

# Rainier Grady Junction Subarea

## Developers Forum - Summary Notes

### Dates

Developers Forum meetings were held remotely via Zoom on January 25, January 26, and February 3, 2021.

### Attendees

City: Mark Santos-Johnson, Hannah Bahnmitter, Paul Hintz, and Katie Buchl-Morales

Consultants (MAKERS Architecture and Urban Design): Katy Saunders and Rachel Miller

#### Participants:

Richard Loo, Bellwether Housing;	Robert Cugini, Barbee Mill
Jonathan Smith, Bellwether Housing;	Eric Pravitz, Homestead Community Land Trust
David Smith, Paragon Real Estate	Joe Thompson, Mercy Housing NW
Advisors	Oscar del Moro, Cosmos Development Company
Chris DeWald, Rush Companies	John Fisher, Inland Group
Craig Koepler, RVA Cinema	Obi Amobi, Mercy Housing NW
Karinda Harris, Vulcan	Colin Morgan-Cross, Mercy Housing NW
Kurt Creager, Bridge Housing	Rocale Timmons, SECO Development
Suzi Morris, Lowe Redevelopment	Kathleen Hosfeld, Homestead Community Land Trust
Allen Dauterman, Imagine Housing	
Campbell Mathewson, CMRE Partners	

### Presentation

- City staff presented background information about Renton and recent development (See presentation slides for details)
- Consultants provided an overview of existing zoning and the MFTE program for Downtown Renton, and the recent work to date from subarea planning process (See presentation slides for details)

### Key Takeaways

- Flexibility in regulations is important to making development projects work.
- The City should be responsible for catalyzing development. This will be more fruitful than relying on development alone to implement the plan's vision.
- Predictability is helpful to development – several participants noted the importance of development agreements in realizing successful projects.
- Good discussion in all meetings about the value and opportunities of commercial and retail use, as well as the challenges. General agreement that a mix of uses is important to a vibrant neighborhood, but mixed perspectives on requirements.
- Ongoing engagement with the community will be important.

- Fostering stronger relationships between the City, local organizations and developers is important, particularly for affordable housing projects.
- New price breaks for taller buildings with CLT

## Discussion

### **Retail/Mix Use Development:**

- There was some opposition to commercial area development standards for residential development (ground floor commercial – 50% of gross ground floor area of all buildings on site). Note: Opposition seemed to dissipate when staff clarified that the 50% requirement applied to all buildings on site.
- One participant noted that only 30-40' deep of retail space is viable.
- Some participants noted that a certain amount of ground-floor commercial is expected and will help achieve a vibrant “18-hour neighborhood.” The early investors/developers may have a harder time with existing requirements, but once residential densities are there, this will help provide a vibrant, mixed-use neighborhood.
- \$3+ per sq.ft. of commercial is necessary for podium-style development. May depend somewhat on other variables, such as impact fees, etc.
- Commercial space is integral to the urban fabric. Commercial space created in today’s market may or, more likely, may not be filled for some time but it will be eventually not only desirable, but necessary for the area’s success. Early developers will have more challenges to make it pencil. One participant cited an example from a project in Bellevue where the commercial space was not profitable for several years, but it is now very successful.
- Commercial does not pay for itself, and typically zero profit is anticipated in pro-formas; Sometimes a challenge to underwriting.
- Some participants noted that certain types of commercial space, such as service retail, are sometimes used as a marketing tactic to help the project get higher rents from residential units.
- Retail market is constantly evolving; not currently seeing a high demand for retail space. One participant noted that many retail commercial tenants are behind on rent, due to the impact that COVID-19 has had on consumer habits and the local economy.
- Encourage options that allow for active ground floor activity. Commercial space can include daycares and building amenities, clinics and other services.
- Encourage design that allows for transitional uses over time, i.e., ground floor parking or surface parking today, with intent to evolve to retail in the future.
- There was support for the idea of mixing smaller commercial spaces with larger mixed use and/or residential buildings (referring to an image from the subarea plan section of the presentation). Suggested looking for opportunities to introduce different zones to get better diversity – otherwise there is a risk that it will all be one building type.

### **Employment:**

- Need to attract employment opportunities outside of retail, i.e., office and light industrial.
- Daytime employees are key to a vibrant area and to provide businesses with patrons.
- People value the opportunity to live where they work and work where they live. Encourage this area to be more than a bedroom community served by TOD, i.e., maintain light industrial, encourage makerspace opportunities, etc.

