September 8, 2023

MEMORANDUM

To: Land Use Committee
From: Lish Whitson, Analyst
Subject: Council Bill 120632: Downtown Retail Core Rezone

On Wednesday, September 13, the Land Use Committee (Committee) will hold a public hearing and receive a briefing on Council Bill (CB) 120632, which would amend the Land Use Code (Seattle Municipal Code (SMC) Title 23) and rezone properties in the Downtown Retail Core to support "housing capacity and downtown activation." The bill would rezone 11 parcels generally located along 3rd Avenue between Union Street and Stewart Street from the Downtown Retail Core 85-170 (DRC 85-170) zone to the Downtown Mixed Commercial 240/290-440 (DMC 240/290-440) zone. It would also amend the Land Use Code to (1) reduce required tower spacing from 200 feet to 60 feet in the DMC 240/290-440 zone and (2) for projects that include a school in the DMC 240/290-440, DMC 340/290-440 zones or Downtown Office Core (DOC) 2 500/300-550 zones, increase the allowed podium height and allow a ten percent height increase.

Accordint to the Office of Planning and Community Development (OPCD) Director's Report on the legislation, the proposal is intended to:

- Increase the livability and vitality of blocks that are centrally located within Downtown.
- Increase residential units within the center of downtown to draw more tenants and activate the street level retail and bring more live, work, play environment.
- Encourage new investment that can upgrade the physical environment to better address current conditions.

This legislation is one strategy of Mayor Harrell's Downtown Activation Plan, which includes a variety of initiatives to improve Downtown Seattle, including the following legislative actions:

- Making zoning changes to facilitate office-to-residential conversion;
- Supporting food businesses by waiving fees for food trucks and carts;
- Extending the term of Master Use Permits (MUP);
- Expanding the uses permitted at street-level downtown;
- Allowing hotels in Belltown to be exempt from floor area ratio limits;
- Providing flexibility for temporary uses; and
- Increasing the budget for the Metropolitan Improvement District's cleaning, safety, and hospitality services.

This memorandum discusses the Downtown Retail Core, the proposed new zoning, and issues the bill raises.

Downtown Retail Core (DRC) Zone

The Downtown Retail Core currently extends from 3rd Avenue on the west to 6th Avenue between Union Street and Olive Way/Stewart Street. It is the area with the highest concentration of large retail businesses in Downtown Seattle, grounded by two historic department stores and two shopping malls, all of which have entrances onto Pine Street. Aside from these few full block or almost-full-block developments, most of the area is divided into relatively small parcels, each with large ground floor retail spaces. The area has a number of other historic and architecturally distinctive buildings, many dating to the 1920s.

The Comprehensive Plan states that the intent of the district is:

> **Downtown RETAIL CORE (DRC)**
>
> [The] Area containing the major department stores and having the greatest concentration of Downtown's retail activity. The DRC land use district is intended to:
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> - provide the principal center of shopping for both Downtown and the region;
> - allow uses other than retail with the general intent that they augment but do not detract from this primary function, and promote housing in the area to complement its principal retail function; and
> - maintain an active and pleasant street-level environment through development standards specifically tailored to the unique function and character of this area.

The City's success at meeting these goals has fluctuated over the years. When the first Comprehensive Plan was adopted in the mid-1990s, the retail core was at a relative low point with large vacant department stores. The development of the Pacific Place mall and the relocation of Nordstrom into the former Frederick & Nelson department store helped to spur a resurgence of activity and investment in the area. Due to the shift towards on-line shopping that was accelerated by the COVID emergency, the DRC zone, along with retail districts around the country, has faced difficulties. Currently, there are a number of vacant storefronts in the zone. There are also notable businesses that have moved into the area since 2020, such as the Uniqlo Store in the former Macy's/Bon Marché department store building and the Ben Bridge Flagship at 5th and Pine.

The DRC zoning includes a number of provisions that are intended to support the desired character of the area. These include:

- Floor area ratio (FAR) exemptions for the development of major retail stores between 80,000 and 200,000 square feet in size and shopping atria;
- Uniform minimum façade heights of 35 feet;
- Requirements that building facades be located within two feet of the adjacent sidewalk;
- Façade transparency requirements for 60 percent of the street facing facades, with blank façade segments limited to 15 feet in width; and
- Setback requirements for portions of buildings over 85 feet high.

