



Pike/Pine Neighborhood Conservation Study

Phase 2 Report: Economic Viability of Tools and Incentives

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CITY OF SEATTLE PIKE/PINE CONSERVATION STUDY: PHASE 2 REPORT

EXECUTIVE SUMMARY

This study concentrated on the evaluation of a TDR program as a potential conservation tool. The Pike/Pine area sending site, for purposes of this Phase 2 analysis, was determined to total 1,644,825 square feet as was established by a list of 65 properties considered as potential candidates for Seattle Landmark designation. These properties were previously identified through an historic research survey conducted by the City of Seattle's Historic Preservation Program in the Department of Neighborhoods for the Pike/Pine neighborhood.

Due to the urgency to provide conservation tools now, it was determined that Phase 2 analysis should focus on the existing Downtown Seattle TDR program as the potential "receiving site."

To determine the demand potential for Pike/Pine TDR's from downtown development, two demand approaches were utilized. In the first approach, downtown development projects currently permitted or in the permit process were evaluated to determine the immediate need for TDR's. This development pipeline analysis indicates that there will be very little demand potential from the downtown TDR program for the next five years.

The second approach to analyzing demand for TDR from the existing downtown program projected future construction and the expected amount of TDR demand by extrapolating historical data. Office development statistics over the past 19 years were utilized and assumed to be an indication of the amount of development that would occur over the next 19 years. To determine the maximum TDR demand from these developments it was assumed that all new buildings were developed in the Downtown Office Core 1 (DOC1) zone.

This second approach concluded that based on historical data, roughly 100,000 square feet of TDR would be required on average by projects being completed in Downtown Seattle. Therefore, the 1,644,825 square feet of Pike/Pine TDR would equal a 16-year supply, assuming no competition from TDRs from other sources.

Conclusion – Both evaluation approaches concluded that the downtown TDR program in place would not provide enough demand for TDRs to effectively conserve much of the Pike/Pine character, and so would not be a viable receiving area for these TDRs.

Recommendations – To address conservation, other tools the City may wish to evaluate for maintaining the existing development character of the Pike/Pine corridor include:

- Establish an alternate receiving area for Pike/Pine TDR
- Establish height and bulk incentives for conservation
- Create TDR opportunities for residential developments downtown to broaden the demand base for TDRs.
- Give Pike/Pine TDRs priority for use, conveying additional benefits on the receiving site to preferentially absorb Pike/Pine TDRs or raise their price relative to other TDRs. (This would require de-emphasizing TDRs for other public benefits in the current program).
- Promote joint renovation and development of adjacent and non-adjacent properties in the Pike/Pine area (essentially an alternative or in-block TDR program).

Phase 2 Report: Economic Viability of Tools and Incentives

Project Scope

The Second Phase of this project investigates the economic viability of selected tools and incentives for maintaining the existing development character of the Pike/Pine corridor. Based upon Stakeholder interviews, which strongly encouraged the establishment of a Transferable Development Rights (TDR) program, the scope of phase 2 concentrated on this potential conservation tool.

Conservation Areas – TDR Supply

Stakeholder interviews consulted in Phase 1 of this Report identified three particular character elements worth conserving in the Pike/Pine corridor:

- *The older buildings* and the architectural character they bring to the neighborhood.
- The *various elements that contribute to the neighborhood's culture*, from the people to shops to nightclubs to galleries. A neighborhood that is alive 24 hours a day is important to neighborhood residents, as well as one with thriving arts spaces and active street life. People of all walks of life live here comfortably and harmoniously, and this diversity of lifestyle and culture is an asset.
- *Local retail business*. The relative paucity of major chain stores contributes to the perception of a homegrown economy, and to the neighborhood's unique and independent flavor, setting it apart from other city neighborhoods.

The Phase 1 report also described in some detail the architecture and its history that is evidenced in many of the older buildings in the corridor.

