Appendix A:

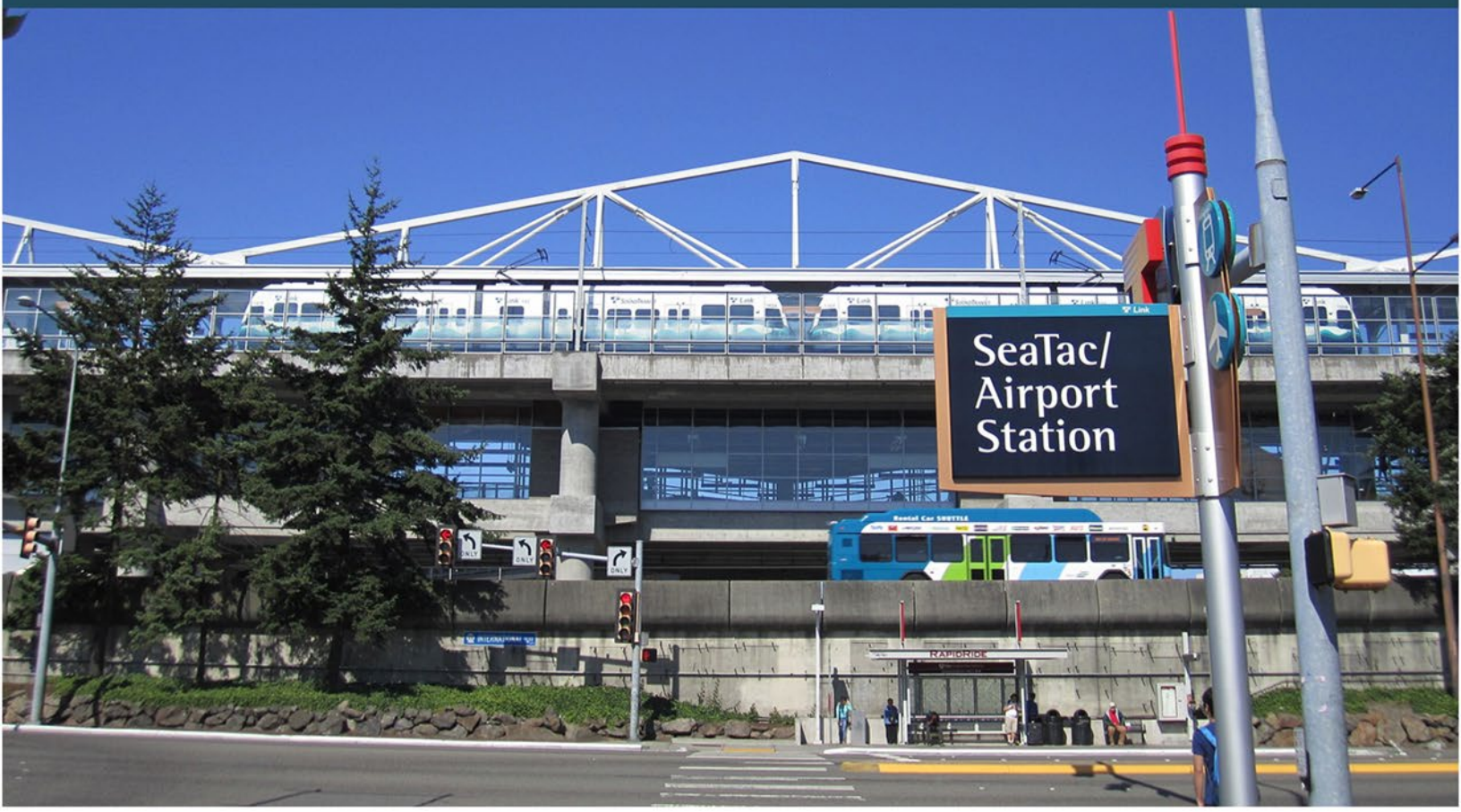
SeaTac City Center Plan Update Market Analysis

This market study is focused on the City Center urban village, which comprises around 40% of the Urban Center's total acreage. It is provided as an appendix to the Urban Center Background Report because it includes market data that is applicable to the geography of the entire Urban Center, especially information in Section 6. Current Real Estate Market & Trends.

March 2024

SeaTac City Center Plan Update

Market Analysis



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Executive Summary

The City of SeaTac engaged a consulting team consisting of Otak, Inc., Leland Consulting Group (LCG), and other firms to create a new Subarea Plan for the City Center/Airport District. This Subarea Plan will replace the original City Center Plan, adopted in 1999, and build on the Phase 1 Vision Report completed in 2020, as well as other planning work for the subarea that has been completed over the past 25 years. This market analysis report is a component of the plan update.

The City of SeaTac has established a series vision for the SeaTac City Center/Airport District subarea ("City Center") reflects an ambitious departure from existing conditions. While today the City Center is predominantly auto-oriented, the City intends to utilize transit-oriented development (TOD) best practices to achieve walkable, human-scale development. Among the stated visions for the City Center are:

> *"The global gateway to the Pacific Northwest, the SeaTac City Center is an active hub providing residents, workers, and visitors alike with a diverse set of experiences in an enticing, contemporary, and walkable urban district"* (Vision Statement, City Center Phase 1 Vision Report)

> *"SeaTac's Comprehensive Plan and related light rail station area plans set out a framework for focusing housing growth in 'urban villages'—compact and complete neighborhoods near the three light rail stations that serve SeaTac and offer opportunities for healthy and active lifestyles and access to resources and amenities."* (SeaTac Housing Action Plan, 2021)

The City intends to prioritize the creation of a compact, walkable urban district in the City Center area that will serve a variety of users, including residents, businesses, workers, airport users, and visitors from throughout the region and beyond.

The primary purpose of this market analysis is to evaluate the feasibility of these visions and to recommend a market-supported action plan to achieve them.

Achieving the City Center vision is possible, but it will not be easy. Success will require both incremental change and major transformations in the City Center. Implementation actions to support the City's vision and overcome the physical and market-based challenges listed below will be included in the Subarea Plan.

The primary market-based challenges to achieving the City's vision include:

- The district is largely built out with uses that are generally valuable, economically successful, and will be costly to modify or redevelop.
- Although the City Center benefits from local strength in the multifamily, hospitality, and airport-serving parking markets, the area's lack of available, low-cost land puts it at a disadvantage when competing with other cities and neighborhoods to attract development.
- Many key properties, particularly those south of S 176th Street, are on long-term land leases, which means that redevelopment requires the coordination and support of more parties and is therefore more complicated.
- The current built environment supports auto-oriented rather than pedestrian-focused development that is needed to implement the vision of a walkable, urban district.
- The Seattle-Tacoma International Airport (SEA) main terminal International Arrival Facility and driveway pedestrian crossing, 8,000 stall structured parking garage and the "integrated" light rail station with their distinctive features creates/defines the physical form of the western boundary of the City Center Area.

Key takeaways from this market analysis are listed below:

- Hospitality (hotels and motels), airport-serving parking lots, and multifamily (rental) housing are the primary existing uses in the City Center. **Based on LCG's review of recent development trends and forecasted market dynamics, multifamily, hotels, and parking garages, alongside some ground-floor commercial space, are the**

likeliest types of new ground-up development in the City Center. These opportunities overlap considerably with the vision for an "urban village" serving "residents, workers, and visitors," since multifamily housing is required for residents and hotels are required for visitors.

- **"Compact and complete neighborhoods" require housing to make other commercial uses, such as retail and office, more viable.** There are also opportunities to renovate, reposition, update and refresh existing hotels in the City Center; and opportunities to renovate and reposition multifamily projects, particularly the Windsor Heights apartments, which should remain an affordable housing community.
- Transportation is a dominant feature of the City Center. **SeaTac airport, which is directly adjacent to the study area, sees more than 125,000 passengers on an average day.** The airport is the nearby destination that is best known to regional and national travelers, and drives the economics of the key land uses, particularly hospitality and airport-serving parking lots. Travel on light rail, bus, International Boulevard, three City arterials, and on foot also define some of the key routes and nodes in the area, for example, the intersection of "IB" and South 176th Street, near the Airport light rail station.
- **The City Center should be able to retain and enhance the existing base of office space, but the development of new office space is unlikely over the next five to 10 years.** Since the Phase 1 market analysis was completed in 2019, the COVID-19 pandemic has led to some significant changes in the real estate market. The sharp increase in remote work has significantly reduced demand for office space, and there is now a significant surplus of office space in the Seattle Metro Area. However, there could be opportunities for build-to-suit office space, similar to the existing Alaska Airlines headquarters.
- **Construction/development costs have also risen sharply since 2020 due to the high cost of materials and labor.** This has been exacerbated by rising interest rates which increase the cost of borrowing. High costs and interest rates have put many projects on pause regionwide, and likely means that projects in the City Center will take longer to finance and build as developers wait for interest rates to go down, theoretically over the next two to three years. High interest rates may also add to the cost of placemaking initiatives.
- In the near term, **the renovation or adaptive reuse of hotels, office space, and/or housing are likely to be the biggest opportunities** in the City Center.
- **Based on relevant case studies (see Appendix), the biggest value-add a City can bring to an airport area plan is infrastructure improvements.** These improvements can include parks, public realm improvements, multimodal corridors, or utilities like groundwater or sewage improvements. Committing to funding infrastructure improvements that align with the community vision and increase capacity signals to developers that the City is willing to put capital and political energy into the subarea. This can help reduce the risk for private developers interested in investing in a "pioneering" location. In addition, sites with existing infrastructure should be considered prime targets for redevelopment.

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1. Introduction

1.1 Background

The City of SeaTac engaged a consulting team consisting of Otak, Inc., Leland Consulting Group (LCG), and other firms to complete an updated City Center Subarea Plan. The Subarea Plan will build on the Phase 1 Vision Report completed in 2020, as well as other planning work completed over the past 25 years. It will also be aligned with PSRC (Puget Sound Regional Council) regional growth center goals and best practices for complete (15-minute) communities as well as the City of SeaTac's urban village strategy.

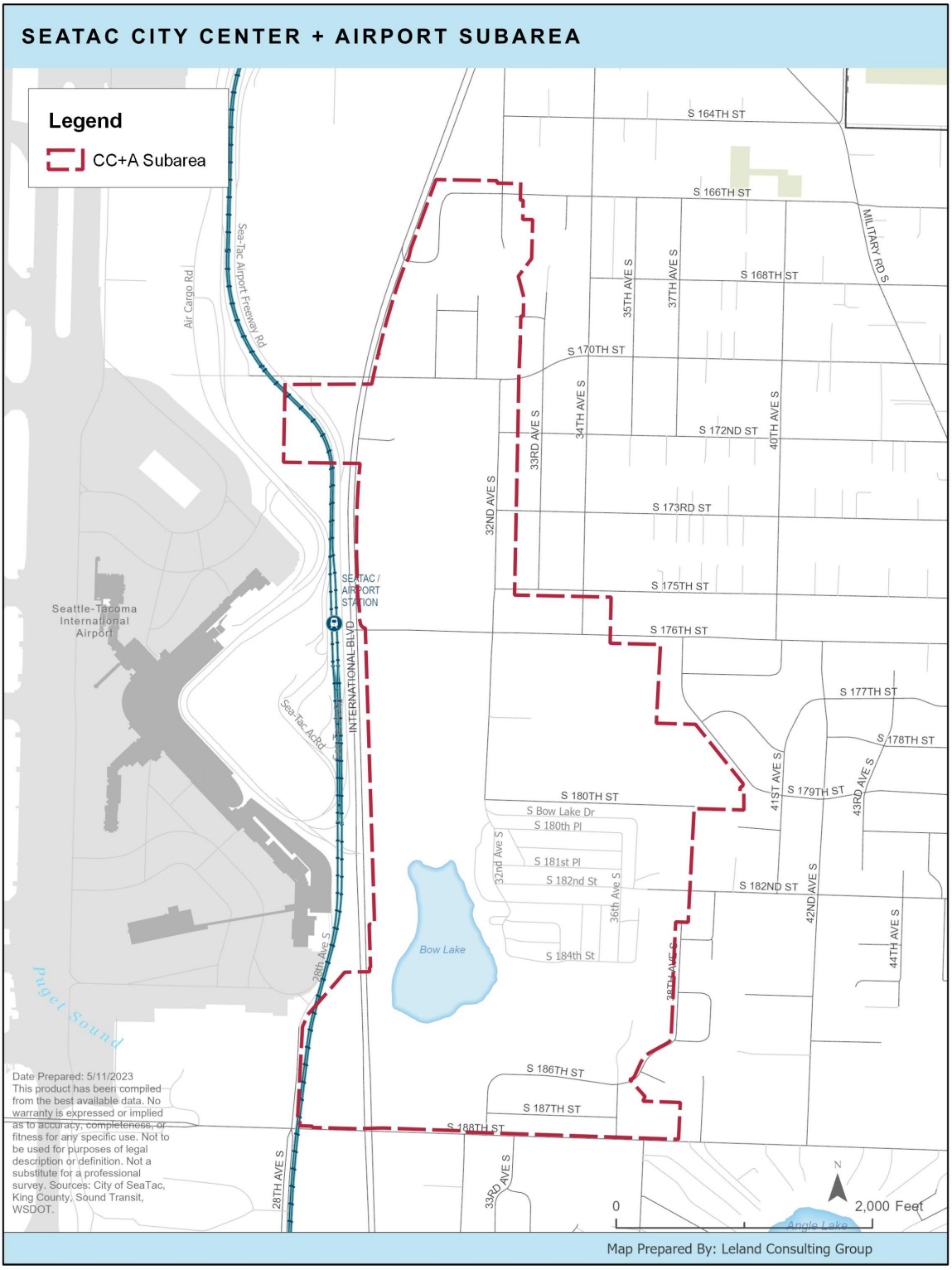
1.2 Purpose of Study

The purpose of this Market Analysis is to revisit the City's vision for the subarea, to summarize the real estate market, economic, and demographic conditions that may support or impede the realization of this vision, and to suggest potential implementation actions to help attract the types of development the City wants to prioritize in the City Center. This information should be used to inform the Subarea Planning process.

1.3 Study Area Location & Description

The City Center is a 334-acre area immediately east of and adjacent to Seattle-Tacoma International Airport, and its current boundary does not include any airport-owned properties. The district encompasses the most intensely developed parts of the City of SeaTac and includes numerous, hotels and conference centers, airport-serving parking lots, commercial and office properties, apartments, International Boulevard and other significant rights-of-way, light rail and bus service, natural areas including Bow Lake, some single-family homes, and other land uses. Unlike most airport-adjacent districts, the City Center is directly connected and walkable from the airport's main terminal.

Figure 1. Location and Boundaries of the City Center



Source: City of SeaTac; King County; LCG.

The City Center, which includes the SeaTac-Airport light rail station, is identified as one of the City's three urban villages – mixed-use "complete" neighborhoods where the City plans to invest in infrastructure and attract development. More about the urban village strategy can be found in 2.2 Vision & Goals.

1.4 Methods & Approach

This analysis seeks to answer the question: **Is there market support for implementing the City's vision for the City Center/Airport District of becoming a compact, walkable urban village?** To evaluate this question, LCG utilized market and economic data, best practices, and relevant case studies. In many ways, SeaTac's City Center is a unique neighborhood due to its proximity and direct connection to a major airport and prevalence of airport-serving uses like hotels and airport-serving parking lots. While the unique market conditions in the City Center influence this analysis, it is the opinion of LCG that many of the best practices for placemaking in other Seattle Metro Area are relevant here.

Data Sources

The main data sources used in this report include:

- **US Census Bureau.** Data from the US Census comes from the Census website, the SOCDS Building Permit Database, Esri Business Analyst, and LEHD OntheMap. The population data used in 5.3 Population & Demographics comes from Esri Business Analyst.
- **Washington Office of Financial Management (OFM).** Population data from the Washington OFM informs growth forecasts for cities and Regional Growth Centers. This population data is used for SeaTac's 2023 baseline population in 2.3 Regional Growth Framework It is not used in 5.3 Population & Demographics because the demographic data for the city in that section is being compared to other geographies not tracked by the OFM. Due to this, population data from the US Census Bureau via Esri Business Analyst is used for all geographies in that section.
- **CoStar.** CoStar is a data aggregator for commercial properties. It includes both property-specific data and analytic data for various geographic areas. This includes market rents, vacancy rates, rent projections, construction activity, and sales data. CoStar also provides property photos, which are used in this report.
- **Department of Housing and Urban Development (HUD).** Data regarding the maximum incomes and rents allowed in regulated affordable housing in King County come from the HUD.
- **Redfin.** Redfin is a data aggregator for single family home listings and sales. Information on single family home sales in 5.4 Housing Supply & Jobs comes from Redfin.
- **Economic Innovation Group (EIG)**. EIG is a public policy organization that tracks issues in areas including economic dynamism, economic geography, demographics, immigration, remote work, and inclusive wealth building. Remote work data for SeaTac and the Seattle region come from EIG.
- **Mortenson Construction**. Mortenson is a national construction company that tracks development costs relative to a 2009 baseline. The development cost data in 3.2 Pandemic-Related & Post-2020 Trends comes from Mortenson.
- **Federal Reserve Bank of St. Louis**. The Federal Reserve Bank of St. Louis operates an economic data portal called FRED that tracks metrics including GDP, CPI, the unemployment rate, the 10-year treasury rate, and many others. The interest rate data in 3.2 Pandemic-Related & Post-2020 Trends comes from FRED.
- **The US Climate Vulnerability Index**. This index is a project of the Environmental Defense Fund, Darkhorse Analytics, Texas A&M University, and the Texas A&M Transportation Institute. The Index maps environmental and health factors by Census tract to determine climate vulnerabilities. It tracks both a community baseline and expected climate impacts. The baseline data are divided into four categories: Health, Social & Economic, Environment, and Infrastructure. Data on the environmental conditions in airport-adjacent communities in 3.3 Airport Urbanism comes from this index.

LCG also used resources from local public agencies for data related to property ownership, land use, zoning, project goals, and transportation. These include:

- **City of SeaTac.** This report is a continuation of the work completed in Phase 1 of the City Center planning process. LCG used the Phase 1 Vision and Market Analysis to guide this report. In addition, the city's Comprehensive Plan, Housing Action Plan, and Municipal Code were all consulted.
- **King County.** Assessor and parcel data from the King County Assessor's office were used to determine property ownerships as well as for mapping. In addition, King County's Countywide Planning Policies and 2021 Urban Growth Capacity Report were used to inform the forecasts in 2.3 Regional Growth Framework
- **Puget Sound Regional Council (PSRC).** PSRC's guidelines for Regional Growth Centers (RGCs) were used to help shape the recommendations in this report. In addition, PSRC Covered Employment data was used in 5.4 Housing Supply & Jobs.
- **Sound Transit.** Sound Transit data informs the boarding numbers in 5.2 Land Use & Development Pattern.
- **WSDOT.** WSDOT traffic counts along International Boulevard were used in 5.2 Land Use & Development Pattern.

To estimate parking costs, LCG utilized data from the following sources:

- The King County Multi-Family Residential Parking Calculator
- The Victoria Transport Policy Institute (VTPI) Parking Cost Calculator
- The EcoNW Northwest Portland Parking Feasibility Study
- The Port of Seattle Q2 2023 Financial Performance Report
- Stakeholder interviews with airport-serving parking lot operators

Additional resources used to ensure that this report is situated in best practices include:

- ULI Emerging Trends in Real Estate (United States & Canada), 2023
- NINE dot ARTS: The Art of Placemaking (2023)
- ULI Successful Retail: How 14 Shopping Centers Are Thriving Today (2023)
- Dubois, L. et. al. "Augmenting Places: The Impact of Placemaking on Behavioral Intentions." *City, Culture, and Society*. 25 January 2023.

2. Current Development Vision & Project Goals

2.1 Purpose

The purpose of this section is to ground the balance of this market analysis in existing goals established by the City through past planning efforts. These goals were arrived at through significant community outreach to residents, landowners, and the business community, and multiple market and planning studies, and are intended to be the backbone of future growth and development strategies.

2.2 Vision & Goals

Major goals for the City Center come from previous work the City has done to align its values with best practices for placemaking and development. This includes the **Comprehensive Plan**, which emphasizes the need for complete community nodes, called urban villages, within SeaTac's Urban Center that feature housing alongside transit and services (these urban villages are described in the adopted plans for the S 154th Station Area, Angle Lake Station Area, and within the Phase 1 Vision Report for this City Center Subarea Plan project); the **Housing Action Plan**, codifies the city's urban village strategy and directs that existing "complete community" infrastructure and services policies be clarified and strengthened in future policy work; the **Phase 1 Vision Report**, which established specific economic goals for the City Center; and the **Phase 1 Market Analysis**, which evaluates the City's vision in a market-based context. Relevant sections from these documents are quoted directly below to ensure that the recommendations in this report are aligned with the City's vision. In addition, LCG has included guidance from the Puget Sound Regional Council (PSRC) regarding Growth Management Act policies that will be explored further in the City's Comprehensive Plan process.

City Center Phase 1 Vision

Vision Statement. The concise vision statement included in the Phase 1 report is shown below. This vision has been edited slightly, because the name of the district will be confirmed through the current subarea planning process.

> "The global gateway to the Pacific Northwest, the *SeaTac City Center* is an active hub providing residents, workers, and visitors alike with a diverse set of experiences in an enticing, contemporary, and walkable urban district." (City Center Plan Update Phase 1 Vision Report, 2020)

Economic Development Objectives and Actions.

1. Pursue economic development activities that **strengthen the airport business district on the west and neighborhood district to the east**.
    a. Identify programmatic, regulatory, infrastructure and other City actions that promote existing and potential uses that enhance the airport business district and adjacent neighborhood district.
    b. **Office and Branding.** Explore opportunities to expand office development and the branding of the district as a south end regional office center.
    c. **Mixed-Use Development.** Pursue options to incentivize mixed use hotel/commercial/office or other mixed-use development, e.g., through pilot programs that explore things like the streamlining of regulatory and environmental review.
    d. **Workforce and Affordable Housing.** Analyze the need for workforce housing and other affordable and market rate options and identify a strategy that provides a variety of residential opportunities for diverse income levels.
        i. Study items should include residential opportunities, displacement risks/mitigation, housing/amenity strategies (and how they are connected).

2. **Promote Retail/Service Hubs** (activity centers) along S 176th near International Boulevard and along International Boulevard near S 182nd Street
    a. Identify strategies to encourage the development of restaurants, shops, and other pedestrian-oriented services along S 176th and near the intersection of S 182nd and International Boulevard.
3. **Encourage businesses and services that address and leverage the needs of visitors, workers, and residents.**
    a. Examine strategies that promote co-location of airport-related uses with shopping, restaurant, and other retail services.
    b. Explore a food hall concept with multicultural foods for siting small, local business incubation (food and culture)
4. **Identify redevelopment opportunity sites**
    a. Conduct opportunity site analysis to understand potential redevelopment options of district properties
    b. Identify goals for long term use of Sound Transit Kiss & Ride site
5. **Explore how to allow pilot projects that can catalyze other development and the implementation of community-stakeholder vision.**
    a. Study the creation of pilot programs that promote development such as the utilization of development agreements or other mechanisms, including those that promote innovative development/design.
6. **Explore branding/marketing options for district.**
    a. Identify funding needs and benefits of branding/marketing plan and undertake creation of plan as appropriate.

SeaTac Comprehensive Plan and Housing Action Plan: Urban Village, Complete Community and TOD Strategy

Comprehensive Plan: **Relevant Land Use Goals and Strategies**

- **Goal 2.1:** Focus growth to achieve a balanced mix and arrangement of land uses that **support economic vitality, community health and equity, and transit access.**
    - **Policy 2.1A:** Implement the City Center, South 154th Street Station Area, and Angle Lake District Station Area Plans to **focus the majority of SeaTac's commercial and residential growth and redevelopment into three distinct complete communities** within SeaTac's designated Urban Center.
- **Goal 2.2:** Create walkable, compact, transit-oriented communities with a **range of transportation, employment, housing, recreation, goods, and service choices** for residents of all income levels.
    - **Policy 2.2A:** Establish land use patterns that **promote walking, bicycling, and transit use** to access goods, services, education, employment, and recreation.
    - **Policy 2.2B:** **Promote dense residential and employment uses** in transit communities to provide current and future residents with greater access to transportation, housing, and economic opportunities.

Housing Action Plan: **Urban Village Strategy and Complete Community Infrastructure & Services Goals**

- Appendix A: **Urban Village Strategy** (pg. 18-19), **Section 2-3(A):** SeaTac's Comprehensive Plan and related light rail station area plans set out a framework for **focusing housing growth in "urban villages"—compact and complete neighborhoods within the designated subareas near the three light rail stations** that serve SeaTac and offer opportunities for healthy and active lifestyles and access to resources and amenities. This kind of development accomplishes multiple goals simultaneously, such as efficient use of City and regional investment in infrastructure and transit, increased access to opportunity, improved public health, and protected natural environment.
    - **SeaTac's subarea plans are the main implementation tools** for the City's urban village growth strategy.

- **Strategy 1** (pg. 38-39)**: Strengthen "complete community" policies** "Complete community" policies generally promote multi-modal, connected neighborhoods with a mix of housing options and access to parks, neighborhood-oriented commercial and other services. SeaTac's Comprehensive Plan currently identifies the goal of creating complete communities through land use, transportation, parks and other policies (see Land Use Goals 2.1 and 2.2, Policy 2.1A, policies 2.2A-2.2, and related policies in the Transportation and Parks, Recreation & Open Space elements). The City could explore a Comprehensive Plan amendment process to clarify and strengthen SeaTac-specific "complete community" policies so they provide clearer policy guidance on infrastructure investments and other City actions that can support neighborhoods and help enhance residents' quality of life.
    - The Envision SeaTac 2044 Comprehensive Plan Update Project is exploring "complete community" infrastructure and services policy refinements. Current guidance identifies these policies as promoting ½ mile walkable access for all households to transit, parks, healthy food, neighborhood services and diverse, affordable housing.

City Center Phase 1 Market Analysis

The Phase 1 Market Analysis, completed in November 2019 by E.D. Hovee & Company, LLC as part of the City Center Plan Update Phase 1 Vision Report, includes the following recommendations for economic development in the City Center:

- **Improved linkages with the airport** – specifically airport services including lodging, extended stay, convenience retail/dining and park & fly.
- **Expanded office employment for businesses with global footprint** and as an emerging southside Class A office cluster.
- **Preparation for potential reduction in future parking demand** with changes in vehicle technology and consumer preferences – eventually freeing up City Center land for other airport and community driven transit-oriented and mixed-use development concepts.
- **Short-term opportunity for more intensive residential and neighborhood commercial uses** within the portion of the City Center area situated away from International Boulevard.

2.3 Regional Growth Framework

The Puget Sound Regional Council's Regional Growth Framework requires centers in core cities, including SeaTac, to absorb a significant amount of regional growth. Cities like SeaTac with regional growth centers (RGCs) must plan to concentrate future housing, population, and employment growth in these centers. **The City Center represents approximately almost 40% of the land area of SeaTac's RGC. (In SeaTac, the RGC is called the "Urban Center.")**

While the City's Comprehensive Plan update, now underway, will identify population, housing and employment targets for SeaTac's RGC, one of the objectives of this market analysis is to inform conclusions within the subarea plan regarding how much of the RGC's future job and housing growth can be accommodated within the City Center.

