

February 14, 2018

## MEMORANDUM

**To:** Finance and Neighborhoods Committee  
**From:** Alan Lee and Amy Tsai, Central Staff  
**Subject:** CB 119195, CB 119196, and RES 31798 related to Comm Shop Property Sale

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### *Overview*

This memo discusses three pieces of legislation related to the sale of City-owned property and the disposition of its proceeds.

- (1) **Council Bill 119195** authorizes the sale of City-owned property located at 1933 Minor Avenue, commonly known as the “Communications Shop” or “Comm Shop,” for \$13,000,000.
- (2) **Council Bill 119196** amends the 2018 budget adoption ordinance by modifying appropriations for the Department of Finance and Administrative Services, Finance General, the Office of Housing, and the Human Services Department.
- (3) **Resolution 31798** provides further details on the use of \$7,250,000 of the sale proceeds, outlining two new programs intended to address the homelessness crisis: the Seattle Rental Assistance Pilot and the Bridge Housing Investment Strategy.

The Executive [presented](#) the Comm Shop sale in the Finance and Neighborhoods Committee on February 9, 2018. This memo summarizes the features of the proposed sale, describes and provides considerations for the two new proposed homelessness programs, and offers options for the Committee’s consideration.

### *(1) Council Bill 119195 - Property Sale*

Council Bill 119195 would authorize the sale of the Comm Shop property to the adjacent owner. Its passage would indicate Council approval of bypassing surplus recommendation reporting, public hearing, and signage posting requirements called for by Resolution 30862; initial notice was given to the surrounding community and those expressing interest have been kept apprised. The bill sets forth requirements for the sale amount as described below.

Since 1973, the Seattle Information Technology Department’s (ITD) Communications Shop has operated at 1933 Minor Avenue in a one-story, 3,788 square foot building on 14,405 square feet of land. Crescent Development (CD), who owns the adjacent lot, offered to buy the property in 2014. The City commissioned an appraisal in late 2015, and the developer conducted one as well. Through a series of negotiations, the City and Crescent Development agreed to a proposed sale price of \$11 million, plus \$2 million paid in advance to partially satisfy affordable housing obligations from the City’s new Mandatory Housing Affordability (MHA)

Program, minus up to \$370,000 in environmental mitigation fees. The City’s environmental clean-up obligation is capped at \$370,000.

Crescent Development has two vested Master Use Permit (MUP) applications: (1) MUP 3019625, which would be for future development without the Communications Shop site, and (2) MUP 3019623, which would be for future development with the communications Shop site. Both MUP application would entitle CD to build two towers. Both applications are vested to pre-MHA incentive zoning requirements. CD may opt-in to the new MHA program to achieve additional development capacity.

City zoning laws also require that towers be 60 feet apart. Therefore, if CD were to buy the City’s property, it could build towers with increased capacity using the new land (increasing the planned units from 737 to 943, an increase of 28 percent, or 206 units). If someone else were to buy the City’s property, their tower would need to be 60 feet from CD’s two towers which would likely be constructed up to or very near the shared property line. The size of the tower that could be built in that situation on the City property would be limited by tower separation requirements and could result in future development of approximately 120 to 150 housing units (depending on the mix of bedrooms and unit sizes, and ultimate tower height.).

If the property is sold, the Comm Shop will need to relocate. Currently, the City pays rent on the Comm Shop to itself at a rate of about \$36,000 per year (based on a share of the City’s cost to own and operate buildings outside of the downtown core). The Department of Finance and Administrative Services (FAS) estimates that the City pays roughly \$20,000 in variable capital maintenance costs and a \$300,000 roof replacement is expected within five years that would be avoided through sale of the shop. FAS considered co-location options with other City services, which resulted in a range of lease opportunities with larger square footage. A proposed new location would increase the facility footprint from 3,788 square feet to 15,500 square feet with an estimated \$100,000 to \$130,000 each year in lease payments. FAS is still in negotiations; final moving, tenant improvement, and lease costs are not yet known, but \$2,00,000 would be allocated from the sale proceeds to cover moving and tenant improvement costs, and \$430,000 would support five years of lease payments in the new location (see Table 1 below).