Of these character elements, the economics emphasis of Phase 2 focuses on the element that could be most readily studied from an economic perspective; that being the physical characteristics of buildings and development economics. The area's history as described in the Phase 1 report suggests that the architecture and real estate economics of the area were initially responsible for attracting the cultural and business characteristics that ultimately helped to define the neighborhood.

The City of Seattle's Historic Preservation Program in the Department of Neighborhoods has conducted an historic resource survey for the Pike/Pine neighborhood, which inventoried 65 properties considered as potential candidates for Seattle Landmark designation. Because this inventory provides an initial list of structures that arguably best define the character of the neighborhood, it was used in this study to identify the most likely candidates for priority use of a TDR program, if available. **Table 1 – Pike/Pine Building List with Potential TDRs** on the following pages **3 and 4** identifies these properties and their potential TDR available if such a program were to exist. For purposes of this Phase 2 analysis, these 65 properties were

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determined to establish the Conservation area. Although in reality a TDR program would more likely describe an area of the Pike /Pine corridor that encompassed these properties, rather than specific properties, it seemed appropriate for purposes of this study to utilize these 65 properties as a proxy for a proposed Conservation Area, since we had excellent data and estimates of TDR for these properties. These 65 properties therefore define the “sending area” for purposes of this report. The amount of available floor area available to transfer, the TDR’s available, define the rights to sell and therefore the supply of TDR’s from Pike/Pine at 1,644,825 square feet.

A factor to keep in mind in the conservation of the area’s architecture is the fact that some of these buildings are unreinforced masonry construction. A total of **18** of the 65 buildings appear in the City of Seattle’s report titled **Unreinforced Masonry Building Seismic Hazards Study**, dated December 2007.” Any action that imposes a time by which seismic upgrades need to occur on these properties will force a redevelopment or preservation decision on the part of the property owner that may come before the market would otherwise be ready for renovation, pushing the decision towards demolition and redevelopment. Should the City decide to establish a policy requirement for upgrading unreinforced masonry structures, it would be important to have conservation programs in place. It is important to note that preservation of unreinforced masonry structures will come with a seismic upgrade cost in the range of \$80 to \$100 sf of building area.

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Table 1: Pike/Pine Building List with Potential TDRs