The City Center makes up 334 acres (almost 40%) of SeaTac's designated RGC's 885 acres. The population and employment density within the City Center are already significantly higher than in the city as a whole. Currently, the City Center is home to about 17.5% of the city's residents, 22.8% of the city's households, and 12.2% of the city's jobs. There is an average of 27.9 "activity units" per acre in the City Center as of 2023. (An activity unit is one resident or one job. PSRC requirements include activity unit targets for RGCs to promote higher density uses within these areas)

This subarea plan project will provide more guidance on the City Center's role in achieving population, housing and job

s for SeaTac's RGC after consideration of additional PSRC and King County RGC requirements, further evaluation of development opportunities and constraints, and the completion of outreach to the City Center's business community. As a part of the Comprehensive Plan update project, which the City is undertaking concurrently with the City Center subarea plan project, City staff may want to work with PSRC to determine if the boundaries of the RGC could and should be changed to include all or part of the airport and its tens of thousands of jobs.

2.4 Additional Project Goals & City Priorities

Placemaking in urban villages

- As stated above, SeaTac's urban villages are areas proximate to light rail stations that are intended to be complete communities with a mix of housing, services, and amenities. It is a priority for the City not only to facilitate the creation of these villages, but to do so in a way that **emphasizes high-quality placemaking and equitable access to opportunity**. Not only should these areas be walkable and convenient, but they should also be destinations where residents and visitors can take advantage of high-quality public infrastructure.

Understanding the health impacts of airport noise and pollution

- Recent studies suggest that airport-related pollution may impact residents in airport-adjacent cities. This area includes the entire city of SeaTac, along with Burien, Tukwila, Des Moines, and others. **It is a priority for the City of SeaTac to determine what this means for future growth, a topic that will be explored in the City's Envision SeaTac 2044 Comprehensive Plan Update project, which is currently underway.** This issue is complicated by the fact that the City Center is within the city's designated Regional Growth Center, which as stated previously is a major target area for future housing and job growth. A full assessment of these issues is beyond the scope of this report, but case studies will show that other communities continue to build new housing and commercial development adjacent to major airports.

2.5 Key Takeaways

The City and other governments have a number of plans that contain visions and goals relevant to the City Center. Many of the key visions and goals relate to the following key premises:

1. **The City Center is part of the city's designated regional growth center (RGC) and is therefore where future housing and job growth are expected to be concentrated.**
2. **As the City works to accommodate that growth, it should be guided by its urban village strategy**, which prioritizes compact, equitable, walkable communities where residents, workers, and visitors can easily access transit, services, and amenities.

3. Emerging Trends in Real Estate

3.1 Purpose

The purpose of this section is to understand the dynamics within the City Center as part of a broader context. While in many ways the City Center is a unique neighborhood due to its proximity to a major airport, it is not disconnected from regional or national trends. These trends will impact the timing and types of development likely to occur in the City Center.

3.2 Pandemic-Related & Post-2020 Trends

Office

Due to the COVID-19 pandemic in 2020, partial- or full-time remote work has become significantly more common nationwide. According to the Economic Innovation Group, 41% of Seattle Metro Area workers and 19% of SeaTac workers over 16 worked remotely in 2022. While this number has declined since its peak in 2020, remote work is unlikely to return to pre-pandemic levels.

According to the Urban Land Institute's (ULI) May 2023 Economic Forecast, nationwide office rents are expected to decrease by 2.8% in 2023 and 2% in 2024. Office vacancy rates are expected to increase by 135 basis points in 2023, rising to 18.7%, compared with 12.2% in 2019. In addition, tenants are competing for high-quality office space that they hope will bring more workers back to the office. The 2023 ULI Emerging Trends in Real Estate report emphasizes that top tier new space, which makes up roughly 20% of the national market, is still in high demand. In fact, office space built in 2015 or later is the only category of office space with positive net absorption between 2020 and 2022.

SeaTac is more insulated from office vacancy challenges due to the fact that much of the city's office space is utilized by tenants who depend on proximity to the airport. However, unless there is an identified anchor tenant it is unlikely that new office space will be built in the near term in the City Center. The Seattle Metro Area has roughly 31 million square feet of vacant office space as of October 2023.

Retail

Economic factors like inflation are negatively impacting the retail market as price increases outpace wage increases and ecommerce continues to make up a larger share of retail sales. But brick-and-mortar retail can be successful if it is in a prime location and accompanied by high quality placemaking elements. ULI's 2023 Successful Retail report states:

> *"As a general proposition, **more is better for retail:** more heavily trafficked roads, more visibility, more shoppers living nearby, more complementary land uses—even more competition, if it pulls more shoppers to the area. All of these can raise the odds of success for a retail project on a particular site."*

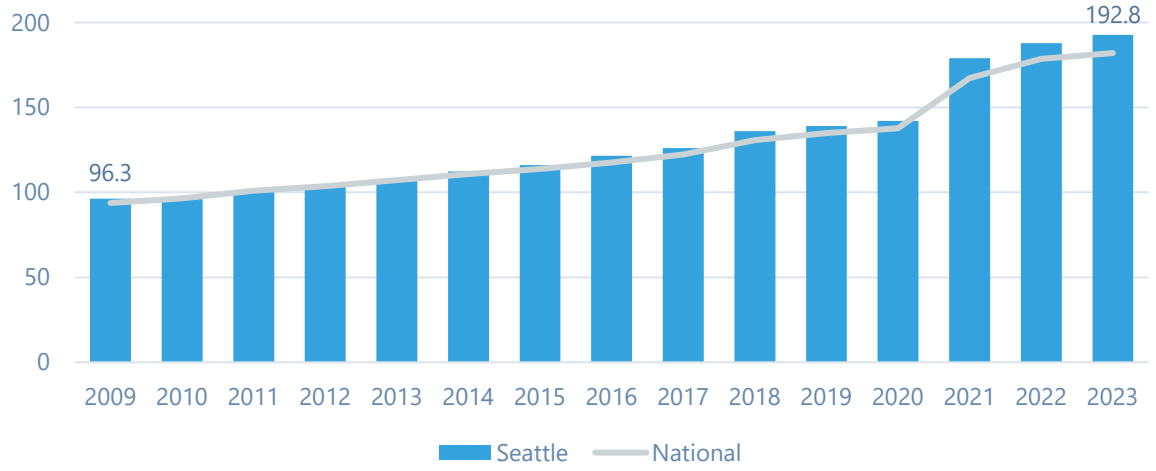
Visibility, walkability, opportunities for social interaction, and proximity to other stores, homes, and offices are the ideal conditions for successful retail. Retail centers that are able to act as a public square draw a wide array of customers through street-level activation.

A major challenge for the City Center will be to determine where targeted infrastructure improvements and incentives can help catalyze this type of development, which is consistent with the urban villages concept.

Development Costs

Nationally development costs have increased substantially since 2020 due to rising material and labor costs as well as interest rates. National construction company Mortenson maintains a quarterly construction cost index, which benchmarks costs against a January 2009 baseline. Figure 2 below shows the index in Q2 of each year through 2023 for both the US and the Seattle region. Seattle construction costs took a significant jump between 2020 and 2021. The cost index for Seattle as of Q2 2023 is 192.8, indicating that costs have nearly doubled since 2009.

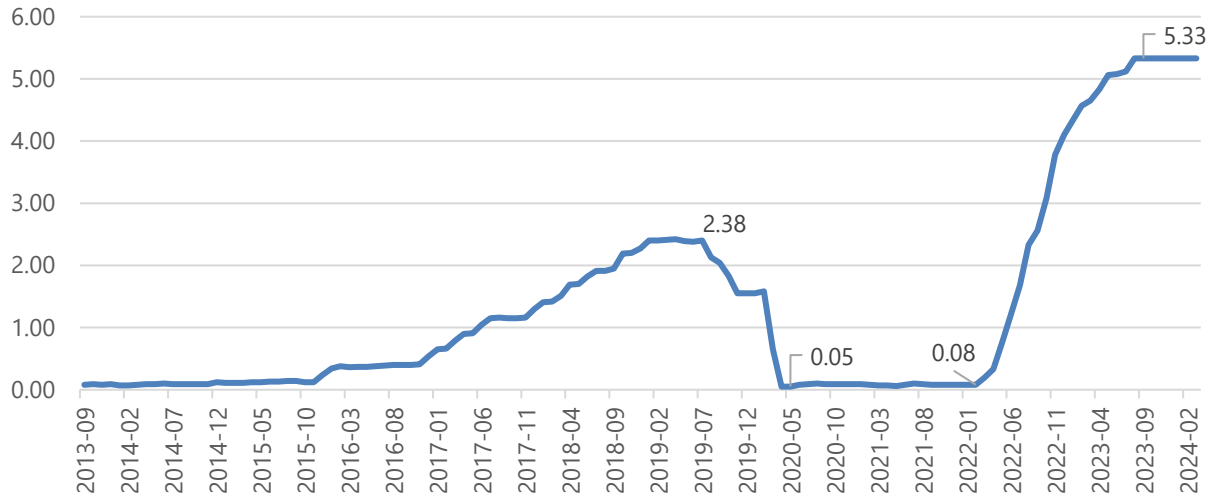
Figure 2. Mortenson Construction Cost Index for the US and Seattle, Q2 2009-Q2 2023



Source: Mortenson.

At the same time that construction costs have risen, climbing interest rates have increased the cost of borrowing. As of September 2023, the Federal Funds rate is at its highest level since 2007. In 2016 and 2017, when many cities were experiencing significant new development activity, the rate was below 2%. The combination of rising construction and borrowing costs has resulted in projects that previously would have been feasible going unbuilt. For affordable housing, it expands the gap developers typically fill with public subsidies.

Figure 3. The US Federal Funds Rate, September 2013 to March 2024



Source: Federal Reserve Bank of St. Louis.

The high cost of construction probably means that developers—both in the City Center and elsewhere—may wait one to three years for interest rates or construction costs to go down before breaking ground, in 2024 to 2026. It could also mean that developers will look for the best deals in the market – this could be a challenge for the City Center, as land with existing improvements is typically more expensive than vacant land. The City Center also lacks the aging and obsolete *retail* buildings that tend to be prime targets for redevelopment. However**, this potential slowdown in construction activity could give the City time to take steps to make its urban villages concept a reality,** such as adopting the new City Center plan and related code updates, constructing the sidewalk and street improvements that are funded along three streets near the light rail station, and completing the groundwork to establish public-private partnerships, such as working with Sound Transit on the disposition of their "TOD" parcel adjacent to the SeaTac/Airport station.

3.3 Airport Urbanism

Airport Urbanism

One of the things that makes the City Center unique is its proximity and connection to the airport. Recent trends nationwide have caused cities to reconsider what uses are appropriate on the land adjacent to major airports. In many cities, land near airports has been underutilized or used largely for industrial purposes. But as online shopping increases the need for modernized logistics and increasing urban populations stretch the limits of the housing supply, both publicly and privately owned land adjacent to airports is being considered for redevelopment. While SeaTac does not have a large amount of surplus land in its immediate vicinity, Airport Urbanism can still be a useful model for **thinking about what uses benefit from proximity to a large airport, and what connectivity needs are associated with airport activities**.

Airports serve a wide variety of users, including transportation and logistics companies, airlines and their employees, passengers, and other airport service workers. Airport urbanism is therefore dependent on multimodal connections that accommodate passenger cars, freight trucks, transit, and pedestrians. Max Hirsch, author of the book *Airport Urbanism*, defines AU as:

> *A people-focused approach to designing airports, and to planning urban developments around the airport. Focusing on the needs and desires of the people who use the airports on a regular basis – passengers, employees, and local residents – AU advances development strategies that deliver long-term benefits to both the airport and the city that it serves.*

Hirsch recommends ongoing partnerships between cities and their airports to maximize the success of both. He argues for coalition building between the airport authority, airlines, concessions operators, urban planners, and private developers. In addition to being logistics hubs and job centers, in many cases airports are major landowners. While this is not the case in SeaTac, a **partnership between the City and the Port of Seattle could open up more opportunities for development that meets economic and community needs, in line with the urban village strategy.** The City could also work with the Port to improve the wayfinding and pedestrian experience within the airport to ensure travelers know that they can walk directly into SeaTac's City Center.

3.4 Key Takeaways

1. **The COVID-19 pandemic led to some significant changes in the real estate market.** The rise in remote work has reduced the demand for most office space, though high-end, amenitized space in locations with the best access to highly educated and high-skill employees remains attractive to employers. **It is likely that SeaTac first needs to implement placemaking strategies before office developers will invest in the City Center.**

2. Successful retail depends on its proximity to other uses, including other retail stores, services, amenities, housing, and community spaces. While standalone retail is unlikely to be feasible in the City Center, **there is likely an opportunity to include ground floor retail/commercial space as a part of larger mixed-use buildings, as part of the urban village strategy in the area adjacent to the Airport light rail station.**
3. **Development costs have risen sharply since 2020 due to the high costs of materials and labor.** This has been exacerbated by rising interest rates which increase the cost of borrowing. High costs and interest rates have put many projects on pause regionwide, and likely means that projects in the City Center will take longer to finance and build as developers wait for interest rates to go down, theoretically over the next two to three years. High interest rates may also add to the cost of placemaking initiatives. **This gives SeaTac an opportunity to begin implementing placemaking strategies, explore public-private partnerships to enhance or redevelop parcels and/or acquiring land in the City Center.**
4. Airport Urbanism (AU) is a model for airport-oriented development that emphasizes leveraging airport-oriented uses as part of a placemaking strategy. The City Center is unlike many other airport-adjacent communities because the City Center area is identified for housing and employment growth rather than primarily for logistics and airport uses. However, the **Airport Urbanism strategy of implementing people-focused design aligns with the City's urban village strategy.**

4. Placemaking as an Economic Development Tool

4.1 Purpose

The purpose of this section is to define placemaking and explore the economic and fiscal value of high-quality places. Placemaking is an essential component of the City's urban village strategy.

4.2 What Is Placemaking?

According to a paper published in *City, Culture, and Society* by Canadian researchers in 2023:

> *Placemaking describes a process that mobilizes the physical, cultural, and social identities of a given place to shape it and increase shared value.* (Dubois, L. et. al., 2023)

In practice, placemaking is the act of creating spaces that mix the public and private realm in a way that is human-focused and that serves the needs of residents, businesses, employees, and visitors. Placemaking can include smart growth land use patterns, infrastructure improvements for pedestrians and cyclists, traffic calming measures, art installations, parks or parklets, street seats, and other public or private amenities that complement a dense mix of uses.

In SeaTac's City Center, a key component of placemaking will be to reflect the cultural and social identities of SeaTac residents – a vibrant and diverse population with a distinct identity from other Seattle-area communities.

4.3 Economic & Fiscal Impacts of Placemaking

Done well, placemaking creates a destination that attracts a mix of residents, businesses, and visitors. High-quality mixed-use destinations benefit the businesses that operate there, in turn leading to higher sales tax revenue for the city. They also attract new development, increasing the property tax base. A 2023 ULI retail study found that:

> *[T]he mix of unique and compelling offerings provides an effective alternative to the more conventional traffic drivers. Said one developer: "I can't overstate that enough: if you have a good mix of tenants and they're bringing a variety of services and amenities to the district, people will come to it."*

In its 2023 study on "The Art of Placemaking," NINE dot ARTS found that "leveraging art and culture…is a proven accelerator for real estate development projects." The study found that the specific benefits of art in placemaking include:

- *Increased foot traffic and revenue*
- *Higher rates and longer bookings*
- *Shorter approval cycles*
- *Faster sales and lease ups*
- *Lower turnover rates*
- *Earned media*
- *Brand recognition*
- *Community engagement and goodwill*
- *A unique sense of place*
- *Intuitive wayfinding*
- *Reflection of DEIB values (diversity, equity, inclusion, belonging)*

Placemaking efforts should be led by conversations with community members and local business to determine their needs and priorities. **Aligning infrastructure and other investments with community goals will ensure that community**

identity is strongly reflected in SeaTac's urban villages. It will also allow the city to leverage its unique cultural identity to attract businesses and visitors from throughout the region.

4.4 Local Placemaking: Precedent Projects

Successful placemaking often requires coordinated efforts between cities and private developers. Throughout the Seattle Metro Area, cities have been engaging in placemaking as economic and community development strategies in an effort to combine density with human-scale design and amenities. As shown in Figure 4 below, there are commonalities between these projects. **They all contain public open space and mixed-use development with ground floor commercial uses that activate street frontages. They also all include housing as a major component and are being implemented in part through public-private partnerships (PPP).** Public-Private Partnerships can take a variety of forms, including private development on public land, public infrastructure development supporting private projects, or development agreements to ensure a public benefit. Nearly all of these projects include the redevelopment of older, underutilized, and often dilapidated retail sites, for example, a series of large format retail stores that is now largely vacant. With the exception of Othello Square, which was built in a neighborhood with existing high-quality infrastructure, **these projects have all required public infrastructure investments**. For example, the Downtown Bothell project paired state Transportation Investment Board funding with local funds to support the creation of a new Multiway Boulevard on Bothell Way NE.

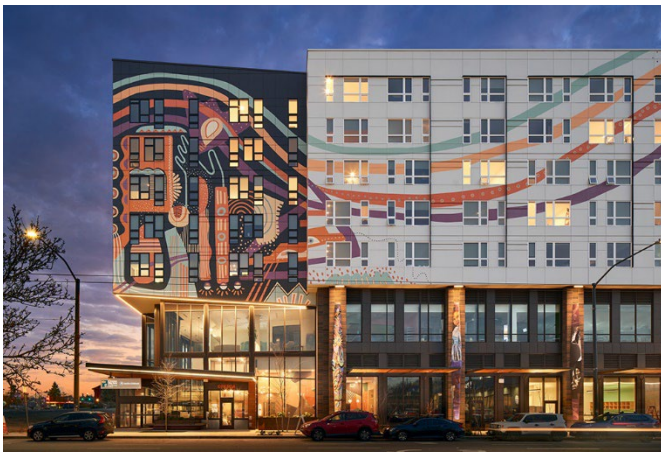
Figure 4. Precedent Projects Comparison Chart

	Othello Square, Seattle	**University Place Town Center**	**Burien Town Square**	**Lynnwood RGC** (Including Northline Village)	**Downtown Bothell**	**Federal Way Town Center** (Including proposed TC3)
Location	S. King County	Pierce County	S. King County	Snohomish County	N. King County	S. King County
Land Use & Transportation						
Public Open Space	✔	✔	✔	✔	✔	✔
Housing - Market Rate	✔	✔	✔	✔	✔	✔
Housing - Affordable	✔				✔	
Ground Floor Commercial	✔	✔	✔	✔	✔	✔
Transit	Light Rail	Bus	Rapid Bus	Light Rail	BRT Planned	Light Rail

	Othello Square, Seattle	**University Place Town Center**	**Burien Town Square**	**Lynnwood RGC** (Including Northline Village)	**Downtown Bothell**	**Federal Way Town Center** (Including proposed TC3)
Location	S. King County	Pierce County	S. King County	Snohomish County	N. King County	S. King County
Implementation						
Redevelopment of Retail Sites		✔	✔	✔	✔	✔
PPP on Public Land	✔	✔	✔	✔	✔	✔
PPP w/Private Prop. Owner				✔		
City Infrastructure Investments		✔	✔	✔	✔	✔
Notes	Some apartments will be available at 120% AMI, which we consider "market rate" above.		Affordable housing is planned.			Affordable Senior Housing

Additional information about placemaking and airport-oriented case studies can be found in 8.1 Placemaking Precedent Projects .

Figure 5. Othello Square (Left) and Burien Town Square (Right)



4.5 Key Takeaways

1. **Placemaking is the art of investing in improvements that highlight and reflect local culture and identity to create shared spaces that benefit residents, workers, businesses, and visitors.** It can include infrastructure improvements for pedestrians and cyclists, art installations, parks or parklets, and other public or private amenities that complement a dense mix of uses.
2. **Creating vibrant places that reflect the identity of the community requires bottom-up planning** that is based on the needs and priorities of local residents and businesses.
3. **Successful placemaking creates a destination that people are drawn to for a variety of reasons.** These places draw customers to local businesses, driving up sales tax revenue, and attract development activity that increases property tax revenue.
4. In South King County and Pierce County, public investment is a crucial component of high-quality placemaking initiatives**. SeaTac should consider tactical property acquisition and infrastructure investment to facilitate high-quality placemaking in the City Center**, especially near the light rail station.
5. **Cities and neighborhoods that are adjacent to airports have been engaging in placemaking activities that serve the communities that live there as well as visitors and other airport users.** These projects range from transportation and other infrastructure development to wide-scale redevelopment and rebranding efforts. Common themes for these projects include the importance of partnerships, the need for infrastructure development, and the identification of nodes of identity. These themes should be echoed as part of the urban village strategy.

5. City Center Existing Conditions

5.1 Purpose

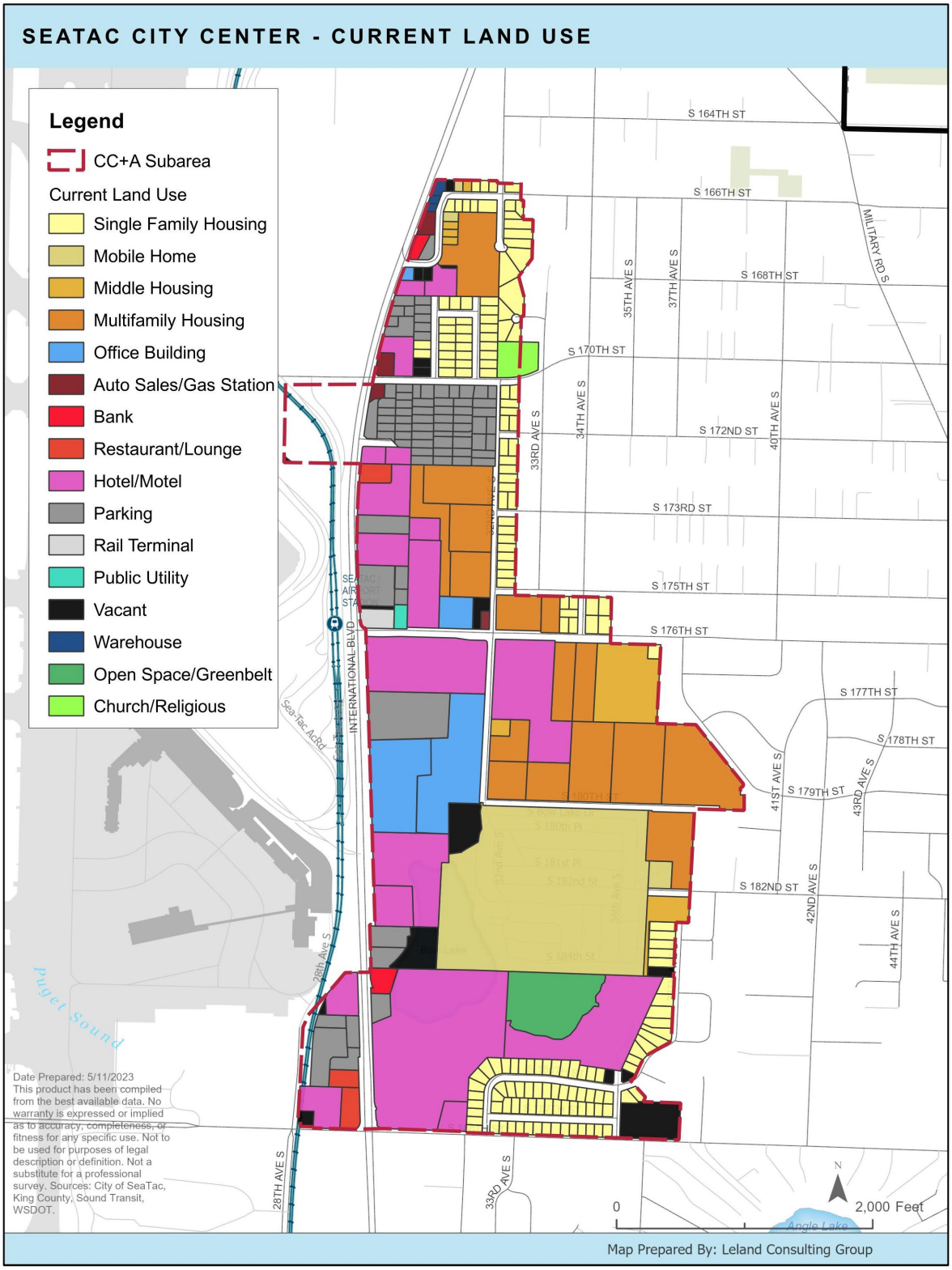
The purpose of this section is to highlight the existing conditions in the City Center. Understanding land use patterns, demographics, and the regulatory environment will help identify opportunities, challenges, and potential actions the City could take to help achieve its vision in the City Center.

5.2 Land Use & Development Pattern

Current Land Use

Figure 6 below shows the current land uses within the City Center. These land uses reflect what is currently on site rather than what is permitted by zoning. While the current City Center boundary does not include the airport, the airport's significant influence on the land uses and the built environment within the district is self-evident – airport-oriented uses including hospitality and parking comprise a large amount of the City Center's total land area. The district is also home to one of the city's densest residential communities, specifically the node of apartments clustered in the central part of the district along and near 32nd Avenue S and S 180th Street. There are only a handful

of vacant parcels, and these are mainly small and set back from International Boulevard in areas unlikely to be catalytic for near-term development. Figure 6. Current Land Uses in the City Center

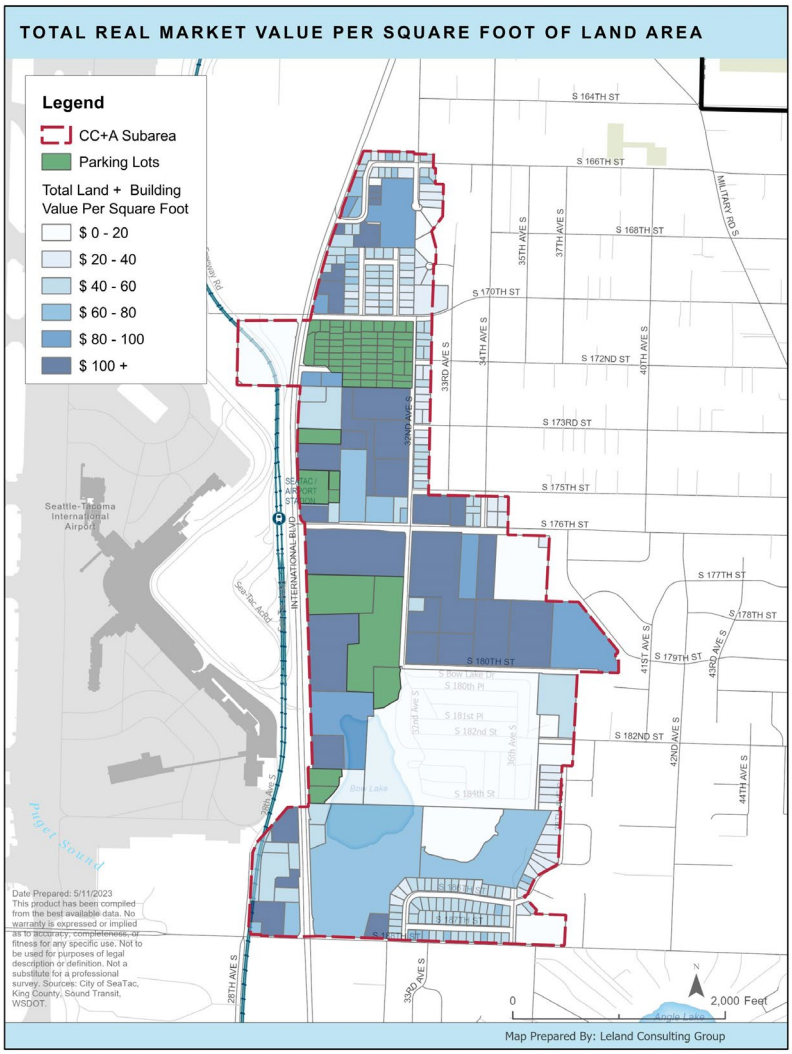


Sources: City of SeaTac; King County; LCG.

