

Mayor Charles Royer yesterday formally announced a plan that would allow city government to buy and sell development rights to help preserve 350 units in 10 low-income apartment buildings downtown.

The city would commit \$3.5 million over three years, but would eventually hope to recover that amount from commercial developers, Royer said.

"The alternative is that we will continue to lose units downtown," Royer said.

Under the plan, the city would buy development rights from an owner of a low-income apartment building. The rights would be put in a "bank" to be sold later to developers who want to build a downtown office building to the maximum space allowed by the zoning code.

The money would be used to renovate low-income housing and to preserve the buildings for 20 years.

The second part of the program would allow the city to lease, buy or negotiate the option to buy development rights from both occupied and vacant apartment buildings.

This would enable the city to "buy time" from owners to keep occupied buildings affordable, and to keep vacant buildings from being demolished for at least five years until the city can secure money to acquire and renovate them, Royer said.

Owners of low-income housing already can sell their development rights directly to developers. But officials said deals are uncommon because a glut of office space has cut the demand for development rights.

By serving as a broker, the city would be able to "bridge the gap in time" by buying development rights now from low-income housing owners and selling them later to commercial developers when the market improves, said City Councilman Paul Kraabel, who originated the idea last February.

"I think this will be well-received by the council," said Kraabel, who chairs the council's Urban Redevelopment Committee.

Officials said 53 downtown apartment buildings will be eligible for the program, and owners of 10 of those are expected to volunteer to participate.

The city has been strongly criticized for failing to keep its commitment to preserve 7,311 low-income units downtown. The downtown stock has dwindled to 5,900, mostly due to rent increases at various apartment buildings, officials said.

"I don't think anyone is suggesting this is the answer for low-income housing downtown," said Ann Scales, who heads the Downtown Housing Advisory Task Force.

"But this is a tool that will help us preserve units that otherwise would be lost."

A program that allows transferring development rights has been in effect since 1984 and is an example of how the bank could work to preserve low-income housing downtown, city officials said.

Wright Runstad & Co., developers of the 1201 Third Avenue Building, transferred nearly 57,000 square feet on the site of the 55-story office tower. The development rights were transferred from three downtown, low-income apartment buildings for \$553,000.

In exchange, necessary repairs to the buildings - the Olive Tower, the Bremer and the Adams apartments - were completed and the rents will remain primarily for low-income tenants for 20 years.

John Fox, head of People for Downtown Housing, said the plan has promise, but cautioned that it won't remedy the downtown low-income housing shortage.

Royer also announced the city has 1,150 lower-income units "in some phase of acquisition and construction" in the first four months of this year. He said 651 of those units, both downtown and in the neighborhoods, will be affordable to people at 30 percent of the median area income. That would work out at \$10,300 a year for a family of three.

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