Address	PIN	status	Lot area	Existing gross floor area	Actual FAR	Maximum floor area permitted	Base FAR	TDR available	Listed on URM List	TDR w/o building	TDR w/o First Hill station
909 E Pine St SAO 65	344239	Yes	2,580	4,720	1.8	14,835	5.75	10,115	No	14,835	2,580
1315-1323 E Pine St (Chester Apts PP 65)	356738	Yes	7,688	20,509	2.7	36,518	4.75	16,009	No	36,518	36,518
1101 E Pine St PP 65	356838	Yes	15,364	32,184	2.1	72,979	4.75	40,795	Yes	72,979	72,979
1612 Broadway SAO 40	344229	Yes	7,683	7,684	1.0	30,732	4.00	23,068	No	30,732	30,732
1534 Broadway SAO 65	344227	Yes	5,100	18,000	3.5	29,325	5.75	11,325	No	29,325	29,325
610-620 E Pine St PP/SAO 65	359465	Yes	9,175	27,600	3.0	52,756	5.75	25,156	No	52,756	52,756
611 E Pine St PP/SAO 65	359464	No	1,690	3,360	2.0	9,718	5.75	6,358	No	9,718	1,690
1533 Boylston Ave PP/SAO 65 619 E Pine St.	359463	Yes	2,535	8,960	3.5	14,576	5.75	5,616	Yes	14,576	14,576
1611 Boylston Ave PP/SAO 65	359469	Yes	6,200	6,200	1.0	35,650	5.75	29,450	No	35,650	35,650
501 E Pine St. PP 65	359461	Yes	9,367	13,299	1.4	44,493	4.75	31,194	No	44,493	44,493
1201-1215 Pine St PP 85	356314	????	7,473	9,929	1.3	44,838	6.00	34,909	No	44,838	44,838
311-321 E Pine St PP 65	359646	Yes	4,442	13,454	3.0	21,100	4.75	7,646	No	21,100	21,100
301-309 E Pine St PP 65	356325	Yes	4,443	4,410	1.0	20,948	4.71	16,538	No	20,948	20,948
300 E Pine St PP 65	356326	Yes	9,960	19,880	2.0	47,310	4.75	27,430	No	47,310	47,310
1001 E Pike St SAO 65	356879	Yes	3,874	12,536	3.2	22,276	5.75	9,740	No	22,276	22,276
1158 Broadway SAO	356892	Yes	16,423	19,552	1.2	94,432	5.75	74,880	No	94,432	16,423
1134 Broadway SAO	356884	No	8,856	14,380	1.6	50,922	5.75	36,542	Yes	50,922	8,856
1412 12 th Ave	356855	Trace Lofts							No	0	0
1420 12 th Ave	356854	Yes - Trace Lofts	11,456	32,886	2.9	54,416	4.75	21,530	No	54,416	54,416
1319 E Madison St									Yes	0	0
1351 Olive Way PP 65	343819	Yes	3,798	3,860	1.0	18,041	4.75	14,181	No	18,041	18,041
400 E Pine St PP 65	359652	Yes	9,881	27,544	2.8	46,935	4.75	19,391	Yes	46,935	46,935
514-516 E Pine St	359467	Demolished							No	0	0
1015-1021 E Pike St (Lorraine Court Apts) SAO 65	356921	Yes	5,977	23,469	3.9	34,368	5.75	10,899	No	34,368	5,977
300 E Pike St SAO 65	356319	Yes Hold	6,987	13,368	1.9	33,188	4.75	19,820	Yes	33,188	33,188
1011-1013 E Pike St SAO 65	356874	???	6,173	11,716	1.9	35,495	5.75	23,779	No	35,495	6,173
1420 Broadway SAO 65	356873	No Altered	7,680	10,680	1.4	44,160	5.75	33,480	Yes	44,160	7,680
1100-1106 E Union (Union Art Coop SAO 65)	356840	????	15,000	30,633	2.0	86,250	5.75	55,617	No	86,250	15,000
1400 Broadway SAO 65	356861	Yes	5,649	7,160	1.3	32,482	5.75	25,322	No	32,482	5,649
1426 Broadway SAO 65	356875	Yes	7,680	17,520	2.3	44,160	5.75	26,640	Yes	44,160	7,680
1414 Broadway SAO 65	356866	Yes	7,682	22,320	2.9	44,172	5.75	21,852	No	44,172	7,682
1417 12 th Ave SAO 65	356842	No Altered	20,302	13,920	0.7	116,737	5.75	102,817	No	116,737	116,737
1531 Melrose Ave PP 85	356315	No Altered	5,518	11,000	2.0	33,108	6.00	22,108	No	33,108	33,108
721-725 E Pine St PP/SAO 65	344370	Yes	7,450	6,420	0.9	42,838	5.75	36,418	No	42,838	7,450
401 E Pine St PP 65	359651	Yes	9,897	19,688	2.0	47,011	4.75	27,323	No	47,011	47,011
1600 Broadway SAO 40 - 900 E Pine St	344228	Yes	14,083	27,938	2.0	56,332	4.00	28,394	No	56,332	56,332

Development Areas – TDR Demand

Various areas where more intensive development is acceptable were evaluated as potential receiving sites. Although other areas of Capitol Hill, outside the Pike/Pine corridor were considered, no TDR program currently exists there. To establish a TDR program here was thought to take many years. A more immediate potential market for acquiring available TDR from the Pike/Pine corridor seemed essential to identify.

The development demand pressures impacting the Pike/Pine corridor and the 65 properties identified is immediate. Although the current “Credit Crises” may ease development pressure somewhat, this is anticipated to be temporary relief. Due to the urgency to provide conservation tools now, it was determined that Phase 2 analysis should focus on the existing Downtown Seattle TDR program as the potential “receiving area.”