Real Market Value (RMV)

Figure 7 below shows the total real market value (RMV) per square foot of land area. Real market value is assessed by the county as of January 1st each year. **Typically, RMV per square foot can be used as an at-a-glance way of finding potential opportunity sites where properties with a low RMV may be considered as more likely to redevelop**. This is more challenging in SeaTac, where extremely profitable uses like airport-serving parking lots have low RMV because of the lack of structures. Therefore, Figure 7 shows parking lots in dark green to avoid confusion. Most of the land in the City Center is built out – the parcels with the lowest RMV per square foot are small lots, typically those with single family homes. The large white parcel is the Bow Lake Estates Mobile Home Park – because the structures on this site are not considered permanent, the RMV of the site is shown as significantly less than the actual value. While Bow Lake Estates mobile home park is shown as having a low RMV, its role in providing significant affordable housing options to the City Center and greater SeaTac community is not captured through this valuation technique and will be discussed in subsequent sections of this study.,

Figure 7. Total Real Market Value per Square Foot of Land Area in the City Center



Sources: City of SeaTac; King County; LCG.

Development Pattern

The majority of the City Center is comprised of mega-blocks, large parcels, and auto-oriented development. There are significant numbers of surface parking lots and existing large hotel, office, and apartment developments are generally constructed far from streets, often with parking along the site frontage. There is a gap in "complete community" infrastructure and services to address daily needs of residents, workers, or visitors, including a lack of shopping and restaurant options, limited pedestrian and bicycling facilities, and no parks are located within ½ mile of the district. The City has funded major multi-modal facility improvements along three road segments adjacent to the Airport station to start addressing some of these gaps.

Transportation

The City Center is a hub for international, regional, and local transportation. While the most visible example is the airport, local roads and transit connect the City Center with the rest of SeaTac and the broader region.

International Boulevard (SR99) is the city's and City Center's predominant north-south arterial. The district is also served by three major east-west arterials, S 170th Street, S 176th Street, and S 188th Street. The SeaTac/Airport Station and its adjacent transit plaza are located in the heart of the district and provide frequent light rail and bus access to the district's residents, workers, and visitors. A key part of these facilities includes Sound Transit's pedestrian bridge which allows users to walk directly from the transit plaza to the station, and ultimately directly into the airport. There are few airports in the United States where travelers can comfortably walk to light rail located in urban districts with nearby visitor amenities such as hotels and restaurants. Another notable feature of the Airport Station is that it is part of the city's local three-station network where passengers are a five-minute trip away from SeaTac's two other planned urban villages – one to the north adjacent to Tukwila International Boulevard (TIB) Station, and the other to the south by the Angle Lake Station. In addition to light rail, the district is also served by bus transit on most of its arterial roads, including RapidRide bus rapid transit which runs along International Boulevard.

Land Values and Recent Land Sales

There are not many documented land sales in this district because a significant share of the area is on long term land leases, and because much of the City Center is already built out with income-generating uses. Land leases, also called ground leases, are arrangements in which one party owns the land and then signs a long-term lease (often 50 to 99 years) to another party who builds and/or owns building(s) on the subject site. Thus, the owner of the underlying land is different from the owner of the building.

This is different from fee-simple ownership, which is more common, in which one party owns both the land and building on a given site.

The City of SeaTac sold the site of former Fire Station 45 to a developer in 2020 for $2.2 million – roughly $93 per square foot. The property was in the Angle Lake station area. The high price for land in this transaction reflects the premium of being adjacent to transit, as well as the fact that there are a limited number of redevelopable parcels in SeaTac.

The transit-oriented development site that currently houses the Polaris at SeaTac apartments was previously a strip mall with retail and office space that was built in 1954. The City sold this 2.62-acre site in May 2020 for $6.93 million ($61 per square foot of land).

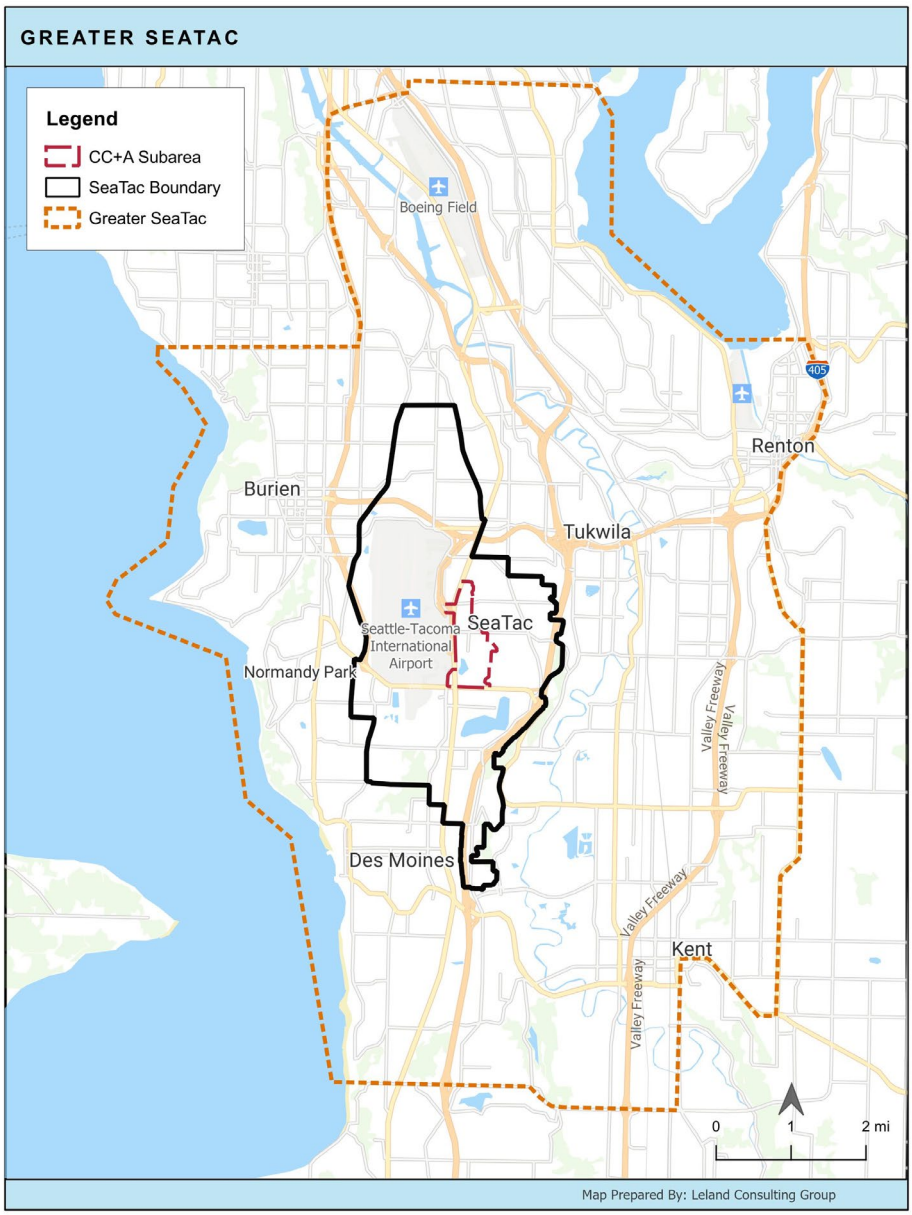
In 2021, a 0.33-acre property on the northwest corner of S 192nd Street and International Boulevard was purchased by the Homes and Equity Real Estate Group for $890,000 ($62 per square foot). This land is zoned CB-C. LCG assumes that future development on this site will be housing of some kind.

The general opinion of SeaTac real estate professionals is that land in the City Center is typically at least $80 per square foot, as of 2023. In future phases of this work, LCG will use $80 per square foot as a bench mark against residual land values to determine feasibility.

5.3 Population & Demographics

The demographic information below builds on the analysis conducted by E.D. Hovee & Company LLC in the Phase 1 Market Analysis, which included data for the City Center, the city of SeaTac, and an area called Greater SeaTac. Greater SeaTac was identified as a secondary trade area in a 2010 market study by Streetsense (shown in Figure 8 below). This section includes data for the same geographic areas.

Figure 8. Boundaries of the City Center, SeaTac, and Greater SeaTac

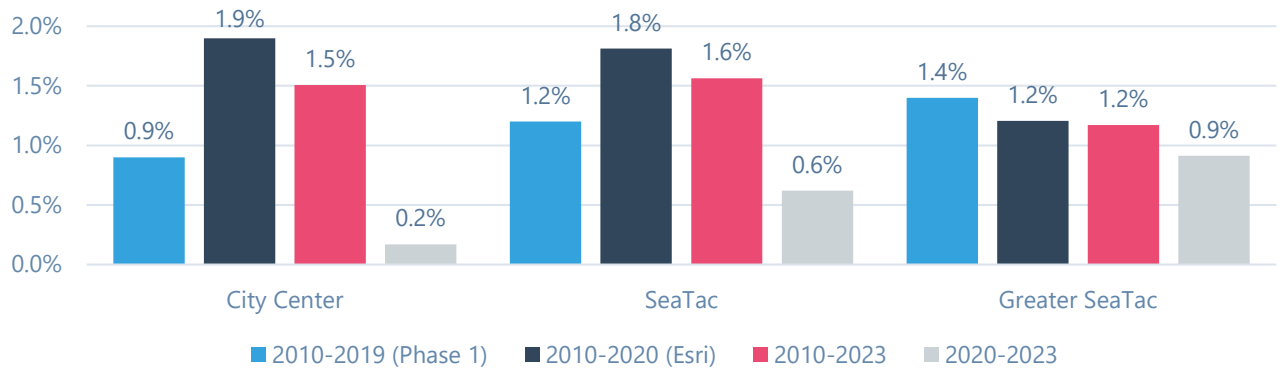


Sources: E.D. Hovee & Company LLC; City of SeaTac; LCG.

The Phase 1 Market Analysis cited Claritas as its primary source for demographic data, while Leland Consulting Group utilized a similar platform, Esri Business Analyst, for the analysis below. There are some discrepancies between the two data sources, such as the average annual population growth rates shown below in Figure 9. However, LCG has included data from the Phase 1 Market Analysis in these charts as a benchmark for tracking progress over the past four years.

Figure 9 below shows the Average Annual Population Growth for the City Center, SeaTac, and Greater SeaTac. While **the City Center grew at a slightly faster rate than the other two geographies between 2010 and 2020, Greater SeaTac's growth has outpaced the other geographies between 2020 and 2023.**

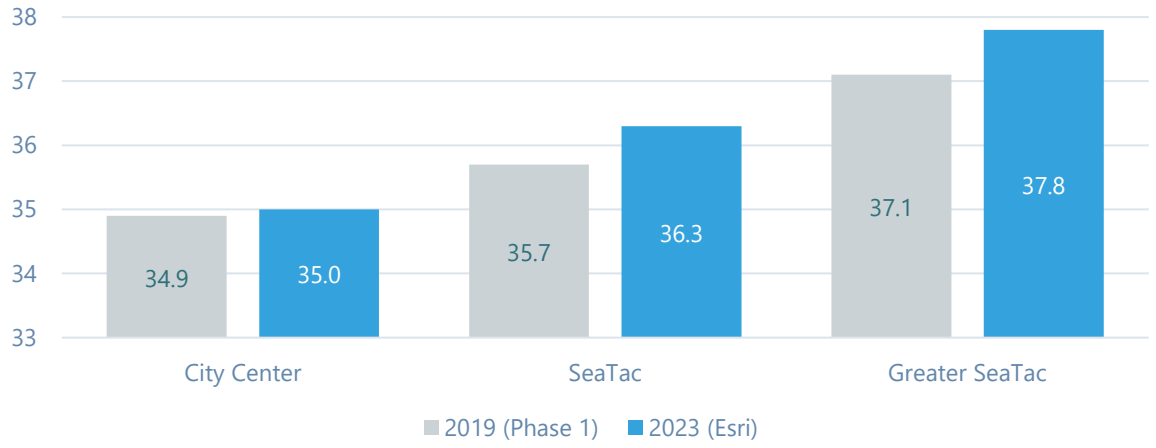
Figure 9. Average Annual Population Growth



Sources: E.D. Hovee & Company LLC; US Census (via Esri Business Analyst).

The City Center has the lowest median age of the three geographies at 35.0 years, roughly the same as the median age in 2019. Over the past four years, the median age has increased in both SeaTac and Greater SeaTac.

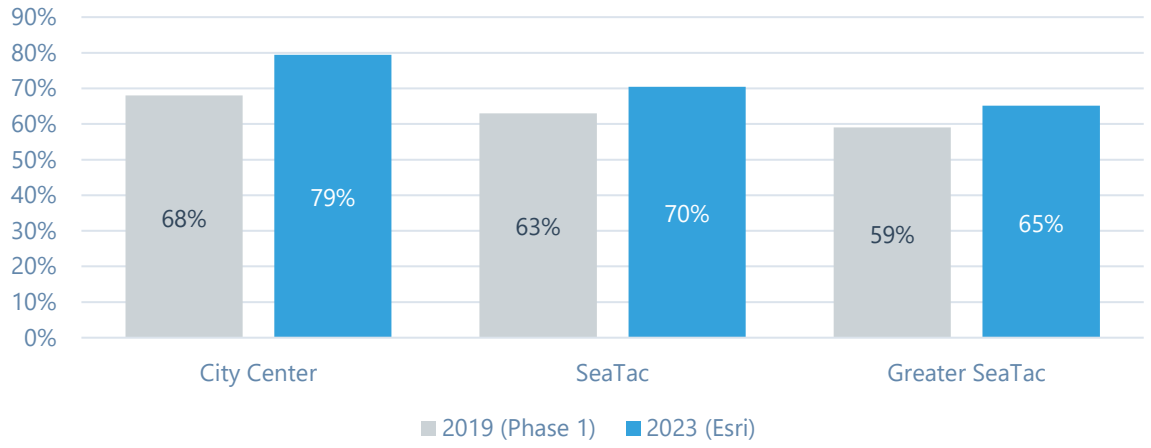
Figure 10. Median Age, 2019 and 2023



Sources: E.D. Hovee & Company LLC; US Census (via Esri Business Analyst).

Since 2019, the City Center has seen a sharp rise in the share of residents from communities of color. It is less white than either SeaTac or Greater SeaTac. As the City plans for infrastructure improvements and redevelopment in the City Center, it will be crucial to maintain an equity lens to ensure that vulnerable populations in the district are not displaced.

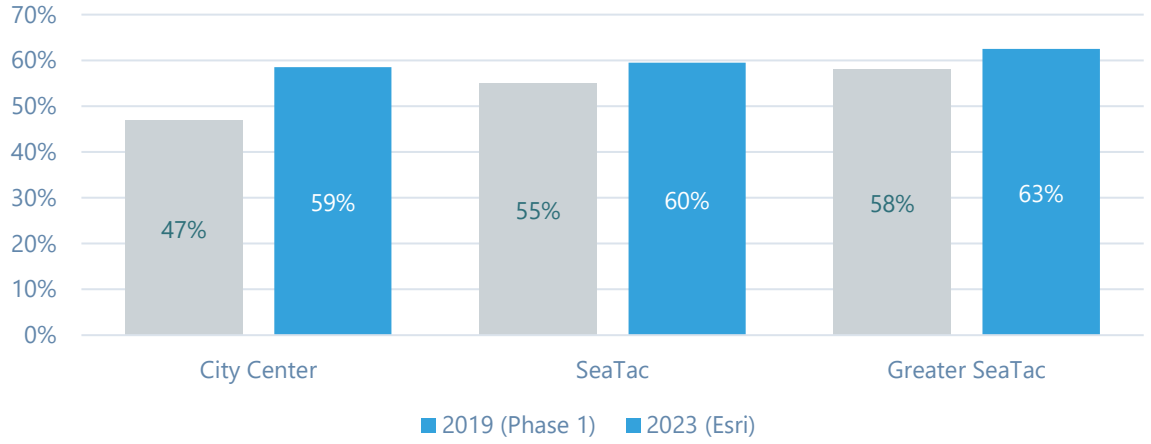
Figure 11. Percent Population from Communities of Color, 2019 and 2023



Sources: E.D. Hovee & Company LLC; US Census (via Esri Business Analyst).

SeaTac residents have slightly lower educational levels than the Greater SeaTac trade area, but educational attainment in the City Center has risen substantially since 2019. As of 2023, 59% of City Center residents have received at least some college-level education, compared with 47% in 2019.

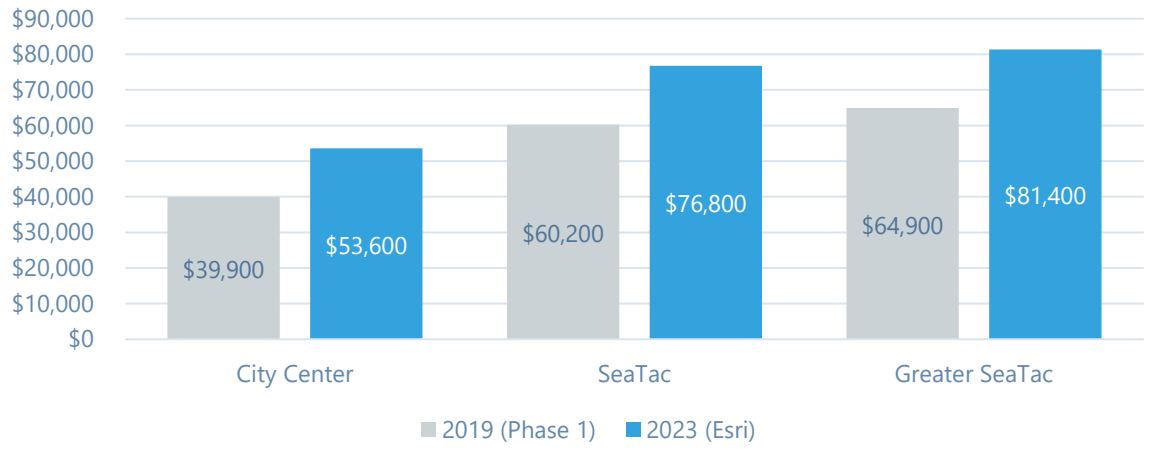
Figure 12. Percent of Residents with at Least Some College Education, 2019 and 2023



Sources: E.D. Hovee & Company LLC; US Census (via Esri Business Analyst).

The median household income throughout Greater SeaTac has risen substantially since 2019, though the City Center median income is still well below the city's median. **The relatively low median income in the City Center, along with the area's populations from communities of color, is an indication that the City should maintain a focus on equity when considering infrastructure investments and/or development incentives to ensure that residential displacement is limited.**

Figure 13. Median Household Income, 2019 and 2023



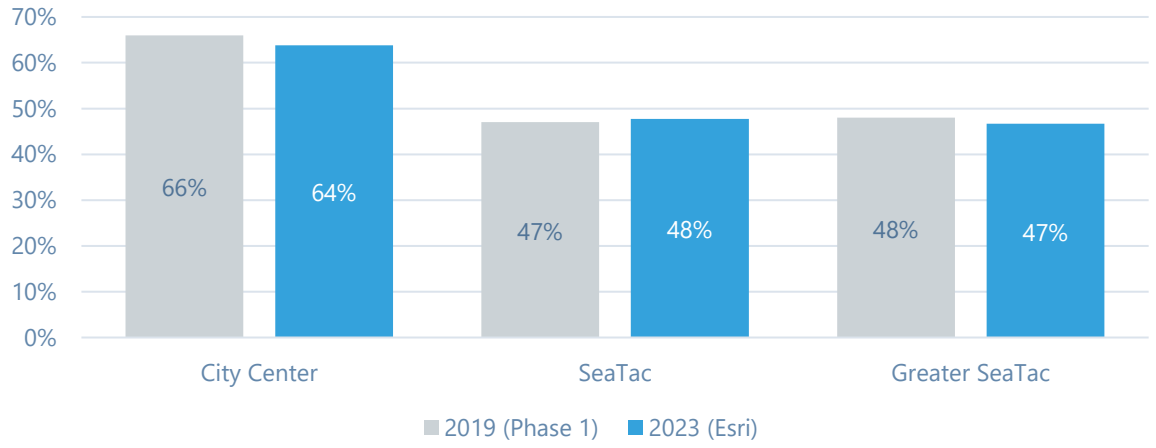
Sources: E.D. Hovee & Company LLC; US Census (via Esri Business Analyst).

5.4 Housing Supply & Jobs

Housing Supply

The City Center has a higher share of renters than the city of SeaTac or Greater SeaTac. As of 2023, 64% of City Center housing units are rentals, compared with 48% citywide.

Figure 14. Share of Renter-Occupied Housing Units, 2019 and 2023

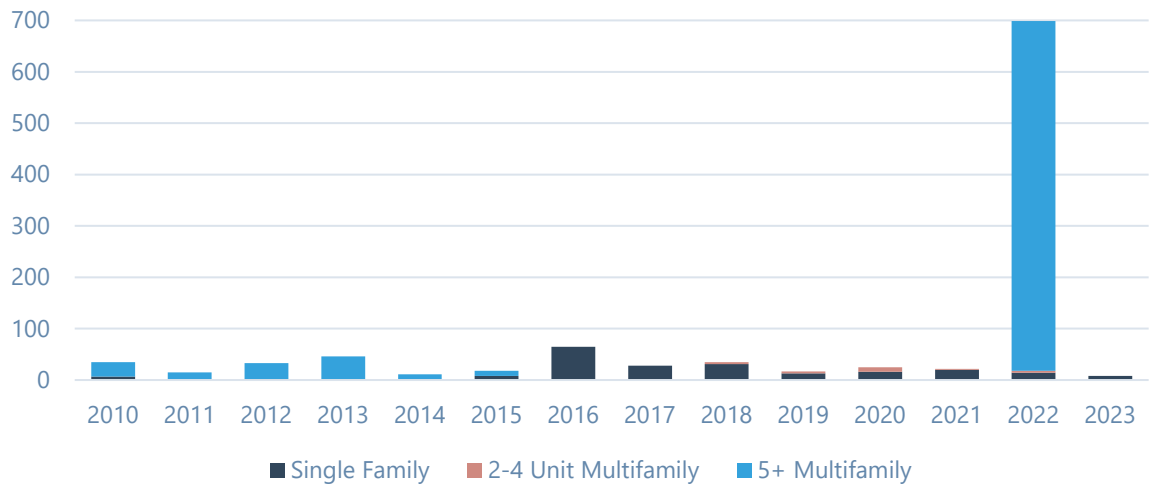


Sources: E.D. Hovee & Company LLC; US Census (via Esri Business Analyst).

Data from the Census Bureau's Building Permit Survey (via the SOCDS Building Permits Database) indicates that, with the exception of 2022, there has not been significant new housing permitting in SeaTac since 2010. While 685 housing units were permitted in 2022 (some of which have not yet broken ground as of 2023), the second most active permitting year was 2016, when 65 single family homes were permitted. The low levels of housing permitting over the

past several years, even as the population has grown, contributes to rising rents and home prices and puts vulnerable residents at risk of displacement.

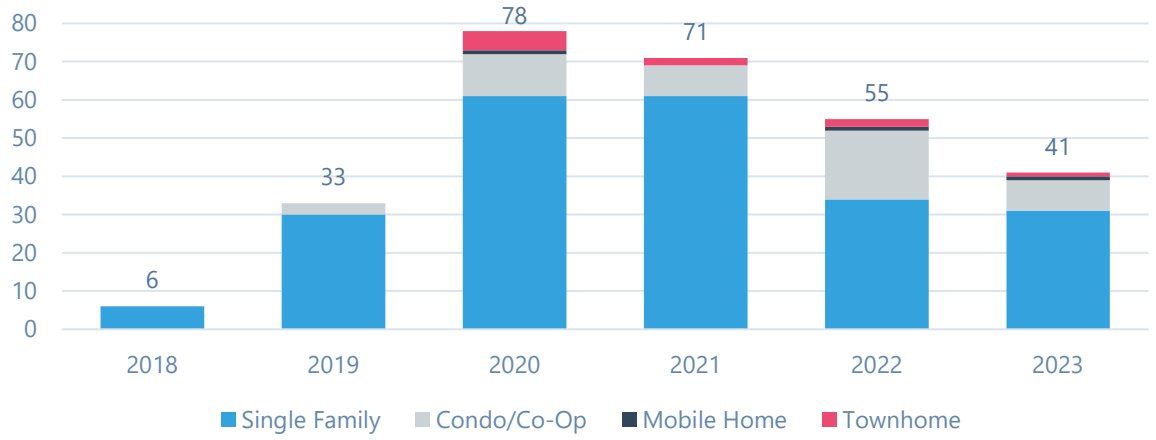
Figure 15. Housing Permits by Year in SeaTac, 2010-2023



Sources: US Census (via SOCDS Building Permit Database).

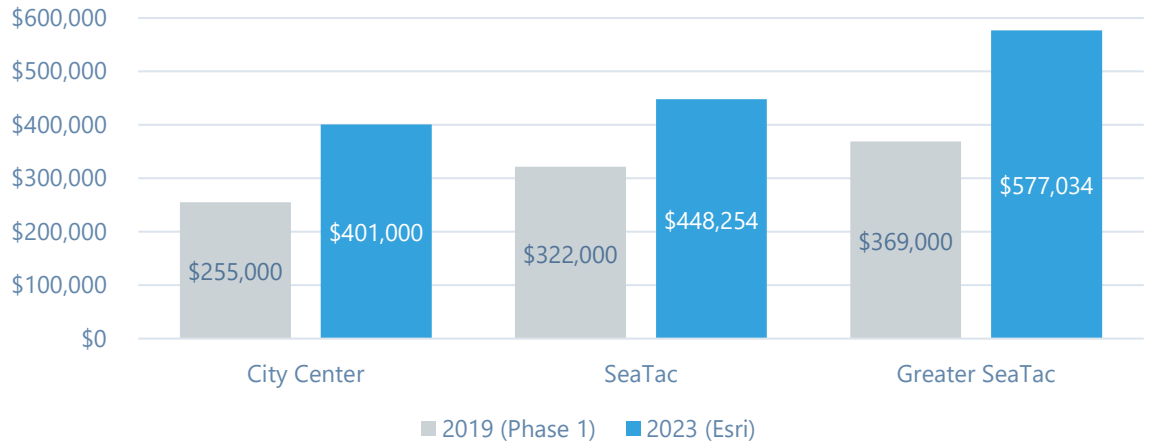
According to recent sales data from Redfin, 350 homes have sold in SeaTac since 2018. Of these, 63 do not have sale dates and are not included in Figure 16 below. The average year built of a single-family home sold in 2023 is 1961. The average sale price is $613,627 ($376 per square foot). While the average home price is much lower than the average for the Seattle Metro Area (nearly $800,000), these prices are high given SeaTac's aging housing stock. Many of these homes may be nearing obsolescence, indicating a need for new housing development. Older homes are also more likely to be purchased by developers and demolished, especially if the underlying zoning allows for the construction of more than one replacement unit. Given these factors, **as SeaTac works to attract new home building it should ensure that neighborhoods with a high concentration of vulnerable residents are not targeted for redevelopment.** Or, if redevelopment in these neighborhoods is necessary, the City should implement assistance or relocation programs for displaced renters. Those who own their homes, however, tend to be less vulnerable to displacement than renters.

