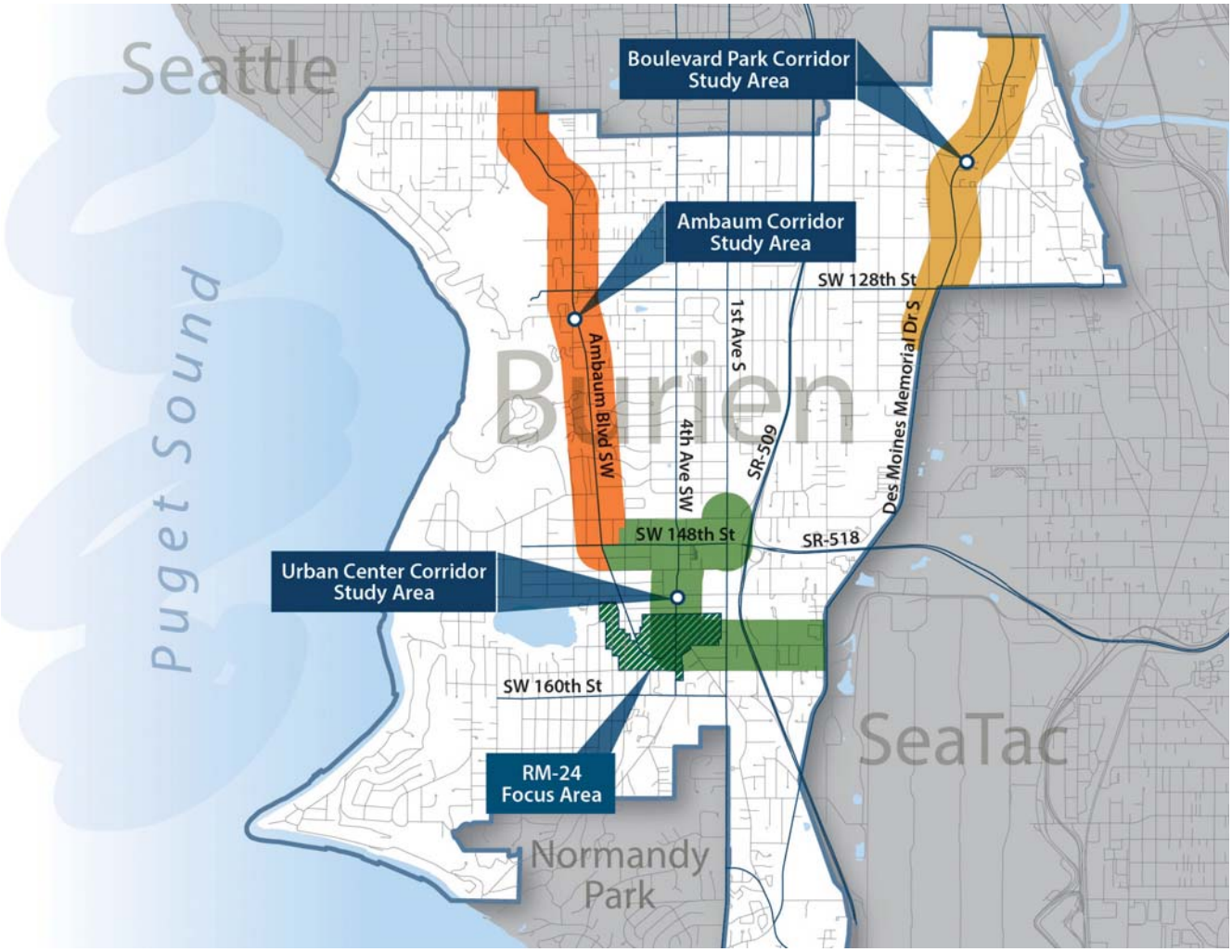


# City of Burien

## Transit Corridor Redevelopment Gap Analysis – FINAL REPORT

May 2013

HEARTLAND

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# I. INTRODUCTION

## A. Project Overview

The City of Burien ("the City") engaged Heartland to undertake a "redevelopment gap" analysis for new residential multi-family development within Burien's three priority transit corridors.[1] The City has expressed an interest in supporting additional housing development within these corridors, and is seeking to better understand the degree to which City policies, and potentially public investments, could help impact new development. Washington State's Growth Management Act directs local jurisdictions to plan for future growth within urban areas, which often means supporting higher levels of density in existing urbanized corridors via infill development, particularly in corridors that are served by existing transportation and utility infrastructure. Infill development is intended to serve both the statewide and countywide planning goals to accommodate future population growth and support housing, transportation and economic policies contained in the City of Burien's Comprehensive Plan.

The thesis going into the study was that market-rate (non-subsidized), multi-family redevelopment is not currently feasible in these corridors, as evidenced by the lack of recent development during a time robust national and local multi-family development. On a project-specific level, the "redevelopment gap" can be thought of as the difference between the value created by the development when compared to the total cost of the project, including an appropriate risk adjusted return on investment (profit). When the total cost is greater than the total value, there is a "redevelopment gap" that indicates development is not likely to occur. Conversely, when the value created is greater than the cost incurred, development is likely to occur if all the assumptions used to derive cost and value are correct. Of course, given numerous variables, the numbers are never going to be totally accurate. However, we can use the analysis as a gauge of typical conditions, which, over large areas like the study area in this study, tend to be indicative of prevalent conditions.

This study involved assessing the real or perceived financial redevelopment gap that currently exists for new development, attempting to quantify the size of the financial gap, and then estimating the potential for regulatory tools and other public sector interventions to help close the redevelopment gap. In addition, the redevelopment gap will typically vary over a large geographic area, so this study attempted to identify the gap by corridor (to account for differences in value across the three corridors in question) and by zoning designation (to account for differences in cost and value due to regulations on building height and mass).

A relatively large redevelopment gap may indicate that redevelopment is unlikely to occur in the near-term, while a relatively small redevelopment gap would indicate near-term redevelopment potential. It is this latter situation where local government is likely to have the most impact in adjusting policies or public investments to stimulate redevelopment.

## B. Approach

The first phase of this project sought to establish the context for potential, new multi-family development by examining the existing conditions in each of the three study areas. This analysis cataloged the current housing stock, assessed market and demographic conditions, and inventoried existing land uses and regulatory capacities.

The next phase focused on modeling hypothetical multi-family projects to determine whether multi-family development is financially feasible under current market conditions. Heartland developed a financial model capable of testing project feasibility in the varying zones within each study area. The model inputs were informed by the market assessment in the first project phase.

[1] "Redevelopment gap" is not a term of art in the real estate business but is used in the GMA Planning grant application, and so the same term was used in this report to retain consistency.

With an understanding of the current market context and the implications of the market for a hypothetical development project, Heartland worked with the City to develop a broad list of potential regulatory tools and incentives that may be capable of bridging the redevelopment gap. These regulatory tools were incorporated into the financial model in order to determine each intervention's impact on project value and ultimate project feasibility. As part of this phase, the City and Heartland conducted a developer advisory session, which invited locally-active developers to preview project findings and provide input from their own experiences in the market.

In the final phase, Heartland incorporated the developer feedback into the overall project findings to develop a set of recommendations for the City.

### C. Summary of Findings

Several key findings from our studies include:

- **Existence of Redevelopment Gap**—As anticipated, Heartland found that a redevelopment gap exists between cost and value for a typical multi-family development project. This gap means that under current market conditions, a prospective multi-family project will not generate a sufficient return to justify its undertaking.
- **Gap Size Varies across the Study Areas**[2]—The gap varies substantially in size across the areas studied, both by geographic corridor and by zoning designation. There are some combinations of Study Area and zoning designations where the redevelopment gap is relatively small and redevelopment is nearly feasible, in our opinion, while there are other Study Areas and zoning designations where the gap is quite large. Should the City decide that either regulatory interventions and/or public investments are warranted in support of multi-family development, consideration of these differences may help prioritize activities in a time of scarce public resources.
    - **Ambaum Corridor:** Heartland determined that the RM-48 land along the Ambaum Corridor is some of the closest to development feasibility. We estimate that raw land development in this area would become feasible with a 5% increase in residential rents. A mixed-use project in one of the Corridor's commercial zone is less viable, requiring a 9% increase in both residential and commercial rents to reach feasibility.
    - **Boulevard Park Corridor:** We estimate that a project in the Boulevard Park Corridor will achieve lower rents than one in the Ambaum Corridor; therefore the area has a larger development gap. Our estimate is that residential rents would need to increase by 8% for a project in the RM-48 zone of this Corridor to become feasible. A mixed-use project in one of the Corridor's commercial zones is further impaired, requiring an estimated 15% increase in both commercial and residential rents to justify development.
    - **Urban Center RM-24:** This area is relatively well positioned for residential development and Heartland determined that a 6% increase in residential rents would make a development in the area financially feasible.

[2] Throughout this report, "Study Areas" refers to the Ambaum Corridor, the Boulevard Park Corridor, and the RM-24-zoned area in the Urban Center overlay district. These areas are further defined in the "Context for Policy Change" section of the report.

**Recommendations for Potential Public Interventions**—The analysis of potential regulatory interventions did not produce a panacea to catalyze multi-family development. However, there are several potential interventions that could impact multi-family redevelopment feasibility in the Study Areas, such as:

- Expanding the Multi-Family Tax Exemption program to include the Study Areas;
- Refining existing zoning code to allow developers to achieve incremental increases to project yield;
- Reviewing commercial zones to assess whether the commercial requirement in a residential development should be decreased or removed;
- Undertaking targeted, near-term capital investments to increase livability and rents to subsequently catalyze development in areas of greatest opportunity; and
- Implement long-term planning strategies in areas where development is further from feasibility.

# II. CONTEXT FOR POLICY CHALLENGE

## A. STUDY AREA DEFINITION

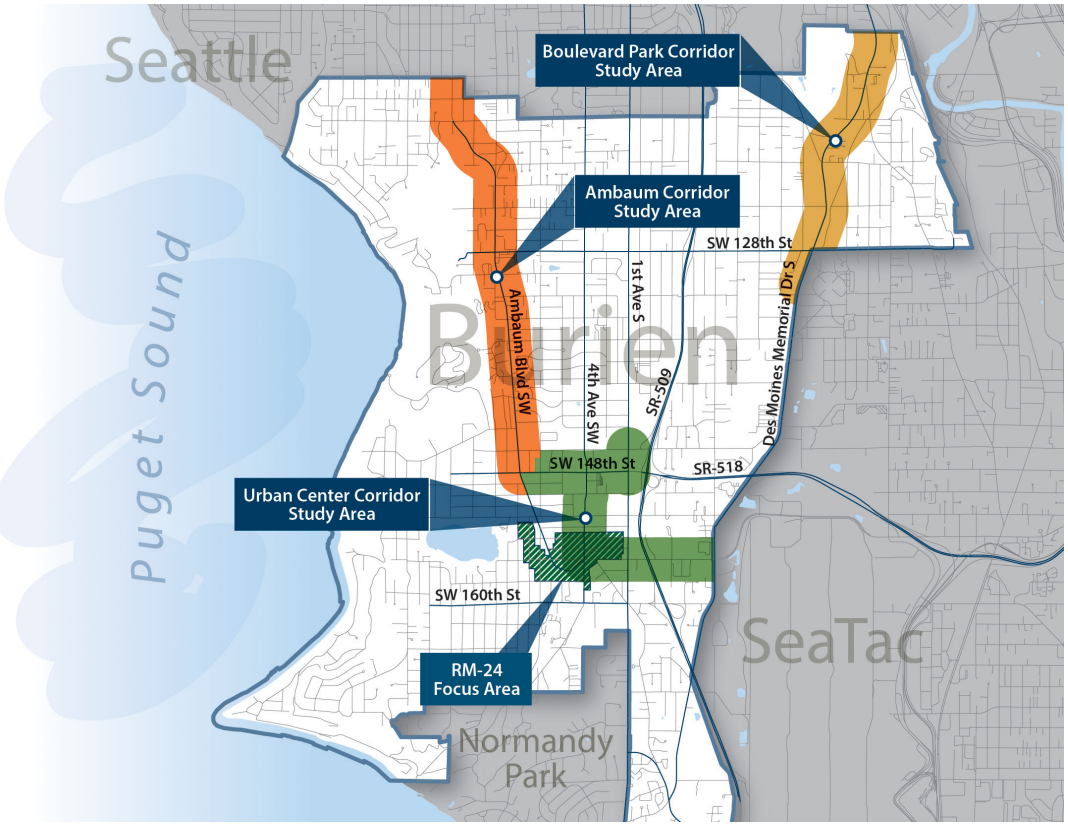
The City designated three transit corridors as focus areas for this analysis: the Ambaum Corridor, the Boulevard Park Corridor and the F-Line Urban Center Corridor. For the purpose of this report and subsequent analyses, Heartland has defined these areas as follows (see **Appendix I** for study area maps):

**Ambaum Corridor:** Primarily the area approximately 1/8th of a mile on either side of Ambaum Boulevard S.W., between S.W. 150th Street and S.W. 112th Street.