To determine the demand potential for Pike/Pine TDR’s from downtown development, two demand approaches were utilized. In the first approach, downtown development projects currently permitted or in the permit process were evaluated to determine the immediate need for TDR’s. The following **Table 2 – Downtown Urban Center Development Pipeline**, on page 7, identifies all major downtown commercial projects, excluding hotels, currently underway or very close to initiation. We are aware that there are other projects proposed, and some of these other projects may go forward soon, but our analysis indicates the projects in Table 2 will supply enough space to bring the market to a 16% vacancy rate, which will be enough of an oversupply to reduce rental rates and stop projects not already underway. Of the projects on Table 2 only the Amazon headquarters may have additional TDR needs; however, the Code amendment enabling the increased height and density in this zone establishes how the floor area increases are to be obtained. If TDR is needed for this project it is anticipated to be very minimal, perhaps 95,000 square feet. The other projects either have their TDRs in hand now (or will have them by the time any Pike/Pine program could be initiated), or they are located in zones outside on Downtown that do not allow for the use of TDR.

This development pipeline analysis indicates that there will be almost no demand potential from the downtown TDR program for the next five years.

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Table 2: Downtown Urban Center Development Pipeline

2008	
818 Stewart	238,116 sf
Terry Avenue Office Building*	70,000 sf
333 Elliot *	137,200 sf
1100 Eastlake Avenue Building *	183,574 sf
Lakeview Building *	102,242 sf
Total 2008:	731,132 sf

2009	
Fifth & Yesler	275,166 sf
West Eighth	483,000 sf
2201 Westlake	293,064 sf
1918 Eighth Avenue Office Tower	650,000 sf
505 First Avenue South	203,757 sf
635 Elliot - North Building *	152,000 sf
635 Elliot - South Building *	168,000 sf
Total 2009:	2,224,987 sf

2010	
Amazon HQ Phase I **	441,246 sf
Gates Foundation Phase I *	600,000 sf
811 Fifth Avenue	700,000 sf
Total 2010:	1,741,246 sf

2011	
Amazon Headquarters Phase II **	168,846 sf
Amazon Headquarters Phase III **	274,765 sf
Amazon Headquarters Phase IV **	355,000 sf
Amazon Headquarters Phase V **	516,000 sf
Total 2011:	1,314,611 sf

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The second approach to analyzing demand for TDR from the existing downtown program was to project future construction and the expected amount of TDR demand that would be derived from this construction. We utilized historical office development statistics over the past 19 years and assumed this same amount of development would occur over the next 19 years. To determine the maximum TDR demand from these developments it was assumed that all new buildings were developed in the Downtown Office Core 1 (DOC1) zone (zoning which provides the most opportunities for use of TDR's and is therefore the most optimistic about the expected amount of demand). The Downtown TDR Demand Analysis calculations in **Table 3, Historical Central Business District Office Construction**, on the following page **8** identifies that over the past 19 years 11,585,000 square feet of downtown building or 610,000sf /yr have been built in downtown.

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Table 3: Historical Central Business District Office Construction

Year End	CBD Inventory	Vacancy %	CBD Absorption	New Supply
1989	22,998,423	13.9%	2,200,675	2,539,700
1990	24,334,705	13.7%	788,214	926,000
1991	24,357,107	14.3%	310,664	427,400
1992	24,108,522	14.6%	55,299	-
1993	24,108,522	13.6%	44,310	-
1994	24,232,234	9.2%	874,042	177,224
1995	24,354,933	7.7%	715,326	-
1996	24,385,933	5.9%	222,386	95,000
1997	24,686,218	5.8%	322,854	-
1998	25,627,803	5.3%	697,676	699,161
1999	27,868,370	3.2%	1,670,472	625,933
2000	31,906,050	4.2%	1,952,658	1,994,556
2001	34,334,009	13.0%	(412,347)	1,357,464
2002	34,798,578	14.7%	(169,596)	439,600
2003	35,611,718	14.9%	449,585	903,173
2004	35,652,823	15.2%	(34,761)	-
2005	35,701,573	11.6%	1,306,168	-
2006	36,791,345	9.9%	1,478,680	1,123,000
2007	37,205,595	8.8%	618,149	277,000
1Q 2008	37,003,678	8.4%	118,883	-
Average		10.4%	660,467	579,261
Totals				11,585,211

