

Memo

Date: July 21, 2016

To: Hillary Hamilton, FAS
Katherine Tassery, Jeanette Blankenship, Lisa Mueller, CBO

From: Prithy Korathu, Office of Housing
Emily Alvarado, Office of Housing

cc: Miriam Roskin, Office of Housing

RE: OH Response to 1529 4th Ave West/PMA 4391

Summary of OH Analysis:

OH received a request to review the property at 1529 4th Avenue West. After analysis of this property, OH has concluded that the high cost of acquiring and redeveloping the landmark property would be financially unfeasible to an affordable housing provider. The following is documentation of our analysis of the site.

Analysis of Basic Residential Development Criteria:

Site Size, topography and shape: The site totals 12,000 square feet (120' by 100') and slopes gently downward with an overall grade change of nine feet from the northwest to the southeast corner of the property. A 16-foot alley is immediately west property. **The size, topography, and shape, of the site are considered excellent.**

Location: The site is located on the southwest corner of West Garfield Street and 4th Avenue West

Existing Improvements: The site is improved with a 3-story warehouse of masonry structure with 23,040 square feet of gross building area. The property was built in 1921 as a telephone exchange for Pacific Telegraph and Telephone Garfield Exchange, one of the first telephone exchanges in the area. In 1977, Pacific Northwest Bell Telephone donated the site to the Seattle Public Library for use as a storage facility. Currently the improvements are vacant.

Site Constraints: The Notice of Approval from the Landmark Preservation Board, dated March 21, 2016, indicates the property's interior and exterior have landmark status. On June 22, 2016, the Seattle Landmarks Preservation Board voted to landmark only the exterior of the building. Clarity regarding what portions of the building have landmark status will need to be resolved prior to redeveloping the property.

The cost of redeveloping a landmark property can add a significant amount to the project cost. In addition, resolving the ambiguity regarding the property's landmark status may take time and resources to resolve. **For an affordable housing developer, the additional cost of redeveloping a landmark property would likely make this project financially infeasible.**

Zoning: The site is zoned SF 5000. The SF 5000 designation is a residential zone that allows development of single-family dwelling units. Typically, this zoning classification would allow the subject property to be developed with two detached single-family houses. However, the landmark status of the property prohibits the demolition of the existing structure. Therefore, the future redevelopment of the property will require a change of use via an Administrative Conditional Use Permit.

An Administrative Conditional Use Permit for the property is allowable under SMC 23.44.026, which allows landmark designated property larger than 4,000 square feet to allow for a use other than that permitted under the current zoning.

Suitability as a Residential Site: The property is located in a residential area of the Upper Queen Anne neighborhood. Surrounding uses in the immediate area include the Queen Anne Library to the north, and single-family homes to the south, east and west. The property is four blocks west of Queen Anne Avenue North. Queen Anne Avenue serves as both the main arterial and commercial center for the neighborhood. The property is a desirable residential location due to the quiet neighborhood atmosphere, close proximity to recreational amenities, restaurants, restaurants, and services, and close proximity to Downtown Seattle. **The property's location in the upper Queen Anne neighborhood is considered an excellent residential site.**

Status of the Property: The Library is currently working on the marketing and sale of the property to support a competitive solicitation. The two brokers assisting in marketing the property have proposed a listing price of \$2.3 to \$3.5 million for the property, with the likely development potential of 26 to 30 residential units. If one assumes the lowest end of the cost range, the per-unit land cost would range from \$76,667 to \$88,462 per unit. This per-unit land basis is substantially higher than typical for affordable housing development. **For an affordable housing developer, the high per unit cost of the acquiring the property coupled with the inability to achieve economies of scale due to the limited number of potential units would make the acquisition financially infeasible.**

Originating Fund Source / Restrictions on Use: Pacific Northwest Bell Telephone donated the site to the Seattle Public Library in 1977. The Library's Board of Trustees is empowered to purchase, lease, alter, and dispose of all Library property.

Proceeds from the property sale will be used to purchase a replacement storage facility that will consolidate the Library's custodial, landscaping, and building maintenance facilities, and house the Library's fleet of vehicles.

Capacity to Achieve Other Policy Objectives: The costs of redeveloping the property with affordable housing outweigh the potential benefits. There are no significant policy objectives met by developing affordable housing on this property.

Overall, the high market value for the land, the property's landmark status, and its limited development capacity make this this property financially infeasible for development of affordable housing.