**Boulevard Park Corridor:** Primarily the area approximately 1/8th of a mile on either side of Des Moines Way S., between S. 132nd Street and S. 108th Street.

**Urban Center F-Line Corridor:** Primarily the areas approximately 1/8th of a mile on either side of S.W. 148th Street running east to SR 509, 4th Ave S.W. running south between S.W. 146th Street and S.W. 158th Street, and S. 156th Street running east between 6th Avenue S.W. and Des Moines Way S.

**Urban Center RM-24:** As the project progressed, it became clear that this analysis would be most relevant to a sub-section of the F-Line Corridor, specifically the area of RM-24 zoned land to the south of the City Center. Therefore, the redevelopment gap financial analysis phase of this project focused specifically on the RM-24 area rather than the entire denoted F-Line Corridor.



## B. SUMMARY OF CONTEXT FOR POLICY CHALLENGE

The Study Areas have seen very limited delivery of multi-family product over the past 20 years. Each of the Study Areas saw a spike in development in the 1960s and have since seen steady decline. The only significant new development activity has occurred in the downtown district. The first phase of Burien Town Square condo project added 124 residential units in 2007, with the remaining two phases projected to add over 300 units of market-rate apartments. The prolonged drought in new development has led to an average unit age of over 30 years, with many buildings appearing, in our judgment, to be in poor overall condition and achieving below-market rents when compared to similar sub-markets south of Seattle. In addition to the older multi-family product, there are a significant number of parcels in the Study Areas that Heartland identified as opportunities for redevelopment. These parcels are either vacant (they have no substantial physical improvements) or underutilized with respect to allowed zoning.

The City has an interest in encouraging multi-family development in the Study Areas, where transportation infrastructure already exists, consistent with Growth Management Act policies. Additionally, new housing in these Study Areas would likely provide both direct and indirect net fiscal benefits to the City. Given the observed lack of development activity within the Study Areas, the City commissioned this Study to understand the market dynamics behind the current situation and begin to look at possible ways in which the City can help support new multi-family development.

For Heartland's complete analysis of existing conditions in the Study Areas please refer to **Appendix II**.

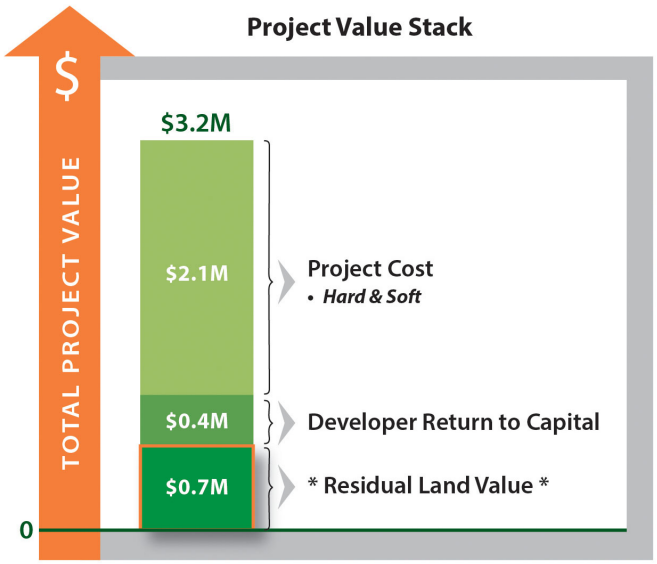
# III. REDEVELOPMENT GAP ANALYSIS

## A. INTRODUCTION TO METHODOLOGY

**Residual Land Value**

Heartland utilized a residual land value ("RLV") analysis to help assess the propensity for land to be redeveloped for multi-family across the Study Areas. A RLV analysis is used to make the threshold determination about whether land will remain in its current use or transition to another. In the context of this multi-family redevelopment analysis, we will compare how the value of land in its current use, which we refer to in this Study as the "Land Value Hurdle" compares to that which a developer can afford to pay for use in a multi-family development project. If the amount is higher than the value of the property in its current use, both the current owner and the developer have incentive to transact in supportive of a subsequent redevelopment. If it is lower, the opposite would be true, and the existing use would remain in place.

When a developer examines a prospective project, he or she compares the total value of the finished product to the cost to build the project, including the cost of capital needed to attract investment in the property, also known as return to capital. From this perspective, proforma return to capital is a fixed cost similar to any other input cost of the project. The difference between total project value and total project cost remains for land in residual of the proposed use, more typically referred to, as it's residual land value.



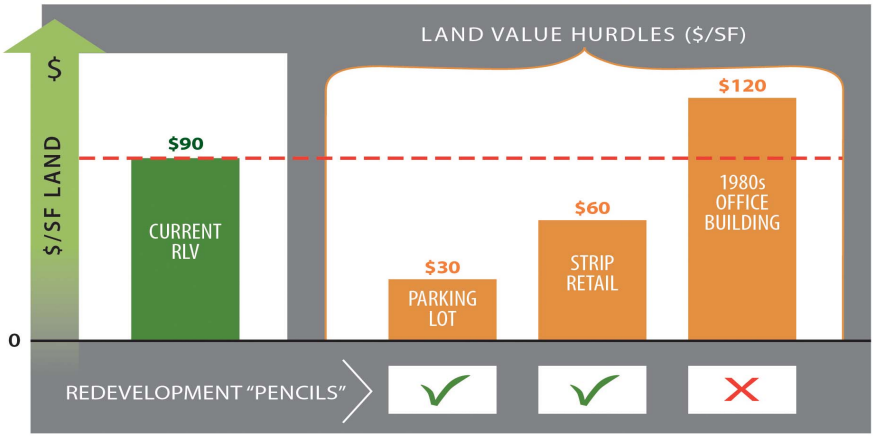

In this illustrated example, the project has a total value of $3.2 million. After accounting for project cost and the developer's return to capital, there is $0.7 million left over for land. This amount is the residual land value and represents the amount a developer can afford to pay for development land. If the developer is forced to pay more than $700,000 ($0.7 M) for land, the project will not be feasible. For a more detailed description of the variables used in this section please refer to the "Financial Modeling of Project Feasibility" section of this report.

**Redevelopment Gap**

The calculation of a typical project's RLV is the first step in assessing whether a redevelopment gap exists in a given market environment. The next step is to determine what the land value hurdle is for land and existing improvements in the Study Areas. The land value hurdle is the market-driven price that property is currently transacting for. In order for development or redevelopment to occur, the project RLV must be greater than the land value hurdle.

A redevelopment gap exists when developable land costs more than a developer can afford to pay based on current project economics. In a place like Burien, much of the land has some amount of existing improvements, therefore the total land cost equals the total value of the land plus any value associated with the existing improvements. If land is currently transacting at $15 PSF and a project has a RLV of only $10 PSF, then a developer will not undertake the project because a $5 gap exists. If the price of land suddenly dropped from $15 to $9 PSF, the project would become feasible and the developer would be able to move forward. In the case of redevelopment of an existing income producing building, the same holds true in that a developer would not consider tearing down the structure and building new unless the RLV of the prospective project is higher than the price the developer must pay for the property as-built.

**Hypothetical RLV - "Optimum" Case**




The above graphic illustrates a redevelopment gap analysis for a presumably strong real estate market. In this hypothetical scenario, the modeled development project has a RLV of $90 PSF—representing the amount a developer can afford to pay for developable land. In this example, no gap exists for the redevelopment of land currently being used for parking and strip retail, as each of those uses are currently transacting for a price that is lower than the project RLV. However, a redevelopment gap of $30 does exist for a 1980s office building, meaning that the price for land with this existing use is too high for a developer to consider redeveloping it into a new building. As the office building deteriorates and as rents, and subsequently project value, increase, the redevelopment gap for the 1980s office building may narrow and eventually that project may become feasible.

One challenge in applying this type of analysis to the Study Areas is that it forces a generalization of project feasibility across a wide set of differing properties. Each of these properties will have its own set of idiosyncratic characteristics impacting its development feasibility. Therefore, this analysis should be understood as providing an *order-of-magnitude* measure of development feasibility within the identified zoning districts in each Study Area.

## B. MODELING THE REDEVELOPMENT GAP

### Development Typology

The goal of a redevelopment gap financial model is to estimate the financial characteristics of a hypothetical development project to determine whether a project of that nature is feasible in the current market environment. Adjusting model inputs allows you to test the feasibility of projects across the full spectrum of development typologies, from high-rise buildings with structured underground parking to low-density townhomes with surface parking. In this analysis, Heartland sought to model a development that best represents the type of development that would be most likely to occur under current market conditions. Heartland culled examples from the small set of recently-completed projects in the Study Areas and researched recent projects in other comparable sub-markets to develop an appropriate development typology.

The modeled development in this analysis is a two to three story apartment or mixed-use apartment building with surface parking. The average unit size is 850 net square feet with 1.8 parking stalls per unit (as prescribed by code). We assume that each development occurs on a half-acre development site. Depending on the zone, the floor-area-ratio (FAR; the total gross building square feet divided by land area) for the modeled project ranges from 0.3 to 0.8, with the RM-12 and RM-48 developments making up the low and high end of that spectrum, respectively. The following table provides a summary of the assumed achieved density and assumed size of the commercial component (as a percent of the overall project) for each of the analyzed zones. These assumptions were arrived at through an analysis of recent projects and from discussions with active developers in the Burien sub-market.

| Model Density Assumptions | | | | |
|---|---|---|---|---|
| **Zoning Designation** | **Max DU/Acre By Code** | **Achieved DU/Acre** | **Project FAR** | **% Commercial** |
| **CC-1/2** | 24 | 22 | 0.7 | 25% |
| **CI** | 24 | 22 | 0.7 | 25% |
| **CN** | 12 | 12 | 0.7 | 60% |
| **O** | 24 | 7 | 0.6 | 75% |
| **RM-12** | 12 | 12 | 0.3 | 0% |
| **RM-18** | 18 | 18 | 0.4 | 0% |
| **RM-24** | 24 | 24 | 0.6 | 0% |
| **RM-48** | 48 | 35 | 0.8 | 0% |

One note is that the model assumes that the project in the RM-48 zone is only achieving approximately 90% of its allowed density. This figure is derived from discussions with the active developers we consulted, and is due to site area constraints after factoring in the amount of area that must be devoted to achieving parking and other development requirements. In stronger markets, the solution for site area constraints is to build structured above or below-grade parking. However, structured parking is a major cost driver that is not financially feasible in the Study Area markets and therefore the site area constraint is reflected in a lower achieved density rather than in a change to the development typology.

Below are several recent projects that were used as prototypes in this analysis. Two of the projects were completed along the Ambaum Corridor, while the third example was completed in Renton.

