Real Estate

March 5, 2004

Welch Plaza brings new housing, retail to Central Area

- The developers say a city property tax exemption was critical.

By MARC STILES
Journal Staff Reporter

Developers of Welch Plaza, the largest development in Seattle's Central Area in more than three decades, say without a property tax break the mixed-use project wouldn't have been built.

Welch Plaza's grand opening yesterday came as City Council members are debating an expanded -- and controversial -- multifamily housing tax exemption. The full council is scheduled to consider the new program at 2 p.m. Monday.

Jackson Square Associates LLC, a partnership of the Central Area Development Association and Lorig Associates, built the $25.8 million Welch Plaza at 23rd Avenue South and South Jackson Street. To qualify for the tax break, one-quarter of the project's 162 apartments were set aside for low-income tenants.

"It's extremely unlikely we could have done this project without the exemption," said Laura Bachman, a Lorig associate who put together the financing. She said the city's underground parking requirements would have made it too expensive. It costs about $25,000 to build one stall of subterranean parking, but rents are about $55 a month.

Bachman was unsure how much the exemption will save Welch Plaza investors, which include Seattle Seahawk Shaun Alexander. The exemption is only for the residential portion of Welch Plaza, a three-building complex that includes 18,000 square feet of commercial space.

The new exemption is aimed at encouraging development of what city officials call workforce housing. Households that make between 60 and 70 percent of the city's median income would qualify.

The council is debating whether the new exemption should be available only in distressed areas or if it should be allowed in rapidly developing neighborhoods. Mayor Greg Nickels wants to expand it from 11 to 17 districts.

The council's housing committee voted 3-2 Tuesday to allow the exemption in 17 neighborhoods.

Councilman Richard McIver objected to the inclusion of Capitol Hill, the University District and South Lake Union. He said these communities already attract housing development and including them in the new program would mean less development in poorer areas.

"We're keeping disadvantaged communities at a disadvantage," he said.
Councilman Nick Licata also voted no for similar reasons.

Housing committee Chairman Tom Rasmussen, who supports the expanded program, said the middle class is being priced out of the city and the city needs to reverse that trend.

City officials say that in four years, the previous exemption helped spur 14 projects, though only six have been built. Lorig Associates worked on Uwajimaya Village, an International District mixed-use project that Bachman said was the first to qualify.

Development of Welch Plaza began five years ago when the Central Area Development Authority bought part of the land from the city. CADA, a not-for-profit group that encourages development in blighted areas, increased the project footprint by signing a long-term ground lease for the property, once occupied by the Welch Hardware Store.

The first portion of Welch Plaza opened in December. The other two portions opened Monday.

Rents for market-rate units are between $760 and $1,725. Of the 162 units, 41 have been rented, according to Bachman. More than half of the affordable units are leased.

Of the commercial space, Washington Mutual has rented 2,500 feet and NPower Seattle has leased 6,000 feet. NPower is a nonprofit the helps other nonprofits use technology.

Hewitt Architects designed Welch Plaza, and the contractor was W.G. Clark Construction Co.