100 feet (approximately 10 stories), without the need for a development agreement. Many of the

## 6a. Staff Report - MUR-70' Zone Development Code Amendments

existing requirements to achieve this additional height would be retained (or revised), but would no longer necessitate the need for a development agreement.

To achieve 100 feet, a development would need to provide 20% of units affordable at 60% AMI or 10% of units are affordable at 50% AMI, and provide either 10,000 square feet of commercial space or devote 30% of the ground floor area to neighborhood amenities.

A development agreement would continue to be required to achieve building heights above 100 feet and up to a maximum of 140 feet. These developments would need to meet all of the requirements necessary of meeting 100 feet (affordable housing, commercial space or ground floor neighborhood amenity) and in addition would need to contribute one percent of the building construction valuation toward art/placemaking amenities, provide infrastructure improvements that will benefit the subarea, and off-site frontage improvements to connect the development to nearby amenities such as transit.

Below are the development agreement requirements that are proposed to be removed, or revised, and a brief explanation of the changes:

1. Affordable Housing: The requirements for affordable housing are unchanged. They now reference the existing provisions in SMC 20.40.235.
2. LEED Gold: The requirement the entire development be built to LEED Gold standards is proposed to be removed. This standard is duplicative because development in the MUR-70' zone must meet the Built Green 4-Star certification, which is a roughly equivalent (if not slightly higher) green certification (SMC 20.40.046.D).
3. Structured Parking: The requirement that at least 90 percent of parking be within a structure is proposed to be removed. The development being proposed are incorporating structured parking even without this requirement. In addition, existing design standards should adequately address the placement and screening of any surface parking stalls.
4. Provision for Park Space: The requirement for dedication of park space is proposed to be revised to include park, recreation, open space, or plaza area and clarifies this area is in addition to what is already required within the commercial and multifamily design standards.
5. Purchase of TDR Credits: The requirement to purchase transfer of development rights (TDR) credits is proposed to be removed. Future amendments will establish a TDR program within the City and at that time it is possible TDR requirements could be included once again as a requirement. However, at this time the City's TDR program is not in a position to manage a transaction.
6. District Energy: The requirement for the use of district energy or combined heat and power infrastructure is proposed to be removed. This option is unlikely to be utilized, however there would be no restrictions to preclude a development utilizing these technologies on their own or as part of a green building certification associated with the City's Deep Green Incentive Program.
7. Commercial Space: The requirement for 40,000 square feet of commercial space has been revised down to 10,000 square feet and moved to Footnote #11 in Table 20.50.020(2). While creating new commercial space remains a goal for the MUR-70' zones, there is economic analysis to suggest there is a lack of market

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demand for commercial space, particularly in the early stages of the subarea's transformation. Requiring too much commercial space and too soon could have negative outcomes and negatively impact the viability of a development. Providing commercial space would be one of the two available options to achieve a building height above 9 stories.

8. Ground Floor Amenities: The requirement for 30 percent of the ground floor area be devoted to neighborhood amenities has been moved to Footnote #11 in Table 20.50.020(2). There are no substantive changes to this requirement. Providing a ground floor amenity would be one of the two available options to achieve a building height above 9 stories.
9. Financial Contribution to Parks: The requirement to provide two percent of the building construction valuation toward parks or open space has been revised. The City now has a Park Impact Fee assessed on new development which was not in place at the time this provision was originally adopted. This requirement instead has been revised to assess a one percent fee on the building construction valuation to be contributed toward art or place making amenities.
10. Off-Site Improvements: The requirement for off site improvements to amenities is proposed to be revised to more broadly encompass a range of potential improvements a development could propose that would provide a public benefit to the subarea.

Taken together, the draft amendments are intended to remove regulatory barriers to high rise construction and facilitate growth that allow more people to live in proximity to the light rail stations. The additional requirements to achieve the added height are intended to be important components of creating a complete neighborhood with housing affordable to a range of households, parks/open space, art, and the infrastructure to support it.

In summary, the proposed height allowances would be as follows:

- 80 feet, not to exceed 7 stories – base height, allowed outright
- 8 stories – when at least 10 percent of significant trees are retained
- 9 stories – when at least 20 percent of significant trees are retained
- 100 feet – provide additional affordable housing, commercial or ground floor amenity
- 140 feet – development agreement required with 1% for art, infrastructure and off-site improvements, and requirements listed to achieve 100 feet

### Building Height and Development Agreement Alternatives Proposed for Discussion

1. Increase base height to 80 feet, establish 100 foot height without development agreement, and 140 feet with development agreement (as described above)
2. Increase base height to 80 feet, heights nine stories+ continue to require development agreement but with revised requirements
3. Increase base height to 80 feet, but keep all other heights and development agreement requirements as-is

## STAKEHOLDER ENGAGEMENT

## **6a. Staff Report - MUR-70' Zone Development Code Amendments**

With direction and feedback from the Planning Commission tonight, staff will refine the draft Development Code amendments and share them with the Developer Stakeholder Group and other key stakeholders for comment. The results of that engagement will be shared with the Planning Commission at a future meeting.

### **NEXT STEPS**

The tentative next steps are as follows:

- Refine draft Development Code amendments
- Comments and feedback from stakeholders
- Share with Planning Commission results of stakeholder feedback
- Prepare SEPA analysis and final draft amendments
- Issue SEPA determination
- Conduct public hearing
- Planning Commission recommendation
- City Council consideration and final action

### **RECOMMENDATION**

There is no staff recommendation at this time. Staff is seeking direction and feedback on the draft Development Code amendments prior to presenting to stakeholders for additional comment.

### **ATTACHMENTS**

Attachment A – Draft Development Code Amendments for Parking Reductions; SMC 20.50.400.