**Shorewood Apartments- On Ambaum in KC R-48 Zone**

**8-Plex Mixed-Use Building on Ambaum in CI Zone**

**Redtown Apartments- Renton**

**Financial Modeling of Project Feasibility**

The developments identified above were used to develop hypothetical apartment projects within each Study Area and zoning designation. Heartland utilized a series of operating, cost and value assumptions to model each project's projected performance. "Multi-family" development can refer to ground related, fee simple development (*e.g,* townhouses or rowhouses) and stacked flat (units are stacked atop each other and where individual units do not have a fee interest in the land). In addition, either type of unit can be a for-sale or a for rent product. Most typically, fee-simple units tend to be for-sale, while stacked flats may be for-sale (via a condominium ownership structure) or for-rent apartments.

This study focused on for-rent stacked flat apartments, assuming that this is the most feasible development type and ownership structure for the corridors in question at the current time. At present, the apartment development market is much more active than the residential condominium market, and we expect this condition to remain in place until home prices increase substantially relative to rental rates, and until construction financing for condominiums becomes more available. Townhouses were judged to be less economically competitive than apartments and therefore generally less useful in gauging redevelopment opportunities across the Study Areas. In the long term this paradigm will most likely shift again, but in analyzing near-term potential development in this market environment apartments provide the most relevant development typology. The table on the following page is an example of the financial model's summary output page. In this example, we are testing the feasibility of an 18-unit apartment building located in the RM-48 zone along the Ambaum Corridor.

| Summary of Financial Model Outputs for Ambaum RM-48 Project | | |
|---|---|---|
| **A. Project Value** | **$** | **2,721,784** |
| Per GBSF | $ | 156 |
| Per Unit | $ | 155,531 |
| PSF Land | $ | 125 |
| **B. Project Cost (before land and return to capital)** | **$** | **2,137,961** |
| Per GBSF | $ | 122 |
| Per Unit | $ | 122,169 |
| PSF Land | $ | 98 |
| **C. Return to Capital** | **$** | **302,420** |
| Per GBSF | $ | 17 |
| Per Unit | $ | 17,281 |
| PSF Land | $ | 14 |
| **D. Value Remaining for Land (RLV) (A - (B+C))** | **$** | **281,402** |
| Per GBSF | $ | 16 |
| Per Unit | $ | 16,080 |
| **PSF Land** | **$** | **13** |
| **E. Gap Relative to Land Value Hurdles** | | |
| **Raw Land Hurdle** | **$** | **18.50** |
| ***Gap on Raw Land*** | ***$*** | ***(6)*** |
| **Improved Commercial Hurdle** | **$** | **30.00** |
| ***Gap on Existing Commercial*** | ***$*** | ***(17)*** |
| **Improved Multi-Family Hurdle** | **$** | **50.00** |
| ***Gap on Existing Multi-Family*** | ***$*** | ***(37)*** |

Description of key variables from model summary table:

**a)** The total **Project Value** is calculated using the income capitalization approach. In this approach, we estimate the net operating income for the completed apartment building—based on achieved rents and operating expenses— and apply a market-driven capitalization rate to arrive at a market value. This can be interpreted as the amount the developer would be able to sell the finished building for under current market conditions. The next section of this report contains an explanation of key-value, input assumptions.

**b)** The **Project Cost** is the total cost for a developer to build the hypothetical apartment complex. This value includes all construction costs, soft costs and financing costs. These costs were derived from an analysis of recently completed projects of a similar development typology.

**c)** The **Return to Capital** is the amount of return required by a prospective investor (which may or may not be the same entity as the developer) to undertake the project. The extent of the required return was derived from our understanding of the current market dynamics for this region and development typology.

**d)** This line illustrates the calculation of the **Residual Land Value**. The RLV is calculated by subtracting Project Cost and Return to Capital from total Project Value. In this case, the developer can afford to pay $13 PSF for land.

**e)** The final section calculates the **Development Gap** that exists for this project, which is the surplus or gap in value between the RLV that a project can afford and the acquisition price of the land given a range of "typical" existing conditions within the Study Areas. In locations

**Key Value Inputs**
Each of the outputs on the model summary page (detailed above) is a calculation based off of a set of market-driven inputs that were derived from a process of direct and indirect research. Below is a table and explanation of the main inputs for calculating total project value.

| Key Financial Model Value Inputs | | | | |
|---|---|---|---|---|
| **Study Area** | **Res. Rent ($ PRSF)** | **Com. Rent (NNN)** | **Oper. Exp. Unit/Year** | **Exit Cap Rate** |
| **Ambaum Corridor** | $1.35 | $15.00 | $5,100 | 6.00% |
| **Blvd. Park** | $1.25 | $13.00 | $5,100 | 6.00% |
| **UC RM-24** | $1.35 | $15.00 | $5,100 | 6.00% |

The achievable residential rent is a main driver of project operating revenue and is based on direct research of several operating apartments in the Study Areas. Heartland estimates that a new development in the Ambaum or UC RM-24 Study Areas could achieve a rent rate of $1.35 per rentable square foot ("PRSF"), while a new project in the Boulevard Park Corridor could achieve a rate of $1.25 PRSF. Due to the lack of new development in the Study Areas, it was necessary to extrapolate from existing rents to determine what a new project might achieve. For the Ambaum and UC RM-24 estimates, emphasis was placed on several newer projects, including the Shorewood Apartments and NW Development Ambaum building, which are currently achieving rents in excess of $1.20 PRSF. Heartland assumed that a new building in these areas would be able to achieve approximately a 10% premium over these properties. The Boulevard Park Corridor projection was discounted to $1.25 PRSF because the area's rents as a whole trend lower than the other two study areas. See **Appendix IV** for the complete set of comparable properties used in this analysis.

Another important factor in determining project feasibility is the estimated exit capitalization rate for a newly constructed multi-family building. The capitalization rate is a metric used to determine a property's value based on its net operating income[3]. To assess a project's financial feasibility, the model assumes that a project is constructed, rented and then sold, with the sale price based on the capitalization of the project's annual net operating income. The 6% rate used in this analysis is based on several recent sales and Heartland's general understanding of the current market for the studied product type.

The operating expense assumption of $5,100 per unit per year was arrived at through a reconciliation of the operating statements of recently developed multi-family buildings with data from Dupre + Scott on older existing product either within or close-by the Study Areas.

**Land Value Hurdle Calculations**
Heartland conducted an extensive analysis of both vacant and improved property sales in the Burien sub-market to determine the appropriate land value hurdles, across a range of existing property uses, for each Study Area. The land value hurdle assumptions listed in the table on the following page, reflect an estimated average value for raw land and existing improved multi-family and commercial product that was constructed prior to 1980. The existing commercial land value hurdle is significantly less than the multi-family land value hurdle because the older commercial product in the Study Areas tends to be built out to a lower FAR than the multi-family product.

[3] The income capitalization approach to valuation takes an asset's annual net operating income and divides it by an industry standard capitalization rate for a property to with a similar risk profile.

| Land Value Hurdle Assumptions ($/Land SF) | | | |
|---|---|---|---|
| **Study Area** | **Raw Land Hurdle** | **Improved Multi-Family Hurdle** | **Improved Commercial Hurdle** |
| **Ambaum Corridor** | $18.50 | $50.00 | $40.00 |
| **Blvd. Park** | $12.50 | $50.00 | $25.00 |
| **UC RM-24** | $15.00 | $50.00 | N/A |

These estimations are based on sales of proximate properties from the last five years. The analysis was constrained by a skewed sample of sales, with the sales set primarily being made up of commercially-zoned properties; therefore the value estimations rely more heavily on property in commercial zones rather than multi-family zones. Heartland is comfortable using these estimates because this analysis is meant to provide *level-of-magnitude* characterizations of the financial feasibility gap across several different areas—a goal which can tolerate a high degree of uncertainty. See **Appendix III** for the complete set of sales used in this analysis.

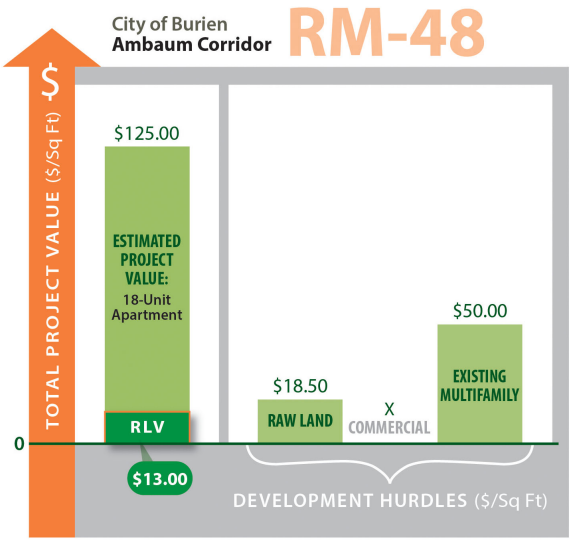
### C. SCALE OF REDEVELOPMENT GAP ACROSS STUDY AREAS

Below is a table that summarizes the gap between calculated RLV and the estimated raw land value hurdle across each zone and study area. Following the table are individual assessments of the primary zones within each Study Area. As indicated by the negative values, Heartland's analysis indicates that a redevelopment gap exists in each zoning designation within each of the Study Areas. The size of the gap varies by zoning designation and by corridor, with the RM-48 designation in the Ambaum Corridor and the UC RM-24 land having the strongest indicated redevelopment potential.

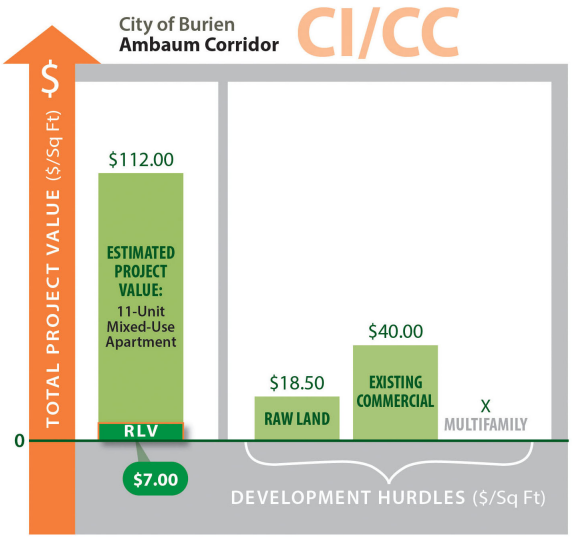
| Development Gap on Raw Land | | | |
|---|---|---|---|
| **Zoning District** | **Ambaum Corridor** | **Blvd. Park Corridor** | **UC RM-24** |
| CC-1 | -$12 | -- | -- |
| CC-2 | -$12 | -$17 | -- |
| CI | -$12 | -$17 | -- |
| CN | -$18 | -- | -- |
| O | -$20 | -$28 | -- |
| RM-12 | -$14 | -$12 | -- |
| RM-18 | -$12 | -$12 | -- |
| RM-24 | -$10 | -$12 | -$6 |
| RM-48 | -$6 | -$11 | -- |

**Ambaum Corridor**

Heartland has determined that the RM-48-zoned property along the Ambaum Corridor represents the land that is closest to being financially feasible for multi-family development. As the "RM-48" graphic illustrates, the modeled 18-unit apartment project has a calculated RLV of $13, which is $5.50 under the estimated raw land value hurdle and $37 under the land value hurdle for land with an existing multi-family building. In order for a raw land project or redevelopment in this zone and location to become feasible, its RLV would need to climb above each respective land value hurdle. Through sensitivity testing we have calculated that if rents increased 5% the raw land project would become feasible, while it would take a 23% jump in rents for the redevelopment project to reach feasibility.

