

Studio19's June 2014 newsletter. Headline article on the U-District Urban Design EIS, Market Trends article on condo conversions, and more.

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NEWSLETTER | JUNE 2014

## HEADLINE

### Big Changes on the Way for the University District

Over the past few years Studio19 has had the honor of designing several projects in the U-District and have seen firsthand how the area has become a hotbed for new development. Much of that development has centered on increased enrollment at the UW and the need for more student housing especially for foreign students but soon the U-District will become an even more appealing development locale.

In preparation for the arrival of a new light rail station, the City of Seattle is considering amendments to its comprehensive plan and land use code to allow development and design standards that permit greater height and density in the U-District. The study area is bounded by Portage Bay on the south, NE Ravenna Boulevard on the north, Interstate 5 on the west and 15th Avenue NE on the east. A major milestone in this endeavor is the draft [environmental impact statement \(EIS\)](#) which was recently completed. The EIS addresses 3 Alternative scenarios for future growth in the U-District. Highlights of each alternative are as follows:

#### Alternative 1:

- High-rise towers in the core area—including along University Way NE—with areas of mid-rise development extending north of NE 50th Street
- Maximum building heights of between 125 and 160 feet
- Focused growth around the new transit station

## FEATURED PROJECT OF THE MONTH



Studio19 is excited to be working with GLPHoldings on a project situated on a challenging triangular site located at the U District. N23 is a congregate housing project consisting of 23 sleeping units targeted to UW students. The sleek flat-iron shape and the mix of vertical and horizontal metal panels, combined with concrete looking cementitious panels, gives the structure a youthful modern look while keeping cost in mind by using standardized material and product dimensions. This project is in the drawings and documentation

#### Alternative 2:

- Maximum building heights would be between 240 and 340 feet, but proposed development standards would reduce building bulk and increase building separation
- Building heights along the University Way NE corridor would be limited to 65 to 85 feet, significantly less than Alternative 1

#### Alternative 3:

- No Action (growth under current land use code standards and development patterns)

Studio19 has been busy attending workshops and town hall meetings to discuss rezoning options and believes that in addition to the topics covered in the EIS, consideration should also be given to how pedestrian access to the U-District from across I-5 can be addressed and how, if at all, Micro Housing (an already hot topic in the city) could be incorporated. The final EIS is scheduled to be issued in the fall of 2014 with a final action regarding land use code and comprehensive plan amendments expected around the middle of 2015. Those interested in getting involved can make public comments regarding the draft EIS until June 23<sup>rd</sup>.

Whether alternative 1, alternative 2, or a combination of both is finally chosen, the success of rezoning will ultimately hinge upon how it responds to the hopes, desires, and concerns of the local community. Current property owners will no doubt benefit from up-zoning via the inevitable rise in property values spurred by greater development potential. Still many neighborhood advocates worry that an already staggering open space deficit in the area will only be magnified with increased density. Others are concerned that rezoning will not provide for much needed amenities like parks, attractive pedestrian routes and a new elementary school. However, development taxes and incentives should play a major role in ensuring that new open space and more pedestrian friendly streets are created by allowing more height and floor area in return for more affordable housing units, additional public amenities and services as well as open space.

University of Washington President Michael Young envisions the area becoming an innovation center attracting spinoff businesses .from the UW so the U-District resembles not just Berkeley, but also Palo

process for building permit acquisition and construction is going to take place in fall of 2014.