Attachment B – Draft Development Code Amendments for Height and Development Agreements; SMC 20.30.355, SMC 20.40.235; SMC 20.50.020

Attachment C – Development Financial Analysis prepared by FCS Group

**SMC 20.50.400 Reductions to minimum parking requirements.**

- A. Reductions of up to 25 percent may be approved by the Director when subsection (A)(1) of this section is met, or when a combination of two or more of the following subsections (A)(2) through (9) of this section is met:
1. A high-capacity transit service stop (e.g., bus rapid transit, light rail) is within one-quarter mile of the development's property line. This provision applies to developments seeking reductions prior to and after commencement of revenue service at new stops.
  2. A parking demand analysis prepared by a qualified professional demonstrates that parking demand can be satisfied with a reduced parking requirement.
  3. There is a shared parking agreement with nearby parcels within reasonable proximity where land uses do not have conflicting parking demands. A record on title with King County is required.
  4. A parking management plan is prepared by the applicant according to criteria established by the Director.
  5. A City-approved residential parking zone (RPZ) is established for the surrounding neighborhood within a one-quarter mile radius of the development's property line. The management cost for the RPZ must be paid by the applicant and/or property owner on an annual basis.
  6. A public access easement that is a minimum of eight feet wide, safely lit, and connects through a parcel between at least two different rights-of-way. The access easement shall be developed with a sidewalk or shared use path that complies with the Engineering Design Manual. This easement may include other pedestrian facilities such as plazas and bike facilities.
  7. Retention of at least 20 percent of the significant trees on a site zoned MUR-70'.
  8. Replacement of all significant trees removed on a site zoned MUR-70' as follows:
    - a. One existing significant tree of eight inches in diameter at breast height for conifers or 12 inches in diameter at breast height for all others equals one new tree.
    - b. Each additional three inches in diameter at breast height equals one additional new tree, up to three trees per significant tree removed.



**Att. A - Draft Development Code Amendments for Parking Reductions**  
**Draft Development Code Amendments – MUR-70' Zone**

Rev. 1/12/2022

- c. Minimum Size Requirements for Replacement Trees Under this Subsection. Deciduous trees shall be at least one and one-half inches in caliper and evergreens at least six feet in height.
  9. On-site dedicated parking spaces for a car-sharing service with an agreement with the provider(s).
- B. Parking reductions for Deep Green Incentive Program projects are set forth in SMC 20.50.630.
- C. Parking reductions of up to 50 percent may be approved for new residential, mixed-use, and commercial development in the MUR-70' zone containing 100 dwelling units or more, or 10,000 gross square feet of commercial floor area or more, provided the following criteria are satisfied:
1. A Transportation Demand Management Plan is prepared by a qualified professional and shall:
    - a. Assess actual parking demand based on proposed land uses and the existing and future neighborhood land use context;
    - b. Identify project-specific strategies, which may include strategies on a list established and maintained by the Director, that will be implemented to reduce the development's parking demand; and
    - c. Establish clear performance objectives and a mechanism for ongoing monitoring and adjustment of the TDM strategies to adapt to changing conditions throughout the life of the development.
  2. Upon request by the City, the owner shall provide parking utilization data for the development and an assessment of the TDM Plan's performance and whether it is meeting objectives. If deficiencies in meeting objectives are found, the owner shall revise the plan and it shall be reviewed pursuant to subsection (C) of this section.
- ~~GD.~~ A request for a parking reduction shall be processed as a Type A action, as set forth in SMC 20.30, Subchapter 2.
- ~~DE.~~ When granting a parking reduction, the Director may impose performance standards and conditions of approval on a project, including a financial guarantee.
- ~~EF.~~ Reductions of up to 50 percent may be approved by the Director for the portion of housing providing low-income housing units that are 60 percent of AMI or less as defined by the U.S. Department of Housing and Urban Development. ~~This parking reduction may be combined with parking reductions identified in subsection A of this section.~~

**Att. A - Draft Development Code Amendments for Parking Reductions**

**Draft Development Code Amendments – MUR-70' Zone**

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FG. Parking reductions in subsections (A) through (C) and subsection (E) of this section may not be combined for affordable housing or the Deep Green Incentive Program may not be combined with parking reductions identified in subsection A of this section.

**Att. B - Draft Development Code Amendments for Height and Development Agreements**  
**Draft Development Code Amendments – MUR-70' Zone**

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**SMC 20.30.355 Development agreement (Type L).**

- A. **Purpose.** To define the development of property in order to implement framework goals to achieve the City's adopted vision as stated in the Comprehensive Plan. A development agreement is permitted in all zones and may modify development standards contained in Chapter 20.50 SMC. A development agreement in the MUR-70' zone may be approved to allow increased development potential above the zoning requirements in Chapter 20.50 SMC.
- B. **Development Agreement Contents (General).** A development agreement shall set forth the development standards and other provisions that shall apply to govern and vest the development, use, and mitigation of the development of the real property for the duration specified in the agreement (RCW 36.70B.170). Each development agreement approved by the City Council shall contain the development standards applicable to the subject real property. For the purposes of this section, "development standards" includes, but is not limited to:
1. Project elements such as permitted uses, residential densities, and nonresidential densities and intensities or building sizes;
  2. The amount and payment of impact fees imposed or agreed to in accordance with any applicable provisions of State law, any reimbursement provisions, other financial contributions by the property owner, inspection fees, or dedications;
  3. Mitigation measures, development conditions, and other requirements under Chapter 43.21C RCW;
  4. Design standards such as maximum heights, setbacks, drainage and water quality requirements, landscaping, and other development features;
  5. Affordable housing units;
  6. Parks and open space preservation;
  7. Phasing of development;
  8. Review procedures and standards for implementing decisions;
  9. A build-out or vesting period for applicable standards;
  10. Any other appropriate development requirement or procedure;
  11. Preservation of significant trees; and
  12. Connecting, establishing, and improving nonmotorized access.
- C. **Decision Criteria.** A development agreement (general development agreement and development agreements in order to increase height above 70 feet) may be granted by the City only if the applicant demonstrates that:
1. The project is consistent with goals and policies of the Comprehensive Plan. If the project is located within a subarea plan, then the project shall be consistent with the goals and policies of the subarea plan.
  2. The proposed development uses innovative, aesthetic, energy-efficient and environmentally sustainable architecture and site design.