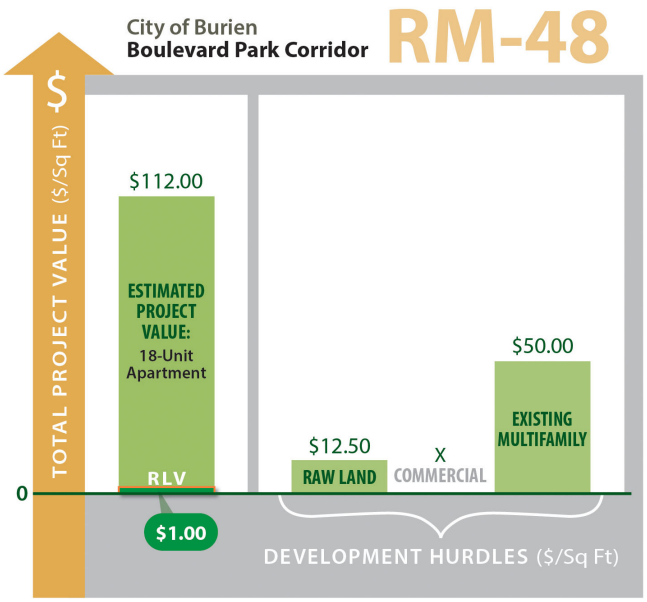



The 11-unit, mixed-use projects modeled in the Intersection Commercial and Community Commercial zones are less feasible than the RM-48 project. The modeled projects in these zones would require a 9% increase in both residential and commercial rents in order to reach financial feasibility. Rents would need to increase 23% for the RLV to reach the land value hurdle for redevelopment of land with existing, low-density commercial product.

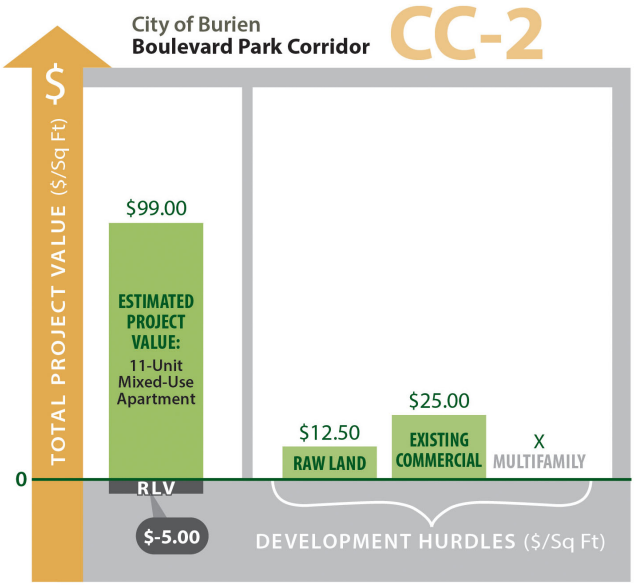


**Boulevard Park Corridor**

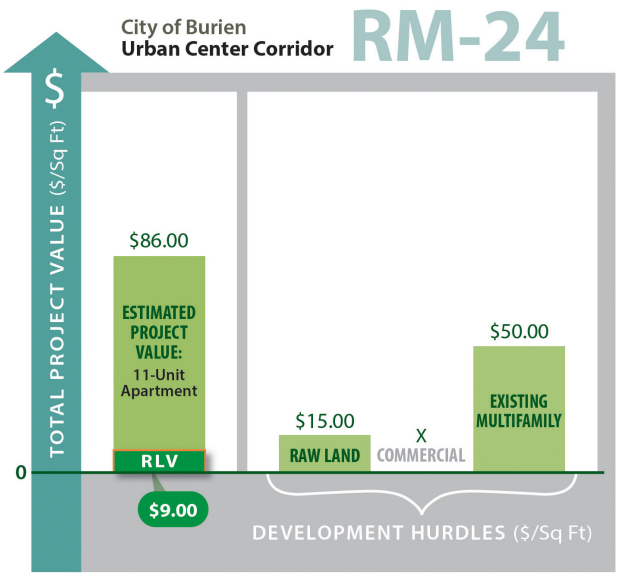
The RM-48 zone along the Boulevard Park Corridor represents an area of opportunity for the creation of new density, with an estimated capacity of almost 270 housing units on over 5.5 acres of vacant or redevelopable land. The zone represents over 40% of the total capacity for the Study Area as calculated in this study. The modeled 18-unit apartment project in this zone had a RLV of $1 PSF, which fell approximately $11 short of the PSF raw land value hurdle and $49 short of the PSF land value hurdle for existing multi-family product. While Heartland determined that this area has a lower raw land value hurdle, the analysis also pointed to a lower achievable residential rent, which severally reduced project feasibility. The value conclusions indicate that rents would need to increase 8% to reach the raw land value hurdle and 33% to make redevelopment of existing multi-family product become financially feasible.




The CC-2 zone also represents an area of opportunity for the Boulevard Park Corridor, with an approximate capacity of 156 units on over 6.5 acres of vacant or redevelopable land. The 11-unit, mixed-use project modeled in this zone was more impaired than the RM-48 project. This can be attributed to the lower allowed density and the projected low performance of the commercial component of the project. We calculate that there is a negative RLV for this project, creating a $17 gap on development of raw land and a $30 gap on redevelopment of existing commercial product. Both residential and commercial rents would need to increase 15% for raw land development to become feasible and 25% for redevelopment of existing commercial product to reach feasibility.



**Urban Center RM-24**




As previously discussed, the City decided that this analysis would be most appropriate for the area of RM-24 zoning south of the Downtown district. This area has a large amount of older multi-family product in addition to several areas of vacant or underutilized land. The 11-unit modeled project in this Study Area yielded a RLV of $9, leaving a gap of $6 on raw land development and a gap of $41 on redevelopment of the older existing multi-family buildings. A 6% increase in residential rents would be necessary for raw land development project to become feasible and a jump of over 40% would be necessary in the case of the redevelopment project. Redevelopment is further challenged by the fact that much of existing multi-family product in this area was built-out to a greater density and lower parking ratio than what is currently allowed by code—meaning that a developer would be replacing an existing building with a new building with fewer units and higher parking costs.

## D. GEOSPATIAL ANALYSIS OF RELATIVE GAP

This analysis utilized informed market performance metrics to model project feasibility under each Study Area and zoning context. While there will likely be significant variation of project feasibility across the parcel universe within a given zone—due to idiosyncratic property characteristics and development factors—the model output provides a metric to generally assess relative feasibility across the Study Areas. Giving this feasibility data a geospatial context can highlight areas of relative opportunity and help inform decision-making processes. On the following pages are several maps, which highlight the relative development feasibility of sub-areas within each Study Area.

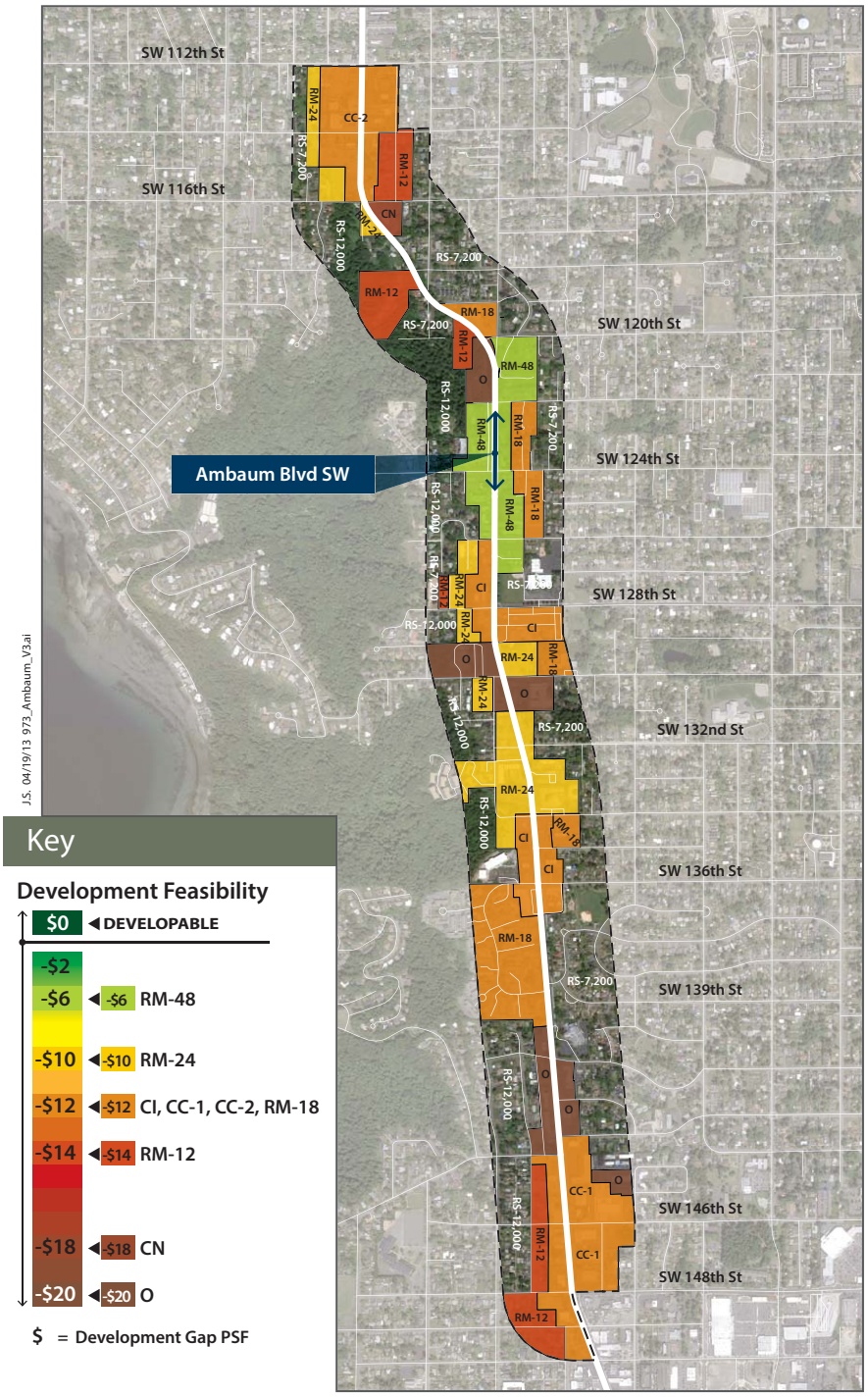
**Relative Development Gap by Zoning Map Set**

The first set of maps compares the calculated gap between the modeled multi-family project RLV and the raw land value hurdle across each zone within the three Study Areas. These maps are useful in understanding the micro-areas within each Study Area that are closest to supporting new multi-family development.