Figure 16. Home Sales in SeaTac, 2018-2023



Source: Redfin.

Figure 17. Median Value of Owner-Occupied Housing, 2019 and 2023



Sources: E.D. Hovee & Company LLC; US Census (via Esri Business Analyst).

Jobs

According to PSRC, the number of jobs in SeaTac grew by 25% between 2015 and 2022. The biggest job sectors in SeaTac as of 2022 were Wholesale Trade, Transportation, and Utilities (WTU), Government, and Services. The WTU sector has seen significant growth since 2015 with 4,986 new jobs added to SeaTac's economy. The Manufacturing sector lost the most jobs between 2015 and 2022, with 416 fewer in 2022 than in 2015. The Retail and FIRE (Finance, Insurance, and Real Estate) sectors also saw a decline in job numbers since 2015. As of 2021, there were 8,041 Transportation and eight Wholesale Trade jobs at SeaTac Airport, making up 39% of WTU jobs in the city. Because the airport is not located within City Center boundaries, these jobs are not reflected in City Center statistics.

Figure 18. PSRC Covered Employment Estimates, 2015, 2018, and 2022

Job Sector	2015	2018	2022	Change, 2018-22	Change, 2015-22
Construction & Resources	327	582	844	262	517
FIRE	929	1,132	849	(283)	(80)
Manufacturing	892	471	476	5	(416)
Retail	692	695	584	(111)	(108)
Services	8,181	8,644	9,239	595	1,058
WTU	15,472	18,823	20,458	1,635	4,986
Government	2,785	3,159	4,360	1,201	1,575
Education	638	629	654	25	16
Total	**29,916**	**34,135**	**37,464**	**3,329**	**7,548**

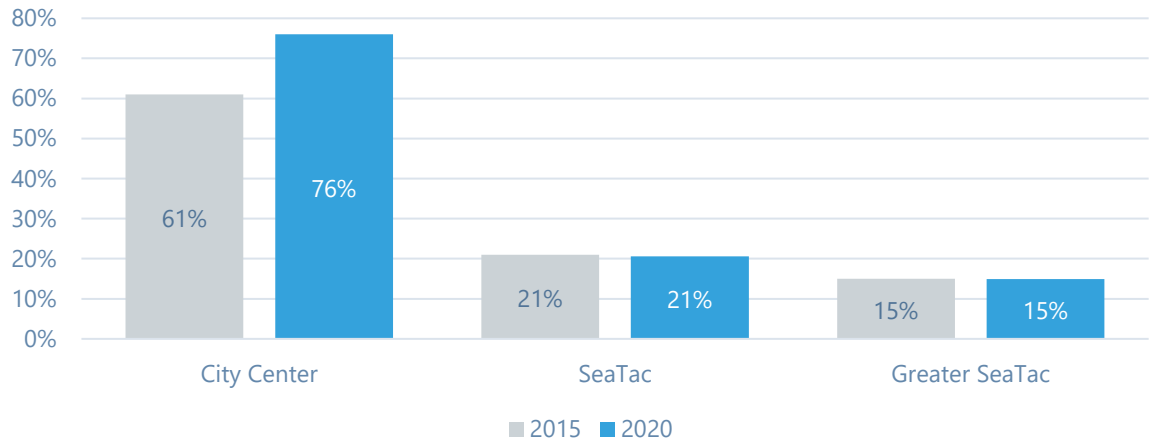
Source: Puget Sound Regional Council.

Airport jobs are not included in the City Center data presented below because the airport is located outside of the district's boundary. Because the airport is directly across the street from the City Center, airport workers regularly use City Center streets, transit stops, businesses, and other services and infrastructure. While thousands of airport workers

are estimated to physically work at the airport on a daily basis, most of the airport's 20,000 "badged" employees are flight crews or others who come in and out of the facility. The following assessment focuses on jobs located within the current City Center boundary. Future phases of the subarea plan project will consider the implications of potentially incorporating airport jobs to better reflect the impact of these workers on the district.

The Phase 1 Market Analysis identifies Accommodation and Food Services, and Management and Administration as strong City Center sectors. These continue to be strong job sectors in the City Center, making up 76% of all jobs in the City Center as of 2020, a far higher percentage than in SeaTac and Greater SeaTac. Accommodations and Food Services includes jobs in hotels and restaurants, while Management and Administration is a broader category that primarily includes office and support workers.

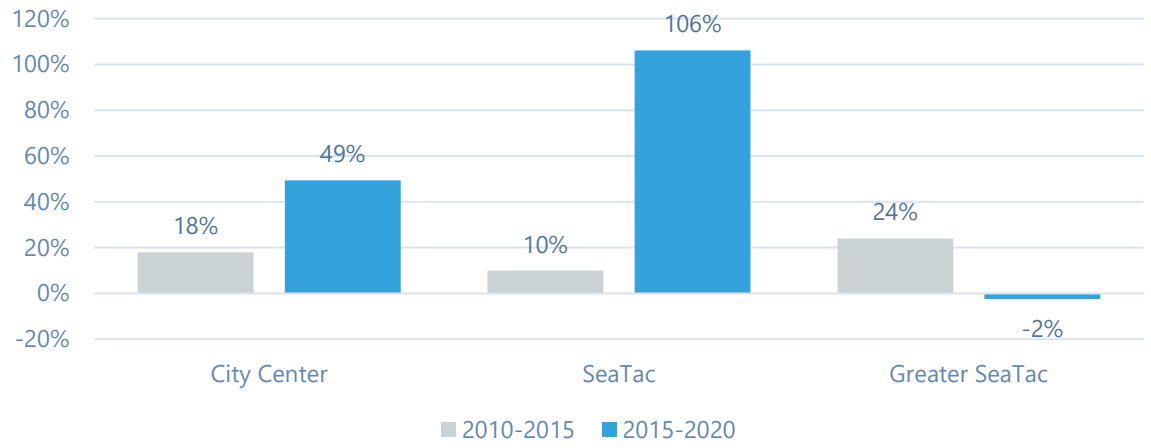
Figure 19. Strong City Center Sectors as Percent of All Jobs, 2015 and 2020



Source: US Census (via LEHD OnTheMap).

In both the City Center and the city of SeaTac, the strong City Center sectors saw significant growth between 2015 and 2020. Some of these jobs, especially those in Accommodation and Food Services, were likely heavily impacted by the COVID-19 pandemic beginning in 2020. Within Greater SeaTac, the strong City Center sectors declined between 2015 and 2020. This could be an indication that these types of jobs are beginning to decline, but the location of the City Center adjacent to a major airport makes service jobs in this area more secure.

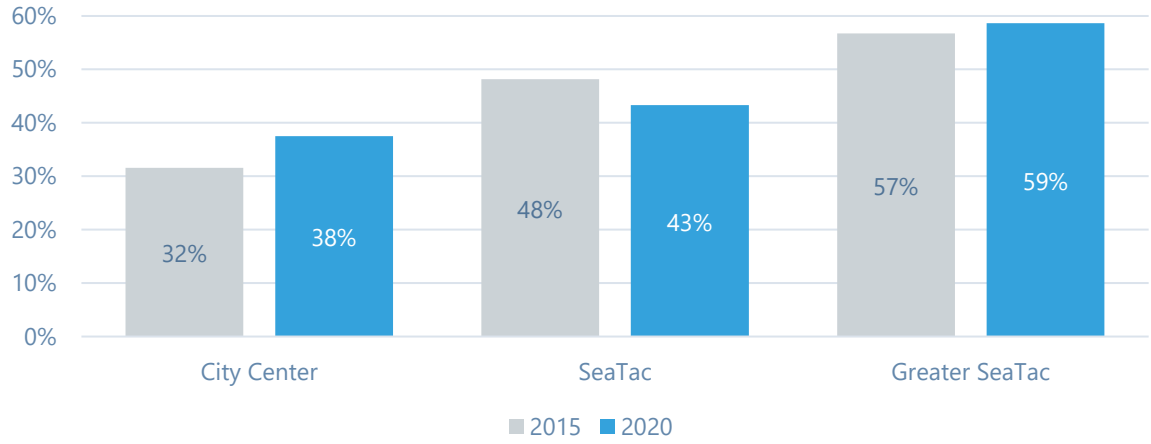
Figure 20. Percentage Growth of Strong City Center Sector Jobs, 2010-15 and 2015-20



Source: US Census (via LEHD OnTheMap).

The US Census tracks specific income brackets as a measure of the economic value jobs provide to workers. The highest bracket is those making $3,333 per month or more – roughly $40,000 per year. In the City Center, 38% of workers fall into this category, up from 35% in 2015. This is well below the share of workers at this income level in Greater SeaTac, where 59% of workers make over $3,333 per month. With over 60% of workers making less than $40,000 per year, the City Center is not a hub of high-paying jobs. This is likely due to the prominence of the service industry in the subarea. According to the US Bureau of Labor Statistics, hotel desk clerks in the Seattle Metro Area make an average of $38,250 per year, while maids and housekeeping make an average of $38,490 and concierges make $41,270.

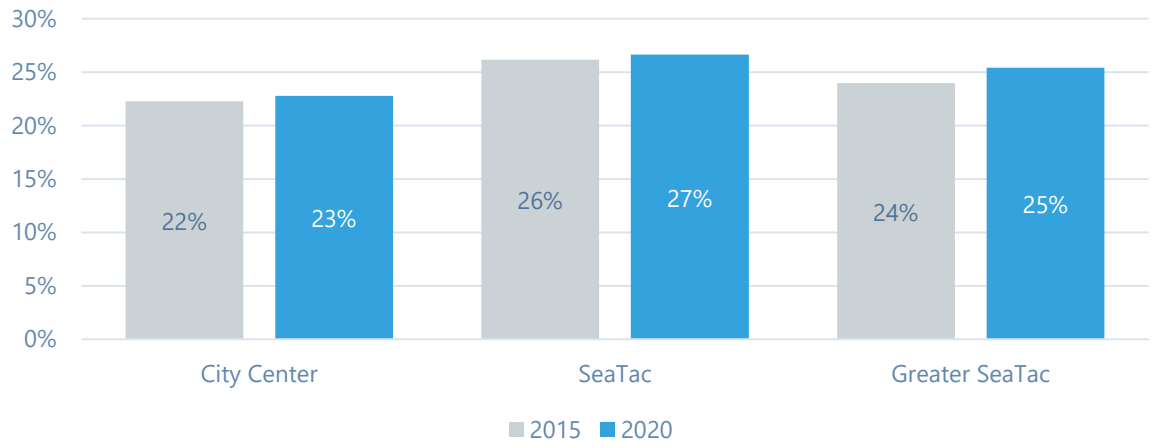
Figure 21. Percent of Workers Earning $3,333 or More per Month, 2015 and 2020



Source: US Census (via LEHD OnTheMap).

The City Center workforce is slightly younger than SeaTac's overall workforce but is in line with the Greater SeaTac region's workforce demographics. The majority of workers, around 77%, are under the age of 55, compared with 73% of the total SeaTac workforce.

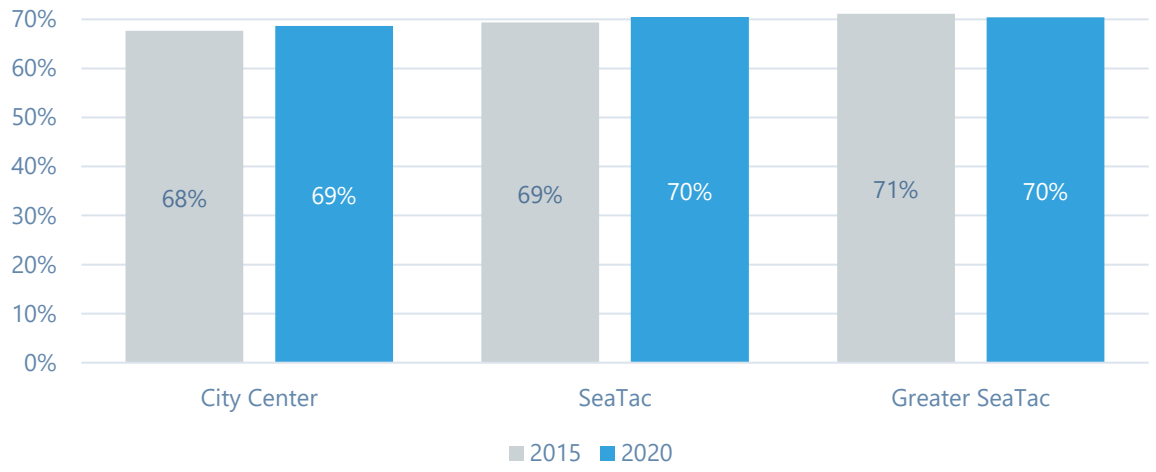
Figure 22. Percent of Workers Aged 55 or Higher, 2015 and 2020



Source: US Census (via LEHD OnTheMap).

Similarly, the educational attainment of workers over 30 years old in the City Center is in line with city and regional trends, with 69% of workers having completed some college-level education.

Figure 23. Percent of Workers (30+) with Some College, 2015 and 2020



Source: US Census (via LEHD OnTheMap).

5.5 Regulatory Environment

Zoning

Zoning determines what can legally be built, and therefore has major impact on urban form. **This section evaluates the extent to which zoning in the City Center is aligned with the urban village strategy that promotes compact, transit-oriented, complete neighborhoods.** A more specific feasibility analysis will be conducted as a future phase of work.

Within the City Center, the area closest to the airport is zoned Community Business in Urban Center (CB-C) while the eastern side of the subarea is zoned for a mix of Urban High Density Residential (UH-900 and UH-1,800), Urban Medium

Density Residential (UM-2,400), Office/Commercial Medium (O/CM), Office/Commercial/Mixed-Use (O/C/MU), and on the edges some pockets of Urban Low Density Residential (UL-7,200). Land in the City Center is also governed by the City Center Overlay District, as defined in Chapter 15.300 in the Municipal Code. The purpose of this overlay district is:

> *[T]o implement the City's vision for a City Center/central business district as set forth in the City of SeaTac Comprehensive Plan, by promoting integrated development and pedestrian-oriented design, a diversity of uses within close proximity, a linked series of open spaces, and a focal point for community identity.*

The City Center Overlay District aims to create an activated street by limiting front setbacks and prohibiting surface commercial parking lots. Currently, it includes the entirety of the City Center. If the City chooses to modify the City Center boundaries, it should ensure that the overlay aligns with that new area.

All recent and proposed commercial developments in the City Center are located within the CB-C zone. This zone offers significant flexibility, with heights limited by FAA and fire department regulations rather than city codes. The maximum lot coverage is 75% and no setbacks are required. A range of residential and commercial uses are permitted. This zoning will be beneficial for potential development and redevelopment opportunities in the City Center, as it will allow developers to build mixed-use housing at a scale that enables financial feasibility.

- Development standards for the district can be found in SMC Chapter 15.300 City Center Overlay District., including minimum and maximum parking requirements for different uses (see 15.300.400) and special standards for parking structures with public/private uses (i.e., airport-serving parking).

While current zoning requirements reflect some of the city's placemaking goals for the City Center, some requirements could act as barriers to achieving the urban village strategy. The district's development code will be further analyzed in a future stage of the subarea plan project. This analysis will include minimum parking requirements, standards for parking structures (especially those for "public/private" parking), mixed use requirements, public open space and private amenity space requirements (for multifamily uses), landscape requirements, and other code requirements.

Development Incentives – Regulatory and Financial

Well-targeted incentives provided by the City can help attract the types of developments that it wants to see in the City Center. Incentives can include code modifications like height or density bonuses, financial incentives like a Multifamily Tax Exemption (MFTE), strategic City investments in public infrastructure, public-private partnerships, and other methods. This section focuses on current and potential regulatory and financial incentives.

Lot Coverage Bonuses

Lot coverage bonuses are available for developments in the CB-C and O/CM zones. Actions that make projects eligible for lot coverage bonuses include:

- Contribution of $5,000 per acre of land developed to the Park Fund (3% bonus)
- Inclusion of on-site childcare facilities for employees (5% bonus)
- Designation of a minimum of 2,000 square feet of space for an outdoor art exhibit (1% bonus for every 1,000 square feet)
- Dedication of property for a transit center (10% bonus)
- Inclusion of structured parking with a minimum of 275 stalls (5% bonus)
- Provision of relocation assistance to residents of mobile home parks (10% bonus)

These lot coverage bonuses allow developers to build out more than 75% of their properties, which can improve feasibility. However, **the City should ensure that the requirements and incentives are balanced and aligned with city goals, including the urban village strategy.**

Multifamily Tax Exemption (MFTE)

SeaTac expanded its MFTE program to include all of the Urban Center, including the entire City Center, in 2019. Nearly all of the cities in South King County, which typically compete with each other to attract development, have an MFTE program. **The 8-year MFTE program** has no additional affordability requirements; residential units that are priced at 100% market-rate can be exempted from property taxes. Therefore, this program is ideal for areas where affordability of individual units is not the primary concern, but rather, the need for more housing overall.

The 12-year MFTE program typically requires that 20% of units are affordable at 80% area median income (AMI) or less. Because AMI is set at the county level, the maximum rent for households at 80% AMI is higher than typical rent in SeaTac. Figure 24 below shows the maximum household income for regulated multifamily properties in King County as of 2022. The incomes highlighted in red are above the 2023 median household income in SeaTac ($53,632). The median household in SeaTac earns just above 50% AMI for a two-person household in King County.

Figure 24. Maximum 2022 Household Income for Multifamily Rental Properties in King County

Family Size	30%	40%	50%	60%	70%	80%
1 person	$27,200	$36,240	$45,300	$54,360	$63,420	$66,750
2 people	$31,050	$41,440	$51,800	$62,160	$72,520	$76,250
3 people	$34,950	$46,600	$58,250	$69,900	$81,550	$85,800
4 people	$38,800	$51,760	$64,700	$77,640	$90,580	$95,300
5 people	$41,950	$55,920	$69,900	$83,880	$97,860	$102,950
6 people	$45,050	$60,080	$75,100	$90,120	$105,140	$110,550
7 people	$48,150	$64,200	$80,250	$96,300	$112,350	$118,200
8 people	$51,250	$68,360	$85,450	$102,540	$119,630	$125,800

Source: HUD, US Census (via Esri).

Similarly, the average market rent in the City Center is below the maximum rent allowed under HUD rules for regulated housing units, as shown in Figure 25 below.

Figure 25. Maximum Rents for Projects Based on Unit Size in King County (2022)

Unit Size	30%	40%	50%	60%	70%	80%	City Center Mkt Rent
Studio	$680	$906	$1,132	$1,359	$1,585	$1,668	$1,166
1-Bed	$728	$971	$1,213	$1,456	$1,699	$1,787	$1,335
2-Bed	$873	$1,165	$1,456	$1,747	$2,038	$2,145	$1,701
3-Bed	$1,009	$1,346	$1,682	$2,019	$2,355	$2,478	$2,608

Source: HUD, CoStar.

Because rents in the City Center are not significantly higher than the maximum allowed regulated rents, the gap between the price of units at 80% AMI and market rate is small. As a result, the 12-year tax exemption under the MFTE program is a significant incentive to developers.

The City's MFTE program currently has a sunset clause for the end of year 2024. Therefore, City staff are in the process of reviewing the program to identify potential Code updates.

Opportunity Zones (OZ)

The Opportunity Zone (OZ) program was established by the 2017 Tax Cut and Jobs Act. It provides a tax benefit for investing in designated census tracts that typically correlate with underserved areas. SeaTac has five designated opportunity zones, which cover most of the city, including the City Center. Through this program, investors can avoid capital gains taxes for a set period of time if they move money into a Qualified Opportunity Fund (QOF) that invests in a

project within an OZ. While the OZ program does not by itself overcome feasibility challenges, it can be a "nice to have" for investors who plan to hold onto an asset beyond five or ten years. June 2027 is the final deadline to invest in a QOF in order to take advantage of the ten-year gain exclusion, and December 2028 is the expiration of the designation of Qualified Opportunity Zones. **Unless this program is extended, it will likely not have an impact on the City Center beyond the next three to four years.**

5.6 Key Takeaways

1. The City's urban village strategy aims to create compact, walkable, mixed-use neighborhoods adjacent to the three light rail stations that serve SeaTac, as described in the adopted S 154th and Angle Lake station area plans, and City Center Vision Report. **Creating a complete "urban village" type neighborhood within the City Center is possible, but will be challenging due to current land uses, consolidated property ownership, and the district's auto-oriented urban form.**
2. The City Center is largely built out with existing, primarily auto-oriented uses that support the airport and as a result have a lack of incentive to redevelop. However, **there are gaps in "complete community" infrastructure**, services and amenities for residents, workers, and visitors, that **if addressed, would enhance the quality of the district's physical environment, and potentially encourage new business and development opportunities**.
3. Transportation is a key feature of the City Center. Its proximity to the airport, light rail, and bus routes connects it to the broader region. **While there are significant vehicle and light rail connections, the district's mega-block, auto-oriented development pattern limits the district's internal connectivity. which is compounded by a lack of pedestrian and bicycle facilities.** The City has funded significant road, sidewalk, and urban design improvements on three street segments near the Airport Station, and the subarea plan project will identify further improvements to the district's multi-modal network.
4. **Property ownership in the City Center is complicated, where single entities own multiple properties,** particularly south of S 176th Street, where much of the commercial land fronting International Boulevard is owned by one ownership group and leased to owner-operators such as Hilton and WallyPark. **As the City works to implement the district's adopted vision as an "enticing, walkable, urban place," it should engage with and potentially form partnerships with land and business owners in the district to ensure that the City Center vision can be realized.**
5. **City Center residents are younger and more diverse than the city or Greater SeaTac, with lower household incomes.** As the district develops over time, the City should consider implementing anti-displacement policies (discussed further in Housing Displacement Risk) to ensure that vulnerable residents are not pushed out of their communities.
6. **The City Center's strong accommodations sector makes up a substantial portion of the Services jobs, which has likely contributed to relatively low median incomes for workers in the area.**
7. **The CB-C zone, which has recently seen the most development activity in the City Center, is a relatively flexible zone that is likely to be attractive to developers due to its lack of height and density restrictions.**
8. **Removing barriers to development from City regulations can help promote new development and the implementation of SeaTac's urban village strategy.** Findings from the Citywide Parking Study, currently underway, will help inform decision-making on potential "right-size" parking policies and codes for City Center, and elsewhere in the city.
9. **Incentives like the MFTE program help SeaTac compete with its neighboring South King County cities for development activity**. Additional incentives, like the lot coverage incentive programs in the CB-C zone, should be evaluated to determine their efficacy and attractiveness to developers.

6. Current Real Estate Market & Trends

6.1 Purpose

The purpose of this section is to understand the local market conditions that will inform recommendations and implementation strategies. While the City can invest in the type of placemaking it would like to see and address regulatory barriers, ultimately development is at the whim of the private investment market which is often impacted by factors outside of the City's control, such as rents, interest rates, construction and labor costs, and other macroeconomic trends. Understanding local market forces is essential to tailoring strategies that will help the City meet its goals.

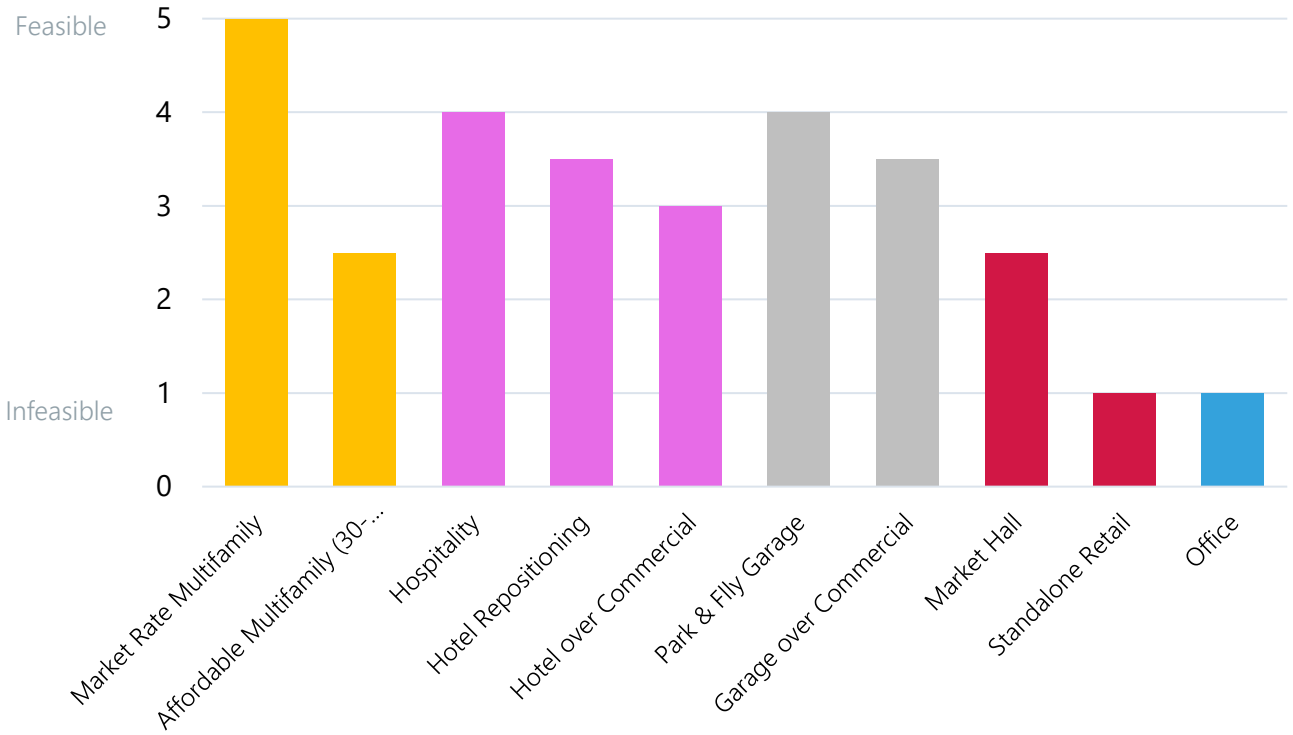
6.2 Local Market Context

The chart in Figure 26 below provides an at-a-glance summary of the feasibility of specific property types within the City Center. The conclusions regarding the comparative feasibility of various property types in the City Center include the following considerations:

- Multifamily and hospitality have recently been built in the City Center, and there are additional projects in the development pipeline.
- The owners of an airport-serving parking lot in the City Center have indicated an interest in building a new garage.
- The office market is regionally oversaturated and new speculative office space is unlikely to be built in the near term.
- The rent and vacancy rates for standalone retail do not typically justify the purchase of high-cost, productive land.
- Recent land purchases indicate that multifamily developers are willing to pay more per square foot for land than hospitality developers.

Property types are rated out of 5 points, where 5 indicates a property type is feasible given land values in the City Center, and 0 indicates that the use is not at all feasible. A score of 2.5 indicates that a use could be feasible given a subsidy or atypical conditions. **Market rate multifamily, hospitality, and park & fly garages are the most feasible uses in the City Center.** While mixed-use development with commercial uses on the ground floor are key components in placemaking (see section 4.4 for local examples), the feasibility assessment shows that hotel and park & fly garages mixed with commercial uses are more challenging than standalone hotel and garage development types. Standalone retail and office are the least feasible. Market halls (covered spaces where different foods and goods are sold) are included in the feasibility assessment because the City Center project's Phase 1 market study recommended exploring the siting of a multicultural food hall in the district, and the Port is currently studying the feasibility of an international public marketplace in cities near the airport. The assessment shows both market halls and affordable housing for those making 30% to 60% of AMI with a score near 2.5 which indicates that these development types may require subsidies to build. The specific market dynamics of these property types is discussed further in this section.