Non-residential projects are permitted up to 85 feet, and projects with residential uses are permitted up to 170 feet. A base FAR limit of three applies to most uses,[1] with development up to six FAR permitted through participation in incentive zoning programs that encourage (1) the provision of funding for affordable housing and childcare, (2) transfers of development rights or potential from landmarks or affordable housing projects, and (3) delivery of public amenities that support the retail character of the area, such as shopping corridors or public restrooms. Mandatory Housing Affordability (MHA) payments are currently required for development at $18.23 per square foot for commercial uses and $13.22 per square foot for residential uses. Developers who choose to participate in the MHA program through provision of affordable housing on site are required to provide 3.9 percent of units as affordable housing.

The DRC zone area includes a number of buildings, including five out of the eleven buildings subject to the rezone, that the Land Use Code identifies as "significant to the architecture, history, and character of Downtown." (Seattle Municipal Code 23.49.008.A.6.a)[2] The code requires that the facades of those buildings be incorporated into future development on the site if any proposed development is taller than 85 feet.

Downtown Mixed Commercial (DMC) zone

The DMC zone is intended to provide transitions between the denser DOC zones and the retail core and other lower-density parts of Downtown Seattle. The DMC 240/290-440 zone runs generally north-south, extending from Battery Street and 7th Avenue to 1st Avenue and Madison Street. It separates the DOC 1 and DOC 2 zones from the Pike Place Market, the residential zones in Belltown, and the waterfront. It is located west and north of the DRC zone.

The DMC 240/290-440 zone allows non-residential development up to 240 feet, and projects that include residential uses up to 290 feet. Projects with residential uses that participate in the affordable housing bonus program are permitted up to 440 feet. Non-residential projects in the DMC 240/290-440 zone have a base FAR of five and a maximum FAR of eight. The maximum FAR is available for projects that participate in incentive zoning programs. As with the DRC zone, there is no FAR limit on residential uses. In addition to the incentives available in the DRC zone, projects in the DMC 240/290-440 zone may provide parcel parks in order to achieve increased floor area. In the DMC zone, the first 0.25 FAR above the base must be acquired through a regional transfer of development rights program.

[1] All residential uses, childcare centers, human service uses, museums, performing arts theaters, and public restrooms are exempt from FAR limits in Downtown zones. In addition, some uses, such as public facilities, are exempt from FAR limits up to a certain size.

[2] Of those five buildings, three have been designated landmarks: the Mann Building (Wild Ginger/Triple Door) at the northwest corner of 3rd Avenue and Union Street, the Olympic Tower at the southwest corner of 3rd Avenue and Pine Street, and the Fisher Studio Building, just south of the Olympic Tower on 3rd Avenue between Pike and Pine streets. The other two buildings identified in the code as having significant character are the former Woolworths Building/Ross Dress for Less at the southeast corner of 3rd Avenue and Pike Street, and the Mann Building on the northwest corner of 3rd Avenue and Pine Street.

Other differences between the zones are tower floor area limits for residential floors above the base height, maximum building widths, and lower minimum façade heights in the DMC 240/290-440 zone compared to the DRC zone. Finally, in the portion of the DMC 240/290-440 zone west of 3rd Avenue between Union Street and Seneca Street, there is a requirement that towers be spaced at least 200 feet apart. There is no tower spacing requirement in the DRC zone.

MHA requirements in the DMC 240/290-440 zone are lower than the requirements in the DRC zone. MHA payments are currently required at $13.50 a square foot for commercial uses and $10.90 square foot for residential uses. Developers who choose to participate in the MHA program through provision of affordable housing on site are required to provide 3.9 percent of units as affordable housing.

Other aspects of the zones are the same. For example, both zones include the same requirements for active street-level uses. The same sets of uses are permitted or prohibited in the two zones. Development standards at street level are generally the same and should result in the same types of heavily-retail oriented land uses at street level.

Council Bill 120632

CB 120632 would rezone property on the west side of 3rd Avenue between Union Street and Stewart Street, and a few parcels east of 3rd Avenue on the south sides of Pine and Pike Streets to DMC 240/290-440. The effect of the rezone would be to allow significantly larger buildings on the parcels to be rezoned. Maximum heights would increase from 170 feet to 440 feet, and maximum FARs would increase from six to eight.