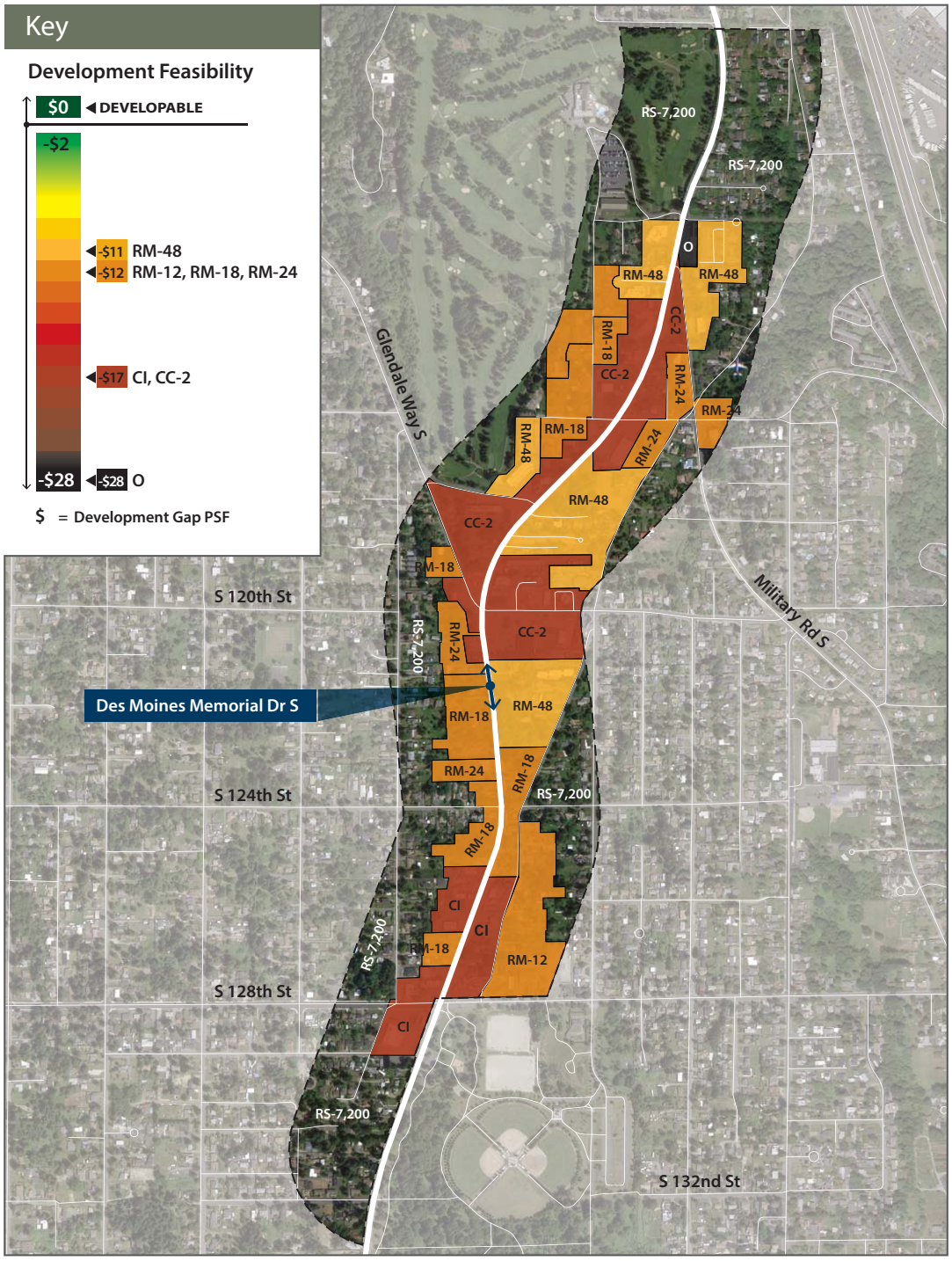
**Relative Development Gap for Priority Map Set Parcels**

The second set of maps adds another layer to the geospatial gap analysis. Heartland applied several filters to the entire Study Area parcel universe to isolate properties which we consider to be most likely to be part of the "first wave" of development—meaning they are either vacant or are significantly underutilized relative to zoned capacity. The parcels have been labeled "Priority Parcels" and the maps highlight only these parcels with coloring of each parcel's estimated relative development gap. This map allows decision makers to identify where priority convergence areas exist—where there are a large number of Priority Parcels with relatively narrow feasibility gaps. These areas may be where resources would be best-focused and have the greatest effect in catalyzing multi-family development.

## **Ambaum Corridor:** Relative Development Gap by Zoning



**Boulevard Park Corridor:** Relative Development Gap by Zoning

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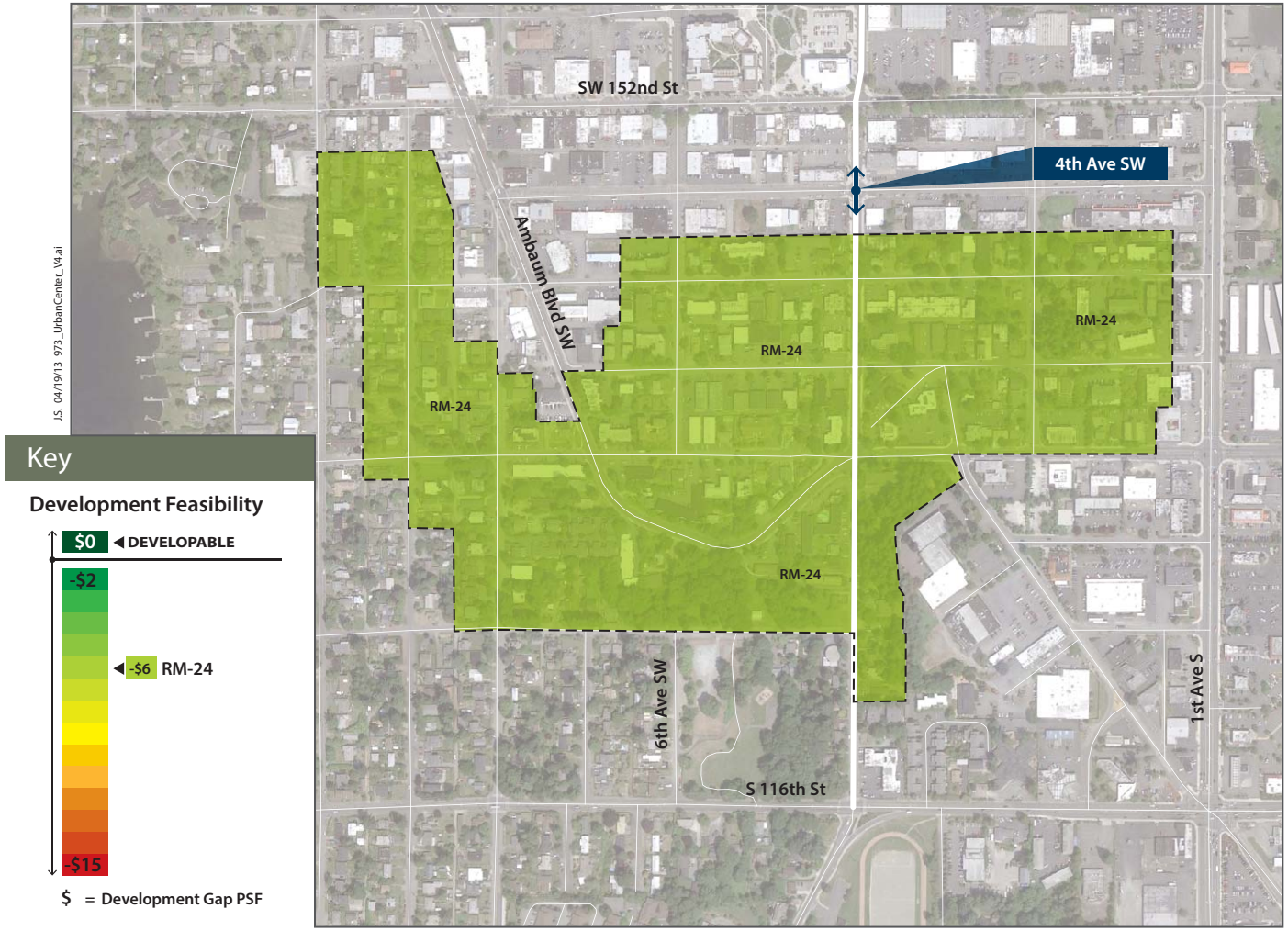
## **Urban Center Corridor:** Relative Development Gap by Zoning (RM-24 Land)

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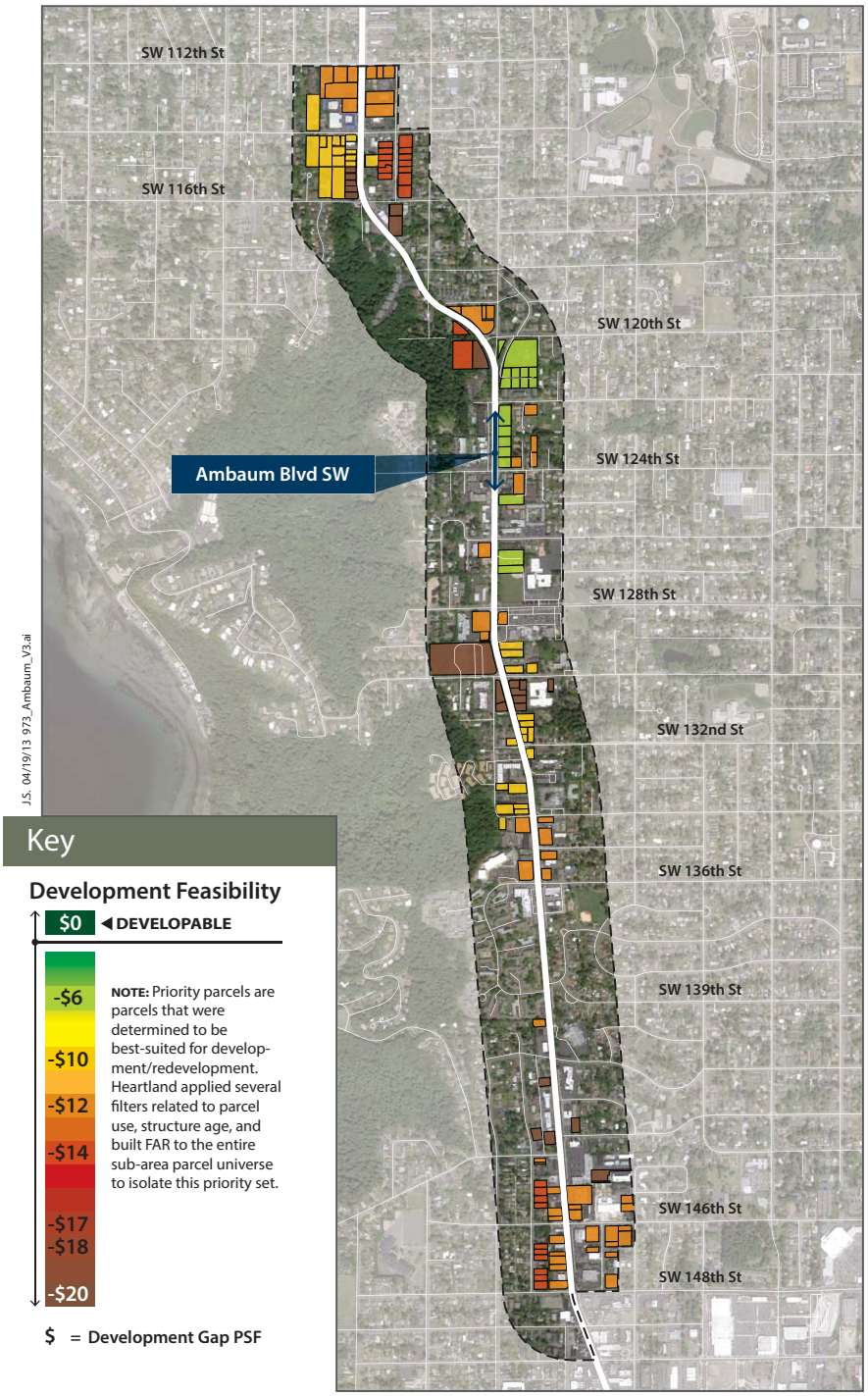
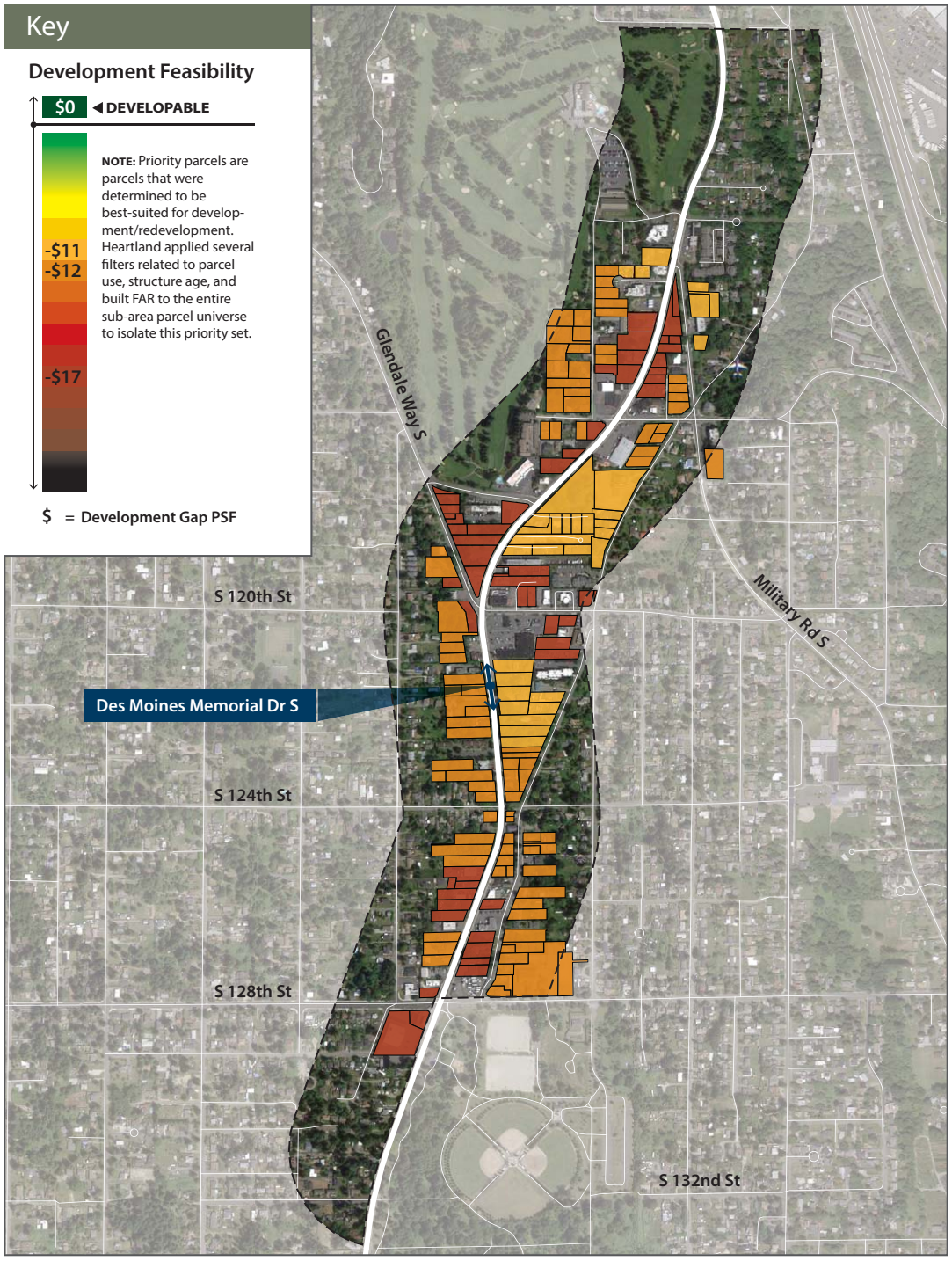
## **Ambaum Corridor:** Relative Development Gap for Priority Parcels