Table 1: Comm Shop Sale Proceeds

Purpose	Department	Amount
Relocation of Communications Shop	FAS	\$2,430,000
Design and planning of new SFD facility	FAS	\$1,070,000
Seattle Rental Housing Assistance Program	HSD	\$2,000,000
Bridge Housing Investment Strategy	Finance General	\$5,250,000
Bridge Housing Strategy Development	OH	\$250,000
	<b>Total</b>	<b>\$11,000,000</b>

The SFD-dedicated proceeds would go towards design and planning of a new land-based marine fire station. At the September 15, 2017, the Fire Department [presented](#) to the Affordable Housing, Neighborhoods, and Finance Committee on its fire response needs in the South Lake Union area and City-wide. The Seattle Rental Housing Assistance Program and Bridge Housing are discussed further below.

*(2) Council Bill 119196 - Appropriation Authority*

**Council Bill 119196** amends the 2018 budget adoption ordinance by modifying appropriations for the Department of Finance and Administrative Services, Finance General, the Office of Housing, and the Human Services Department. These appropriation changes reflect the spending plan in Table 1 as well as the \$2,000,000 payment to the Low Income Housing Fund.

*(3) Resolution 31798 - Proposed Homelessness Spending*

**Resolution 31798** outlines the Seattle Rental Assistance Pilot and the Bridge Housing Investment Strategy.

Seattle Rental Assistance Pilot (\$2,000,000)

The proposed Seattle Rental Assistance Pilot (SRAP) is essentially a homelessness prevention program in that it provides currently-housed, low income, vulnerable households with housing stabilization assistance, such as rental subsidies and case management, to keep them from becoming homeless. The program specifically targets households on the Seattle Housing Authority (SHA) housing voucher waitlist who have incomes less than 50% of the Area Median Income (AMI).

Table 2: Households in Seattle<sup>1</sup> Eligible for Seattle Rental Assistance Pilot (SRAP)

Seattle households on SHA voucher waitlist	0-30% AMI <sup>2</sup>	30-50% AMI <sup>3</sup>	Total	Households eligible for SRAP
Households in rental housing	562	92	654	<b>654</b>
Households with family or friends	281	21	302	<b>302</b>
Homeless or unstably housed households	521	15	536	<b>0</b>
<b>Total</b>	<b>1,364</b>	<b>128</b>	<b>1,492</b>	<b>956</b>

<sup>1</sup> Total number of households, including households not in Seattle, on the SHA voucher waitlist is 3,501.

<sup>2</sup> Income for family of four at 30% Area Median Income is \$28,800 according to rates published by HUD (April 2017).

<sup>3</sup> Income for family of four at 50% Area Median Income is \$48,000 according to rates published by HUD (April 2017).

Based on historical figures from the previous SHA housing voucher waitlist, the Executive anticipates 15 percent of these eligible households to become homeless without intervention; accordingly, of the 956 eligible households, 143 households are anticipated to receive assistance from the pilot. If SRAP follows guidelines for prevention programming outlined in the Homeless Investments RFP, at least 40 percent of its budget, or \$800,000, will be devoted to rental subsidies. Other program costs may include household utilities, rental arrears, interpretation services, and case management.

The Executive calculates a cost of approximately \$7,300 per household annually. Historic costs for prevention programming average between \$3,500 to \$3,800 per household, with an average intervention period of three months. Using the 2018 projected cost (\$3,500) per household for prevention programs, serving 142 households in a prevention program averages \$497,000. Differences between the general features of prevention programming and SRAP are highlighted in Table 4.

Table 3: Differences between General Prevention Programs and SRAP

	<b>General Prevention Programs</b>	<b>SRAP</b>
Household type	Low income	Low income on SHA waitlist
Annual cost per household	\$3,800 (2017)	\$7,300
Intervention time	3-month average (as long as one year)	Unknown (as long as 3 years)
Demographic impact	63% households African American (2017)	45% households African American (2015)
Rate of return to homelessness	2%-3%	Unknown

The primary factors driving cost differences are a higher rent subsidy and longer intervention period for SRAP participants.