#### **Development Regulations:**

- Provide flexibility and allow for creativity when possible – “Prescriptiveness is the enemy of creativity and flexibility.”
- Flexibility is key to success.
- Height
  - “Cost of land and rental rates in Renton market are not high enough to justify vertical development of significant height.” However, this will likely change over time, so helpful to allow for potential for greater height as market allows.
  - Some disagreement re: height limits vs. stories.
    - Developers prefer to regulate height by the number of stories allowed to provide them with flexibility. Tall ceiling heights help make small, often affordable, units feel more livable. It was also suggested that height limits for the area are unnecessary.
    - Conversely, it was suggested that the City offer bonus height for various reasons, and by doing so we will not contribute to artificial and highly speculative land valuations.
  - Exclude parking structure from height requirements, or when measuring height, measure podium parking separately from the residential floors.
  - Look to Vancouver, BC where tall, standalone residential towers are created with separation from others, but it creates the residential base to serve surrounding commercial uses.
- Parking
  - Consensus that joint parking facilities are favorable.
  - Unit to parking space not to exceed a 1:1 ratio, 1:.75 is more appropriate and consistent with other cities, parking reductions for higher intensity development surrounding TOD.
  - Reduce parking standards for senior housing developments – parking to be prioritized for guest and employee parking use.
  - Consider offering flexibility to project under a certain size.
  - Future parking needs will likely be less. Consider creating City surface parking for shared access to facilitate development with lower parking ratios for long-term needs. (When the surface parking is no longer needed, the City can make available for affordable housing. MSJ)

- Impact Fees
  - Environments that don't have high impact fees are most attractive for developers.
  - Projects can support some demands to construct municipalities infrastructure, e.g., pedestrian walkway, structured parking. But can't go after everything.
  - Even smaller fees do start to add up when you consider complex larger project.
  - Fee deferment can help some developers who need to shift costs to later phases, but it is not universally helpful and is only seen as a modest incentive.

**Desirable Amenities – Private Investment:**

- It may take several years for retail development to become economically viable, but when it does, retail is utilized as a tool/amenity to increase rent and housing costs.
- Schools are particularly important, as well as daycare centers and early learning centers.
- Grocery stores – consider challenges of loading and bay heights when building new in a denser environment. Generally, it is better to retain existing grocers and/or sites that can accommodate infrastructure needed by grocery stores. Also, some funders have criteria checklists, and you gain more points by being close to amenities, such as grocery stores.

**Affordable Housing:**

- Elements that are helpful to making affordable housing work:
  - prioritization of land designated for affordable housing projects;
  - expedited review and permitting;
  - public/private partnerships (e.g. development agreements) and/or;
  - creative incentives (e.g. deferred payments on improvements).
- Requires alignment with the funding cycles and advocacy by City for County, state, federal funding.
- Affordable housing has a difficult time subsidizing retail and parking costs since they cannot be offset by higher residential rents.
- Streamline permitting and land use process.
- Develop connections between community and developers, particularly the non-profit developers.
  - Connect non-profit developers to the communities and organizations, so they can really understand the types of housing that are needed.
  - Development agreements with local municipalities have been very helpful.
  - One participant cited an example from a project in Tukwila, where flexibility was needed to make the project pencil.
    - The city increased the density allowance and reduced standards for height limitations and parking requirements.

- Worked with the developer to reduce infrastructure costs.
- There is a high water table in the area, which makes underground structures challenging.
- Seattle’s MHA fee-in-lieu is set such that most developers are providing affordable rental units onsite, also making use of MFTE. However, affordable ownership units are not being provided onsite, and instead are paying the fee-in-lieu.

**Homeownership/Condominiums**

- Homeownership will only happen if amenities are created that attract prospective homeowners.
- Market has more to do with it than zoning.
- Some participants have pursued partnerships—adjacent projects and shared construction. Ownership units may need to be phased in on a different timeline than other aspects of a project. Requiring it to all come in at once has not worked.
- There is a demand for larger household size units. Condos are typically a first step into homeownership (young families) or for those downsizing. 3-bedroom units are more typically a townhome, rather than a condo.
- Although some laws have been revised, it is still challenging to make condominium projects worth the risk for developers to construct them. There used to be more condominium projects, but then a whole business associated with condo class action lawsuits emerged and drove the market underground.
- More legal reforms may be needed. The Puget Sound area has the lowest percentage of condos in any city of our size in the country.