**Boulevard Park Corridor:** Relative Development Gap for Priority Parcels

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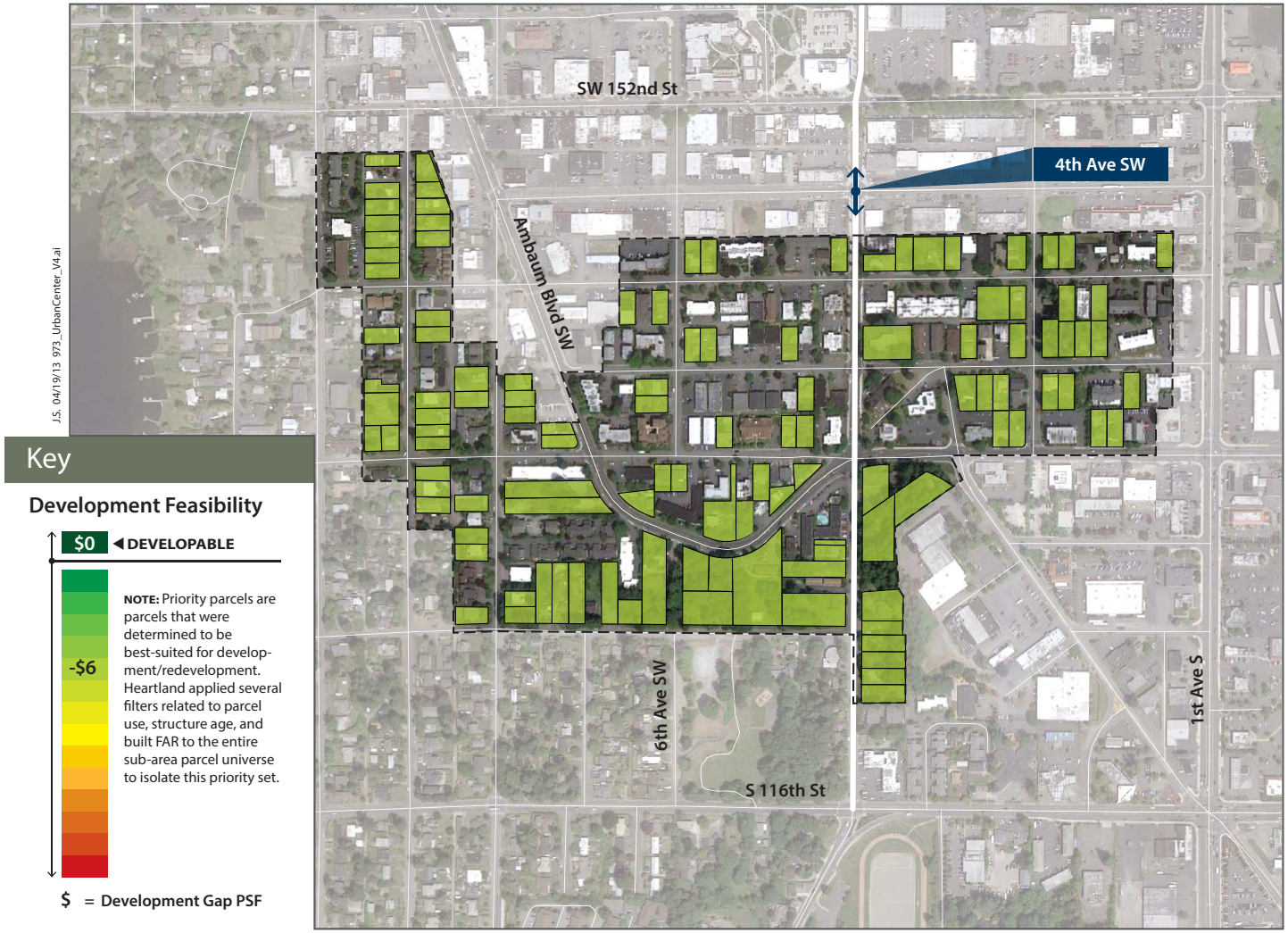
## **Urban Center Corridor:** Relative Development Gap for Priority Parcels

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# IV. REGULATORY TOOLS AND INCENTIVES

## A. BRIDGING A GAP IN DEVELOPMENT FEASIBILITY

Broadly speaking, there are two ways to close the development and redevelopment gap that exists in the Study Areas:

- **Increase Project value—**Value is a function of a project's operating revenue and expenses, and the capitalization rate that is applied by a potential buyer to determine a properties worth. Increasing revenue relies on increasing rents while holding expenses constant, which is a function of individual property-level attributes and macro-level housing supply and demand trends. The capitalization rate depends on overall market strength and the relative strength of the Burien sub-market.
- **Decrease Project Cost**—Assuming project value stays constant, there is still potential to close the gap by increasing the portion of that value that can be allocated to land acquisition, in other words increasing the RLV portion of the total project value. The RLV can increase while holding total value constant by decreasing the other elements that must be accounted for in project value: cost and profit. Since developers will rarely take on the risk of a project, especially in a tertiary market, without a standard level of profit, reducing project cost becomes the best option.

  The findings from this analysis indicate that in some areas, the development gap for raw land is fairly narrow, requiring a jump in rents of less than 10%. It is foreseeable that these areas may see increased project activity in the near to mid-term with or without regulatory intervention, as rents around the region are trending upwards. However, the redevelopment gap associated with the existing older multi-family product is much wider, with a 25% to 50% increase in rents needed for these types of redevelopment projects to become feasible. This scale of gap is more than can presumably be closed by gradual rent appreciation and would be best approached through longer-term policy initiatives.

## B. POTENTIAL TOOLS/INCENTIVES & RELATIVE IMPACT

For the purposes of this analysis, Heartland was instructed to look at the full spectrum of potential regulatory tools and incentives that may help close the feasibility gap across the Study Areas. Heartland did not factor in the reasonableness of implementing these policies in light of Burien's specific social context and policy goals outside of encouraging multi-family development in the Study Areas. On the following page is a table that summarizes the potential tools and incentives that Heartland analyzed and the relative potential impact to value of each.

## Potential Redevelopment Incentives and Regulatory Tools

| | POTENTIAL RANGE OF IMPACT | COMMENTARY ON POTENTIAL EFFECTS ON REDEVELOPMENT ECONOMICS | ROUGH ORDER OF MAGNITUDE QUANTITATIVE IMPACT |
|---|---|---|---|
| MULTI-FAMILY TAX EXEMPTION | HIGH | Increases overall project value by reducing operating costs by approx. 30%; this increase in value flows to the residual land value. | ~$30,000-$40,000 per unit; makes raw land development feasible and begins to close the redevelopment gap for exiting apartment properties. |
| INCREASE ALLOWED DENSITY IN "C" ZONES | MODERATE | Under current conditions this has little impact because at current density levels developments are approaching the maximum space possible with site area constraints. If increased density was paired with a removal of the commercial requirement (below), the impact would be greater. | Land contribution per unit remains constant but added density increases total land value (ie a 25% increase from 22 to 28 would increase land value by 25%). |
| REMOVAL/REDUCTION OF OPEN SPACE & DECK REQUIREMENTS | MODERATE | The private deck and common open space requirement is viewed as onerous by developers. However, it is unclear as to the level of impact this requirement has on project costs and end value. | Difficult to determine. |
| REDUCTIONS IN PARKING REQUIREMENTS | MODERATE | The 1.8 stall/DU requirement was one of the main factors indicated that prevents developers from reaching the allowed density level in the RM-48 zone. Reduction in this requirement increases the amount of the site that can be devoted to residential density. This would have the largest impact in the RM-48 zone. | In RM-48 zone, increases residual land value by 35% ($12 to $16 PSF), assuming that achieved density increases from 35 DU/acre to 42 DU/acre. |
| REMOVAL OF COMMERCIAL REQUIREMENTS IN "C" ZONES | MARGINAL | Removal of commercial requirements would allow commercial development to either be accretive to land value or omitted from the project. Having flexibility on whether to include a commercial component would be view favorably by developers, but would not have a major impact on value unless paired with increase residential density (above). | Depends upon the zone and specific retail/commercial context. |
| STORM WATER REQUIREMENTS | LOW | Storm water requirements were indicated as a cost driver that can have a significant impact on a developer's ability to achieve the zoned density level on a development site. It is unclear as to the impact that a relaxation of these requirements would have on development economics. | Difficult to determine. |
| REDUCTIONS OF IMPACT FEES | VERY LOW | Fees are relatively low compared to regional standards; the fees are not of a magnitude large enough to have a major impact on project feasibility. | ~$370 per unit, if totally eliminated.* |
| INCREASED MAX HEIGHT/STORIES | VERY LOW | The current height limits are not a limiting factor for multi-family development. | Negligible. |

* Transportation fees for "low rise" apartments (1-2 stories) are $550/unit and mid-rise is (3-10 stories) is $370/unit