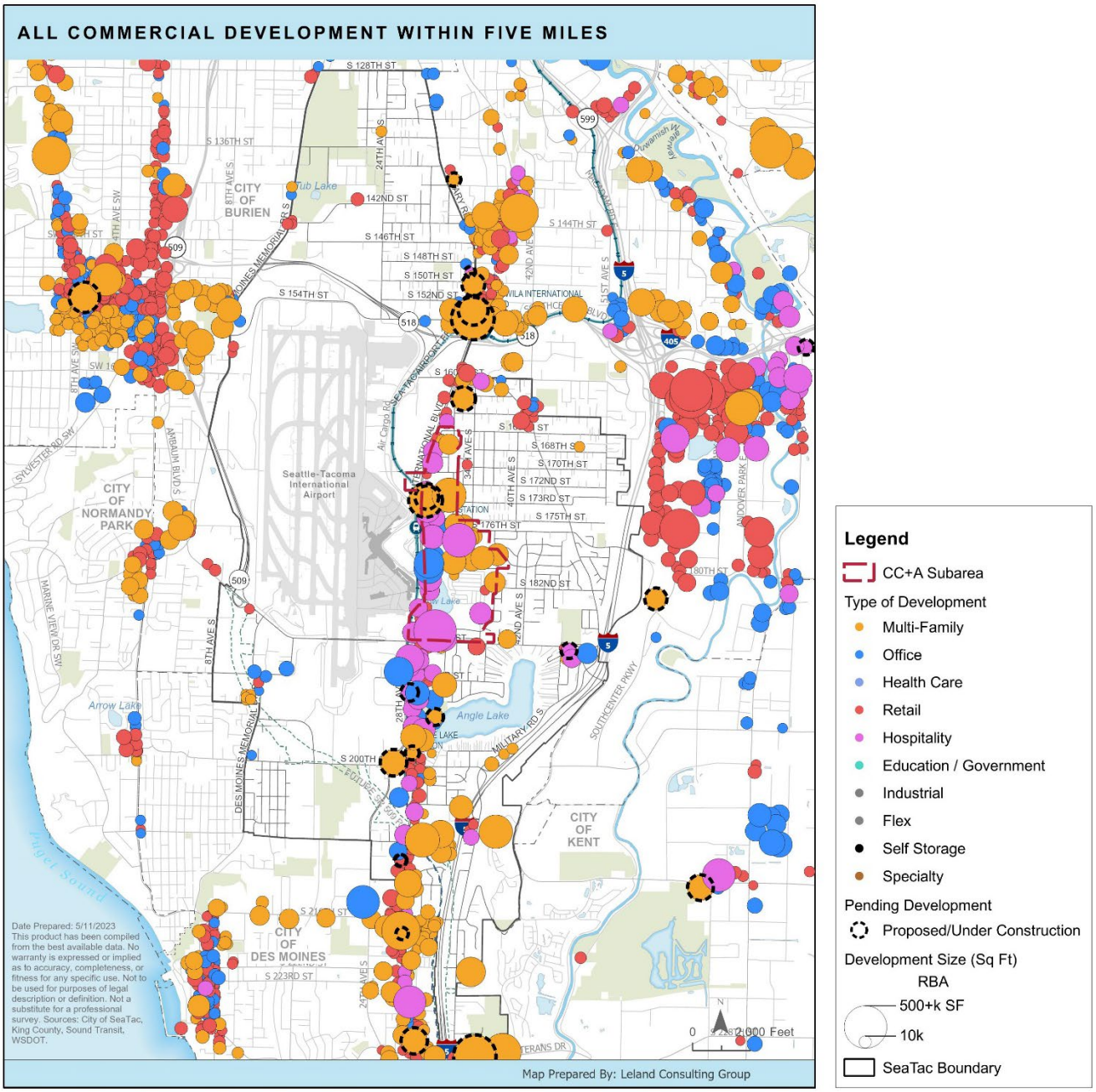
Figure 26. Feasibility Index of Property Types in the City Center



Source: LCG.

Figure 27 below shows commercial properties within the City Center and within a five-mile radius. Most commercial properties within the subarea are hospitality and multifamily, though there is some office space. Retail establishments are primarily located to the west and east of SeaTac, in Burien and especially within the Southcenter neighborhood of Tukwila. There are also large multifamily clusters close to the Tukwila International Boulevard and Angle Lake light rail stations, and the central part of the City Center.

Figure 27. All Commercial Properties within Five Miles of the City Center



Sources: CoStar; LCG.

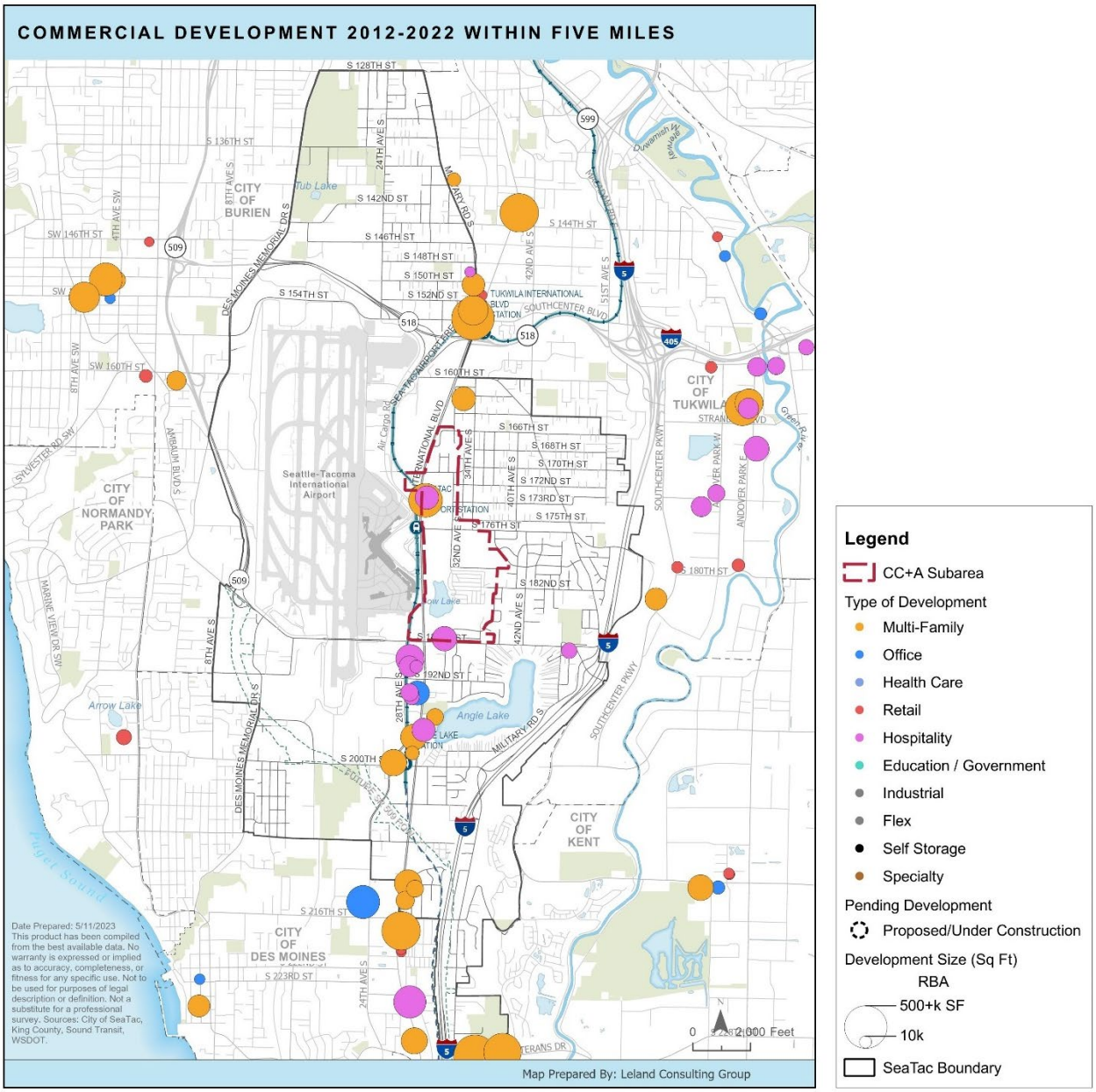
6.3 Recent & Anticipated Development Activity

As in many King County cities, multifamily housing is the primary use being built in SeaTac. Both nationwide and locally, apartment rents have been increasing, strengthening the feasibility of multifamily development. At the same time, challenges in the office, retail, and hospitality markets have made some developers wary of over-building these

product types. While hospitality remains strong in SeaTac, particularly in the City Center, the current development pipeline in the city is dominated by multifamily.

Recent development within five miles of the City Center has largely taken place outside of the subarea. The currently planned development in the subarea includes a mix of hospitality and multifamily. There has been little office development, with just the new Alaska Airlines Headquarters in SeaTac and a handful of new spaces in Tukwila and Des Moines. New multifamily development in SeaTac is primarily expected adjacent to the Tukwila International Boulevard and Angle Lake light rail stations.

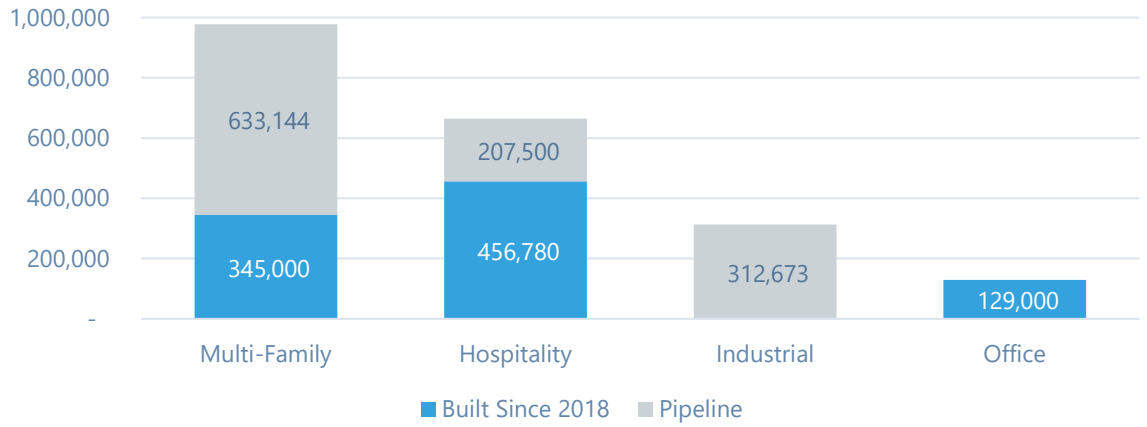
Figure 28. Commercial Development within Five Miles of the City Center, 2012 to 2022



Sources: CoStar; LCG.

Since 2018 nine new commercial properties have been developed in SeaTac. There are an additional nine in the development pipeline. Newly completed developments include three multifamily properties with a total of 535 units, 456,780 square feet of hospitality space, and the new Alaska Airlines headquarters, a 129,000 square foot office complex. An additional 744 units in five multifamily properties are in the city's development pipeline, along with 207,500 square feet of hospitality space, and a new 312,673 square foot industrial property.

Figure 29. Commercial Rentable Building Area (RBA) Built Since 2018 and in the Development Pipeline



Source: CoStar.

Figure 30. Recently Completed Developments in SeaTac – Polaris at SeaTac and the Alaska Airlines Headquarters

Adara & Polaris at SeaTac
15300 33rd Avenue S

585 units
365 @ 60% AMI; 220 Mkt Rate
4-star apartments
Mixed-Income Housing
Built 2023
C-BC Zone

Copper River (Alaska Airlines HQ)
19225 International Boulevard

129,000 SF
4-Star Office Space
Built 2020
C-BC Zone

Source: CoStar.

Many of the multifamily developments in SeaTac built over the past five years and in the development pipeline are regulated affordable housing. This includes the Polaris at SeaTac (shown in Figure 30 above), the Heights by Vintage senior apartments, and a proposed 130-unit TOD development adjacent to the Angle Lake station.

Just one development has been completed in the City Center since 2018 – a Hilton Garden Inn at 3056 S 188th Street, shown in Figure 31 below. It is classified by CoStar as a four-star ("Upscale") hotel with 152 rooms and is located just south of Bow Lake. **However, a proposed Hyatt Place development is planned for** a former hotel and parking lot site just north of 176th Street will include a mix of 198 four-star hotel rooms and 182 three-star apartments.

Figure 31. The Hilton Garden Inn in SeaTac, Built 2018

Hilton Garden Inn
3056 S 188th Street, SeaTac

152 Rooms (139 rooms / ac)	Built 2018; Opened 2019
"Upscale" (4-Star)	C-BC Zone

Source: CoStar.

Figure 32. Hyatt Place SeaTac Airport & Apartments Proposed Development

Hyatt Place Seatac Airport & Apartments
17234-17300 International Boulevard

198 Rooms / 182 Apartments	Expected Year Built: 2025 (apartments); 2027 (hotel)
3-Star Apartments; 4-Star Hotel	C-BC Zone
133 units / ac	Stage: Final Planning

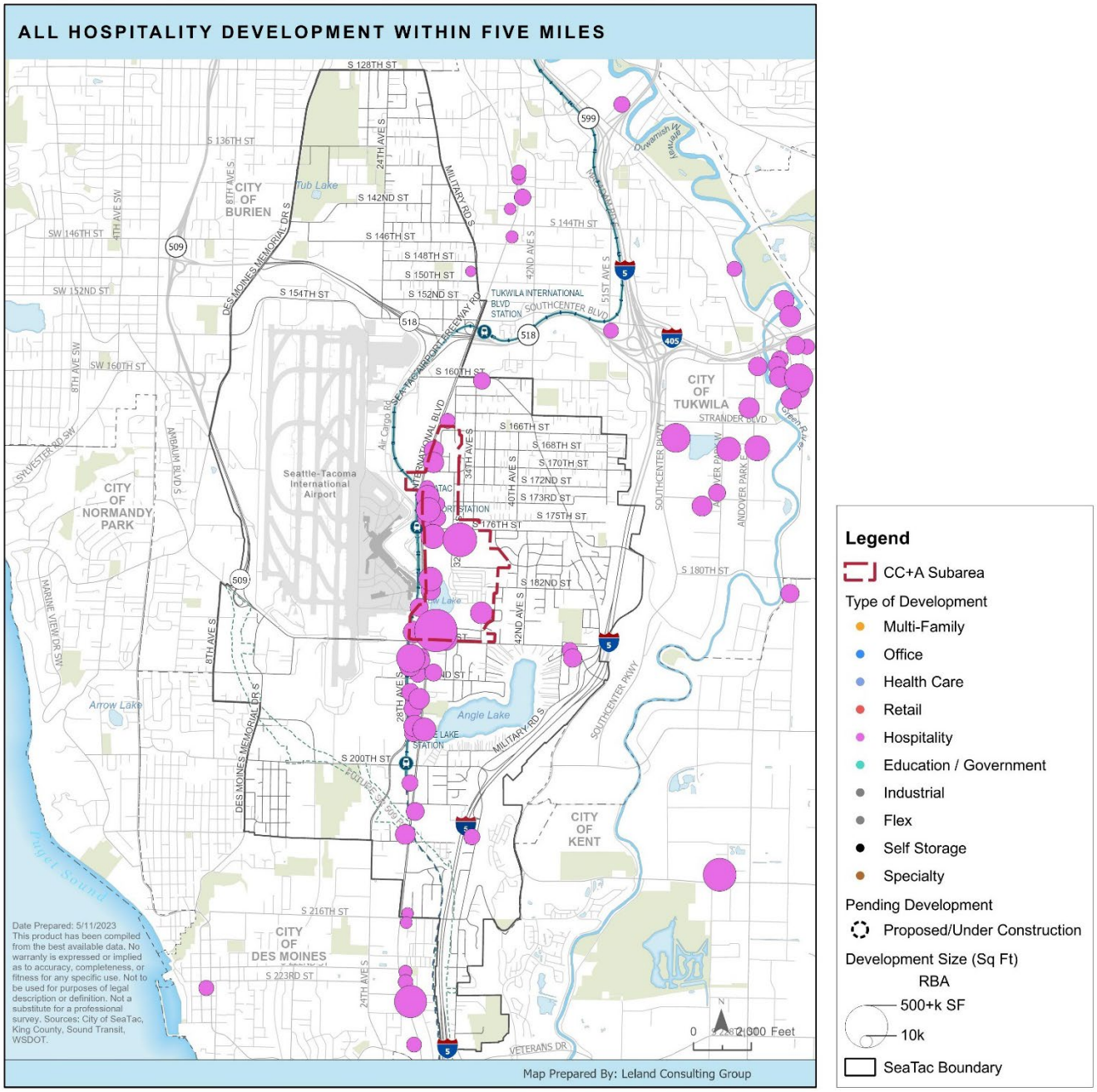
Source: CoStar.

While developers have built or proposed new large housing projects near the Tukwila International Boulevard and Angle Lake light rail stations, the same type of development has not occurred near the Airport Station. The completion of the Hyatt Place SeaTac Airport & Apartments will add approximately 182 new multifamily units to the City Center, but significantly more housing development will be needed to meet the density goals assigned to the Regional Growth Center.

6.4 Hospitality

According to the City's recently adopted Tourism Destination Development Plan, there are about 6,400 hotel rooms in SeaTac, and it is the second largest lodging market in the state (Seattle is first). Figure 33 below shows hospitality properties within five miles of the City Center. Many of these properties are located within the subarea, primarily along International Boulevard. There are additional hospitality clusters in Tukwila's Southcenter neighborhood as well as on the east side of the Green River near the Tukwila Sounder station.

Figure 33. Hospitality Properties within Five Miles of the City Center



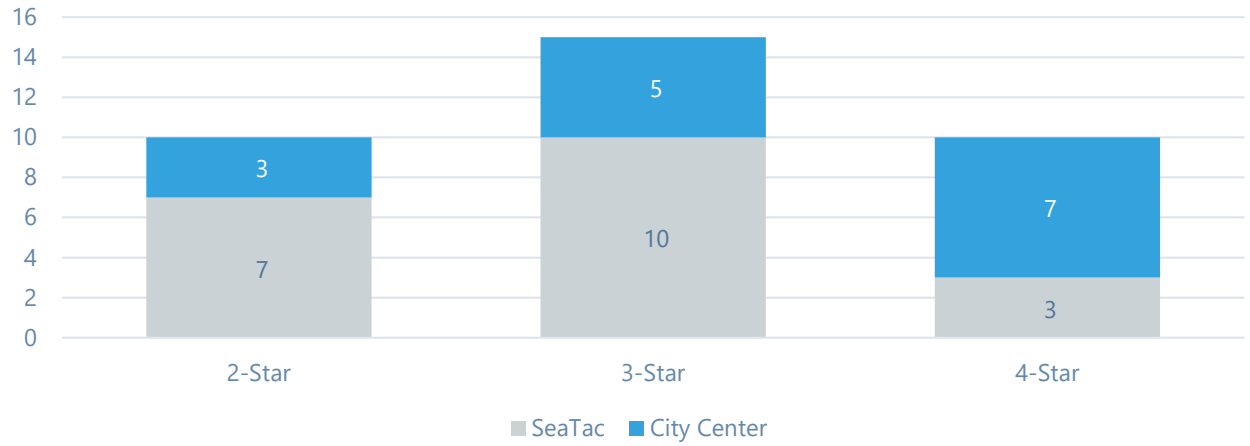
Sources: CoStar; LCG.

The majority of SeaTac's hotel rooms are clustered within the City Center. According to CoStar, there are 15 hotels in the City Center with a total of 3,541 rooms. Per CoStar's star rating system, there are:

- Three two-star hotels (250 rooms)
- Five three-star hotels (800 rooms)
- Seven four-star hotels (2,491 rooms)

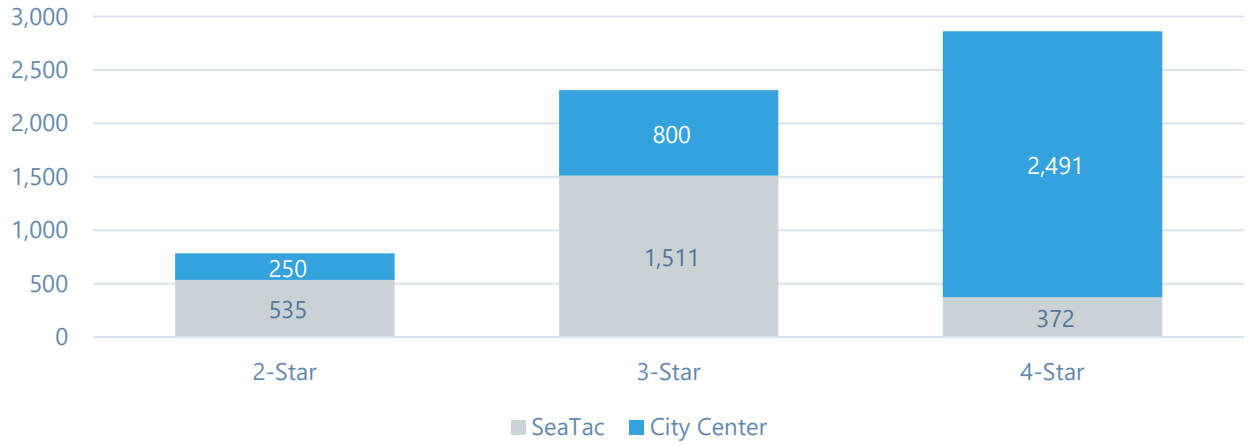
CoStar's star rating system for hospitality takes into account the condition of the structure, the location, amenities offered, and the hotel brand. The Hilton Garden Inn on S 188th Street is a four-star hotel, while the La Quinta Inn and Suites is a three-star hotel, and the Red Roof Inn is a two-star hotel. **The vast majority (87%) of the city's four-star hotel rooms are in the City Center, with just 372 four-star rooms located in other parts of the city.**

Figure 34. Hotel Properties by Star Rating in the City Center and SeaTac



Source: CoStar.

Figure 35. Hotel Rooms by Star Rating in the City Center and SeaTac



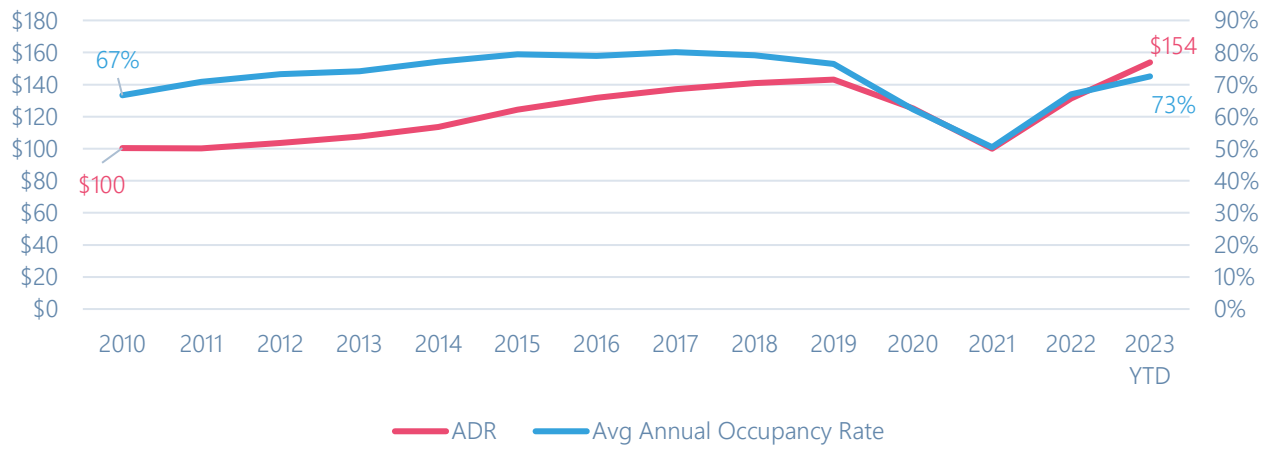
Source: CoStar.

Figure 36 below shows the Submarket Weighted Average ADR and Occupancy Rate for hotel properties in the City Center. The Average Daily Room Rate (ADR) of a hotel property is the average price a guest would pay for one night at the property. CoStar uses a submarket weighted average to determine the ADR within a given area (in this case, the Burien-Des Moines-SeaTac subarea). The submarket weighted average is calculated by adding together the rental rates of all rooms in the submarket and dividing by the total number of rooms. The average annual occupancy rate is the average percentage of rooms occupied on a given night.

Between 2010 and 2023, the submarket weighted average ADR increased by 54%. In 2021, ADR dropped back down to its 2010 level ($100 per night) but managed to increase sharply to $154 by August 2023. Occupancy dropped to 50% in 2021 but has since increased to 73%. Typically, this rent might be considered too low to support new hotel construction.

However, **because developers continue to build new hotels in the City Center, and as indicated in the assessment undertaken in Section 6.2, we can assume that hospitality is feasible here.**

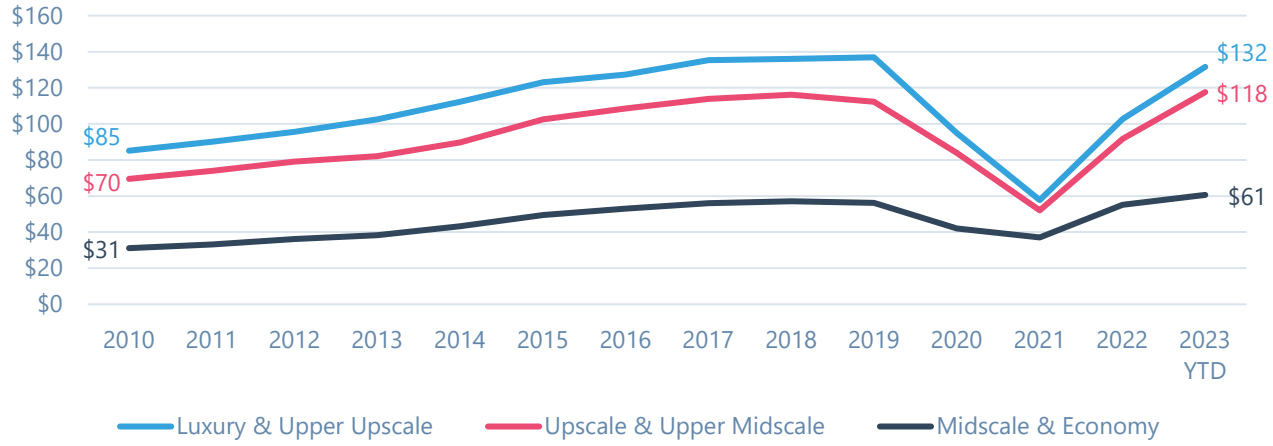
Figure 36. Submarket Weighted Average ADR and Average Annual Occupancy Rate



Sources: CoStar; LCG.

Figure 37 below shows the submarket weighted average RevPAR by hotel class. RevPAR is revenue per available room. It is calculated by multiplying the ADR by the occupancy rate. For instance, in Figure 36 above, the RevPAR for 2023 would be $112.42 ($154 per room multiplied by 73%). **All classes of hotel in the City Center have rebounded since their 2021 troughs. Luxury and Upper Upscale hotels have seen a 55% increase in RevPAR since 2010 while Midscale and Economy hotels have seen a 97% increase in RevPAR over that time.**

Figure 37. Submarket Weighted Average RevPAR by Class, 2010-2023



Sources: CoStar; LCG.