**Att. B - Draft Development Code Amendments for Height and Development Agreements**  
**Draft Development Code Amendments – MUR-70' Zone**

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3. There is either sufficient capacity and infrastructure (e.g., roads, sidewalks, bike lanes) that meet the City's adopted level of service standards (as confirmed by the performance of a transportation impact analysis) in the transportation system (motorized and nonmotorized) to safely support the development proposed in all future phases or there will be adequate capacity and infrastructure by the time each phase of development is completed. If capacity or infrastructure must be increased to support the proposed development agreement, then the applicant must identify a plan for funding their proportionate share of the improvements.
4. There is either sufficient capacity within public services such as water, sewer and stormwater to adequately serve the development proposal in all future phases, or there will be adequate capacity available by the time each phase of development is completed. If capacity must be increased to support the proposed development agreement, then the applicant must identify a plan for funding their proportionate share of the improvements.
5. The development agreement proposal contains architectural design (including but not limited to building setbacks, insets, facade breaks, roofline variations) and site design standards, landscaping, provisions for open space and/or recreation areas, retention of significant trees, parking/traffic management and multimodal transportation improvements and other features that minimize conflicts and create transitions between the proposal site and property zoned R-4, R-6, R-8 or MUR-35'.
6. The project is consistent with the standards of the critical areas regulations, Chapter 20.80 SMC, Critical Areas, or Shoreline Master Program, SMC Title 20, Division II, and applicable permits/approvals are obtained.

**D. Development Agreement Contents for Property Zoned MUR-70' in Order to Increase Height Above 70 100 Feet.** Each development agreement approved by the City Council for property zoned MUR-70' for increased development potential above the provision of the MUR-70' zone shall contain the following:

~~1. The affordable housing requirements in SMC 20.40.235 shall be satisfied for developments with a building height of 100 feet or more. Twenty percent of the housing units constructed on site shall be affordable to those earning less than 60 percent of the median income for King County adjusted for household size. The units shall remain affordable for a period of no less than 99 years. The number of affordable housing units may be decreased to 10 percent if the level of affordability is increased to 50 percent of the median income for King County adjusted for household size. A fee in lieu of constructing any fractional portion of mandatory units is based on the adopted fee schedule (Chapter 3.01 SMC). Full units are not eligible for the fee in lieu option and must be built on site. The fee will be specified in SMC Title 3.~~

~~2. Entire development is built to LEED Gold standards.~~

**Att. B - Draft Development Code Amendments for Height and Development Agreements**  
**Draft Development Code Amendments – MUR-70' Zone**

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~~3.— Structured parking for at least 90 percent of the required parking spaces for a development. Structured parking includes underground parking, under-building parking and aboveground parking garage. Unstructured parking shall be located interior to the site.~~

~~4.— An agreement to purchase transfer of development rights (TDR) credits at a rate of \$5,000 per unit up to a maximum of 50 TDRs per development agreement as authorized by the City Council and not to exceed Shoreline's allocation of TDR credits.~~

~~5<sup>2</sup>. Applicant shall dedicate provide park, recreation, open space, or plaza area open and accessible to the public. The area shall be in addition to the requirements for Public Places and Multifamily Open Space in SMC 20.50.240 subsection (F) and (G). sufficient to accommodate each projected resident of the development, to be determined by a formula to be established by rule in consultation with the Parks Board. Dedicated space must be open and accessible to the public from a public street.~~

~~3. Development shall satisfy the requirements for exceeding the base height allowance in Table 20.50.020(2), footnote 11.~~

~~6.— Development agreements in MUR-70' shall include at least two of the following components and may not be combined:~~

~~a.— Entire site uses combined heat and power infrastructure or district energy.~~

~~b.— Commercial space of at least 40,000 square feet.~~

~~c.— Thirty percent of the ground floor area for neighborhood amenities that may include areas open and accessible for the community, office space for nonprofit organizations, an eating or drinking establishment, or other space that may be used for community functions.~~

~~d<sup>4</sup>. Two-Provide one percent of the building construction valuation shall to be paid by the applicant property owner/developer for contribution toward art or placemaking amenities that are open and accessible to the public; or to the City to fund public parks, open space, art, or other recreational opportunities open and accessible to the public within the station subarea as defined in the City's Parks, Recreation, and Open Space Plan.~~

~~e<sup>5</sup>. Provide subarea improvements such as, utility infrastructure system improvements, additional-off-site frontage improvements (consistent with as required by the Engineering Development Manual), or installation of amenities such as transit stop shelters, lighting, or wayfinding signage. that connect a proposed development to amenities near the subject project. Amenities may include transit stops, light rail station, commercial uses, etc.~~

**Att. B - Draft Development Code Amendments for Height and Development Agreements**  
**Draft Development Code Amendments – MUR-70' Zone**

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~~f. Providing street-to-street dedicated public access. Examples include an alley, pedestrian/bicycle path, or other nonmotorized vehicle trail.~~

**E. Development Agreement Approval Procedures.** The City Council may approve development agreements through the following procedure:

1. A development agreement application incorporating the elements stated in subsection B of this section may be submitted by a property owner with any additional related information as determined by the Director. After staff review and SEPA compliance, the Planning Commission shall conduct a public hearing on the application. The Planning Commission shall then make a recommendation to the City Council pursuant to the criteria set forth in subsection C of this section and the applicable goals and policies of the Comprehensive Plan. The City Council shall approve, approve with additional conditions, or deny the development agreement. The City Council shall approve the development agreement by ordinance or resolution;

2. **Recorded Development Agreement.** Upon City Council approval of a development agreement under the procedure set forth in this subsection E, the property owner shall execute and record the development agreement with the King County Recorder's Office to run with the land and bind and govern development of the property.