**Bridge Housing Investment Strategy (\$5,250,000)**

The proposed Bridge Housing Investment Strategy (BHIS) entails convening a new executive level subcabinet, the Innovative Housing Strategies Subcabinet (IHSS), to develop a plan to increase the supply of interim shelter and housing options for the City’s unsheltered homeless. The examples of options are comprised mostly of structures that are meant to serve as interim housing by design. Of the examples, master leased units and backyard cottages (detached accessory dwelling units) are permanent housing structures. Tiny houses, tents, sheds and portable bunkhouses do not meet the building code’s definition of a permanent building. Projects involving temporary structures would probably entail additional authorized encampments, including but not limited to the two authorized encampments for which the Council appropriated \$450,000 for 2018.

The Human Services Department estimates that an authorized encampment of fifty tiny houses involves \$309,000 in one time set up costs, including construction of tiny house units, and \$525,000 in annual costs, including operations and enhanced services (two case managers and security staff). At a \$10,500 cost per unit, \$5,250,000 could potentially be used for approximately 500 units, though this would entail ten additional authorized encampment sites of fifty units each; given the difficulties of siting, this scenario is unlikely.

The IHSS will make a budget proposal for this strategy by June 30, 2018. The Executive would then submit an ordinance to the Council to move appropriations from Finance General to fund the project.

SRAP and BHIS and current spending on homelessness

Implementing the two programs would have the following impacts on spending and outcomes.

Table 4: SRAP and BHIS funding additions to current homelessness investments

Homelessness Intervention	RFP \$	SRAP \$	BHIS \$	Total \$
Diversion	\$1,993,300			\$1,993,300
<b>Emergency Services</b>	<b>\$14,813,276</b>		<b>\$5,250,000</b>	<b>\$20,063,276</b>
Outreach and Engagement	\$2,888,157			\$2,888,157
Permanent Supportive Housing	\$1,975,496			\$1,975,496
<b>Prevention</b>	<b>\$2,492,577</b>	<b>\$2,000,000</b>		<b>\$4,492,577</b>
Rapid Re-Housing	\$4,317,758			\$4,317,758
Transitional Housing	\$1,332,643			\$1,332,643

Table 5: SRAP and BHIS outcome additions to current homelessness investments

Homelessness Intervention	RFP Households served	SRAP Households served	BHIS Households served	Total Households served	Households exited to permanent housing
Diversion	1,280			1,280	846
<b>Emergency Services</b>	<b>20,538</b>		<b>Unknown</b>	<b>20,538 + unknown</b>	<b>2,008 + unknown</b>
Outreach and Engagement	2,521			2,521	
Permanent Supportive Housing	2,106			2,106	
<b>Prevention</b>	<b>738</b>	<b>143</b>		<b>881</b>	<b>854</b>
Rapid Re-Housing	912			912	771
Transitional Housing	340			340	200

Impacts to emergency service outcomes will generally not be known until solutions are articulated and proposed.

**Options for consideration**

- Pass CB 119195.
- Amend CB 119195 (**Amendment A**) to make Council’s intent clear with respect to the buyer’s \$2 million affordable housing contribution.
- Pass CB 119196.
- Pass RES 31798.
- Amend RES 31798 to have the IHS subcabinet present its recommendations to the Finance and Neighborhoods Committee (Amendment 1).
- Amend CB 119196 and RES 31798 to designate sale proceeds to other purposes.
  - CM Herbold (**Amendments 2a and 2b**): These amendments add recitals, increase funding for hygiene services by \$800,000 and shelter services by \$431,000, and decrease funding for the Bridge Housing Investment Strategy by \$1,231,000.
  - CM Herbold (**Amendments 3a and 3b**): These amendments add recitals and increase funding for **shelter services** by \$431,000, and decreases funding for the Bridge Housing Investment Strategy by the same amount.
  - CM Herbold (**Amendments 4a and 4b**): These amendments add recitals and increase funding for **hygiene services** by \$800,000, and decreases funding for the Bridge Housing Investment Strategy by the same amount.
- Delay consideration of any combination of CB 119195, CB 119196, and RES 31798.

cc: Kirstan Arestad, Central Staff Director  
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