**Potential Public Investments and Methods to Incentivize Development:**

- Maintain inventory of developable properties within subarea (and beyond).
- Planned Action EIS/areawide SEPA declaration
- All incentives on the table – MFTE, density bonuses, reduced parking requirements, etc.
- Initiate quality placemaking efforts to spur private investment in the area.
- There are decades of auto-centric building in the area. Placemaking is very important and will be a challenge.
- Developers can contribute to placemaking, but don’t expect them to bear all of the burden; City needs to take initiative on parks, recreational spaces, and connectivity/walkability.
- Existing infrastructure
  - Electrical infrastructure – need to figure out how to work around that. Explore how it could be an asset? (Smart Cities, access to power, etc.)
  - Need to better understand water/sewer needs
- In the absence of private yard space, provide amenities that allow people to get outside.

- Consider needs and opportunities of all ages/generations – don't just focus on one group. The best places are where different people can come together.
- Desired public investments: sewer, utilities, underground utilities, eco energy district/district thermal systems, public spaces, pedestrian connections, prioritize connectivity to transit center, provide public parking, EV parking, etc.
- Existing easements should be utilized to provide for easier, safer access to light rail and bus transit.
- Land-bank properties and use as surface parking lots to wait for development to catch up. Suggestion to use easements as parking lots while waiting for public investment to create open space.
- City needs to invest in infrastructure in order to motivate and support private sector investment.

**MFTE Comments:**

- Expand and refine MFTE program.
- Market-rate MFTE often essential in this location; affordable component is more difficult to pencil.
- Look at Redmond's MFTE program that has a graduated system.
- Non-profit housing developers are tax exempt, so the MFTE program doesn't benefit them. However, it does benefit other developers and housing producers.
- In Seattle, some developers have found it is easier to provide the affordable units using MFTE than pay fee-in-lieu, and then re-enroll for long-term affordability.

**Marketing/To Highlight:**

- Location and access to I-5 and 405.
- TOD and transit investments.
- "Central location where you can live in Renton and work in Seattle, while your partner can work in Bellevue."

**Commercial Retention:**

- Mitigate business loss with a strategy, i.e., "transitional plans" based on feedback from existing business owners – allow them to identify/share their needs, City to support by providing resources.
- Business displacement – need to be proactive to prevent and mitigate business loss. Requires its own strategy and community engagement, not just code changes.
- Consider maintaining/improving connections (i.e., pedestrian connections) between existing and new development.
- Macro-scale placemaking with a grassroots effort.

**Miscellaneous:**

- New development should contribute to the community in some ways. Talk with community about what they want. Talk with affected businesses.
- Avoid white bias. Connect with BIPOC and understand value of those communities. The plans and ultimate development will be better, more attractive, and human centric because of that incorporation.
- Developers/property managers should be required to give residents ORCA cards, and this expense should be part of their operating budget.
- Need to create new identity for the area.
- Take action ASAP.
- City needs to create the place and attractions to all types of households. Safety is key!!!
- High-power transmission line easements are problematic but also present opportunities. Encourage/provide some flexibility at the edges of the TOD boundary as well.

### **Participants' Key Takeaways**

- Flexibility is essential to realizing the vision.
- Build relationships with developers, and identify specific sites to attract development.
- MFTE is very important.
- Illustrate the housing needs (rising rents, etc), the vulnerable populations needing housing (e.g., large families, senior vets, etc), as this helps the developers in conversations with funders.
- TOD asset is very important for this area.
- There is interest in developing in Renton – developers want to work with the City to make it happen.
- The subarea plan is a good step – suburban communities have different economics than downtown Seattle. Incentives are important.
- Specific regulations may be somewhat less important, but it is critical to set the goal posts for developers. The City is good at moving quickly, which is an asset. You don't want to bog down a project here.
- Have to get the parking regulations and expectations on mixed use right. BRT isn't the same as rail. (Bus lines can change, but rail is a fixed asset.)
- Plan offers a strong vision for the area, but there is a lot of work to do. City will have to work to attract developers.
- Give the area an identity, a frame. It has to be a place. City is going to have to provide a lot of resources for infrastructure, parks, roads, public realm, art, etc.
- Kudos for intentionality and for engaging people on what to imagine. Encourage and reinforce the idea of inclusion. Think about whose voices are not at table, and make sure their vision is incorporated.