While SeaTac's hospitality market is strong, the Tourism Destination Development Plan's analysis indicates that the average visitor group stays in SeaTac for 1.2 nights. This is low compared to most other major hotel locations and suggests that people are not lingering in SeaTac. According to tourism professionals, an average of three nights or more is common. Destinations such as Sedona, Arizona and Las Vegas average seven or more nights. SeaTac visitors are using the City Center as a stayover location before or after airport or cruise arrivals or departures, or for short business

trips/conferences. **People tend not to linger, enjoy, and spend significant dollars in SeaTac, in part because the City Center itself is not yet a vibrant or interesting district.**

A unique aspect of the City Center's hospitality services is that most of the district's hotels offer overnight airport parking for a fee so guests can park their cars while they leave for holidays or business trips. Some hotels also offer airport-serving parking for non-hotel guests or daily commercial parking for the public – including airport employees who have few options for parking within the airport. It is unclear how this parking dynamic affects decision-making for hoteliers regarding guest services or potential renovation or redevelopment plans.

Overnight stays drive significant revenue for the City, via the lodging tax, retail spending and retail sales tax, parking fees, property taxes on hotels, etc. When visitors (and not only their cars) stay for additional nights, those nights tend to be significantly more profitable than the first night of a stay. **Even a modest increase in the number of nights that visitors stay, say from 1.2 to 1.3 could represent somewhere around a ten percent increase in City and private sector revenues.**

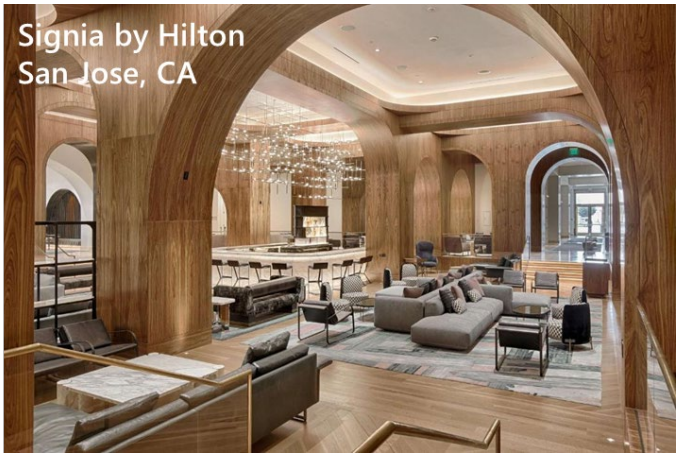
One mantra espoused by Seattle Southside (the government agency tasked with marketing and tourism promotion for SeaTac and other South King County communities) is that visitors want to engage, explore, and experience. Visitors want to linger in places that are unique and interesting. **A placemaking strategy that includes activating uses such as a public market, distinctive local retailers, quality public open space that is frequently programmed with events, a mix of other uses, as well as practical links to transportation, would increase the quality of life for local residents, increase tourism revenues, and create the foundation for a vibrant, walkable, urban place.**

Repositioning of Older Hotels

While it is unlikely that hotel owners will want to sell or redevelop a high-performing airport hotel, renovating and rebranding hotels in a way that better connect them to and reflect the SeaTac community could help catalyze the City Center while attracting more guests. Hotel chains have been adding "soft brands" to their inventory, offering more tailored and boutique experiences aimed at a variety of travelers. Hilton, for example, has the Tapestry Collection, Signia by Hilton, Canopy by Hilton, and other soft brands that use a combination of aesthetics and amenities to reach a specific audience. Repositioning or rebranding existing hotels could benefit both the City Center and the property, by modernizing the appearance and attracting a new demographic of customer. While the Tapestry Collection consists of boutique-style hotels intended to reflect the local culture, Signia is Hilton's brand of conference center hotels.

Figure 38. Tapestry Collection by Hilton, Example and Advertisement

Figure 39. A Recently Constructed Signia by Hilton Hotel in San Jose



Source: Hilton.

The City Center has eight hotel properties built between 1960 and 1979. Just three of these have been renovated since 2000, and five are two-star hotels. **As new hotels are built in the City Center, they will face increased competition. The City should work with the owners and operators of the City Center's older or more out-of-date hotels to determine potential barriers to repositioning and to offer supports to facilitate it.** The subarea plan will recommend whether the City should consider waiving some requirements, such as streetscape improvements, if it hopes to incentivize hotel redevelopment.

6.5 Airport Parking

Airport-related commercial parking is one of the primary land uses in the district. There are five commercial parking surface lots, two commercial parking garages, and fourteen of the fifteen hotels in the district appear to provide airport parking services to their guests who can park their cars for extended periods while they travel. Some hotels also provide daily or overnight airport or commercial parking to the public, for a fee, including airport employees.

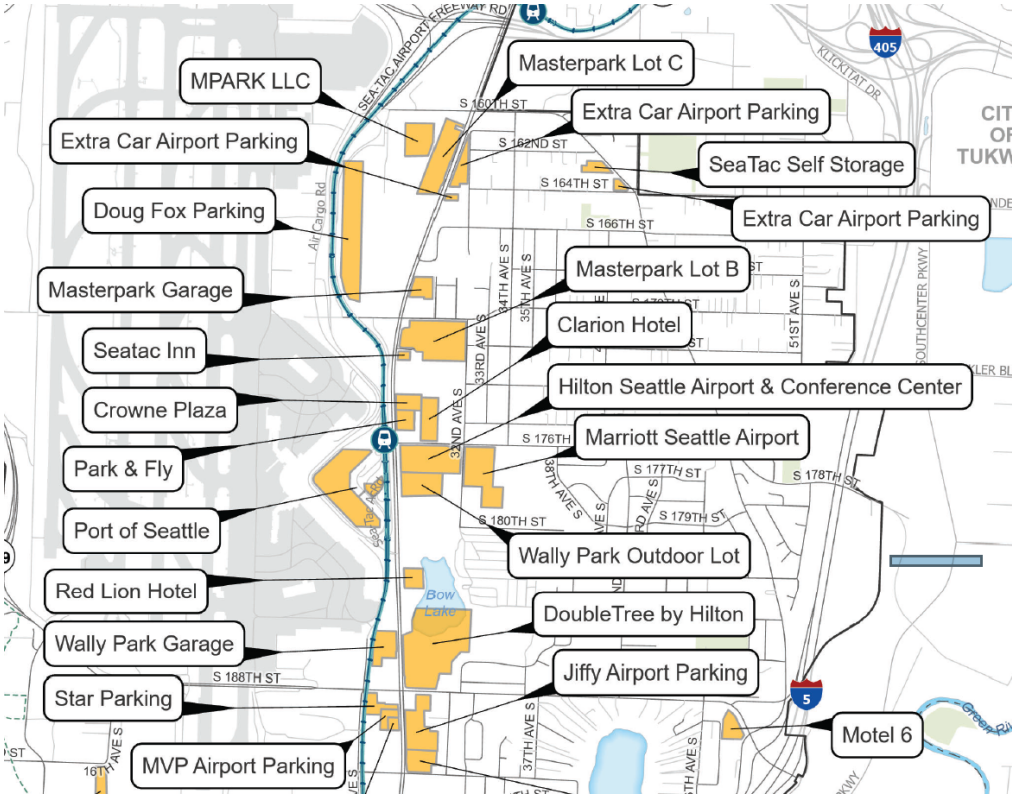
Airport-related commercial parking businesses generate significant revenue both for the operators and the City. Typically, large surface lots lacking structures would be prime targets for redevelopment. However, properties that generate significant value for private property owners are less likely to be redeveloped. In addition, because the Airport is relatively constrained, lacking the ability to expand significantly beyond its current boundaries, these lots and other commercial parking businesses are likely to continue to see strong occupancy and revenue. **The Airport's Sustainable Airport Master Plan calls for numerous terminal, maintenance, support and other facility investments, but does not include plans for the expansion of parking facilities, despite the expectation that the airport will see 56 million annual passengers by 2027.**

These dynamics could mean increased demand for commercial parking in the City Center to accommodate the anticipated rise in airport travelers and potentially also to address the parking needs of airport employees. This could create major challenges to redeveloping the district with "people-heavy" uses such as hotel, office, and multifamily projects, as well as desired pedestrian-oriented uses. The City Center's existing development code tries to manage airport parking by prohibiting new surface lots and requiring all new parking to be placed in structures with ground floor commercial uses. The code incentivizes parking structure developers to provide other desired uses and infrastructure through a parking stall "bonus program." Through this program, parking stalls are capped at 1,200 and additional stalls are gained by providing increased square footage of ground floor commercial uses, hotel units, dedicated right-of-way, open space, or art. **No commercial parking garages have been built since the code was**

updated over ten years ago. Both the WallyPark and MasterPark garages were constructed through development agreements before the code was enacted.

As part of the subarea plan project the City Center's commercial parking codes will be reviewed and changes will be explored that could better incentivize the transition of surface parking to structures in ways that complement the City's placemaking and multi-modal goals for the district. Despite the financial benefits of commercial parking described above, some surface lot operators have expressed a desire to change their business models to potentially develop structured parking, which could include office and/or hotel development on their sites if it is feasible. While it is possible that changes to the district's parking code could remove barriers to building structured parking, numerous other market factors may impact operators' decision-making including the significant costs of building parking structures and potential impacts to their customer base from expansions to the light rail system, the availability of ride-hailing "transportation network companies" like Uber and Lyft, and possible future impacts of autonomous vehicles. **Better understanding airport parking demand in the district and the long-term interests of local parking operators are key tasks for the subarea planning project.**

Figure 40. Airport-Related Commercial Parking

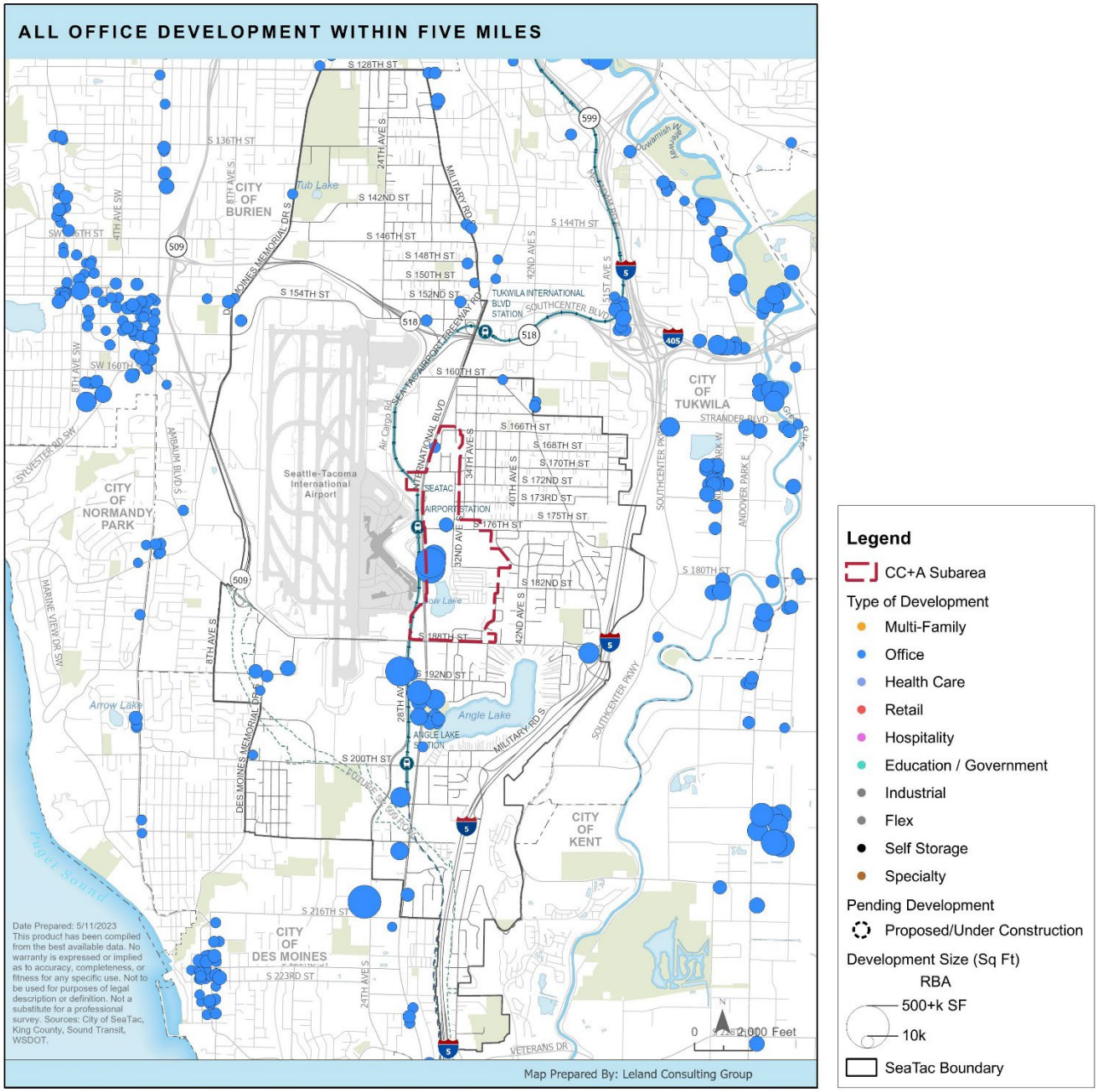


6.6 Office

The City Center is home to 575,099 square feet of office space across five buildings. This is approximately 39% of the total office space in SeaTac. Most of the existing office space within five miles of the City Center, as shown in Figure 41 below, is located near the Angle Lake Station, as well as along Interurban Avenue S and Southcenter in Tukwila, and in Kent. The most recently constructed office building in SeaTac is the new Alaska Airlines Headquarters near the Angle Lake light rail station, which was completed in 2019**. A new Federal Aviation Administration (FAA) building was**

completed in 2018 in Des Moines, just south of SeaTac. This project as well as the Alaska Airlines Headquarters indicate that new office is viable if it is built for a major anchor tenant.

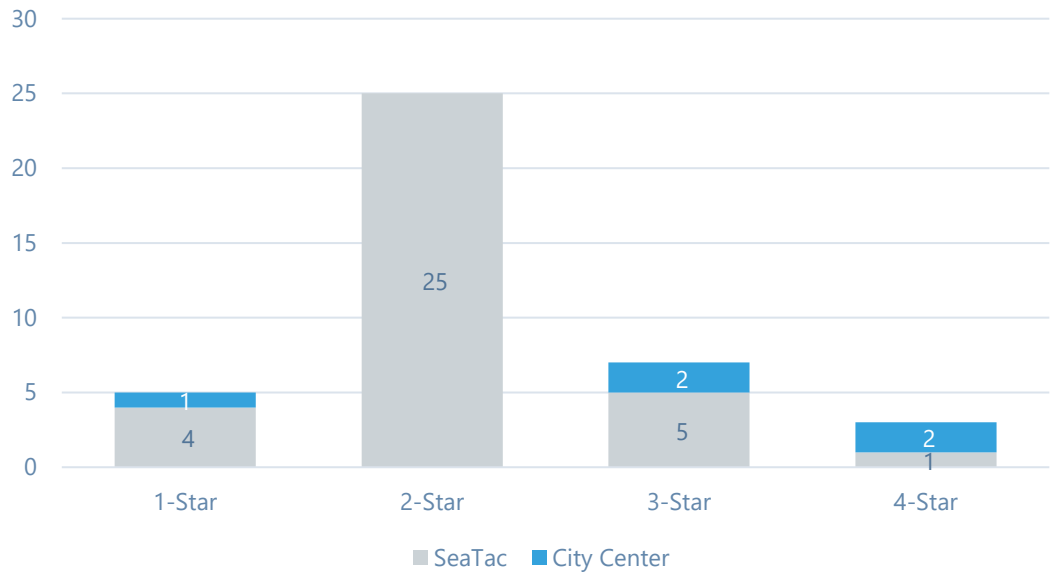
Figure 41. Office Properties within Five Miles of the City Center



Source: CoStar; LCG.

Figure 43 below shows the criteria for CoStar's star ratings for office space. SeaTac's office market is dominated by two-star spaces, but four of the five office spaces within the City Center are three- or four-star.

Figure 42. Buildings by Star Rating in the City Center and SeaTac



Source: CoStar.

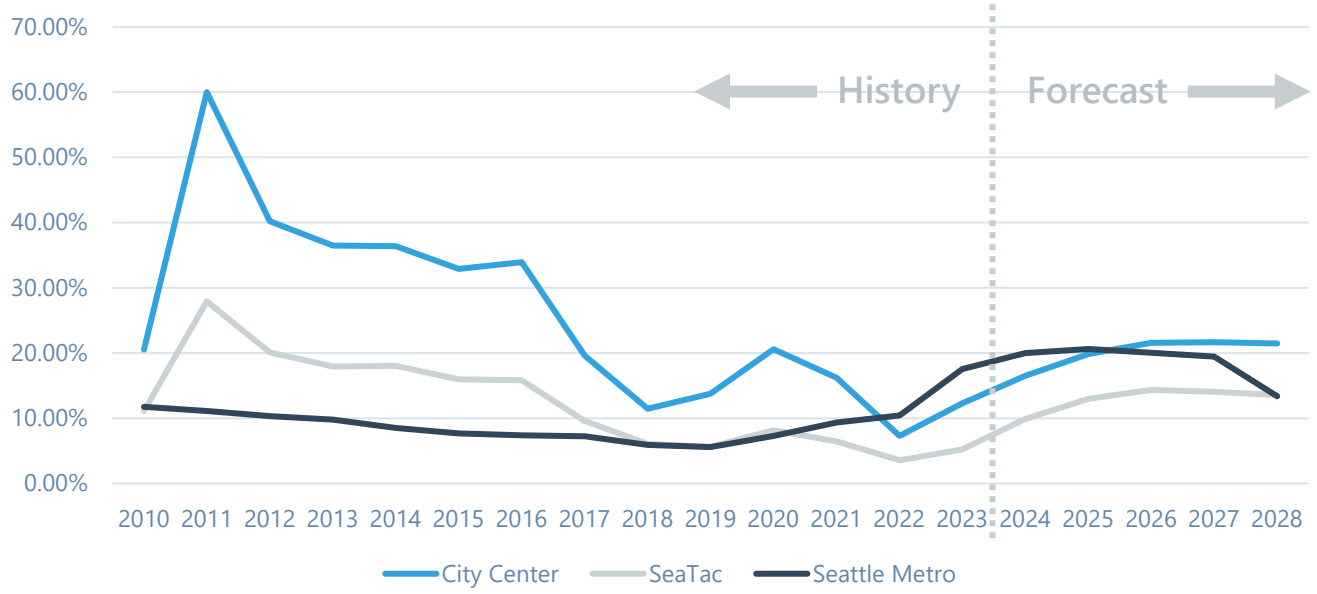
Figure 43. CoStar Office Star Rating Summary

Star Rating	Definition
5 Star	The building is exemplary of a state-of-the-art, category defining structure that represents the latest trends and quality in design and construction, prominent in its context or of a landmark status, and very likely a certified sustainable and energy efficient building.
4 Star	Maintains market leadership through the strength of its initial construction, continual above average maintenance, and desirability. Likely older than 5 Star buildings.
3 Star	Overall aesthetics are average with respect to background buildings and the lobby is modest in size and finish. The main entrance is typically undifferentiated but obvious and the building likely includes some standard amenities.
2 Star	The aesthetics are average and functional and there is either minimal or no lobby or amenities.
1 Star	Practically uncompetitive with respect to typical office tenants, may require significant renovation, and is possibly functionally obsolete.

Sources: CoStar; LCG.

The COVID-19 pandemic had a strong negative effect on office space nationwide. As white-collar workers shifted to full- or part-time remote work, the demand for space went down sharply. However, **SeaTac's office market was less impacted by the pandemic than other cities. This is due to the prevalence of airport-related tenants, including Alaska Air and the Port of Seattle.** These types of tenants were less likely to reduce their footprint or move away from the airport during the peak of the pandemic. As a result, the City Center's office vacancy rate was lower in 2020 and 2021 than it was in 2017. As of 2022, both the City Center and the city of SeaTac had office vacancy rates below 10%.

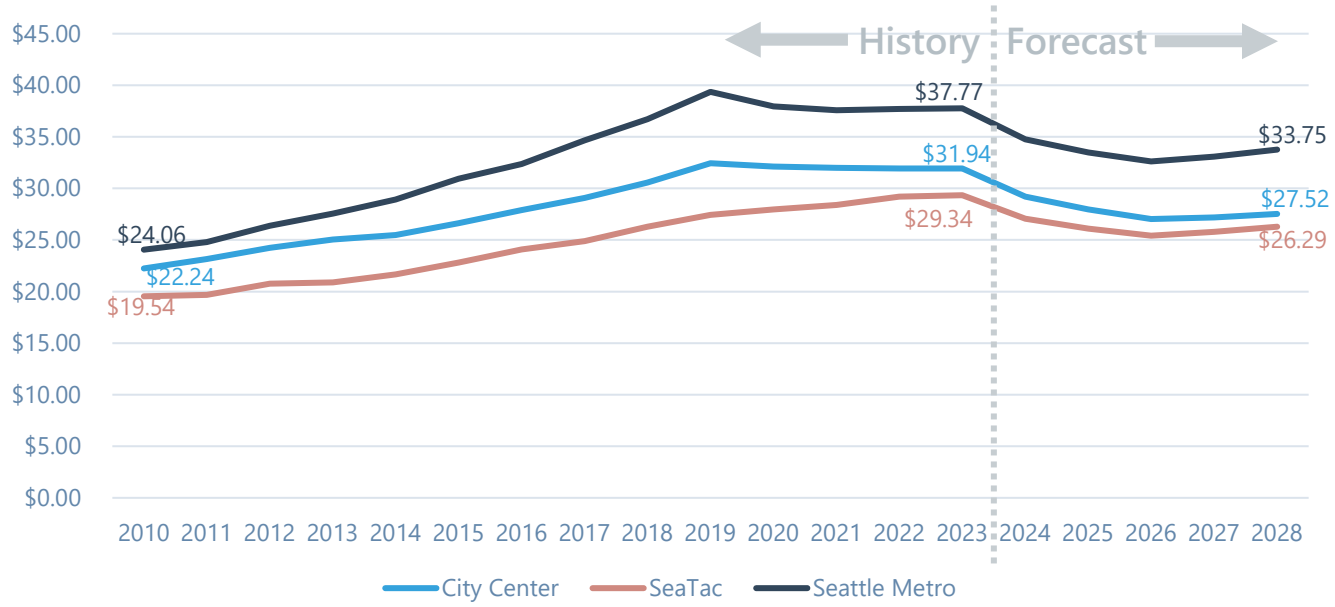
Figure 44. Vacancy Rates for Office Properties in the City Center, SeaTac, and Seattle Metro Area



Source: CoStar.

Due to its strong occupancy even at the height of the COVID-19 pandemic, SeaTac did not see the sharp drop in office rents that other municipalities faced. As of September 2023, City Center rents were $31.94 per square foot per year, up 43.6% from 2010. City Center rents are higher than SeaTac rents but lower than those in the Seattle Metro Area. **No office properties currently expected to be built over the next few years in the City Center or SeaTac.**

Figure 45. Office Market Rent per Square Foot in the City Center, SeaTac, and the Seattle Metro Area



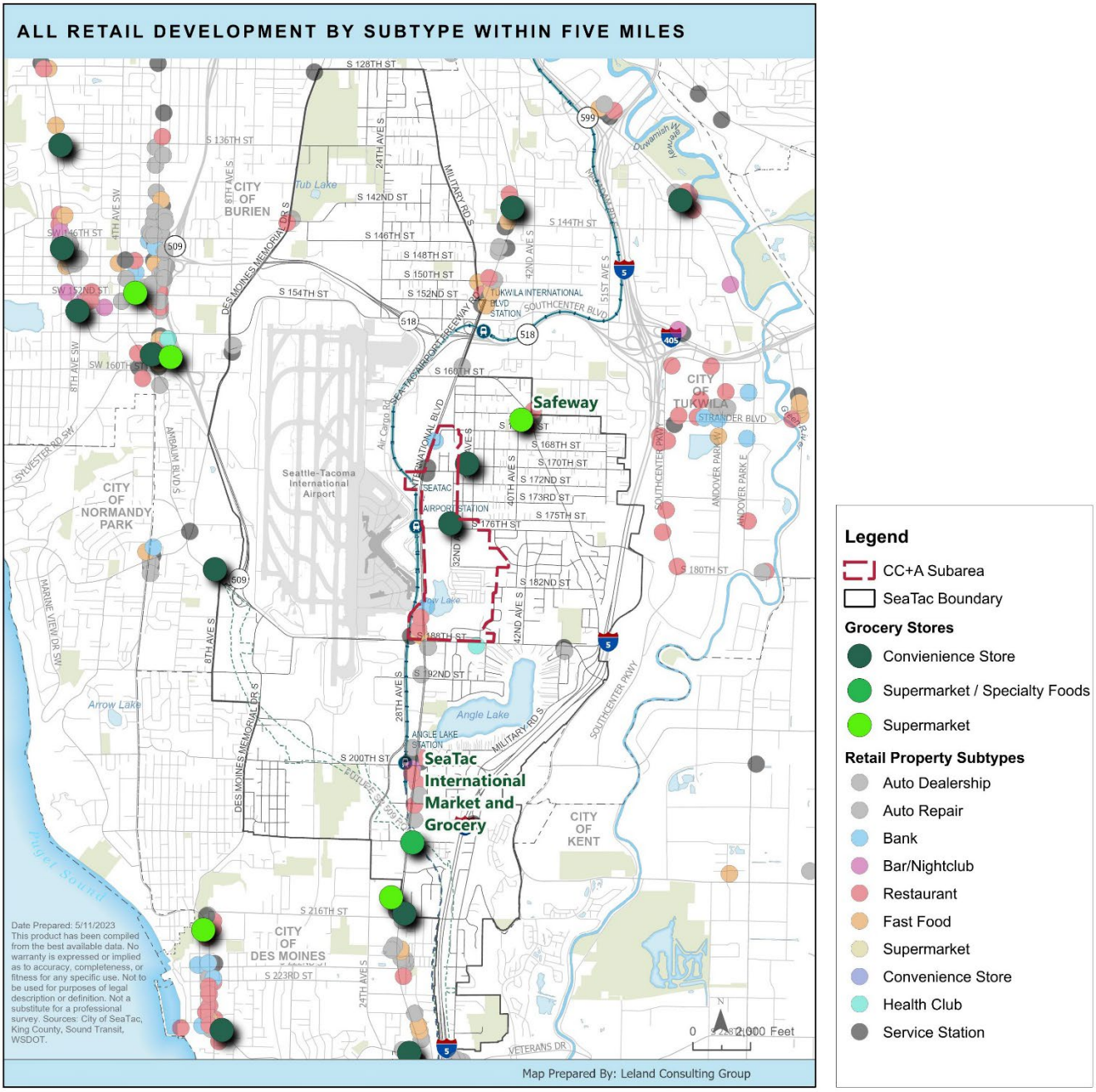
Source: CoStar.