**SMC 20.40.235 Affordable housing, light rail station subareas.**

- A. The purpose of this index criterion is to implement the goals and policies adopted in the Comprehensive Plan to provide housing opportunities for all economic groups in the City's light rail station subareas. It is also the purpose of this criterion to:
1. Ensure a portion of the housing provided in the City is affordable housing;
  2. Create an affordable housing program that may be used with other local housing incentives authorized by the City Council, such as a multifamily tax exemption program, and other public and private resources to promote affordable housing;
  3. Use increased development capacity created by the mixed-use residential zones to develop voluntary and mandatory programs for affordable housing.
- B. Affordable housing is voluntary in MUR-35' and mandatory in the MUR-45' and MUR-70' zones. The following provisions shall apply to all affordable housing units required by, or allowed through, any provisions of the Shoreline Municipal Code:
1. The City provides various incentives and other public resources to promote affordable housing. Specific regulations providing for affordable housing are described below:

	<u>MUR-70'+ (100-140')</u>	MUR-70'	MUR-45'	MUR-35'
<b>Mandatory Participation</b>	Yes	Yes	Yes	No

**Att. B - Draft Development Code Amendments for Height and Development Agreements**  
**Draft Development Code Amendments – MUR-70' Zone**

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	<b>MUR-70'+ (100-140')</b>	<b>MUR-70'</b>	<b>MUR-45'</b>	<b>MUR-35'</b>
<b>Incentives (3) (4)</b>	Height may be increased above 70 ft.; no density limits; and may be eligible for 12-year, or 20-year property tax exemption (PTE) pursuant to Chapter 3.27 SMC; permit fee reduction pursuant to SMC 20.40.235(F); and impact fee reduction pursuant to SMC Title 3.	Entitlement of 70 80 ft. height, not to exceed 7 stories; no density limits; and may be eligible for 12-year, or 20-year property tax exemption (PTE) pursuant to Chapter 3.27 SMC; permit fee reduction pursuant to SMC 20.40.235(F); and impact fee reduction pursuant to SMC Title 3.	Entitlement of 45 ft. height; no density limits; and may be eligible for 12-year, or 20-year property tax exemption (PTE) pursuant to Chapter 3.27 SMC; permit fee reduction pursuant to SMC 20.40.235(F); and impact fee reduction pursuant to SMC Title 3.	No density limits; and may be eligible for 12-year, or 20-year property tax exemption (PTE) pursuant to Chapter 3.27 SMC; permit fee reduction pursuant to SMC 20.40.235(F); and impact fee reduction pursuant to SMC Title 3.
<b>Studio, 1 bedroom (3) (4)</b>	20% of rental units shall be affordable to households making 60% or less of the median income for King County adjusted for household size; or 10% of rental units shall be affordable to households making 50% or less of the median income for King County adjusted for household size.	20% of rental units shall be affordable to households making 70% or less of the median income for King County adjusted for household size; or 10% of rental units shall be affordable to households making 60% or less of the median income for King County adjusted for household size.		
<b>2+ bedrooms (3) (4)</b>	20% of the rental units shall be affordable to households making 70% or less of the median income for King County adjusted	20% of the rental units shall be affordable to households making 80% or less of the median income for King County adjusted for household size; or 10% of the rental units shall be affordable to households making 70% or less of the median income for King County adjusted for household size.		

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**Draft Development Code Amendments – MUR-70' Zone**

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	<b>MUR-70'+ (100-140')</b>	<b>MUR-70'</b>	<b>MUR-45'</b>	<b>MUR-35'</b>
	for household size; or 10% of the rental units shall be affordable to households making 60% or less of the median income for King County adjusted for household size.			

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**SMC 20.50.020 Dimensional requirements.**

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Table 20.50.020(2) – Densities and Dimensions in Mixed Use Residential Zones.

Note: Exceptions to the numerical standards in this table are noted in parentheses and described below.

<b>STANDARDS</b>	<b>MUR-35'</b>	<b>MUR-45'</b>	<b>MUR-70' (10)</b>
Base Density: Dwelling Units/Acre	N/A	N/A	N/A
Min. Density	12 du/ac (17)	18 du/ac	48 du/ac
Min. Lot Width (2)	N/A	N/A	N/A
Min. Lot Area (2)	N/A	N/A	N/A
Min. Front Yard Setback (2) (3)	0 ft if located on an arterial street 10 ft on nonarterial street 22 ft if located on 145th Street (15)	15 ft if located on 185th Street (15) 0 ft if located on an arterial street 10 ft on nonarterial street 22 ft if located on 145th Street (15)	15 ft if located on 185th Street (15) 22 ft if located on 145th Street (15) 0 ft if located on all other streets



**Att. B - Draft Development Code Amendments for Height and Development Agreements**  
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<b>STANDARDS</b>	<b>MUR-35'</b>	<b>MUR-45'</b>	<b>MUR-70' (10)</b>
Min. Rear Yard Setback (2) (4) (5)	5 ft	5 ft	5 ft (20)
Min. Side Yard Setback (2) (4) (5)	5 ft	5 ft	5 ft (20)
Base Height (9) (16)	35 ft	45 ft	<del>70</del> <u>80 ft, not to exceed 7 stories above average existing grade</u> (11) (12) (13)
Max. Building Coverage (2) (6)	N/A	N/A	N/A
Max. Hardscape (2) (6)	85%	90%	90%

*Exceptions to Table 20.50.020(1) and Table 20.50.020(2):*

(1) Repealed by Ord. 462.

(2) These standards may be modified to allow unit lot developments, mixed single-family attached developments and zero lot line developments. Setback variations apply to internal lot lines only. Overall site must comply with setbacks, building coverage and hardscape limitations; limitations for individual lots may be modified.

(3) For single-family detached development exceptions to front yard setback requirements, please see SMC 20.50.070.

