

# Why focus on conversions to residential?

- **Challenges for the downtown commercial/office market following the COVID-19 pandemic**
  - Remote work is common now and office vacancy rates are ~25% in downtown Seattle submarkets
- **New residential development remains in high demand**
  - Seattle is planning for over 110K more housing units, as job growth outpaced housing growth in the last decade
  - Over a third of Seattle residents are housing cost burdened
- **A more balanced use mix with housing in downtown has long been a policy goal for Seattle**
- **Avoid long periods of vacancy that can result in negative perceptions**
- **Increasing housing supply helps address the lack of affordable housing**
- **Potential revitalization of business districts and downtowns by the presence of residents**
- **Strong support by the general public**

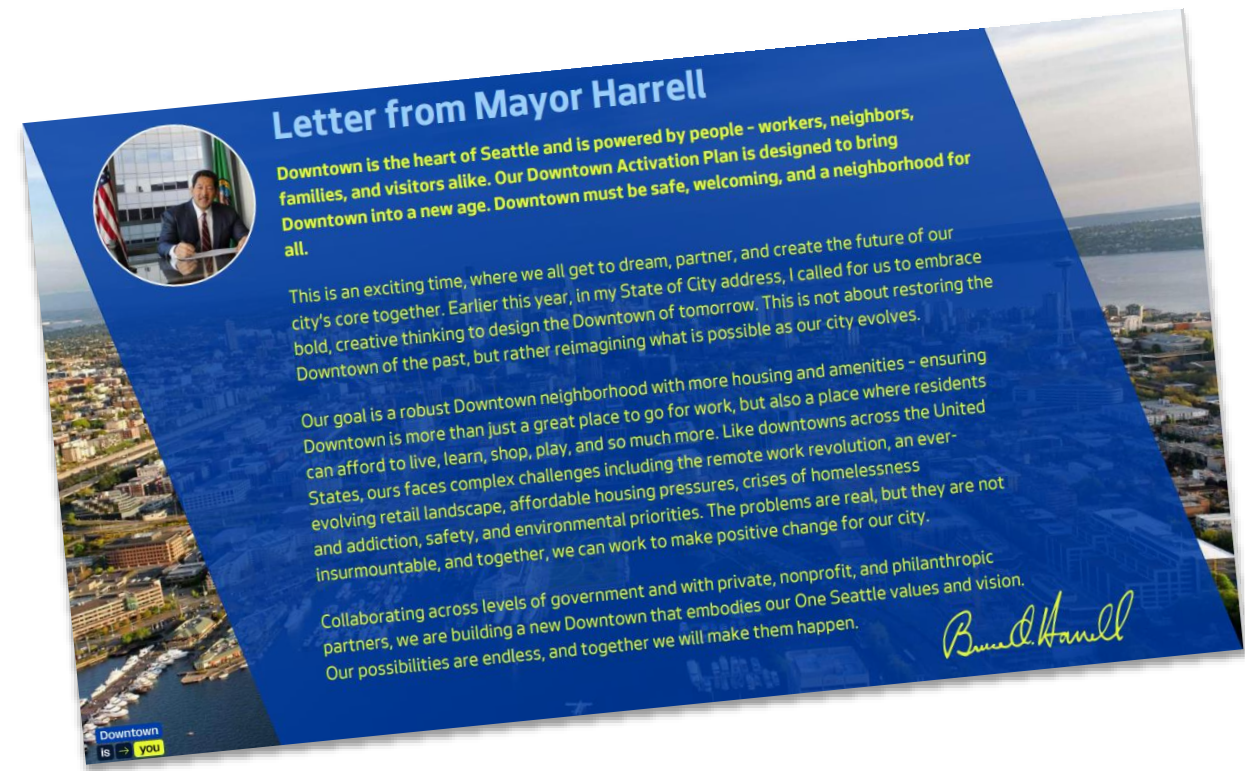
# How Seattle and the State are supporting conversions

## Washington State

- House Bill 1042
- State sales tax exemption ESSB 6175

## City of Seattle

- 2023 OPCD “Call for Ideas” competition
- CB 120761 Conversion to Residential Regulatory and fee relief legislation
- Direct consultation/support to owners
  - Possible interpretations of construction codes
  - Support for federal funding applications