Nationwide, there is still significant uncertainty in the office market. Older properties in particular have been struggling to attract tenants as companies seek out buildings with the kinds of amenities that they hope will bring workers back into the office. While the impact this has had on SeaTac has not been as strong as in other places, the City Center will not be as attractive a location for new office development as other parts of the Seattle Metro Area where there is already a deep base of employees who are highly specialized in technology, software, engineering, bioscience, and other fields that have generated the bulk of office demand for at least the past decade. In addition, other locations already have high-quality placemaking and abundant services in place. **If SeaTac is able to create the urban village it envisions in the City Center or if there is a significant change in the market, office development may be more feasible in the future. But this is a long-term rather than a short-term prospect.**

6.7 Retail

The Phase 1 Market Analysis included a retail gap analysis showing that the City Center was over-retailed. However, this analysis included retail and restaurant businesses within the airport, which are not accessible on a daily basis to most SeaTac residents. **The map in Figure 46 below shows the gap in major retail categories in the City Center, especially compared with clusters outside of SeaTac.** Subtypes are based on the "secondary type" field in CoStar and excludes businesses classified by CoStar as "storefront" or "standalone."

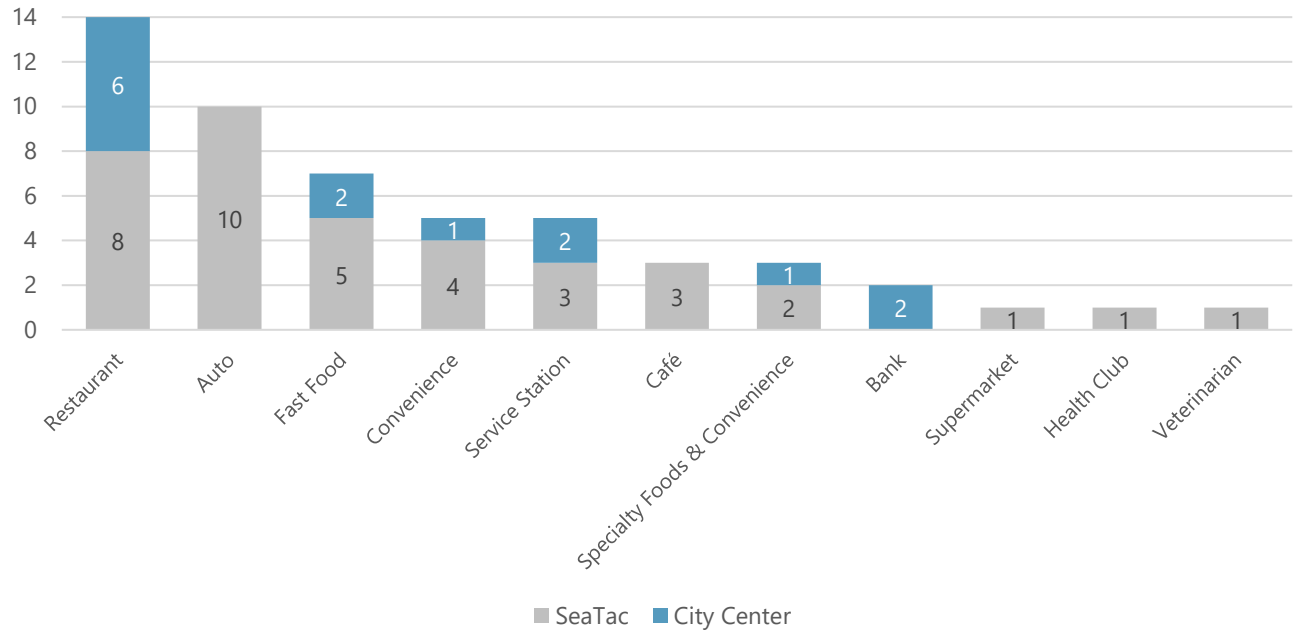
Figure 46. Map of Major Category Retail within Five Miles of the City Center



Sources: CoStar; LCG.

The data in Figure 47 below comes from CoStar and Google and does not include establishments within the airport. The retail types are based on CoStar-designated "Secondary Categories" of retail, as well as LCG's research into establishments categorized by CoStar as "Freestanding" or "Storefront." **The analysis in Figure 47 does not include restaurants that are within hotels.**

Figure 47. Major Retail Categories in the City Center and SeaTac



Sources: CoStar; Google; LCG.

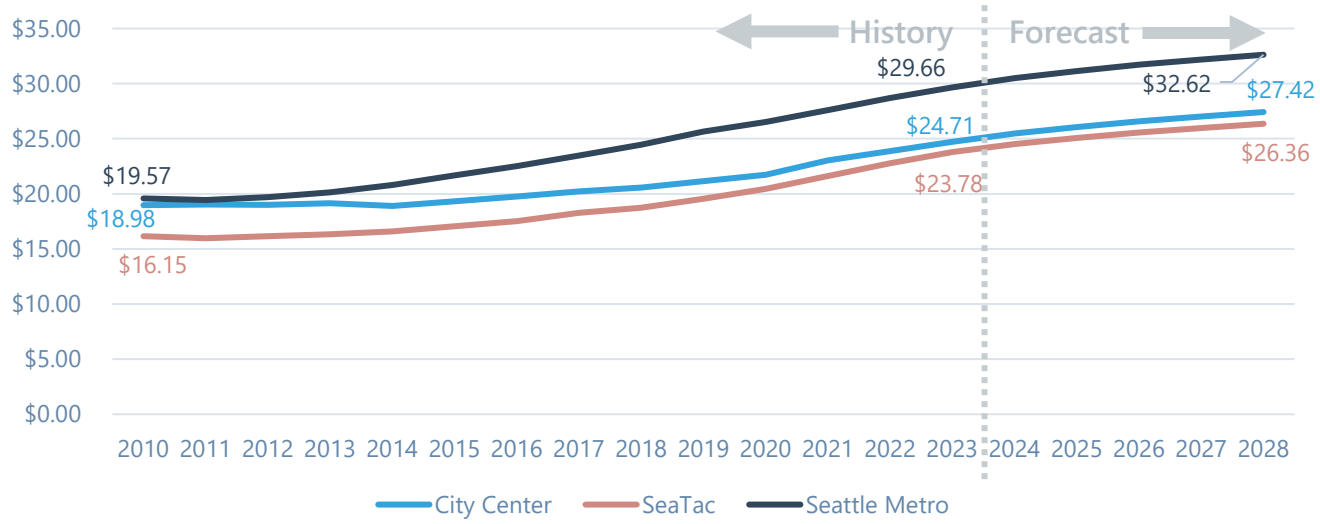
While the City Center does have some of the types of retail establishments that pair well with housing, such as restaurants and banks, it is clear that neither the City Center nor SeaTac as a whole has a concentration of the kind of human-scale, experiential retail that creates a sense of place. There is one supermarket in SeaTac, the Safeway in the McMicken Heights neighborhood over two miles from the City Center's south end and over half a mile from its north end. The central part of the district is served by three convenience stores, 7-Eleven near the Airport station and stores within the City Center's two service stations, which located on either side of S 170th at International Boulevard immediately across from a main vehicle entrance to the airport. This kind of auto-dominated retail typically does not pair well with walkable amenities. However, due to the lack of grocery stores in the City Center, service stations are an important access point for fresh food like milk and eggs.

On average, a grocery store is typically supported by between 5,000 and 6,000 households. There are other metrics that are critically important to grocery store location as well, including population within one and three miles; competition (the location of other grocery stores); the demographics of nearby households and employees; and drive-by traffic (average daily traffic or ADT) and other measures of accessibility and visibility.

A large portion of the City Center is within one mile of the existing Safeway on S 164th Street. **There are 6,379 total households within that one-mile radius of Safeway, indicating that until the population of the City Center population grows substantially, many major grocery chains will prefer not to build a new store in this area.** This is especially true given the presence of a second Safeway just south of SeaTac in Des Moines and a Trader Joe's just west of the airport in Burien. **However, it may be possible for future mixed-use developments to include small-format grocery stores or alternatively to offer fresh and prepared goods via a market hall (see below) or traditional convenience retailers.**

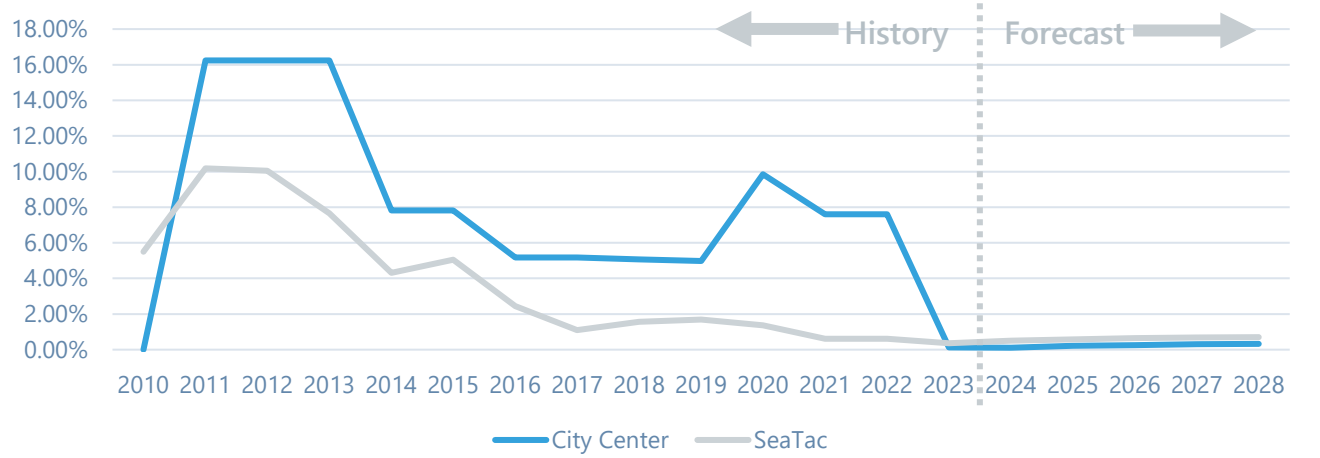
Between 2010 and 2023 retail rent in the City Center increased by 30% compared with 47% in SeaTac and 67% in the Seattle Metro Area. As of 2023, the market rent per square foot of retail in the City Center is $24.71. The retail vacancy rate in the City Center, as shown in Figure 49 below, appears volatile due to the relatively low number of retail establishments tracked by CoStar. **As of 2023, the retail vacancy rate is below 1%, indicating a significant shortage of retail space.**

Figure 48. Historic and Projected Market Rent per Square Foot per Year, 2010-2028



Source: CoStar.

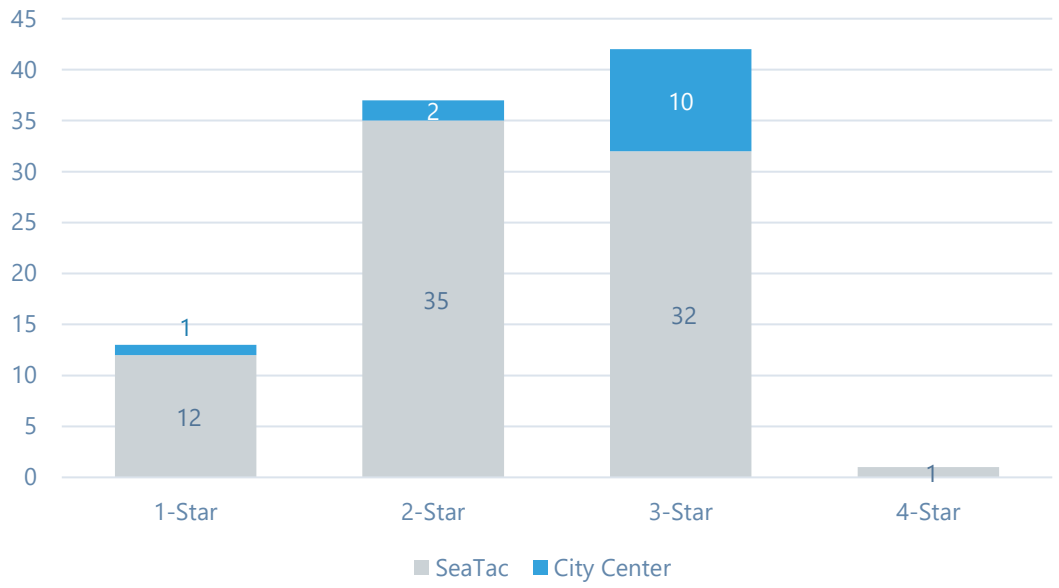
Figure 49. Historic and Projected Vacancy Rate, 2010-2028



Source: CoStar.

Overall, the quality of SeaTac's retail establishments is lower than the quality of its other property types. The city has 13 one-star, 37 two-star, 42 three-star, and one four-star retail properties. Retail properties that are older or in a state of disrepair tend to be prime targets for redevelopment, as in the case of the Polaris apartments adjacent to the Tukwila International Boulevard light rail station. Strategies to address commercial displacement are discussed in 7.3.

Figure 50. Star Ratings for Retail Properties in the City Center and SeaTac



Source: CoStar.

Figure 51. CoStar Retail Star Rating Summary

Star Rating	Definition
5 Star	Located in a prime retail district with high purchasing power. Tenants are recognized, industry-leading, national or international retailers. The structure is new or very well maintained with a configuration applicable to a wide range of tenants. Ingress and egress routes are clearly defined.
4 Star	Similar location to 5 Star properties. Tenants are recognized national or international retailers. Materials are high-quality and durable, representing recent trends and standards in retail design.
3 Star	Located in an area with an average concentration of retail tenants. Tenants are national, regional, and/or local. Constructed with average cost materials; structure is potentially older but well-maintained.
2 Star	Low concentration of proximate retail; tenants are local or regional retailers. The structure is older and more functional in design. Difficult access and sub-optimal signage.
1 Star	Suitable only for very unique retailers, may require significant renovation, possibly functionally obsolete.

Sources: CoStar; LCG.

Retail is a crucial component of the urban village strategy. Walkable communities necessitate the presence of a variety of destinations worth walking to. This can include cafes, restaurants, bars, grocery stores, opportunities for fitness and recreation, and local shops and services. While retail is unlikely to be feasible on its own, there could be an opportunity for developers of hotels, multifamily, or other airport-focused uses to incorporate retail into new projects. Ground floor retail can help activate a space, though requiring it can lead to significant vacancy. The City should work with developers and local business owners to better understand the dynamics in the market.

Market Hall

A key strategy identified in the Phase 1 Vision Report is to "Explore a food hall concept with multi-cultural foods for siting small, local business incubation (food and culture)." Phase 1 outreach efforts also determined that residents would like to be able to eat and shop within the area around 176th Street and International Boulevard – the heart of the district. The Port of Seattle and King County are currently conducting a feasibility study exploring the potential for developing an International Public Market as a tourism destination in the vicinity of the airport. A site selection report is expected in early 2024. The goal of this project would be to "support local access to goods and foods that are culturally representative of the region and create gathering spaces for locals and tourists alike." **This type of project would be highly beneficial to the SeaTac community, offering an opportunity for local residents to grow their small businesses and show off their community to visitors.** Market hall concepts are typically difficult for private sector developers to build without a subsidy. Support from the Port and County for this kind of project would largely bypass those challenges.

A market hall would enable SeaTac to showcase its cultural diversity and help to build its brand as a vibrant and unique destination for visitors coming from the region and beyond. Successful public markets have been catalyzing for cities and local businesses and can act as a community center for local events.

SeaTac has a strong case for being the destination of this kind of market – its proximity to the airport is convenient for both travelers and airport employees. SeaTac bears the brunt of the negative environmental and noise impacts generated by the airport, which is part of the Port's selection criteria. SeaTac also has a lack of affordable retail space in its City Center, particularly near the Airport Station. **To the extent possible given the ongoing selection process, SeaTac should make its case to the Port and County that the City Center is the ideal location for a market hall.**

Figure 52. Images from Spice Bridge in Tukwila

Source: Spice Bridge.

Figure 53. Pybus Market in Wenatchee, WA

Source: Creative Commons.

Figure 54. Boston Public Market in Boston, MA

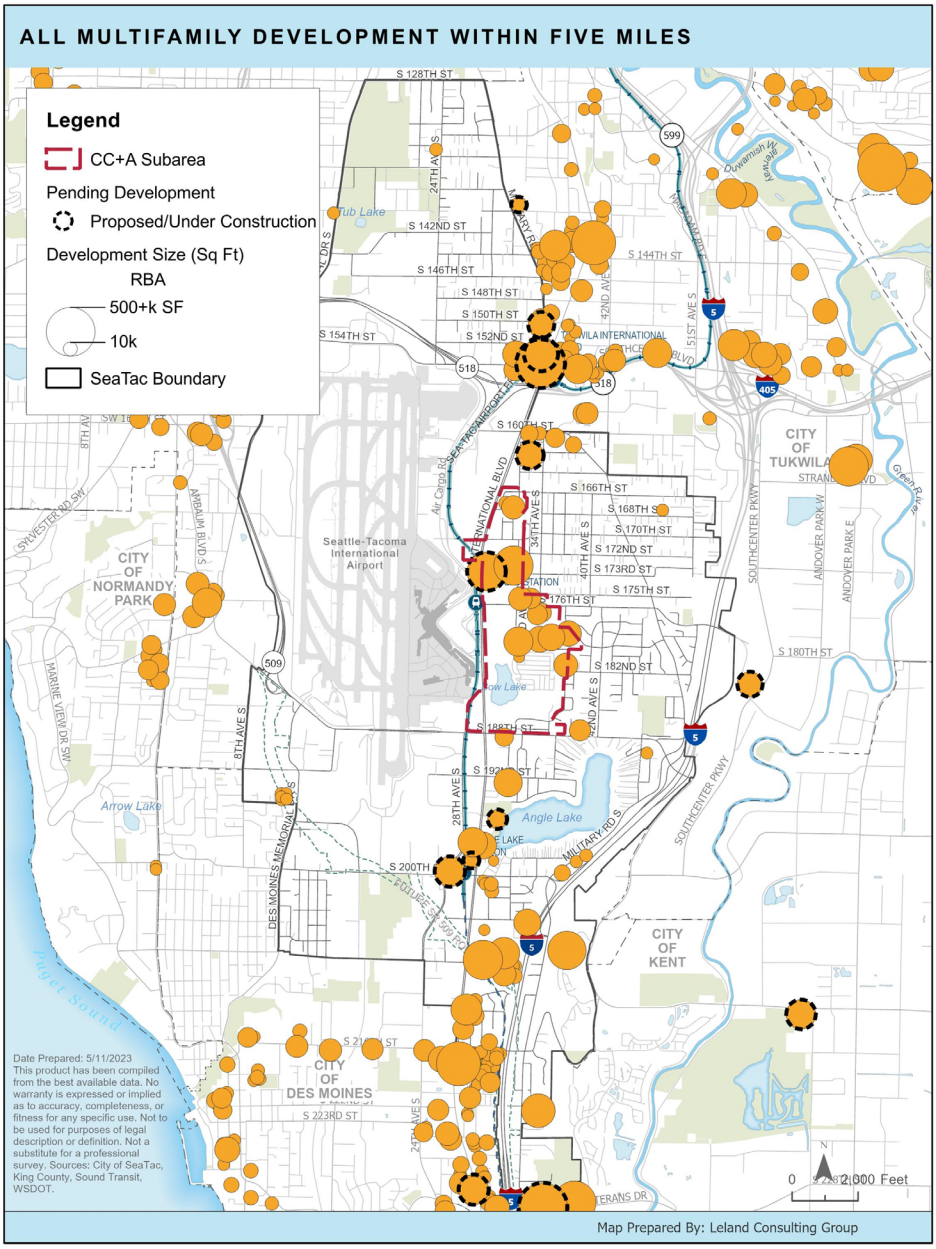
Source: Boston Public Market.

6.8 Multifamily

There **are twelve apartment complexes and two condominium properties in the City Center.** Eight of these properties are market rate with an additional market rate apartment building planned for a site just north of S 176th Street on International Boulevard (see 6.3 Recent & Anticipated Development Activity regarding the new mixed use Hyatt hotel with adjacent multifamily building). There are two King County Housing Authority owned apartments in the district, including the 326-unit Windsor Heights Apartments, one of the largest complexes in the city, which is located in close walking distance to the Airport Station.

Figure 55 below shows the location of multifamily properties within five miles of the City Center. **Much of the planned multifamily development in SeaTac is concentrated around the Angle Lake and Tukwila International Boulevard stations. There are additional multifamily clusters in Tukwila and Des Moines.**

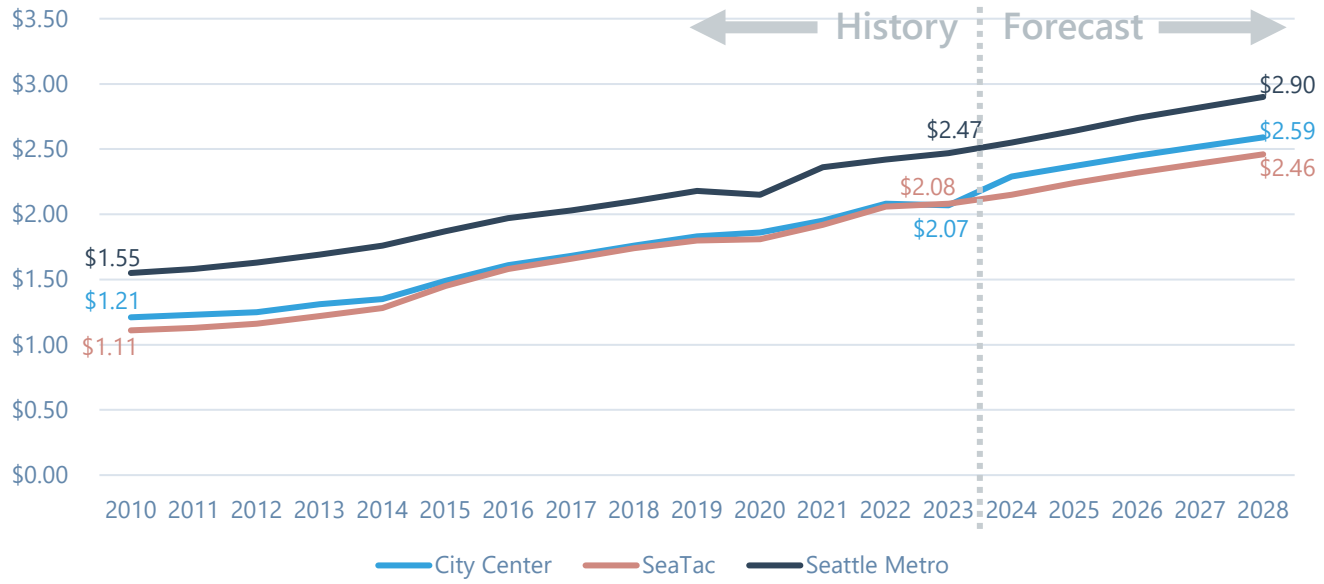
Figure 55. Multifamily Properties within Five Miles of the City Center



Source: CoStar; LCG.

Multifamily rent in the City Center has been very similar to rent in SeaTac since 2010, though CoStar forecasts that the average rent in the district will grow more quickly through 2028. Market rent per square foot in 2023 is $2.07 in the City Center, $2.08 in SeaTac, and $2.47 in the Seattle Metro Area. If rent in the City Center rises as forecasted to $2.59 per square foot by 2028, it will be a 114% increase over the 2010 rent. This would represent roughly a 6.3% rent increase per year over that time.

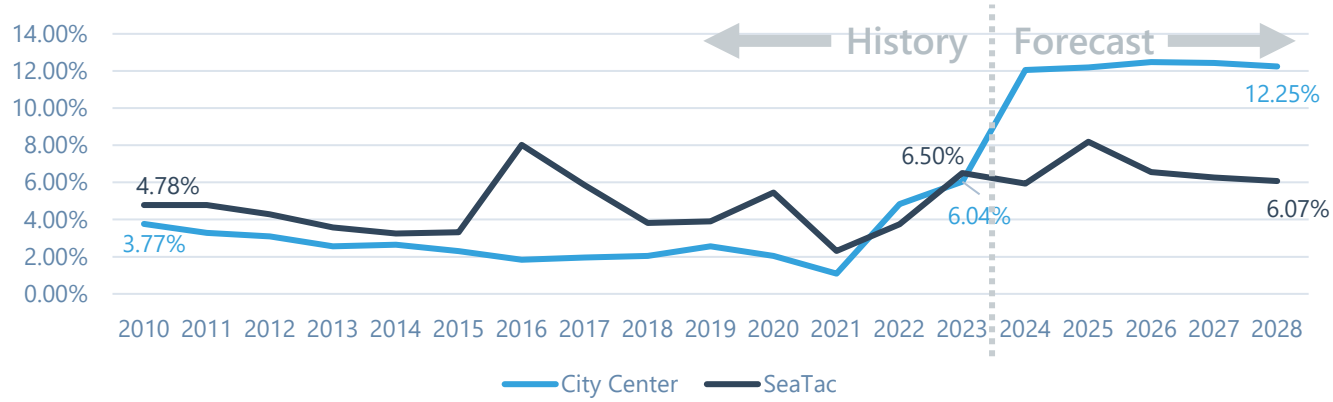
Figure 56. Historic and Projected Rent per Square Foot, 2010-2028



Source: CoStar.

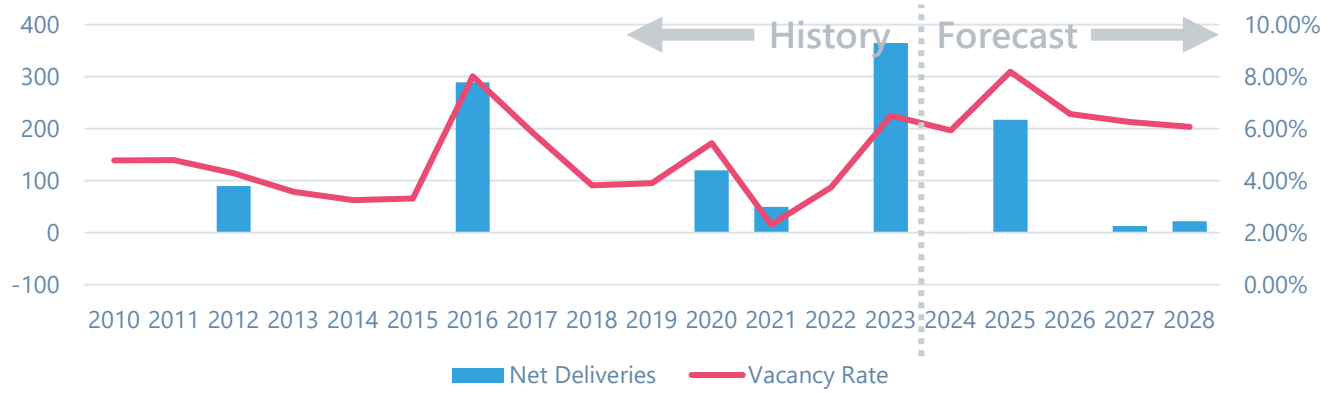
Multifamily vacancy rates in the City Center stayed below SeaTac's overall vacancy rate between 2010 and 2021. However, the district's vacancy rate has increased substantially due to new construction in neighboring areas. As more multifamily construction is expected, CoStar forecasts that the vacancy rate will stay high for the next few years. Figure 57 below shows the overall vacancy rate, which includes new buildings that are currently in lease-up. The expected vacancy rate of 12.25% indicates that new development over the next few years could take a bit longer to lease up due to competition. However, once the newer apartments in the City Center are fully leased up, the vacancy rate will normalize. Figure 58 shows the historic and projected interaction between net deliveries and the vacancy rate in SeaTac.

Figure 57. Overall Vacancy Rates in SeaTac and the City Center, 2010-2028



Source: CoStar.