(4) For single-family detached development exceptions to rear and side yard setbacks, please see SMC 20.50.080.

(5) For developments consisting of three or more dwellings located on a single parcel, the building setback shall be 15 feet along any property line abutting R-4 or R-6 zones. Please see SMC 20.50.160.

(6) The maximum building coverage shall be 35 percent and the maximum hardscape area shall be 50 percent for single-family detached development located in the R-12 zone.

(7) The base density for single-family detached dwellings on a single lot that is less than 14,400 square feet shall be calculated using a whole number, without rounding up, except when a single lot is divided by a zone boundary. Refer to subsection (D)(2)(a) of this section for calculation of density when a single lot is divided by a zone boundary.

**Att. B - Draft Development Code Amendments for Height and Development Agreements**  
**Draft Development Code Amendments – MUR-70' Zone**

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(8) For development on R-48 lots abutting R-12, R-18, R-24, R-48, NB, CB, MB, CZ and TC-1, 2 and 3 zoned lots, the maximum height allowed is 50 feet and may be increased to a maximum of 60 feet with the approval of a conditional use permit.

(9) Base height for public and private K through 12 schools in all zoning districts except R-4 is 50 feet. Base height may be exceeded by gymnasiums to 55 feet and by theater fly spaces to 72 feet.

(10) Dimensional standards in the MUR-70' zone may be modified with an approved development agreement.

(11) The maximum allowable height in the MUR-70' zone is 140 feet with an approved development agreement. The maximum allowable height in the MUR-70' zone is 100 feet, without a development agreement, when the affordable housing requirements in SMC 20.40.235 are satisfied and one of the following are provided:

a) The development provides commercial space of at least 10,000 square feet; or

b) Thirty percent of the ground floor area within the development is devoted to neighborhood amenities that include areas open and accessible for the community, office space for nonprofit organizations, an eating or drinking establishment, or other space that may be used for community functions. The neighborhood amenity area should be at grade and adjacent to sidewalks or pedestrian paths.

(12) Base height in the MUR-70' zone may be increased up to 8 stories 80 feet when at least 10 percent of the significant trees on site are retained and up to 9 stories 90 feet when at least 20 percent of the significant trees on site are retained.

(13) All building facades in the MUR-70' zone fronting on any street shall be stepped back a minimum of 10 feet for that portion of the building above 45 feet in height. Alternatively, a building in the MUR-70' zone may be set back 10 feet at ground level instead of providing a 10-foot step-back at 45 feet in height. MUR-70' fronting on 185th Street shall be set back an additional 10 feet to use this alternative because the current 15-foot setback is planned for street dedication and widening of 185th Street.

(14) The minimum lot area may be reduced proportional to the amount of land needed for dedication of facilities to the City as defined in Chapter 20.70 SMC.

(15) The exact setback along 145th Street (Lake City Way to Fremont Avenue) and 185th Street (Fremont Avenue to 10th Avenue NE), up to the maximum described in Table 20.50.020(2), will be determined by the Public Works Department through a development application.

(16) Base height may be exceeded by 15 feet for rooftop structures such as elevators, arbors, shelters, barbeque enclosures and other structures that provide open space amenities.

**Att. B - Draft Development Code Amendments for Height and Development Agreements**  
**Draft Development Code Amendments – MUR-70' Zone**

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(17) Single-family detached dwellings that do not meet the minimum density are permitted in the MUR-35' zone subject to the R-6 development standards.

(18) The minimum front yard setback in the MUR-70' zone may be reduced to five feet on a nonarterial street if 20 percent of the significant trees on site are retained.

(19) The maximum hardscape for public and private kindergarten through grade 12 schools is 75 percent.

(20) Setback may be reduced to zero feet when a direct pedestrian connection is provided to adjacent light rail transit stations, light rail transit parking garages, transit park and ride lots, or transit access facilities.

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**To:** Sara Lane, City of Shoreline**Date:** June 23, 2021**From:** Todd Chase, AICP, LEED, and Martin Chaw, FCS GROUP**CC:** Project File #3221**RE** Development Financial Analysis

## INTRODUCTION

To help determine the relative financial feasibility of potential multifamily developments within the City of Shoreline, FCS GROUP conducted a financial feasibility analysis of selected development prototypes from a developer's perspective. The findings are intended to illustrate how changes in local policies could affect the relative feasibility of apartment/mixed-use developments in Shoreline at this time.

## METHODOLOGY

Assumptions contained in this analysis are for long-range planning purposes only. Findings take into account input received from City of Shoreline planning staff as well as information gleaned through review real estate market data and interviews with developers specializing in apartment construction and property management.

The development prototypes that were evaluated include variations of apartment buildings that are consistent with current zoning restrictions.

Building construction unit costs, operating expenses, lease/rental rates and debt/equity terms have generally been held constant for each development prototype. This enables FCS to isolate and analyze how potential changes in building heights, parking design, and affordable housing requirements impact the relative financial feasibility of new apartment construction.

**Residual Land Value** is a common metric used to measure overall project feasibility within the development industry. It represents the difference between a project's construction cost and supportable debt and supportable equity. As such, the residual land value generally indicates the amount a private developer might be willing to pay for a particular site (expressed as \$ per square foot of land area or \$ per dwelling unit) given the underlying cost and net revenue assumptions and targeted rates of return. As such, the residual land value is used in our analysis as the primary metric to evaluate the overall feasibility of each alternative.

As residual land value increases, a development tend to become more feasible from a developer's perspective. Conversely, a project with a negative residual land value generally indicates that costs outweigh the expected financial return. In those cases, there is a "gap in financial viability" that could potentially be addressed through changes to City policy, such as:

- Allowing the developer to charge parking fees to tenants;
- Reducing parking requirements;
- Reducing impact fees;
- Changing affordable housing requirements;
- Changing green building design requirements; and
- Providing limited property tax abatement.