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If we assume the same square footage will be constructed over the next 19 years, the required land area to construct 11,585,000 square feet of building is 579,250 square feet, assuming a 20 FAR, which is consistent with the maximum density in the DOC1 zone.

Deducting the 6 FAR base allowed and assuming 1 FAR for LEED Silver, 13 total TDR would need to be purchased for each square foot of land developed, if TDR was the only option used to earn additional floor area.

The downtown program provides that 75% of the floor area added above the base FAR and beyond the LEED incentive be gained through housing options, including TDR from affordable housing structures or a payment to a fund for affordable housing or child care. The remaining 25% of added floor area can be gained through several non-housing options, including floor area bonuses for a variety of on-site amenities, or various types of TDR, such as open space TDR, Landmark TDR or within block TDR. Pike /Pine TDR would be considered another type of TDR to be used to gain this 25% share of bonus floor area allowed through non-housing options.

25% of 13 FAR equals 3.25 “other FAR”; the amount of floor area that may be gained through non-housing TDR for each square foot of land developed.

Multiplying the land area of 579,250 sf by the 3.25 FAR per square foot results in a total of 1,882,563 square feet that could be gained through TDR’s allowed for gaining the 25% share of floor area permitted above the base FAR.

This equates to roughly 100,000 TDR’s required per year over the next 19 year time horizon.

We have summarized this analysis below in Table 4 - TDR Demand Analysis.

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Table 4 - TDR Demand Analysis		
Total Construction		11,585,000 square feet
Maximum FAR	X	20
Implied Site Area		<u>579,250 square feet</u>
Maximum FAR		20
Less Base FAR		-6
Less LEED FAR		-1
Remaining FAR that may be gained through TDR and/or floor area bonuses		<u>13</u>
Share of Remaining FAR that may be gained through "Other" non-housing TDR (Open Space, Landmark Performing Arts)	X	25%
TDRs on each project from "Other"		<u>3.25</u>
"Other" TDRs		3.25
Projected Site Area to be Developed	X	579,250 square feet
Projected Demand for "Other" TDRs		<u>1,882,563 square feet</u>
Time Frame	/	19 years
Average Annual Demand for TDRs		<u>99,082 square feet</u>

Therefore, the Pike/Pine supply of available TDR, estimated to be about 1,644,825 square feet, would equal a 16 year supply of TDR to the downtown program based upon the 100,000 TDR demand calculated above.

Additional Conservation Programs – TDR Supply

In addition to the potential supply of TDR from a Pike/Pine TDR program, there is considerable floor area available in the form of TDR from designated Seattle Landmark Structures. The attached Table 5 – Seattle Landmarks Possible TDR Availability, on page 12 identifies designated Seattle landmarks and their TDR potential. A total of **2,518,659** are calculated to be potentially available from these properties. This TDR, when combined with 1,644,825 of Pike/Pine TDR, totals over 4.1 million square feet. If the current DPD proposal to expand the TDR program to South Downtown is approved by the City Council in 2009, even more TDR would become available.