MHA dollar amounts and percentage of units would be reduced, but projects would likely be larger, and in particular residential projects could be much larger, and would therefore possibly contribute more toward affordable housing through MHA**.** However, this would not always be the case. For example, a project on the southwest corner of 4th Avenue and Pine Street, a 20,068 square foot lot, could include up to 120,408 square feet of office space under the current zoning and 160,544 square feet of office space under the proposed zoning. The DRC project would have MHA fees equivalent to approximately $2.195 million. The DMC project would have MHA fees equivalent to approximately $2.167 million.

The change from DRC to DMC would also eliminate the major retail store incentives and the façade preservation requirements that are part of the DRC zone.

CB 120632 also includes some text amendments. These amendments would:

- Update the list of buildings in the DRC zone with facades that would need to be incorporated into a future development to (1) reflect the properties being taken out of the DRC zone; and (2) update the names and addresses of properties remaining in the DRC zone.[3]
- Allowing taller podium heights and providing a 10 percent height increase for a project that includes an elementary or secondary school in three zones: DMC 240/290-440, DMC 340/290-440 and DOC2 500/300-550. The DOC2 zone is predominantly located in the Denny Triangle north of the Retail core. The DMC 340/290-440 zone is located north and east of the DOC 2 zone and south of the DOC 1 zone which makes up Downtown's commercial core, including the King County Courthouse.
- Reducing the tower spacing requirements from 200 feet to 60 feet in the area west of 3rd Avenue between Stewart Street and Union Street. This would apply to areas west of 3rd Avenue that are not being rezoned.

Issues for Committee consideration

Properties not likely to redevelop under the proposed zoning

The proposed legislation would rezone only eleven properties. Most of those properties are relatively small lots, less than 20,000 square feet, and almost half are either owned by non-profit affordable housing agencies or are designated City landmarks and are less likely to be redeveloped. The rezone is likely to increase the property values and property tax rates for all properties in the rezone area, including those properties that are not likely to be redeveloped. The Committee should consider whether some of these properties should be removed from the rezone area.

Impact of the proposal on the street environment

According to the OPCD [Director's Report](), one of the stated goals of the rezone is to encourage "significant construction activity" in order to "disrupt patterns of street disorder and illicit activity." The report is hopeful that construction activity will block negative activity in the area for one to two years.

This area is a prime pedestrian corridor and one of the most significant transit hubs in the entire city. Closing sidewalks for construction will have a significant impact on both shoppers and transit riders intending to travel to and through this part of Downtown. Those impacts will be most felt by people who rely on 3rd Avenue buses to meet their daily needs. Bus riders are disproportionately people with disabilities, with low incomes, and BIPOC residents.[4] The Council should carefully consider the trade-offs and impacts of a strategy that is intended to

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[3] For example, the building included on the list as the "Equitable Building" at 1415 4th Avenue, is better known today as the MiKen Building or the Holland Building and currently has an address at 1417 4th Avenue.

[4] King County Metro Transit 2021 Rider and Non-Rider Survey (2021-rider-non-rider-survey-final.pdf (kingcounty.gov)), page 21

disrupt pedestrian activity at a location where the City is trying to encourage pedestrian activity and transit use. Putting impediments in the way of people walking through the area for shopping and commuting may result in even less foot traffic in the area during construction, further exacerbating safety issues if not carefully managed.

Preservation of significant building facades

As the code points out, the area to be rezoned has significant architectural and historic character. Five of the buildings in the area to be rezoned have facades that previous councils deemed worthy of preservation. The Committee could amend Section 23.49.008.A.6 to require façade preservation under the DMC 240/290-440 zone, as well as under the existing zoning.

Technical amendment

There is one technical amendment the Committee should make if does want to recommend passage of the bill. The Downtown Chapter of the SMC includes a Map 1A that shows “Downtown Zones and South Downtown Boundary.” That map should be updated to reflect the changes to the DRC boundaries included in the bill.

Next Steps

The Committee is scheduled to hold a public hearing on September 13, and may consider the bill at a special meeting scheduled for September 18. If the Committee votes on the bill on September 18, it could be considered by the City Council meeting as early as September 26.