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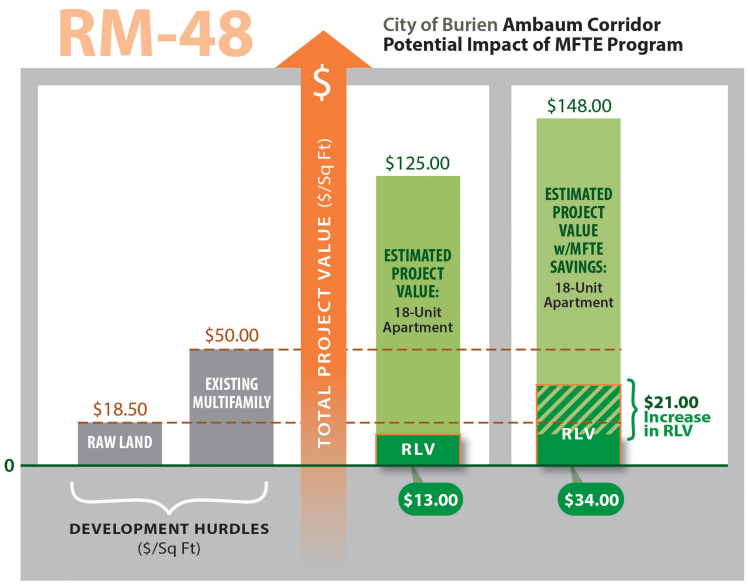
## C. RECOMMENDATIONS

- **Study the Possibility of Expanding the Multifamily Tax Exemption Program to the Study Areas**—Of the potential regulatory tools analyzed, the expansion of the Multi-Family Tax Exemption ("MFTE") program to the Study Areas had the largest projected financial impact on development project feasibility. The expansion of this program to the Study Areas would need to be coupled with the removal of the minimum density requirement (50 units/acre) for project eligibility. It is beyond the scope of this study to assess the viability of expanding the MFTE program to the Study Areas, but we can confidently say that doing so could have a meaningful impact on spurring catalyst projects, which can generate the momentum necessary to maintain wide-spread development in an area.

  The MFTE program has the ability to significantly reduce multi-family operating costs, driving up net operating income and project value. The graphic to the right illustrates the impact Heartland estimates implementing the MFTE program in the Ambaum RM-48 zone would have on project economics. As you can see, the program will increase total project value, which allows for a larger RLV. In this example, the MFTE program pushes the project above the raw land threshold and closes much of the redevelopment gap for the existing multi-family threshold. It should be noted that since the $50 PSF threshold represents an average, there would most likely be some redevelopment projects that are made feasible by the implementation of the MFTE program.



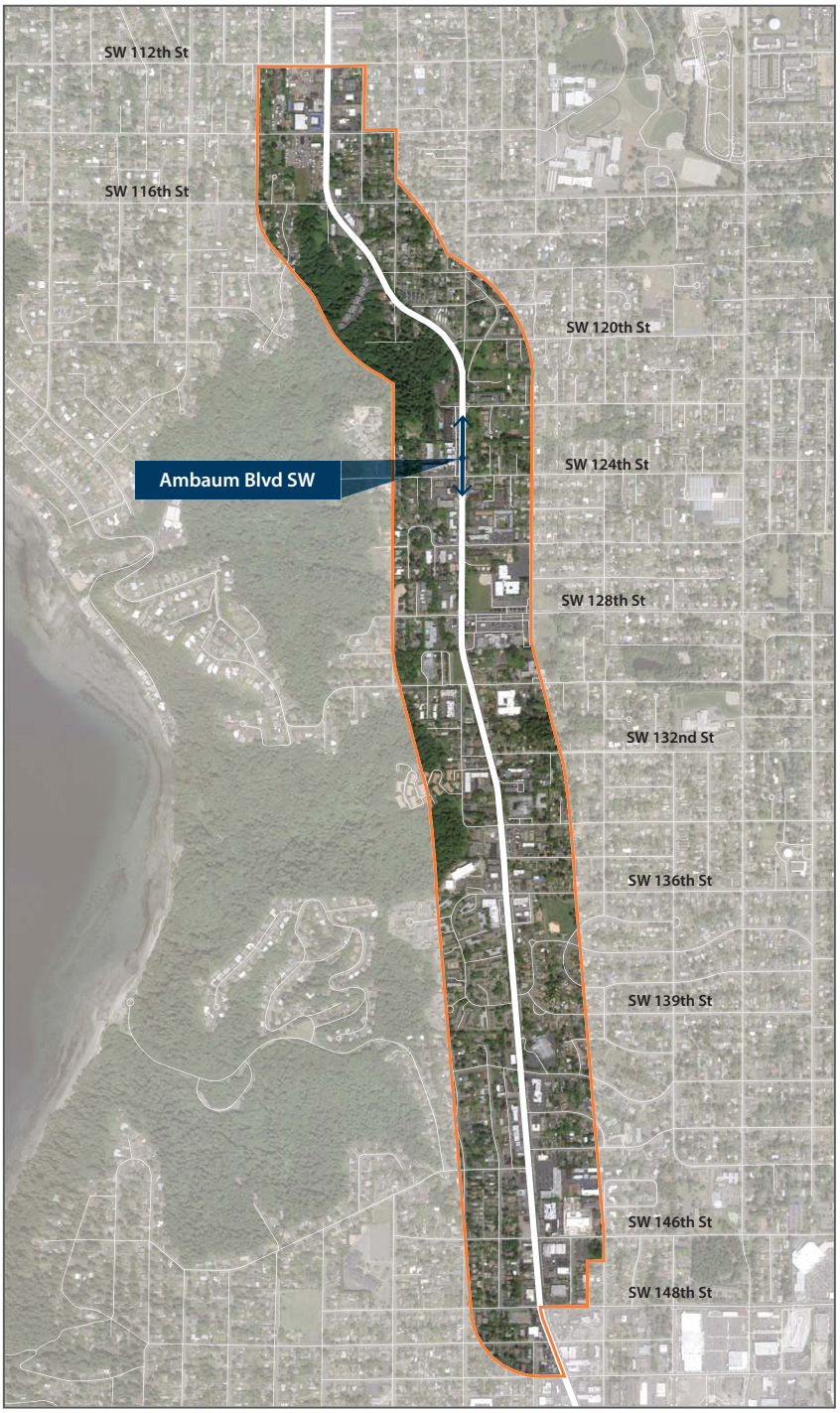

- **Code Refinement to Increase Achievable Project Yield—**From discussions with active area developers, there appears to be an opportunity to refine the current code to allow for increased project yield in the RM-48 zone. We found that while developers are allowed to build 48 units per acre, actual projects are only able to reach a density of between 33 and 36 units per acre under current development standards. The key to developing a project in the RM-48 zone is maximizing the number of units on the site, while keeping a low-cost parking option. Current project economics do not support structured parking options, therefore a developer must be able to use surface parking to meet the zone parking requirements. Surface parking is very land-intensive, which creates a major space constraint. Any refinement in code that allows for an incremental increase in the amount of site area that can be devoted to residential square footage would improve project economics. One example of this type of refinement would be prescribing a different parking requirement for each unit type, with the current requirement (1.8 stalls/unit) setting the upper limit of the range. King County's code currently uses this system.

- **Commercial Zone Code Changes—**Heartland's analysis of the current market environment in Burien indicates that the commercial component of a mixed-use project may not be accretive to value, meaning that the added value from the commercial space does not justify the cost. The developers consulted in this analysis provided further support for this finding with evidence from their recently completed and planned projects. The City could improve project economics in its commercial zones by reducing or eliminating the requirement for commercial space in a residential building. Additionally, project feasibility could be further increased by adding additional residential density in these zones.
- **Increased Density in Urban Center RM-24 Zone—**One action that could significantly improve the development economics for a project in the Urban Center RM-24 Study Area would be rezone the area to a higher DU/Acre density. Heartland did not fully analyze the effect of this increase in density because initial feedback was that an increase in density for the area would most likely not be achievable. Notwithstanding, from our analysis this seemed to be a logical location for increased density, a neighborhood with a strong residential character while maintaining close proximity to the amenities and infrastructure of the downtown retail area.
- **Near-term Investments to Improve Competitiveness within Regional Sub-Market**—Heartland did not attempt to quantify the effect that hypothetical public projects (parks, roads, pedestrian-oriented improvements, etc.) could have on adjacent development economics, but it would not be outside the realm of possibility that these improvements could generate a 5% - 10% increase in rents for neighboring projects. The geospatial analysis of the relative development gap provided in this study highlights the areas where targeted incremental improvements may have the greatest impact. These are the areas with the smallest existing redevelopment gaps where the value of the public investment can be reflected in (usually relatively small) increases rents. In our experience, it is not always necessary for a City to increase its capital projects budget to make a positive impact on multi-family development economics, but rather to prioritize elements of existing Capital Improvement Plan that could be beneficial to catalytic development projects but also valuable to a broader set of existing stakeholders.
- **Long-Term Planning to Respond to Changing Conditions—**In some areas, the redevelopment gap for development is wide enough that near-term catalytic investment or regulatory intervention is not warranted given that any financial and/or political investment is unlikely to be rewarded with new development. In theses case, monitoring conditions over time for changes in the market that might warrant future investment of resources is appropriate. As opportunities for "public-public" or non-profit development arise, or the market conditions change, the City can be ready to respond in a thoughtful manner.

# APPENDICES

## APPENDIX I: Study Area Maps

### Ambaum Corridor




J.S. 04/22/13 973_Ambaum_V3.ai

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## Boulevard Park Corridor

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## **Urban Center Corridor** (RM-24 Focus Area)

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# APPENDIX II: Analysis of Study Area Existing Conditions

## REGULATORY ENVIRONMENT AND STUDY AREA PARCEL UNIVERSE

In this analysis, Heartland used the zoning designations and boundaries that are incorporated in the City's most recent Comprehensive Plan update, finalized in early April 2013. The development gap analysis and regulatory alternatives analysis will focus on studying existing utilization and ways to increase utilization within commercial and multi-family zones along the identified corridors. Therefore, Heartland focused its analysis on parcels with these zoning designations within the three study areas, excluding land that is currently zoned for single-family development.

In total, Heartland's analysis included 884 parcels, encompassing 435 acres of land. Summary tables of the zoning breakdown for parcels that were included in this analysis are below.

| Ambaum Corridor | | | |
|---|---|---|---|
| Zone | Parcel Count | Acres | % of Study Area |
| CC-1 | 47 | 16.7 | 10% |
| CI | 42 | 23.3 | 14% |
| CN | 9 | 2.5 | 2% |
| O | 35 | 17.7 | 11% |
| RM-12 | 41 | 15.3 | 9% |
| RM-18 | 26 | 38.0 | 23% |
| RM-24 | 61 | 32.7 | 20% |
| RM-48 | 33 | 17.0 | 10% |
| **Totals:** | **294** | **163.1** | **100%** |

| F-Line Corridor | | | |
|---|---|---|---|
| Zone | Parcel Count | Acres | % of Study Area |
| CC-1 | 10 | 2.5 | 1% |
| CC-2 | 27 | 21.2 | 11% |
| CR | 18 | 16.6 | 9% |
| DC | 116 | 56.9 | 31% |
| O | 1 | 4.1 | 2% |
| RM-12 | 24 | 4.4 | 2% |
| RM-24 | 142 | 54.1 | 29% |
| SPA-3 | 28 | 26.1 | 14% |
| **Totals:** | **366** | **185.8** | **100%** |

| Blvd. Park Corridor | | | |
|---|---|---|---|
| Zone | Parcel Count | Acres | % of Study Area |
| CC-2 | 63 | 23.8 | 28% |
| CI | 22 | 8.5 | 10% |
| RM-12 | 22 | 8.9 | 10% |
| RM-18 | 46 | 14.2 | 16% |
| RM-24 | 26 | 7.2 | 8% |
| RM-48 | 45 | 23.7 | 27% |
| **Totals:** | **224** | **86.3** | **100%** |