#### FEATURED PARTNER OF THE MONTH



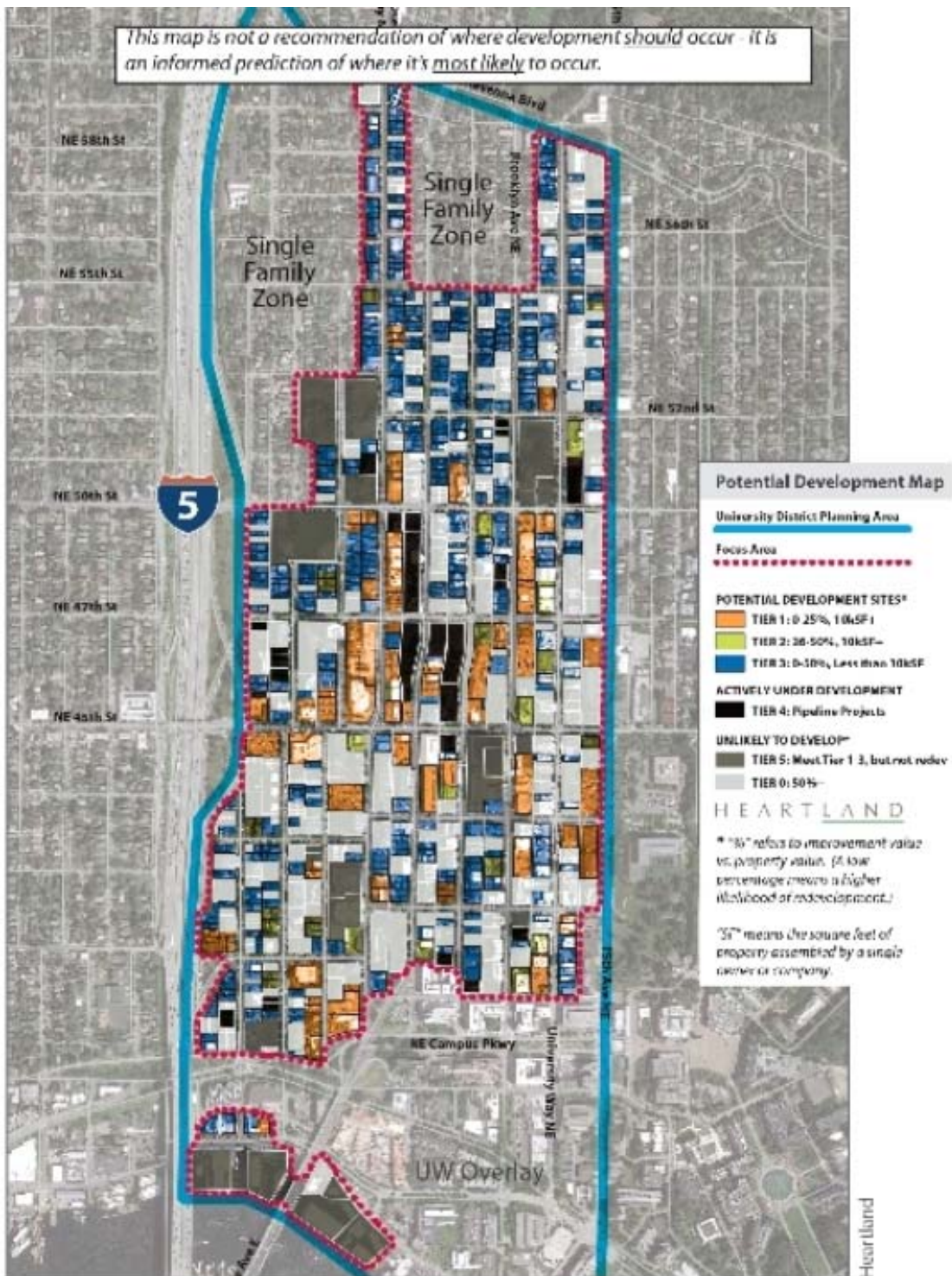
Studio19 worked with O'Connor Consulting Group, LLC on the market studies for several projects. The firm was originally established in May 1994. While O'Connor Consulting Group, LLC is generally considered to be an appraisal firm, much of O'Connor's business consists of providing market and feasibility studies. Over the last few years, the proportion of consulting services vis-a-vis appraisal services has become approximately 50% of O'Connor's work product. Although O'Connor Consulting Group believe appraisal services are the foundation of the firm, they are striving to provide their clients with a higher level of market research, analyses, and insight.

<http://www.ocgp.com>

Alto and Cambridge.

*“The U District is a vibrant, innovative and diverse district rich in history and ideas. Cultivating this type of creativity is what the U District Partnership will do by bringing more businesses to the Ave, promoting innovation and attracting start-ups, making the area clean and safe and creating housing that is attractive to not only students but to our faculty and staff and others who want to live closer to where they work”.*

No matter what legislative action is eventually taken, a multitude of new and exciting development opportunities will be created in the area. In a document titled “U-district Urban Design Framework” which preceded the draft EIS, several lots were identified as high potential redevelopment sites. These are locations where either improvements have a significantly lower value than the property they sit upon or where owners have assembled groups of parcels for potential redevelopment (see map). While there are some full block and half block development opportunities, most sites tend to be smaller. Typically, redevelopment will take the form of infill surrounded by existing uses. Developers are already speculating on possibilities of the proposed zoning changes. Some have already purchased parcels and are anxiously awaiting the final action.