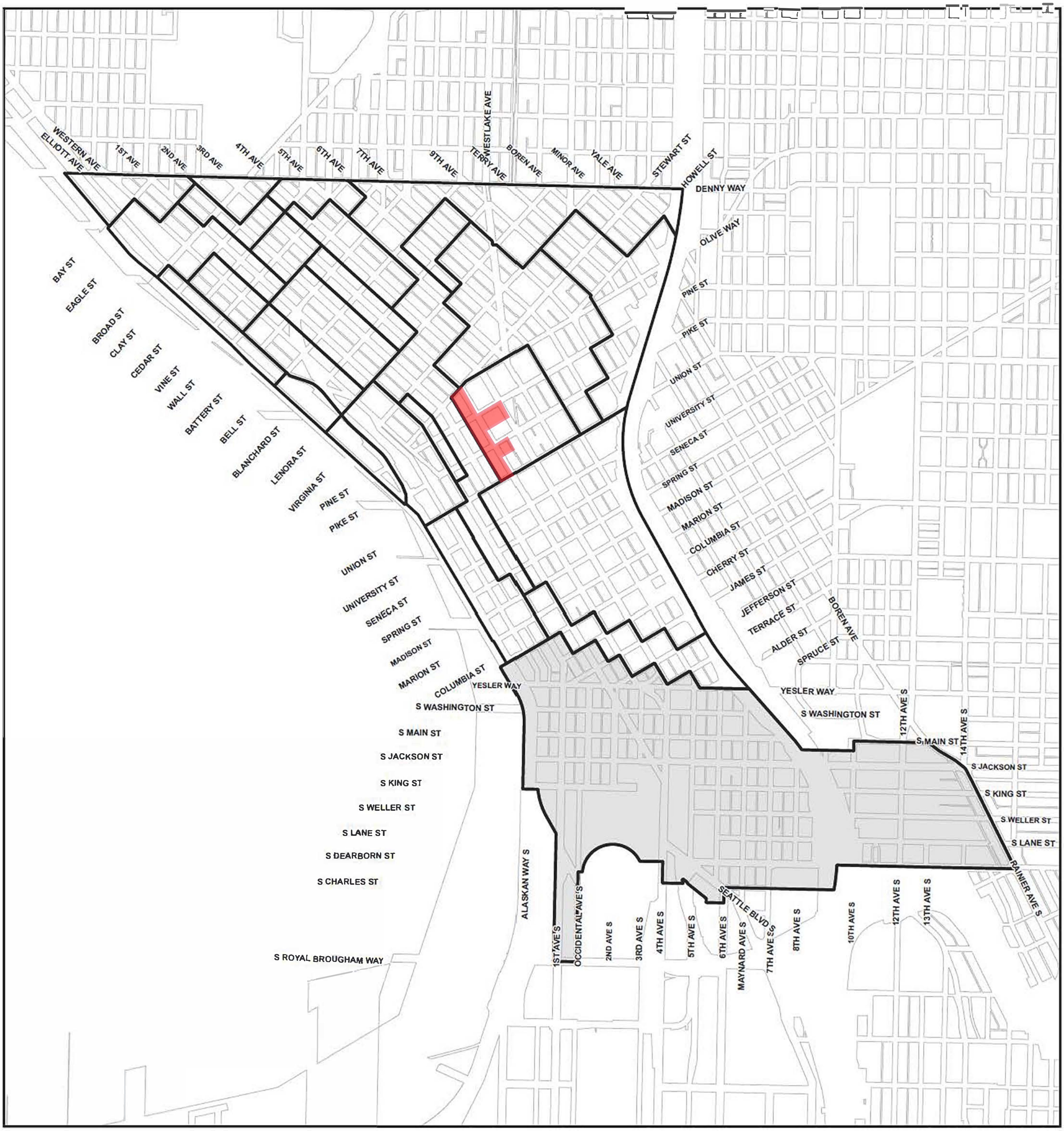
Attachments:

1. Map 1A

cc: Esther Handy, Director
Aly Pennucci, Deputy Director
Yolanda Ho, Supervising Analyst

Att 1 - Map 1A

Downtown Zones and South Downtown Boundary



Area rezoned from Downtown Retail Core to Downtown Mixed Commercial

South Downtown Zones in South Downtown are identified on the Official Land Use Map, Chapter 23.32

N

0 300 600 1,200 Feet

No warranties of any sort, including accuracy, fitness, or merchantability accompany this product.

Downtown zoning

Map 1A

Downtown Zones and South Downtown Boundary