*In summer 2023, Mayor Harrell released his Downtown Activation Plan*

# 2023 OPCD Call for Ideas competition

## 13 quality proposals

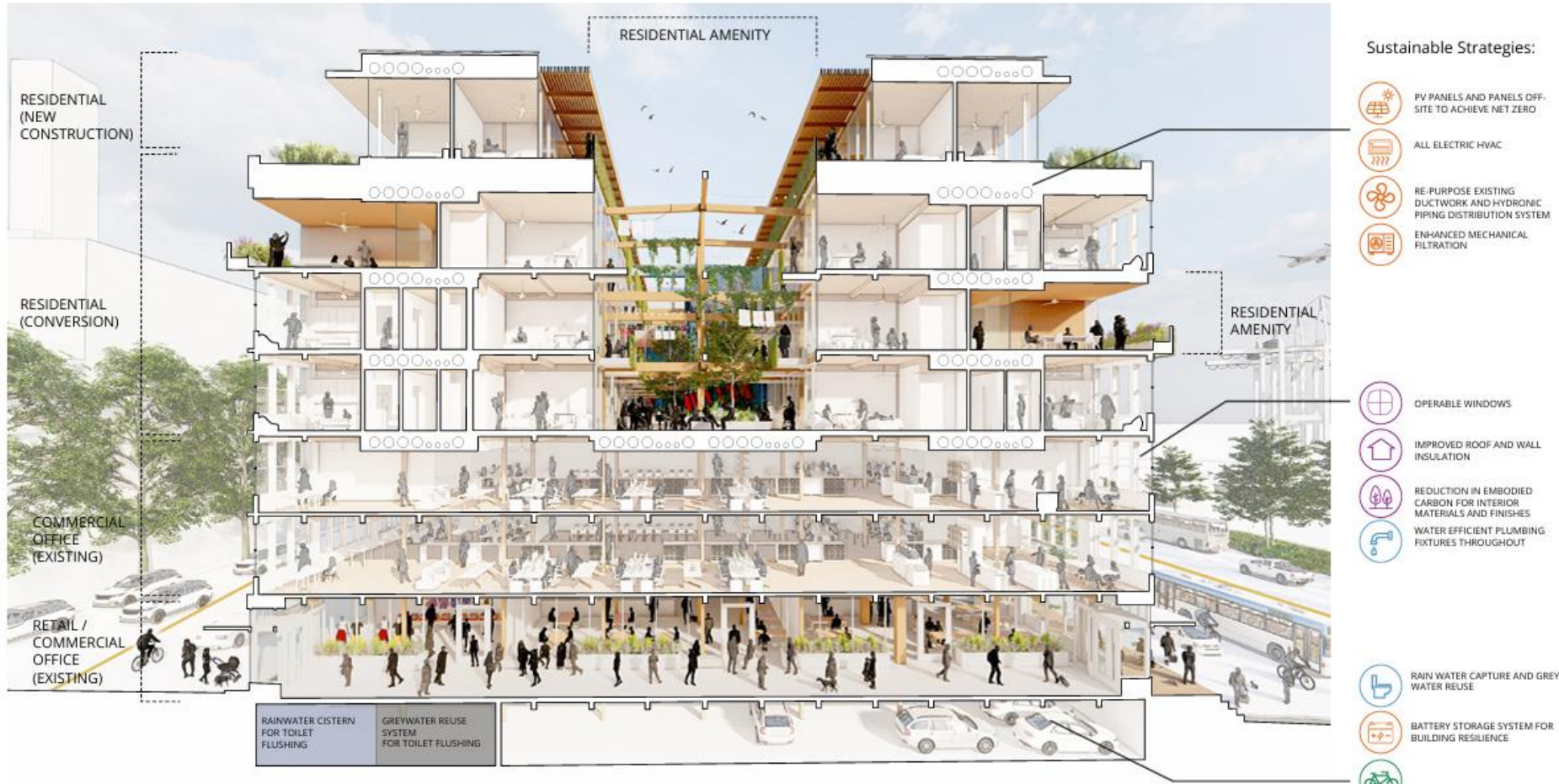
- Floor plans / design
- Financial feasibility information
- Housing mix and affordability levels
- Suggestions for policy or code changes



*In mid-2023 OPCD conducted the “Call for Ideas” competition inviting building owners and designers to submit their concepts for conversions.*



# Example - Polson and Western Buildings



Operating as a microcosm of a diverse city, the proposal embraces a mix of uses within a singular structure. The three top levels are converted to accommodate a dense distribution of studio units to help satisfy the demand for workforce housing. In order to offset the lower lease rates of these units,

two levels of office use has been maintained on the lower floors and an additional high-end penthouse structure has been added to accommodate the demand for family units.



