ASAP! Retrofit Credit Proposal

- The URM Retrofit Credit (URMRC) proposal would leverage private sector dollars to fund a public good through the monetization of bonus development rights
- The concept is based on the same approach as TDRs but differs in several important respects and would operate independently.
- As part of the 2024 major update, enabling language would be added to the Comprehensive Plan as part of broader upzoning.
- Every URM building listed on the City-sanctioned inventory would be automatically designated as a “sending” site and be assigned credits equal to the square footage of the underlying lot times the maximum FAR for that lot based on current zoning.

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- A newly formed, City-sanctioned entity would be created that would be responsible for holding and selling the retrofit credits allocated to each URM property (make a market).
- Each credit purchased would entitle the buyer/developer to add 1 square foot of bonus floor area in any eligible receiving site of their choice.
- The value of the URMRCs will depend on the existence of a robust market, which in turn depends on designating sufficient “receiving” areas with high value to prospective developers.
- The initial focus would be on designating receiving sites in areas with restrictive zoning that the City has already identified as prime candidates for additional density, including around new light rail stations, along major commercial corridors, and in the industrial areas of SODO and Interbay.

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- Program Funding and Management
  - Retrofit Financing
    - Additional density obtained by purchasing Retrofit Credits from URM owners, through a PDA or PPP, would generate proceeds to be held by the PDA/PPP and allocated to covering the costs of the retrofit work.
    - Based on an analysis of the marginal value of bonus density, we would expect a single Retrofit Credit to fetch approximately $150 if traded on an efficient market vs. the current average price of $19/SF for existing TDRs.
    - Given the number of credits available for sale under this proposal, and their market value, this program has the potential to provide well over half of the estimated $75/SF cost of retrofitting a representative URM building in Seattle. Alternative sources of funds for URM retrofits will only cover a small share of the costs.
  - Program Management
    - The proceeds from each sale of Retrofit Credits would be held by the PDA/PPP in a separate account for each URM building owner based on the credits associated with the building that had been sold.
    - URM owners would then submit detailed proposals/invoices from pre-qualified contractors for approval by the PDA/PPP, which would then disburse funds from their account - either upfront or as reimbursement.
  - Roles and Responsibilities
    - The City would need to provide initial start-up funding to stand up and staff the PDA/PPP, following which it would be self-sustaining, using a small percentage of the proceeds from the sale of Retrofit Credits to cover operating costs.