**Exhibit 1: Development Scenarios**

	Scenario 1	Scenario 2	Scenario 3
	<b>Base Case (6 level apts. over parking structure)</b>	<b>Apt. High Rise (8 levels over parking structure)</b>	<b>Apt. High Rise (13 levels over parking structure)</b>
Building Levels (above grade)	6	8	13
Parking Levels (below grade)	1	1	1
Parking Levels (above grade)	1	1	2
Parking Ratio	1.0	0.75	0.75
Site Size (SF)	43,560	43,560	43,560
Lot Coverage	90%	90%	90%
Dwelling Units	170	286	463
Affordable Units	34	57	93
Avg. Dwelling Size (NSF)	714	714	714
Commercial (NSF)	10,500 SF	7,500 SF	10,500 SF
Est. Construction Cost (excl. land)*	\$54.4 M	\$101.9 M	\$163.4 M
Cost per Dwelling Unit (excl. land)*	\$327,000	\$356,000	\$353,000
Building Improvement Cost Per SF (including parking but excluding land)	\$265	\$323	\$320
FAR (above grade)	3.9	6.5	10.8
Dwellings per Acre	170	286	463

\* Cost estimates shown exclude developer profit and overhead, which may add 10% to 20%.

It should be noted that all findings contained in this Memorandum are for long-range planning purposes only. As with any investment or future forecast, actual results can vary widely from forecasted expectations. Finally, residual land values should never be construed as appraised real estate values, since the cost of land (and any improvements on that land) will vary site by site based on multiple factors, such as parcel zoning, configuration, location, soils, existing improvements, access, topography, depth of water table, etc.

### Building Construction Cost Assumptions

The construction costs used for this analysis were derived from two primary sources and have been adjusted to 2021 dollar amounts. The sources include: RS Means Cost Report for Seattle area; and

Rider Levett Bucknall 1<sup>st</sup> Quarter 2021 Cost Report for Seattle area. FCS GROUP prepared a weighted average based on these sources, which is summarized in **Exhibit 2**. Since these unit costs do not reflect site preparation, utility connections, tenant improvements, HVAC and building system improvements, and soft costs (design and permitting), FCS added additional cost adjustments for each scenario as discussed below.

**Exhibit 2: Building Hard Construction Cost Assumptions (baseline)**

<b>Building Type</b>	<b>Unit</b>
Type V (wood frame)	\$201 per gsf
Type I (steel frame)	\$268 per gsf
Below Grade Parking	\$175 per gsf
Above Grade Parking	\$113 per gsf

*Source: compiled by FCS GROUP based on RS Means, and Rider Levett Bucknall, plus \$15/SF for Type V due to lumber prices in 2021.*

## Parking Cost Assumptions

Hard construction parking costs are assumed to range from approximately \$35,030 per parking stall for above-ground structures to \$54,250 per stall for below-ground construction. An additional cost of 14% has been included for design and contingencies.

## Other Capital Cost Assumptions

In addition to the baseline construction costs, FCS GROUP included additional cost allowances for site preparation of \$16 per square foot of land area. An allowance for tenant improvements and internal buildings system is included at \$46 per net square foot of residential and commercial building area.

The baseline construction costs shown above have been adjusted upward to account for green building construction requirements (such as LEED Platinum rating), by assuming a flat 2% increase in overall costs.

Impact fees and general facility charges for water, sewer, parks and transportation were estimated for each scenario using the Shoreline’s current rate structure as of May 2021. Additional development *soft costs* for design, engineering and other miscellaneous fees are estimated at 12% of hard costs.

These extraordinary cost allowances are intended to reflect local fees, utility connection charges and various other development and inspection fees that are required in Shoreline, as well as construction of special site design treatments and amenities associated with top quality developments.

As a benchmark for cost estimating, FCS GROUP reviewed King County assessor records to document the total value of construction improvements per gross square foot of building area for several recent development projects within the City of Shoreline. The results indicate that construction costs have varied widely (between \$175 to \$332 per GSF of improvement area) with an average of \$231 per GSF of combined building and parking areas.

## Operating Costs and Taxes

For analysis purposes, project operating costs, vacancy allowances and property taxes have been held constant for each development prototype. These costs take into account new construction put into

place, current property tax rates, allowances for vacancy and credit losses, as well non-pass through operating expenses. In aggregate these costs account for approximately 35.7% of gross revenues. Operating expenses have been escalated at an average annual rate of 2.8%.

<b>Project Operating Cost Assumptions</b>	
Non-pass through Operating Cost (% of gross revenue)	
Vacancy & credit loss	4.0%
Property taxes	12.0%
Insurance	0.3%
Maintenance	2.4%
Reserves for replacement	2.0%
Management & other expenses	15.0%
<b>Total Annual Operating &amp; Vacancy Costs</b>	<b>35.7%</b>

### Project Income Assumptions

For consistency, each development prototype project is assumed to be completed over a 1-year construction time frame after design and permitting approvals. It is expected that each development will require two years to achieve stabilized income levels, with 70% average annual occupancy during the first year and 96% average occupancy during the remaining years.

Revenue will primarily consist of monthly lease (rent) payments by tenants (apartment renters and ground-floor commercial tenants), and monthly parking fees of \$150 per stall. As part of this study, FCS GROUP conducted a review of local apartment developments in the City of Shoreline.

The base case for each development prototype assumes that 20% of the housing units are restricted as affordable to households earning 70% of the area median income. The resulting income assumptions are provided below.

<b>Project Income Assumptions</b>	
Market-rate units under 900 sqft	\$3.25 per SF/month
Market-rate units over 900 sqft	\$2.89 per SF/month
Affordable dwellings (@70% AMI)	\$2.89 per SF/month
Area Median Income	\$115,700 per year
Commercial Rents per sqft	\$30.00 per SF/year
Parking Revenue per space	\$150 per stall/month
Revenue escalation rate	2.8% per year
Cap Rate	5.0%

For the development scenarios that included high-rise buildings of 8 or more stories, a 3% rent premium has been assumed to reflect the higher achievable rents in the upper-levels. Revenues were assumed to escalate at an annual average rate of 2.8%.