A new front door to a residential lobby opens to Alaskan Way- activating the western building facade to the newly improved public waterfront.

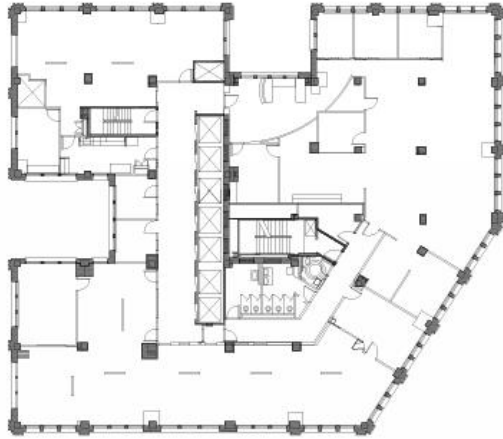


A central courtyard is carved out of the center of the block to provide light and air to residential units. The timber structure is maintained as a spatial remnant of the historic warehouse use.



# Example - Smith Tower 2.0

Typical Existing Floorplate

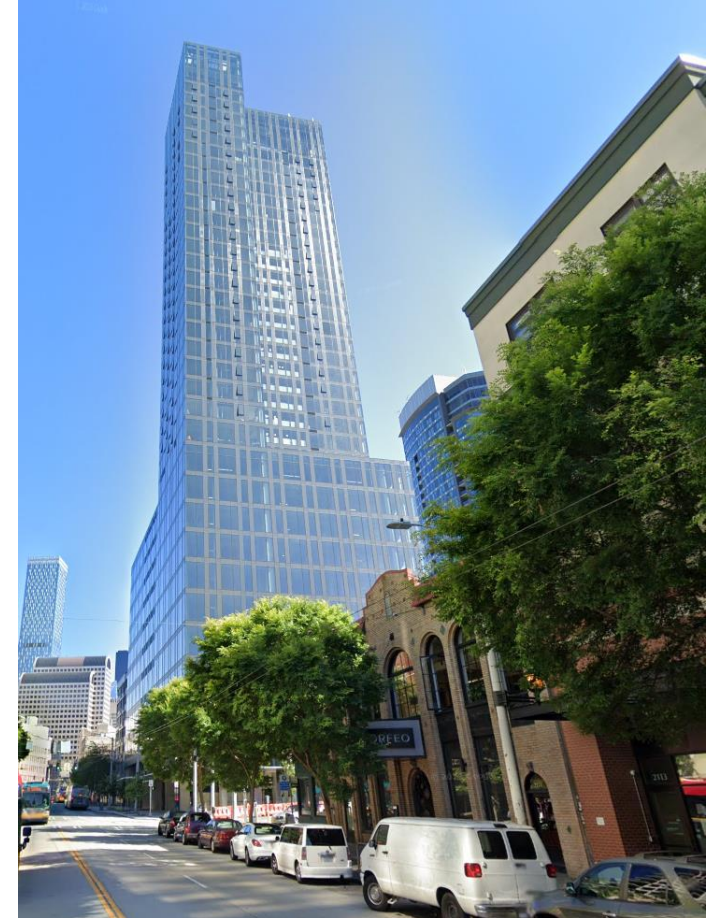


Lower Tower Typical Proposed Plan



# Seattle - regulatory and fee relief legislation (CB 120761)

- Exempts conversion proposals from all development standards and design review in downtown, commercial and mixed-use zones
- Waives the Mandatory Housing Affordability (MHA) requirements for conversions
- Applies to new projects, projects in construction, and projects with MUPs that have not started construction yet.
- Goes before City Council in June 2024



*An owner intends to convert the office portion of a mixed-use tower.*



# Washington – sales tax exemption

- **Washington State legislature passed ESSB 6175 during the 2024 session**
  - **Exempts construction sales tax on conversion developments.**
  - **Requires 10% of housing units to be affordable for 10 years at the 80% AMI level.**
  - **Cities must enable the exemption with a local action. (Seattle is currently working on this.)**

Business | Real Estate

## Seattle office building is set for apartment conversion

Jan. 3, 2024 at 3:55 pm | Updated Jan. 3, 2024 at 4:55 pm



This office building at 201 Queen Anne Ave. N. in Seattle is set to be converted into apartments. It could be the first office-to-residential conversion in Seattle since the pandemic. (Karen Ducey / The Seattle Times) Less

*The developer of a conversion in Lower Queen Anne is seeking to take advantage of the sales tax exemption.*