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Table 5: Seattle Landmarks Possible TDR Availability

Building Name	Address	Zoning	Building Size	Site Size	Actual FAR	Base FAR	Potential floor area to Sell
1411 Fourth Avenue Building	1411 4th Ave	DRC 85-150	151,039	12,765	11.83	3.0	38,295
Artic Building	306 Cherry St	DOC1 U/450/U	104,352	14,280	7.31	6.0	85,680
Bank of California	815 2nd Ave	DMC 340/290-400	21,970	6,960	3.16	5.0	34,800
Barnes Building	2320 1st Ave	DMR/R 85/65	13,916	4,440	3.13	1.0	4,440
Bon March	300 Pine St	DRC 85-150	861,702	81,100	10.63	3.0	243,300
Camlin Hotel	1619 9th Ave	DOC2 500/300-500	83,008	14,275	5.81	5.0	71,375
Coliseum Bldg.	1506 5th Ave	DRC 85-150	36,504	13,200	2.77	3.0	39,600
Colman Bldg.	801-821 1st Ave	DMC-160	205,521	24,066	8.54	5.0	120,330
Decatur Bldg.	1511 6th Ave	DRC 85-150	127,268	21,600	5.89	3.0	64,800
Dexter Horton Bldg.	710 2nd Ave	DMC 340/290-400	388,934	28,200	13.79	5.0	141,000
Doyle Bldg. J.S. Graham Store	119 Pine St	DMC 340/290-400	47,686	8,964	5.32	5.0	44,820
Eagles Temple Bldg./ACT Theater	700 Union St	DMC 340/290-400	166,570	21,000	7.93	5.0	105,000
Eastern Hotel	506 1/2 Maynard Ave S	IDM-75-85	33,887	7,200	4.71	3.0	21,600
Eitel Bldg.	1501 2nd Ave	DMC 240/290-400	44,928	5,592	8.03	5.0	27,960
El Rio Apts	1922-1928 9th Ave	DMC 340/290-400	30,180	7,200	4.19	5.0	36,000
Exchange Bldg.	821 2nd Ave	DMC 340/290-400	384,302	21,240	18.09	5.0	106,200
Fire Station #2	2318 4th Ave	DMR/C 240/125	37,740	19,440	1.94	2.0	38,880
1st Ave Groups/Waterfront Ctr	1008 Western Ave	DMC 160	167,860	23,980	7.00	5.0	119,900
Flatiron Bldg.	553 1st Ave S	PSM-85-120	2,844	731	3.89	0.0	0
Fredrick and Nelson Bldg.	500-524 Pine St	DRC 85-150	693,450	64,768	10.71	3.0	194,304
Guiry Hotel- CONDOS	2101-2105 1/2 1st Ave	DMR/R 85/65	44,104	13,335	3.31	1.0	13,335
Hoge Bldg.	705 2nd Ave	DMC 340/290-400	116,640	6,480	18.00	5.0	32,400
Holyoke Bldg.	1018 1st Ave	DMC 240/290-400	39,960	6,660	6.00	5.0	33,300
Hull Bldg.	2401-2405 1st Ave	DMR/R 85/65	16,800	6,600	2.55	1.0	6,600
Josephinum/New Washington Hotel	1902 2nd Ave	DMC 240/290-400	148,219	15,660	9.46	5.0	78,300
Joshua Green Bldg.	1425 4th Ave	DRC 85-150	109,266	13,320	8.20	3.0	39,960
Leamington/Pacific Hotel & Apts	317 Marion St	DOC1 U/450/U	45,320	13,320	3.40	6.0	79,920
Liggett/Fourth & Pike Bldg.	1424 4th Ave	DRC 85-150	132,326	12,210	10.84	3.0	36,630
Lyon Bldg.	601 3rd Ave	DMC 340/290-400	63,712	13,320	4.78	5.0	66,600
Mann Bldg.	1401 3rd Ave	DRC 85-150	52,549	13,320	3.95	3.0	39,960
Medical Dental Bldg.	509 Olive Way	DRC 85-150	363,934	24,820	14.66	3.0	74,460
Moore Theatre & Hotel	1926 2nd Ave	DMC 240/290-400	122,810	23,220	5.29	5.0	116,100
New Pacific Apt. Bldg.	2600-2604 1st Ave	DMR/R 125/65	26,640	6,600	4.04	1.0	6,600
Old Main St. School	307 6th Ave S	IDR-150	1,846	3,300	0.56	1.0	3,300
Paramount Theatre	901 Pine St	DMC 340/290-400	102,761	27,960	3.68	5.0	139,800
Rainier Club	810 4th Ave	DOC1 U/450/U	57,452	28,560	2.01	6.0	0
Seattle Tower	1212 3rd Ave	DOC1 U/450/U	203,251	13,320	15.26	6.0	79,920
Shafer Bldg. / 6th & Pine Bldg.	523 Pine St	DRC 85-150	68,040	6,360	10.70	3.0	19,080
Smith Tower	502 2nd Ave	PSM -100	304,346	12,121	25.11	0.0	0
Terminal Sales Bldg.	1932 1st Ave	DMC-125	102,846	9,990	10.29	5.0	49,950
Times Square Bldg.	414 Olive Way	DOC2 500/300-500	73,399	10,240	7.17	5.0	51,200
Windham Apartments	420 Blanchard St	DMR/C 240/125	37,300	6,480	5.76	2.0	12,960

