

ATTACHMENT B

DEVELOPER INPUT ON TAX EXEMPTION PROGRAM

SUMMARY OF INTERVIEWS WITH DEVELOPERS

1. Did the program make enough difference to enable an otherwise infeasible project to become feasible?

- ❑ Program did make a major difference where housing market is relatively weak and feasibility is questionable; in areas with strong market (i.e., Pike-Pine area), program helps produce affordability.
- ❑ Pioneering projects (i.e., entering early into marginal markets) are likely to need the program in order to be feasible.
- ❑ Program makes a difference in International District, in helping cope with both increasing costs and an uncertain market.
- ❑ Program helps in Central Area: key in achieving feasibility for Welch Plaza projects; not key for the Main Street Apartments.
- ❑ Common comment: The stronger the market, the less difference the program makes.

2. Why are the affordable units predominantly the studio units?

- ❑ Easier to meet affordability requirement with studio units; easier to make budgets work in urban market area with smaller units.
- ❑ Program would be less attractive if the affordable units were required to be larger; however, that could be offset by reducing other requirements, e.g., parking.
- ❑ Suggest to requiring an equal share of unit sizes in a project, but would need to weigh that against project feasibility.

3. Reaction to affordability requirement?

- ❑ Excellent way to achieve degree of affordability within market-rate projects.
- ❑ Very simple program to use – should be expanded to other geographic areas to achieve more affordability.
- ❑ Affordability requirement didn't lower rents where market is lower (at or below 80% of median) – in the case of Welch Plaza, the program helped achieve feasibility.

4. Suggestions to improve program?

- ❑ Extend exemption to commercial portion of mixed-use project – would help with overall feasibility when retail is marginal.
- ❑ Reducing parking requirement where market parking demand is lower is a key cost variable that would positively affect feasibility and affordability.
- ❑ Program requirements need to change if owner-projects are to use tax exemption.
- ❑ Program needs to help more than two or four projects in a neighborhood; needs to help create significant concentration of private-market activity, like that currently occurring in Belltown.

DEVELOPER COMMENTS FROM TAX EXEMPTION APPLICATION

Applicant responses (verbatim) to the following question: *Did the ability to obtain a property tax exemption for your project make a difference in your decision to develop the project? How?*

1. "Yes, the project may not be financially feasible without the tax exemption. In addition, the tax exemption allows us to provide a higher quality building product in a transitional neighborhood."
-- CADA/Lorig, Applications #99-3 and 99-4, Welch Plaza (23rd and Jackson)
2. "Yes. The development of the project was tight before the possibility of the tax abatement program. We would have charged more rent to the retail and residential tenants. We would not have been able to designate any units 'affordable' and the retail would have been difficult to rent with the revenue needed to make the project work financially."
-- Lorig/Uwajimaya, Application #99-5, Uwajimaya Village (International District)
3. "Yes, it increases affordability for our buyers."
-- HomeSight, Application #99-6, Noji Gardens (MLK at Holly)
4. "No."
-- Kauri, Application #99-7, Main Street Condominiums (23rd and Jackson)
5. "Yes, a considerable difference. In the current overheated construction sector, subcontractor bids and labor and material costs are considerably higher than when this project was initially conceived. The tax exemption will help this project to be completed as private market loans are based, inter alia, on anticipated operating costs and property taxes are a major annual operating cost. The tax exemption will result in all rents in the building being lower than if the full taxes were factored in, resulting in more affordable, spacious, accessible dwelling units affordable to more individuals and families."
-- Judd Todd, Application #99-8, 308 22nd S. (23rd and Jackson)
6. "The ability to obtain a property tax exemption for the residential units is an important ingredient toward the feasibility of this project. The combined costs of designing, design review and permitting process, and constructing new residential apartment units today is very high. As a result, there is strong pressure at the outset of design to provide a higher number of smaller apartment units within a given amount of space. The proposed project includes 12 apartment units on the two upper floors of the building. The mix includes eight 2-bedroom units, two 1-bedroom units and two studio apartments. All of the one- and two-bedroom units are relatively spacious, with average sizes of 720 sq. ft. for the one-bedroom units and about 975- sq. ft. for the two bedroom units. Our having the benefit of the property tax exemption assures us both (1) that our plan is feasible, and (2) we can offer our tenants a higher level of finish materials and service than we could without the tax exemption."
-- Wagner Management, Application #99-9, 1404 E. Yesler (23rd and Jackson)
7. "No. Seattle close-in condo value appreciation should be significantly higher than tax \$ amounts abated. The abatement may work as an impediment to sales of units, particularly during/following a marketing period that has experienced 20-40% annual appreciation. There is higher value for the tax abatement in an apartment scenario which is the "forced" fallback position for an aborted/failed condo scenario."
-- Kauri, Application #99-10, 801 7th South (International District)
8. "This property is located in a transitional area with very few comparable projects in the vicinity. We are pioneers in a sense, developing new multi-family residential in this pocket of Seattle. Having the property tax abatement program justified continuing with this project, whereas before, we were speculating heavily on our ability to make this a feasible project."
-- Fortune Equities, Application #99-11, 1625-33 12th Avenue (Pike/Pine)