### Supportable Debt Assumptions

While debt financing will vary for each project, this analysis assumes that each development prototype derives financing based on a construction-permanent loan that equates to 60% of the development value (at completion). Supplemental bridge financing is assumed and calculated based on the supportable load value of the project using year 3 net operating income and a coverage ratio of 1.25x, with 4.0% interest 20-year loan term.

Assumptions regarding debt terms are shown below.

Debt Service		
Loan-to-Value Ratio (initial construction-permanent loan)	60%	
Minimum Debt Coverage Ratio	1.25	
Interest Rate	4.0%	
Years of Construction	1.0	
Amortization (years)	20	
Loan origination fee	1.0%	
Transaction cost during sale or refinance in year 10	5.0%	

## Supportable Developer Equity Assumptions

Equity is the amount a developer would likely be willing to invest into a development to achieve a targeted return based on projected future earnings. Equity can be in the form of cash, land or lines of credit that the developer provides during initial design/permitting and construction, or at least until the project achieves stabilized operations.

For this analysis, supportable equity has been calculated based on the discounted value of future cash flows (net operating income after debt service and before income taxes and depreciation) over the first 10 years. The financial pro forma analysis assumes that the development is refinanced or sold in year 10 to pull accumulated equity out of a project and to obtain the maximum valuation. Hence, the level of equity is computed by assuming that the developer(s) or investor(s) require a 9% (or higher) annual rate of return on equity invested based on the net operating income (NOI) after debt service to cover profit, overhead and perceived investment risk.

The financial pro forma model calculates the development’s long term value by assuming that the project is sold or refinanced in year 10. The pre-tax value of the development assumes a 5.0% cap rate based on the net operating income (NOI) in year 10, less a 5% transaction fee.

It should be noted that this analysis is not intended to determine the feasibility of specific developments using metrics that are commonly used by developers, such as internal rate of return (IRR) on all future cash flows, and the number of years until initial cash outlays are recovered. Those indicators require more detailed assumptions that take into account factors that are beyond the scope of this planning-level analysis. However, the targeted pre-tax IRR for developments typically ranges from 15% to 25%.

## FINDINGS

Based on the assumptions described above, a 10-year financial proforma analysis was prepared for each development scenario prototype. Overall summary results are provided in **Exhibit 3** and the Appendix.

Key findings include:

- Each development prototype required a fee for parking of at least \$100 to help achieve a positive residual land value.
- The base case scenario: 5 levels of wood frame (Type V) construction over a concrete/parking structure with ground floor commercial is the most financially viable development type. This prototype is expected to generate the highest residual land value of over \$48,570 per dwelling unit (@9% targeted rate of return on equity).



- Both of the high-rise apartment prototypes (8 or 13 levels) are not currently financially viable at this time without some mix of development incentives. This finding is made in spite of the fact that the financial proforma baseline assumptions include: a parking ratio to 0.75 stalls per dwelling, \$150 per month lease rate per parking stall; and a rent premium of 3% over current rental rates. These developments would require more costly Type I construction (steel frame) which increases costs significantly.
- The 8-level apartment/mixed use prototype baseline assumptions result in a negative residual land value of nearly \$39,000 per dwelling unit (assuming \$150/month parking fee). To enable the developer to achieve a 9% return on equity (R.O.E.), approximately \$13.9 million in incentives would be required.
- The 13-level apartment/mixed use prototype baseline assumptions result in a negative residual land value of nearly \$43,000 per dwelling unit (assuming \$150/month parking fee). To enable the developer to achieve a 9% return on equity (R.O.E.), approximately \$22 million in incentives would be required.

The following table summarizes the key analytic results for each scenario.

**Exhibit 3: Key Findings by Development Scenario**

	<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>
	<b>Base Case (6 level apts. over parking structure)</b>	<b>Apt. High Rise (8 levels over parking structure)</b>	<b>Apt. High Rise (13 levels over parking structure)</b>
<b>Baseline Results</b>			
Residual Land Value per square foot of land	\$190	-\$255	-\$462
Residual Land Value per dwelling	\$48,574	-\$38,856	-\$43,442
Overall Feasibility	Positive	Negative	Negative
Total Construction Cost (excluding land)	\$54.4 M	\$101.9 M	\$163.4 M
Cost off-sets needed to result in a Residual Land Value per square foot of \$50		\$13.9M	\$22.0M
Assumed Number of Dwellings	170	286	463
Assumed Number of Parking Stalls	170	210	345
Number of Stalls per Dwelling	1.0	0.75	0.75
Assumed Parking Fee per Stall per Month	\$100	\$150	\$150

A sensitivity analysis was conducted to determine which public policies could influence overall financial viability of high rise construction. The relative benefit of potential policy changes or incentives is as follows (figures presented as the marginal, or additional, increase in residual land value per dwelling unit):

1. **Allowing a monthly parking fee** on tenants (a charge of \$100 to \$150 per month equates to a value of \$30,000 to \$45,000 in residual land value per dwelling unit);
2. **Providing a 100% tax abatement** for 10 years on multifamily construction (equates to a residual land value of \$22,000 to \$24,000 per dwelling unit);
3. **Reducing parking requirements** to 0.5 stalls per dwelling unit (equates to a residual land value of \$8,000 to \$10,000 per dwelling unit if developer is allowed to charge for parking);
4. **Waiving Green Building requirements** (equates to a residual land value of \$7,000 to \$8,000 per dwelling unit);
5. **Reducing city impact fees** and general facility charges by 50% (equates to a residual land value of \$5,400 to \$6,500 per dwelling unit).
6. **Lowering affordable housing requirements** to 10% of units set at 80% of the area median income (equates to a residual land value of \$3,800 to \$4,800 per dwelling unit).