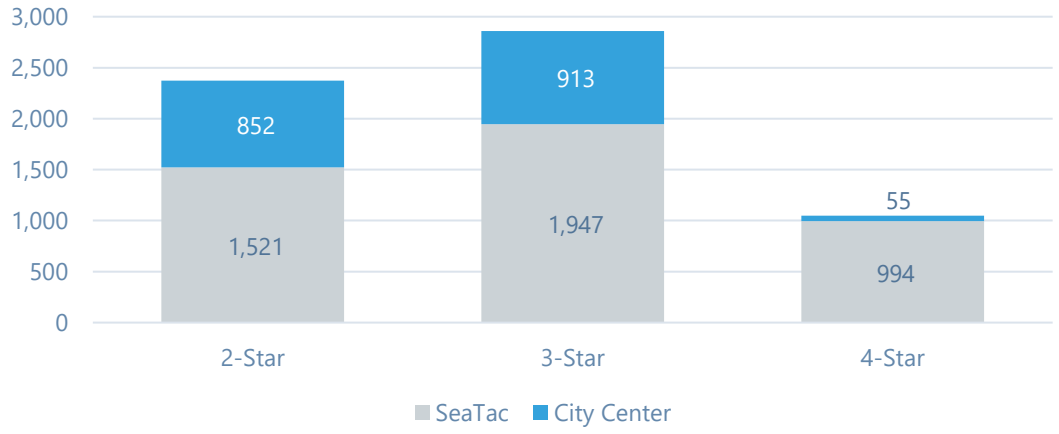
Figure 58. Vacancy Rate and Net Deliveries in SeaTac, 2010-2028



Source: CoStar.

SeaTac's multifamily properties have mainly two- and three-star ratings, along with some four-star. Of the 1,820 units in the City Center, just 3% are four-star. Of the 2,373 two-star units in SeaTac, 36% are in the City Center. **In the City Center, parking lots and aging retail establishments are more likely to redevelop before sites in the district where the current use is multifamily housing.** This is because the demand for multifamily housing is high, which pushes up both the rent and the value of the property. In the case of aging retail properties the value of the land is greater than the capitalized value of existing retail – in other words, the land is worth more to the owner than the continued operation of the property. While parking lots, like multifamily, generate significant income for owners, they require less site prep before development due to the lack of structures. Although redevelopment of multifamily is unlikely, there could be an opportunity for an owner like the King County Housing Authority to make improvements to multifamily properties, potentially adding more units.

Figure 59. Existing Units by CoStar Star Rating and Location



Source: CoStar.

Figure 60. CoStar Multifamily Star Rating Summary

Star Rating	Definition

5 Star	Represents the luxury end of multifamily buildings defined by finishes, amenities, the overall interior/exterior design and the highest level of specifications for its style.
4 Star	Constructed with higher end finishes and specifications, providing desirable amenities to residents and designed/built to competitive and contemporary standards.
3 Star	Overall aesthetics are average with respect to background buildings and can be constructed using 4 Star materials that are now showing signs of age. Average quality finishes, layout conducive to a compact lifestyle, and a few on-site shared facilities and/or spaces.
2 Star	Construction includes noticeably aging materials with small windows, functional aesthetics, and below-average finishes. Likely no more than one on-site shared facility and minimal landscaping.
1 Star	Practically uncompetitive with respect to typical multifamily investors, may require significant renovation, and is possibly functionally obsolete.

Sources: CoStar; LCG.

Nationwide, multifamily development has remained strong even as developers have pulled back on some other uses. According to the 2021 Housing Action Plan, SeaTac has a shortage of 1,365 units for households making less than 30% AMI and 1,605 units for those making more than 100% AMI. The City also has a need for studio and one-bedroom units, which will become more in-demand as the population ages. **The high demand for units and sharply rising rents in SeaTac indicate that multifamily is likely to be the most attractive opportunity for developers in the city, though the dynamics of the City Center's airport-services focused market may present more challenges than other locations.**

However, material costs, labor costs, and rising inflation rates have slowed multifamily development recently. Developers are choosing to build in cities where rents are high, and/or where it is possible to lower the costs of construction through land prices, tax breaks, or other incentives. As shown in Figure 56 above, rents in SeaTac are below the metro area average. **Programs like the Multifamily Tax Exemption (MFTE) that are common in South King County cities should be utilized to help SeaTac attract housing development.** Still, developer interest in multifamily construction remains high, particularly in markets like the Seattle Metro Area where there is a significant housing need.

6.9 Mixed-Use

Mixed-use structures are desirable from a planning and placemaking point of view over most single-use structures, since they to improve walkability and promote human-scale (rather than auto-scale) streetscapes. The City Center's current zoning standards promote mixed use development to maximize site development potential and create an active environment. Design ground floors to accommodate commercial uses that benefit from a high degree of pedestrian activity while upper floors should be devoted to residential uses.

The most common type of mixed-use is ground floor commercial (typically retail or office space) with multifamily units above. This typology is beneficial for placemaking because it adds households at a density that can support walkable retail. Cities throughout the Puget Sound region have mandated ground floor retail for multifamily properties on key corridors or specific neighborhoods to help activate the area. However, in some cases this has led to significant retail vacancies. Requiring an excess of ground floor retail can negatively impact feasibility as well as the look and feel of

the streetscape. The subarea plan will address best practices for ground floor retail requirements in multifamily developments.

Airport-related mixed-use is a concept that emerged during and after Phase 1 of the City Center plan update project, but was not clearly defined in Phase 1, and is not a concept that is clearly defined in the minds of real estate developers. Based on conversations with the City, LCG interprets "airport mixed-use" to mean one of the following:

1. Airport-serving parking (structured parking) over ground floor commercial space, or adjacent to other uses
2. Hotel over ground floor commercial space
3. Potentially, Airport-focused office and industrial space

While development types 1 and 2 will be discussed below, Industrial uses do not align with the City Center vision and LCG does not believe that industrial development will be feasible in the City Center because it does not have the capacity to pay high values (high price per square foot) to acquire land. The feasibility of office development is discussed in other sections of this report.

The most common type of mixed-use development in the Seattle Metro Area is ground floor retail with upper floor multifamily housing, typically in a podium-style building. However, **SeaTac's proximity to the airport and large number of surface parking lots (both airport-serving parking lots and parking lots that serve hotel, office, and other uses) presents an opportunity for development type 1 shown above: Airport-serving parking (structured parking) over ground floor commercial space.**

An example of structured parking over ground floor commercial space is the WallyPark garage on the west side of International Boulevard, which was completed in 2011. This building is a four-story parking garage with ground floor retail, as shown in Figure 61 below.

Figure 61. WallyPark Airport Parking and Retail Center, SeaTac, WA

Source: CoStar.

The ground floor retail includes Mango Thai Cuisine & Bar, a Subway sandwich shop, L&L Hawaiian Barbecue, SeaTac Nails Spa, and Liquor & Wine. CoStar estimates that the retail rent for this property is between $28 and $32 per square foot, above the City Center average of $24.71. Parking structures can also be completed adjacent to other uses (e.g., hotel, housing, office) and be "wrapped" by these uses; this is sometimes called a wrap or "Texas donut" project and is mixed-use in the sense that multiple uses are developed adjacent to each other. While this type of mixed-use is superior to surface parking, the addition of housing within these projects, either within the structure or alongside, would move the City Center closer to the goals of its urban village strategy.

With the exception of Los Angeles (LAX), most major airports comparable in size to SeaTac do not have privately-owned parking structures. Just two privately owned parking garages serving LAX airport have been built since 2010. Neither of these have ground floor retail and both are directly adjacent to office buildings. Parking garage mixed-use is not a common typology, even in airport-oriented neighborhoods. However**, based on LCG's financial analysis and the WallyPark precedent project in the area, this type of airport mixed-use appears to be feasible in the City Center on several of the larger surface airport-serving parking lots, either as parking structures above ground floor commercial space, or parking structures wrapped by other uses.**

The Airport Mixed Use Type 2, "hotel over ground floor commercial space" scored only slightly lower than "garage over commercial" in the feasibility assessment in Section 6.2. This is likely because both of these development types benefit from close proximity to the airport. Mixed use hotels are sometimes seen in older cities and other higher density, pedestrian-oriented locations. While some City Center hotels have restaurants, they are focused primarily on serving the needs of their guests. A 2022 article from Costar.com identified increased interest in hotel projects with a mix of retail, residential, and/or office units because the different components are "demand generators" that add value to the others. The article also describes a new urban hotel type that will include "nice public spaces for people to work, eat, drink, relax and be part of the community." The hotel will be a success "because of its public spaces, such as its restaurants and coffee shops…" The new Hyatt hotel and apartment development that is anticipated to be constructed in the City Center, just north of the Airport Station is the City's first hotel mixed use project. **Encouraging more mixed-use hotel development, especially those with pedestrian-oriented ground floor uses like restaurants, pubs, and retail shops, could contribute desired services and gathering places for visitors and residents and add vibrancy to City Center streets.**

6.10 Key Takeaways

1. **Hospitality, airport-related commercial parking, and multifamily are the primary existing uses in the City Center and based on recent development trends are likely to continue to be the most feasible property types.**
2. **Recent development in the City Center has been focused on hospitality, while multifamily has been built nearby, but outside of the City Center.** Three quarters of expected new multifamily units will be located outside of the City Center. The only new office space delivered since 2018 was the new Alaska Airlines headquarters, which differs from speculative office space because it was built and is owned by the company. The City Center will need higher density housing and employment development to meet the city's RGC goals.
3. **Despite the impacts of the COVID-19 pandemic, the hospitality market in the City Center has rebounded strongly,** likely due to proximity to the airport.
4. Visitors to SeaTac spend on average just 1.2 nights in the city. A crucial component of the City's tourism and economic development plans aims to increase the length of stay**. Implementing a placemaking strategy that includes a public market, distinctive local retailers, quality public open space that is frequently programmed with events, a mix of other uses, as well as practical links to transportation, is a critical way to both provide City Center (and city) residents with an increased quality of life and build SeaTac's tourism sector and tourism related revenues.**

5. **Airport-related commercial parking is one of the primary land uses in the district, and it generates significant income for operators and property owners as well as revenue for the City.** The City Center's commercial parking providers, including parking lots, garages and 14 of the district's 15 hotels, cater to the overnight and daily parking needs of not only airport travelers and visitors to the district but also to airport workers because of a lack of employee parking within the airport's facilities. With the significant growth in airport passengers anticipated in the near future, there will likely be increased demand for commercial parking in the district**. A challenge for the City and this subarea plan project is identify strategies that can better align the goals of this robust business with the placemaking and multi-modal goals for the district.**
6. Although the Phase 1 Market Analysis suggested that there is an opportunity for a Class A office cluster in SeaTac, given the increase in remote work and the trend of employers seeking out highly amenitized buildings and neighborhoods, **it is unlikely that an office cluster would be feasible in the near term.**
7. **The City Center is under-retailed, lacking the kinds of services and amenities that make for a vibrant, walkable, compact neighborhood.** While retail is unlikely to succeed on its own, there may be an opportunity to include retail space within mixed-use buildings and/or alongside other development.
8. **Multifamily is an essential component of the City's urban village strategy.** Compact, walkable communities require dense housing to make other commercial uses viable. While rent has been rising significantly in SeaTac, it is still well below the average for the Seattle Metro Area. Relatively low rents combined with high land and construction costs could make attracting multifamily development challenging in the near term. Incentives like the MFTE program will be necessary to help SeaTac compete for new development.
9. Airport mixed-use is an unusual category – while typical mixed-use is housing over retail, airport mixed-use combines airport-related services with retail or office components. In SeaTac, this is exemplified by the WallyPark Premier Garage. Evaluating the feasibility of airport mixed-use is challenging, as SeaTac's reliance on private parking is unusual for an airport of its size. Parking structures are expensive to build and require significant revenue to cover both development and operating costs. The unique market in SeaTac may make this possible. **The City should work directly with parking operators to determine what would be needed to incentivize the development of new structures to replace existing surface lots.**

7. Opportunities and Challenges

7.1 Purpose

The purpose of this section is to use the information and data from previous sections to identify potential near- and long-term opportunities and challenges that can facilitate or detract from City efforts to implement the City Center's vision of creating vibrant, walkable, urban places throughout the district**.** This section also evaluates the risks of commercial and housing displacement and includes best practices for mitigation.

7.2 Market Opportunities & Constraints

The table below provides an overview of potential opportunities in the City Center along with related constraints. Every market has some constraints, whether due to local, regional, or national conditions. These are not insurmountable challenges, but rather market conditions that could impact development feasibility to varying degrees. Understanding the constraints related to each opportunity will help lay the groundwork for developing implementation actions.

Potential Opportunity	Related Constraint
New development of hotels and apartments	High land prices due to the profitability of current land uses in the City Center and a lack of under- or unutilized land
New development of mixed-use properties with activated ground floors	Mixed-use development can be more complex than single-use development, and active ground floor regulations can impact feasibility where retail vacancy is high
New development of office space	Continued high vacancy rates and softness in the office market as the remote work trend continues
Renovation or adaptive reuse of hotels, housing, and/or office space; development of new parking garages to free up land on airport parking lots	Many of these opportunities are on land that is leased rather than owned – if leases are nearing their end date, it will be difficult to obtain construction financing
City-directed placemaking including streetscape improvements, new parks/parklets, and the activation of underutilized space	The City will need to determine where these improvements should be prioritized to catalyze investment. This will be explored further in the subarea plan.

7.3 Housing Displacement Risk

SeaTac's 2021 Housing Action Plan includes a Housing Inventory and Assessment Report completed by MAKERS Architecture and BERK Consulting. Appendix D of the report includes a Displacement Risk Analysis. The report identifies the following causes of housing displacement in SeaTac:

- Housing costs

- Housing size
- Housing characteristics
- Loss of support networks

The report cites data from PSRC showing that much of SeaTac, including the City Center, is at a higher-than-average risk for housing displacement. It is also identified as having fewer resources and high social vulnerability. The report specifically identifies that station areas are at a particular risk of displacement. This will be a significant challenge for the City as it aims to focus new development, infrastructure, and services within the district to help realize the urban village strategy.

There are three types of displacement that typically occur when an area is improving or redeveloping:

- Physical displacement, where housing units are demolished or converted into other uses.
- Economic displacement, where community improvements drive rents or other housing costs up, forcing less financially stable households to move.
- Cultural displacement, where an influx of new residents and businesses changes the cultural landscape of an area, making long-time residents feel less welcome.

While the risk of physical displacement in the City Center is relatively low in the near-term due to the relatively high value of existing multifamily in the area, there is a risk of economic and/or cultural displacement if the subarea changes rapidly. The City should work closely with community members to ensure that they are not pushed out of their neighborhoods, particularly in the vicinity of the Airport Station.

The 2021 report's recommendations for anti-displacement actions are in alignment with best practices.

7.4 Key Takeaways

1. **Multifamily, hospitality, and commercial parking garages, potentially alongside retail space, are the likeliest near-term development opportunities in the City Center**.
2. **As the City waits for key underutilized sites to redevelop, it could establish interim or temporary uses** such as food cart pods or parklets.
3. **The profitability of existing uses and lack of underutilized land in the City Center contribute to high land prices that could impact development feasibility.** High land prices exacerbate the feasibility challenges already present due to rising material and labor costs as well as interest rates.
4. **Current softness in the office market makes it unlikely that new office space will be built in the near term**.
5. **Sites with the highest redevelopment potential are generally those with relatively low land values,** typically under $60 per square foot, especially those near the Airport Station.
6. **If redevelopment occurs in a pattern that does not fit the needs of the district's diverse communities, there could be increased risks of economic and cultural displacement of residents and potentially businesses.** Implementing anti-displacement policies for businesses and residents will help avoid significant negative impacts of new development.

8. Appendices

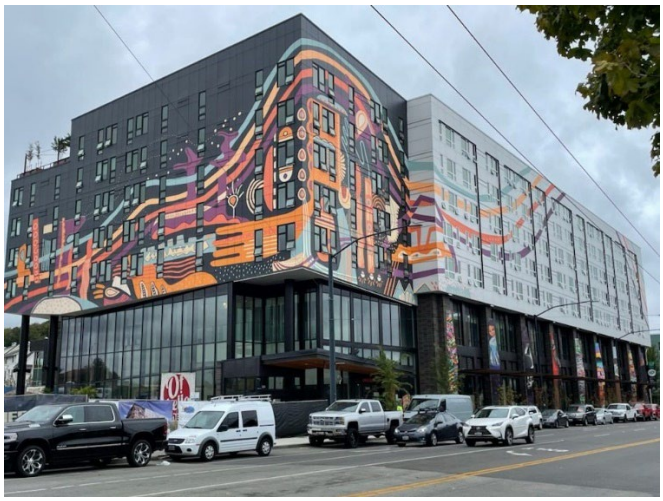
8.1 Placemaking Precedent Projects

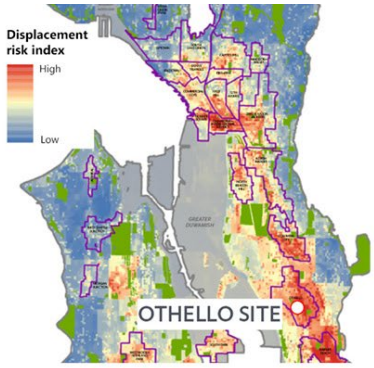
Othello Square

The Othello Square development in the Othello neighborhood of Seattle includes the following features. It is located at a light rail station in south King County.

- Affordable Housing – rental apartments and for-sale condos and townhomes
- Othello Plaza
- Seattle Children's Clinic
- Charter high school
- Small business assistance

Figure 62. Images and Renderings of Othello Square in Seattle





Sources: HomeSight; The Registry; SKLA Architects.

University Place Town Center

In the late 1990s and early 2000s, University Place redesigned and reconstructed Bridgeport Way. The City reduced it from five to four car lanes and added a median, a bike lane, and sidewalks. The City acquired 22 acres of property, built a parking garage, completed stormwater improvements, and sought out private developers to invest in the city. University Place's Town Center planned at same time as roadway improvements.

Figure 63. Bridgeport Way before and after redesign

Figure 64. University Place Town Center site Before and After Redevelopment

Burien Town Square

Burien is home to a moderate-income and diverse population. Like SeaTac's City Center, Burien's Town Square is located within a Regional Growth Center and is just one mile from SeaTac International Airport, with similar environmental impacts. Key features of the Town Center include:

- Served by Rapid Ride high-capacity transit
- Modest-scale development with housing, commercial, and central plazas
- A successful "city center"

Figure 65. Images of Burien Town Center

Lynnwood – Northline Village

Northline Village is a planned transit-oriented development project located on an 18-acre site adjacent to a future LINK light rail station within the city's Regional Growth Center. The City and developer negotiated a flexible development agreement to "future-proof" project. The development plan includes:

- 1,370 apartment homes
- 500,000 SF Class A office
- 250,000 SF retail

Figure 66. Rendering of the Northline Village TOD Project in Lynnwood, WA

Source: Northline Village.

Downtown Bothell

Downtown Bothell has undergone a transformation recently, due to City land acquisitions and strategic partnerships. Key actions that facilitated this process included:

- The transfer of the Bothell-Everett Highway from WSDOT to City
- Pairing state TIB funding with local funds to support overhaul of roadway, to boulevard design
- City acquisition of 25 acres of land, including the historic Anderson School
- Public-private partnerships between City and multiple private developers to renovate school into hotel and build hundreds of units of housing and commercial space
- District stormwater strategy by City to daylight Horse Creek and improve development feasibility

Source: The Urbanist; Washington State Transportation Commission.

Federal Way Town Center

Federal Way Town Center is an ongoing project to improve connectivity, increase density, and create a true downtown in Federal Way. A major current focus is the redevelopment of the former Target site, now known as Town Center 3 (TC3). The City has built Town Square Park and is planning a public-private partnership for the TC3 site. In addition, it is working with Sound Transit, who will execute PPPs on surplus properties owned by Sound Transit. In order to accomplish its Town Center vision, the City has invested in:

- Town Square Park
- Street grid and connectivity
- Stairways and walkways
- A Performing Arts Center
- Property purchases, including TC3

Figure 67. Federal Way Town Center Master Plan

Source: City of Federal Way.

8.2 Airport-Oriented Communities Case Studies

Nationwide, airport-adjacent communities have been working to implement placemaking strategies that, like SeaTac's urban villages strategy, aim to create vibrant spaces focusing on the needs of residents, workers, and visitors. These projects vary in terms of scale, but include common themes:

- **Establishing partnerships with public, private, and nonprofit sector organizations is key to the success of airport plans.** The airport itself can be an important strategic partner, with influence, capital, and the shared goal of attracting more visitors and a broader workforce. Partnerships with major local landowners are also crucial for airport-area plans – these can include public or private-sector landowners, but the City must make a case for how they will benefit from placemaking and development plans to ensure that the community vision is realized.

- **The biggest value-add a City can bring to an airport area plan is infrastructure improvements.** These improvements can include parks, public realm improvements, multimodal corridors, or utilities like groundwater or sewage improvements. Committing to funding infrastructure improvements that align with the community vision and increase capacity signals to developers that the City is willing to put capital and political energy into the subarea. This can help reduce the risk for private developers interested in investing in a "pioneering" location. In addition, sites with existing infrastructure should be considered prime targets for redevelopment.
- **Creating an identity for a smaller area can help attract the types of development the City wants to see there.** SeaTac has already done some of this work by distinguishing the commercial-focused area closest to the airport from the largely residential area to the east. As the City moves forward with its plans, it should refine its vision for the identity and branding of these smaller areas.

Two relevant airport-oriented case studies are summarized below.

Crystal City – Arlington, Virginia (Ronald Reagan Washington National Airport)

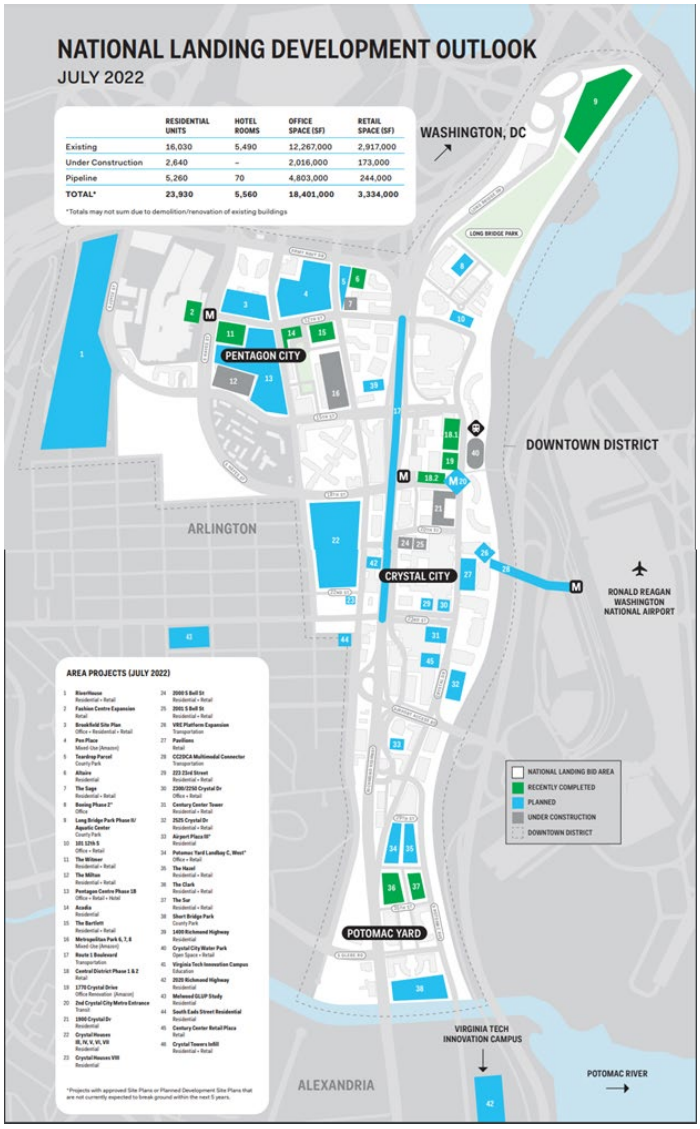
Crystal City is a relatively small neighborhood (roughly 0.5 square miles) in Arlington, Virginia that formed a Business Improvement District (BID) in 2006. The neighborhood is one Metro stop away from the airport and is just across the Potomac River from Washington, DC. Historically, it has primarily been an office hub for various federal agencies.

In 2010, Crystal City put forward a plan to become "a complete community where one may grow up and grow old. It will offer the ability to live-out every stage of life, a place to experience childhood, enjoy the activities of a young adult, work, raise a family, and live comfortably and securely in later years." The vision included placemaking elements similar to SeaTac's urban villages strategy. It is funding this strategy with funding from its BID, which levies a tax of 4.3 cents per $100 of assessed value on all properties within the district boundaries.

Crystal City had a single major landowner – developer JBG Smith, who also owned substantial property in the adjacent neighborhood of Potomac Yard. The City was able to get JBG Smith on board with its plans for redeveloping Crystal City into a walkable, transit-oriented tech and community hub.

Plans for Crystal City accelerated in 2018, when it was chosen as the location for Amazon's HQ2. In 2020, Arlington expanded the Crystal City BID into the National Landing BID (shown in Figure 68 below), which includes Crystal City, Potomac Yard, and Pentagon City.

Figure 68. Map of the National Landing Business Improvement District and Development Outlook as of 2022



Source: National Landing Business Improvement District.

As of 2022, National Landing's development pipeline included:

- 7,503,220 square feet of office space
- 8,100 residential units
- 70 hotel rooms
- 505,080 square feet of retail space

The Central District at Crystal City is an ambitious placemaking project in the area around the Crystal City Metro stop. Plans include open space, retail, and an Alamo Drafthouse. Adding a high-quality public plaza to an area that is already largely built out is challenging, but it is a priority for the city and developer, who aim to bring a "true neighborhood feel" to Crystal City.

Figure 69. Rendering of the Central District at Crystal City

Source: CoUrbanize.

Crystal City's plans were boosted by the promise of Amazon's HQ2, which is expected to bring 25,000 workers and six million square feet of office space to the neighborhood. It also has the advantage of a wealthy and educated community, with a median household income of $113,292. Nearly 81% of households are renter-occupied, and the median home value is around $657,000.

While its demographics differ sharply from SeaTac's City Center, many of the goals and challenges are similar. In order to achieve its vision, the City had to partner with an existing land owner, expand and utilize an existing funding scheme, and market itself as a destination for employers and retailers. High quality placemaking, compact urban design, and proximity to transit all play a part in Crystal City's success.

Liberty Station – San Diego, California (San Diego International Airport)

Liberty Station in San Diego is located just west of the San Diego International Airport. It is a 361-acre former Naval Training Center closed through the Base Realignment and Closure process. As the training center shut down, the City began work on a reuse plan, which was adopted by the City Council in 1998. The City purchased the land in 2000 and broke ground in 2001 on a mixed-use project featuring a variety of uses and infrastructure improvements, including:

- Residential
- Commercial
- Entertainment
- Office
- Hotel
- Educational facilities
- Golf course

- Walking paths
- Civic, arts, and cultural center

The project cost $850 million. The project was paid for through a combination of:

- Debt financing
- Grants, donations, and loans secured by the NTC Foundation, including $19 million in New Market Tax Credits
- US Department of Defense funding for service family housing
- Private investment and financing

Liberty Station functions both as a destination for shopping and entertainment and an important civic and cultural space reflective of local diversity. This master-planned development was made possible through a combination of City initiative and partnerships with nonprofit organizations and other government agencies. By taking the opportunity to acquire land no longer needed by the Department of Defense, the City was able to facilitate the creation of an important economic and cultural resource, which now employs thirteen times more people than the Naval Training Center did in 1997.

Figure 70. Photos of Liberty Station in San Diego, California

Source: Thrillist; Liberty Station.