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Pike/Pine will also be competing to sell the TDRs with those available from Open Space (notably the Seattle Art Museum sculpture park), within-block TDR, and potential major performing arts facilities TDR. Since the total supply of all TDRs would be well over 4 million square feet, and that not all development will require as much TDR as is assumed in our model, we project an absorption period of these TDRs of over 40 years. Furthermore, TDR is not the only means of gaining the 25% share of the bonus floor area above the base FAR. Developers also can provide a variety of on-site amenities or make contributions to green street improvements to gain this additional floor area.

The first approach to analyzing the existing downtown TDR program as a receiving area for a Pike/Pine TDR supply indicates that there will be little short term demand (5 years) for Pike/Pine TDRs. The second approach indicates the CBD could be a source of long term demand for TDRs, but the demand is not likely to be great enough in total to achieve any significant preservation of buildings in the Pike/Pine study area, under current policies, and would compete with downtown priorities for the use of incentives for public benefits.

Pike/Pine TDR Value

In order to understand the desirability of transferring floor area (TDRs) from one location to another, we need to understand what the market is paying for the land to build a square foot of floor area. To understand land values in the sending area, recent land sales in the larger Capitol Hill Pike/Pine area were identified and evaluated to determine the market value per FAR in the area. This data indicates that land value in the Capitol Hill area is around \$60 per square foot of total permitted floor area. These values compare to \$45 to \$50 per FAR in downtown Seattle (dividing site purchase price by the planned or maximum FAR without considering the cost of acquiring TDRs to achieve the maximum FAR). Capitol Hill Pike/Pine corridor sales indicate a lower absolute value for land, but a higher value per FAR. This makes sense since CBD parcels require much more expensive high-rise construction to deliver only moderately higher rents/values.

Our experience with CBD TDR transfers indicates a pricing that is close to or below the Affordable Housing/Childcare combined payment price of \$22/FAR. This indicates a significant discount from the price of the land itself. The value of TDRs from Pike/Pine would not likely be greater than \$22 if purchased for projects in downtown.

Since the downtown TDR demand analysis did not support the downtown as a viable receiving area for Pike/Pine TDR, this valuation analysis was not carried further in Phase 2.

Recommended Analysis of Additional Conservation Tools - Pike/Pine

- Establish an alternate receiving area for Pike/Pine TDR
- Establish height and bulk incentives for conservation
- Create TDR opportunities for residential developments downtown to broaden the demand base for TDRs

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- Give Pike/Pine TDRs priority for use, conveying additional benefits on the receiving site to preferentially absorb Pike/Pine TDRs or raise their price relative to other TDRs (However, this would require de-emphasizing TDRs for those other public benefits now having access to the current program and, given the limited demand expected, this would be a difficult and potentially contentious policy choice).
- Promote joint renovation and development of adjacent and non-adjacent properties in the Pike/Pine area (essentially an alternative or in-block TDR program)