**The combination of policies is likely to enhance overall development feasibility by \$46,000 to \$56,000 in residual land value per dwelling unit, which should be more than enough to bridge any financial gap for the high rise developments prototypes evaluated herein.**

<p><b>How to Apply Residual Land Value Findings</b></p> <p><b>Example</b></p> <p>Residual Land Value per Dwelling = \$50,000</p> <p>Dwelling Units Permitted = 100</p> <p>Optimal Land/Site Value = \$5,000,000 (\$50,000 x 100)</p> <p>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.</p>
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## NEXT STEPS


This development feasibility analysis provides a relative comparison of potential apartment prototypes for Shoreline. The results are intended to depict current market conditions as of June 2021. The assumptions (inputs such as parking ratios, affordable housing components, building density, achievable rents, etc. ) used in this analysis can be refined to enhance the feasibility of any scenario, or to generate a hybrid scenario, as appropriate.

These draft findings and assumptions provided in this Memorandum will be reviewed by City staff and refined based on their input and experience.

# APPENDIX

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## SCENARIO 1. BASE CASE: 6 STORE APARTMENTS OVER PARKING STRUCTURE

<b>Scenario 1: Base Case, Apartment/Mixed Use Development</b>			
<b>6-Levels: 5 levels of Apartments over Commercial/Parking Podium</b>			
Level			
6		Residential	
5		Residential	
4		Residential	
3		Residential	
2		Residential	
1		Parking	Com.
(1)		Parking	
<b>Summary</b>			
Site Area		43,560	SF
Dwellings Total		170	dwellings
Affordable Units		34	dwellings
Commercial SF		10,500	SF
Employment (on site)		26	jobs
Parking Ratio		1.0	stall per dwelling
Above Grade Stalls		50	stalls
Below Grade Stalls		121	stalls
Total Stalls		170	stalls
FAR (above grade)		3.9	
Construction Cost		\$54.4	million
<i>Targeted Return on Equity</i>		<i>9%</i>	
<i>Residual Land Value per SF of Land</i>		<i>\$190</i>	
<i>Residual Land Value per dwelling</i>		<i>\$48,574</i>	
<i>Overall Feasibility</i>		<i>Positive</i>	

## SCENARIO 2: 8-STORY APARTMENTS WITH PARKING STRUCTURE

Scenario: Apartment High-Rise/Mixed Use Development			
8-Levels: 7 levels of Apartments over 1-level Commercial/Parking Podium			
8	Residential		
7	Residential		
6	Residential		
5	Residential		
4	Residential		
3	Residential		
2	Residential		
1	Parking	Com.	
(1)	Parking		
Summary			
Site Area	43,560	SF	
Dwellings Total	286	dwellings	
Affordable Units	57	dwellings	
Commercial SF	7,500	SF	
Employment (on site)	17.5	jobs	
Parking Ratio	0.75	stall per dwelling	
Above Grade Stalls	102	stalls	
Below Grade Stalls	107	stalls	
Total Stalls	210	stalls	
FAR (above grade)	6.5		
Construction Cost	\$101.9	million	
SENSITIVITY ANALYSIS			
	(1)	(2)	
<b>Incentives:</b> 10-yr tax abatement & 50% reduction in impact fees	No Incentives	Incentives	
	N/A	see below	
Targeted Return on Equity (R.O.E.)	9%	9%	
Residual Land Value per SF of Land	(\$255)	\$50	
Residual Land Value per dwelling	(\$38,856)	\$7,840	
Overall Feasibility	Negative	Positive	
Other Public Off-Set Required (if any)*			
Off-set Value Amount		(\$13,880,871)	
Off-set per Dwelling Unit	\$0	(\$48,527)	
* Allows project to achieve target ROE with \$50 per SF in land value.			

## SCENARIO 3: 13-STORY APARTMENTS OVER PARKING STRUCTURE

Scenario: Apartment High-Rise/Mixed Use Development			
13-Levels: 10 levels of Apartments over 2-level Commercial/Parking Podium			
Level			
12	Residential		
11	Residential		
10	Residential		
9	Residential		
8	Residential		
7	Residential		
6	Residential		
5	Residential		
4	Residential		
3	Residential		
2	Parking		
1	Parking	Com.	
(1)	Parking		
Summary			
Site Area		43,560	SF
Dwellings Total		463	dwellings
Affordable Units		93	dwellings
Commercial SF		10,500	SF
Employment (on site)		26	jobs
Parking Ratio		0.75	stall per dwelling
Above Grade Stalls		219	stalls
Below Grade Stalls		126	stalls
Total Stalls		345	stalls
FAR (above grade)		10.8	
Construction Cost		\$163.4	million
SENSITIVITY ANALYSIS			
	(1)	(2)	
<i>Incentives: 10-yr tax abatement &amp; 50% reduction in impact fees</i>	<i>No Incentives</i>	<i>Incentives</i>	
		<i>N/A see below</i>	
<i>Targeted Return on Equity (R.O.E.)</i>	9.0%	9%	
<i>Residual Land Value per SF of Land</i>	(\$462)	\$50	
<i>Residual Land Value per dwelling</i>	(\$43,442)	\$4,823	
<i>Overall Feasibility</i>	<i>Negative</i>	<i>Positive</i>	
Other Public Off-Set Required (if any)*			
Off-set Value Amount		(\$22,000,000)	
Off-set per Dwelling Unit		\$0	(\$47,476)
<i>* Allows project to achieve target ROE with \$50 per SF in land value.</i>			
Public Incentive Assumptions			
	basecase	(1)	(2)
<i>Parking Ratio</i>	0.75	0.75	0.75
<i>Tax Abatement (multi-family)</i>	0%	0%	0%
<i>Affordable Housing Share</i>	20%	20%	20%
<i>Minimum AMI Requirement</i>	70%	70%	70%
<i>Impact Fee Waiver</i>	0%	0%	0%
<i>Green Building Requirement</i>	2%	2%	2%