Studio19 is currently involved in one such venture, after being tasked with studying the feasibility of a mixed-use tower within the up-zoned area. Currently, a 28 story tower is proposed that would contain both apartments and a hotel. The first 30' above the street would feature two stories of "market place" retail and restaurants, creating a new hub of activity in the area. The study is based upon speculative zoning changes outlined in the EIS and other documents and considers what may be possible in the very near future. In preparing the study, Studio19 is taking on the challenge of not only meeting client needs and expectations but also addressing the concerns of a neighborhood about to undergo a major renovation.



## Adam Bowhay, LEED AP

Project Architect



### *About the Writer*

Adam Bowhay has been with Studio 19 since 2011. After earning a Bachelor of Architecture from Woodbury University in 2005, Adam began his career in San Diego at Public Architecture and planning. He moved back to his hometown of Seattle in 2009, to be closer to family and worked at Urbanadd in SODO before becoming Studio 19's first full time employee. Growing up in the northwest, Adam developed a passion for the outdoors that has become central to his design approach which seeks to conserve and celebrate nature at every opportunity. He is also dedicated to enlivening the built environment through simple, elegant aesthetics and honest materiality. Adam's professional experience spans several building typologies including institutional, office, retail, single family and multifamily housing as well as mixed used developments.

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## QUOTE OF THE MONTH

*Design is the fundamental soul of a human-made creation that expresses itself in successive layers.*

*- by Steve Jobs*

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## MARKET TRENDS

# Condo conversions: Are we there yet?

Original Article from Daily Journal of Commerce

Record numbers of apartments are opening all around the Seattle area and many of them have the types of amenities and finishes typically found in condos, but the number of condos being built is still quite small.

With a low inventory and only a few new condo projects set to come on line over the next few years, talk has turned to conversions.

Will some of these new luxury apartments or existing properties be converted to condos?

Real estate and land use economist **Matthew Gardner** and **David Herrman**, a lawyer with Cairncross & Hempelmann who teaches a condo conversion class for brokers, say they don't see a new wave of conversions — at least not yet.

Converting apartments into condos is risky, expensive and time consuming, Gardner said, and apartments are hard to beat these days with rents and sale prices rising.

Perhaps the biggest obstacle to condo conversions is time. In 2008 the state Legislature passed a bill requiring owners to get everyone out of a building before starting a condo conversion. Owners also have to give tenants 120 days notice before starting a conversion. Even then owners can't break leases, so if a resident doesn't want to leave, conversion must wait until the lease is up. Owners can try to buy out leases, but can't force tenants out.

Once all tenants are gone and construction starts, owners get no revenues from rent but still owe for the

conversion and any debt they may have on the building.

Some of these rules were not in place when conversions boomed in the past, and they have made conversions a riskier proposition Herrman said.

“Doing a conversion is a process, and there are a lot of hoops to jump through,” Herrman said. “To a certain degree when you lay all that out for people — all the steps to go through for a condo conversion — their first reaction is that is a lot of things to do.”

Many developers and general contractors simply don't want to do conversions, Herrman said, because of state laws about “implied warranties of quality” that cover defective materials and other problems.

These laws can't be waived in a contract so if there are defects, contractors and developers open themselves to lawsuits. Herrman said most new condo projects have had claims against them because issues come up even in well-constructed buildings.

Despite financial risks and legal issues with converting, Herrman said people are starting to talk about conversions again. He said he has received more calls from people wondering about the process in the last six months than he did in the previous two years.

When conversions start again Herrman said garden-style apartments are likely to be the first. These units often are in multiple buildings, so they can be renovated in phases and the owner can keep collecting rent from the other units. Garden-style buildings are also cheaper to acquire, so sales prices don't have to be as high to cover costs.

Smaller apartment buildings, with about 20 units, may also be candidates for conversion since the revenue loss once renters are out isn't as severe.

High rents in prime neighborhoods like Queen Anne and Capitol Hill mean Gardner doesn't expect to see a lot of conversions there, but in outlying neighborhoods — like Renton, East Bellevue and Burien — conversions make more sense.

Gardner said owners should answer two questions before doing a conversion: Is it financially viable? Is it worth the “brain damage” of going through the whole process?

And when it comes to the question of financial viability, owners should ask themselves: With rents surging, does the return on converted condos exceed the return on apartments?

For now, Gardner and Herrman say, the answer seems to be no.

Gardner said we may see more conversions when rent increases slow or stop.

“At the end of the day, numbers don't lie,” Gardner said. “It comes down to what is going to be the IRR (internal rate of return). If it is a reasonable figure and your risk tolerance is there, then you are going to go ahead and do it.”

Author:

**Nat Levy**

Real Estate Reporter

<http://www.djc.com/news/re/12066629.html>

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