***Source: King County Assessor (2012)***

## EXISTING DEMOGRAPHIC AND MARKET CONDITIONS

Heartland used a third-party GIS demographics service to understand the current demographic conditions within each study area. The data shows demographic similarity between the Ambaum and Boulevard Park Corridors, both of which have very different demographic characteristics relative to the F-Line Corridor. The F-Line Corridor has a significantly older population, with a high proportion of renters. The median household income figure for the F-Line study area is significantly below the other two study areas and the City median of $58,000. Both the Ambaum and Boulevard Park study areas fall only slightly below Burien's overall median figure, and are roughly in-line with overall City demographics.

| General Demographics | Ambaum Corridor | | | UC F-Line Corridor | | | Blvd. Park Corridor | | | City of Burien | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Category | 2010 | 2015 | Annual Growth | 2010 | 2015 | Annual Growth | 2010 | 2015 | Annual Growth | 2010 | 2015 | Annual Growth |
| Population | 3,754 | 3,919 | 0.88% | 2,392 | 2,463 | 0.59% | 2,215 | 2,334 | 1.07% | 33,283 | 34,522 | 0.74% |
| Households | 1,632 | 1,700 | 0.83% | 1,510 | 1,555 | 0.60% | 945 | 992 | 1.00% | 13,969 | 14,479 | 0.73% |
| Owner Occupied Units | 801 | 826 | 0.63% | 318 | 332 | 0.90% | 470 | 510 | 1.71% | 7,908 | 8,218 | 0.78% |
| Renter Occupied Units | 743 | 781 | 1.03% | 1,108 | 1,139 | 0.56% | 431 | 436 | 0.24% | 6,061 | 6,261 | 0.66% |
| **% Households By Income** | | | | | | | | | | | | |
| Income Range | 2010 | 2015 | Total Growth | 2010 | 2015 | Total Growth | 2010 | 2015 | Total Growth | 2010 | 2015 | Total Growth |
| $1 - $24,999 | 22.3% | 16.1% | -6.18% | 34.3% | 28.6% | -5.66% | 22.2% | 15.8% | -6.42% | 18.4% | 13.7% | -4.74% |
| $25,000 - $49,999 | 20.2% | 15.2% | -4.98% | 35.6% | 29.4% | -6.18% | 25.2% | 17.3% | -7.83% | 22.8% | 17.4% | -5.35% |
| $50,000 - $99,999 | 38.0% | 38.5% | 0.41% | 23.5% | 29.6% | 6.09% | 31.2% | 34.8% | 3.62% | 36.4% | 35.6% | -0.79% |
| $100,000 + | 19.4% | 30.2% | 10.74% | 6.6% | 12.3% | 5.76% | 21.5% | 32.1% | 10.63% | 22.4% | 33.3% | 10.88% |
| Median HH Income | $56,394 | $68,512 | 21.49% | $33,506 | $39,869 | 18.99% | $53,992 | $71,096 | 31.68% | $58,231 | $72,092 | 23.80% |
| **% Population by Age** | | | | | | | | | | | | |
| Age Range | 2010 | 2015 | Total Growth | 2010 | 2015 | Total Growth | 2010 | 2015 | Total Growth | 2010 | 2015 | Total Growth |
| 0-14 | 18.5% | 18.6% | 0.12% | 11.2% | 11.2% | 0.04% | 21.2% | 21.3% | 0.18% | 17.1% | 17.1% | -0.04% |
| 15-34 | 30.1% | 31.2% | 1.08% | 31.6% | 32.9% | 1.28% | 29.0% | 29.5% | 0.52% | 26.3% | 26.9% | 0.63% |
| 35-54 | 26.9% | 23.6% | -3.33% | 28.3% | 24.1% | -4.23% | 27.9% | 25.6% | -2.30% | 28.4% | 25.1% | -3.31% |
| 55-74 | 17.7% | 20.0% | 2.29% | 22.0% | 24.6% | 2.66% | 16.4% | 18.0% | 1.62% | 21.0% | 23.8% | 2.86% |
| 75+ | 6.8% | 6.6% | -0.16% | 6.9% | 7.1% | 0.25% | 5.5% | 5.4% | -0.02% | 7.2% | 7.0% | -0.15% |

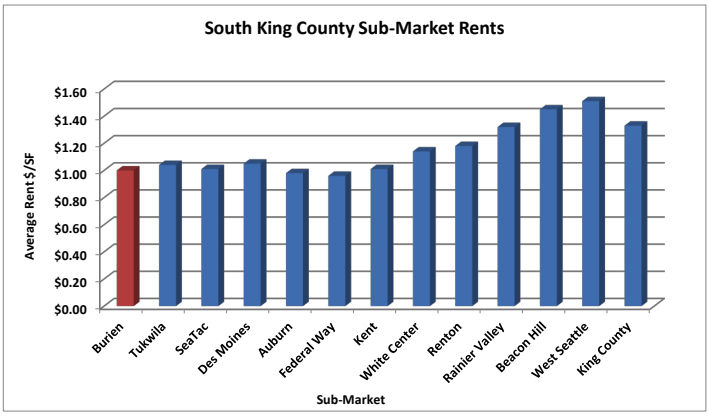
***Source: ESRI (2012)***

In addition to looking at current demographic conditions, Heartland collected general market data for apartment product in the Burien sub-market. This data provides a reference point for more granular, corridor-specific market intelligence that was gathered to inform financial model inputs. The market data shows that the current Burien apartment housing stock has a weighted average rent of $1.01 per square foot and a vacancy rate of 4.5%. Rents tend to be lower for units that were constructed prior to 1974, which describes many of the units in the three study areas. The table and charts below summarize apartment market data, by property construction year, for the Burien sub-market relative to other South King County jurisdictions.

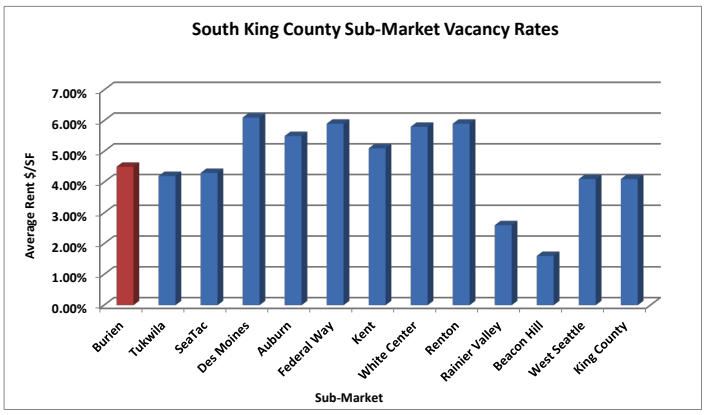
**Burien Sub-Market Apartment Rent and Vacancy Statistics**

| Property Age Group | Market Characteristic | All Units | Studio | 1 BR | 2BR - 1BA | 2BR - 2BA | 3 BR |
|---|---|---|---|---|---|---|---|
| **All Years** | Market vacancy | 4.50% | 6.50% | 3.50% | 5.30% | 4.40% | 6.10% |
| | Average rent | $825 | $619 | $736 | $820 | $956 | $1,268 |
| | Rent per NRSF | $1.01 | $1.51 | $1.09 | $0.94 | $0.96 | $1.09 |
| **1990-1999** | Market vacancy | 3.50% | N/A | 2.30% | 2.40% | 5.00% | 5.60% |
| | Average rent | $943 | N/A | $785 | $964 | $998 | $1,365 |
| | Rent per NRSF | $1.10 | $0.00 | $1.15 | $1.08 | $1.01 | $1.17 |
| **1985-1989** | Market vacancy | 4.00% | N/A | 3.90% | 3.60% | 5.20% | 2.50% |
| | Average rent | $900 | N/A | $768 | $902 | $1,030 | $1,274 |
| | Rent per NRSF | $1.08 | $0.00 | $1.17 | $1.01 | $1.04 | $1.11 |
| **1975-1984** | Market vacancy | 3.70% | 9.10% | 1.50% | 5.20% | N/A | N/A |
| | Average rent | $781 | $623 | $718 | $841 | $979 | N/A |
| | Rent per NRSF | $1.21 | $1.92 | $1.26 | $1.12 | $1.02 | $0.00 |
| **1965-1974** | Market vacancy | 4.90% | 3.60% | 5.10% | 4.70% | 4.30% | 13.60% |
| | Average rent | $788 | $620 | $714 | $808 | $889 | $1,100 |
| | Rent per NRSF | $0.97 | $1.34 | $1.06 | $0.93 | $0.87 | $0.92 |
| **1945-1964** | Market vacancy | 5.20% | 25.00% | 1.70% | 6.30% | N/A | N/A |
| | Average rent | $773 | $570 | $702 | $787 | N/A | N/A |
| | Rent per NRSF | $0.91 | $1.57 | $0.97 | $0.89 | $0.00 | $0.00 |

***Source: Dupre & Scott (September 2012)***




***Source: Dupre & Scott (September 2012)***




***Source: Dupre & Scott (September 2012)***

## EXISTING HOUSING STOCK

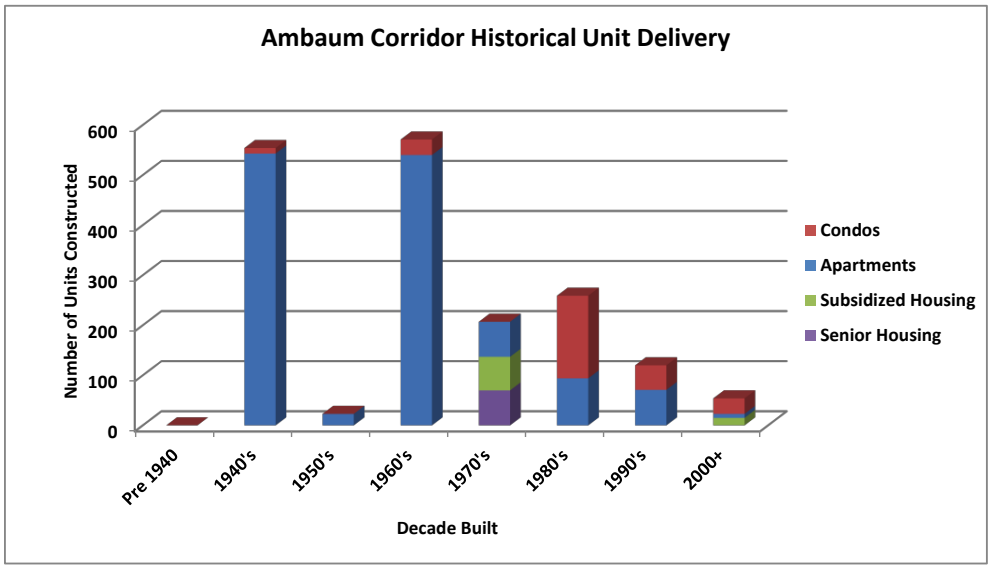
Heartland collected and analyzed King County assessor data to create a clear picture of the existing multi-family housing landscape in each study area. Emphasis was placed on determining the total level of existing multi-family housing stock and the overall age of the existing product. This data helps to frame the overall market context for each study area, and to better understand of the types of multi-family product that have historically been feasible in each Study Area.

### Ambaum Corridor

The Ambaum Corridor study area has a current multi-family housing stock of 1,788 units, with an average unit age of 46 years. The majority of the units in this corridor were constructed before 1970, with major unit delivery spikes in the 1940s and 1960s. There has been a general trend towards diminished production over the last four decades, with only 54 units built since 2000—15 of which are subsidized units owned and operated by Navos. The following table and chart summarizes the current breakdown of multi-family housing units and the historical delivery of units in the Ambaum study area.

| Ambaum Corridor | | |
|---|---|---|
| **Housing Type** | **Total Units** | **Avg. Yr. Built** |
| Senior Housing | 70 | 1975 |
| Subsidized Housing | 82 | 1977 |
| Mkt. Rate Apartments | 1,349 | 1962 |
| Condos | 287 | 1983 |
| **Total:** | **1,788** | **1967** |

***Source: King County Assessor (2012)***



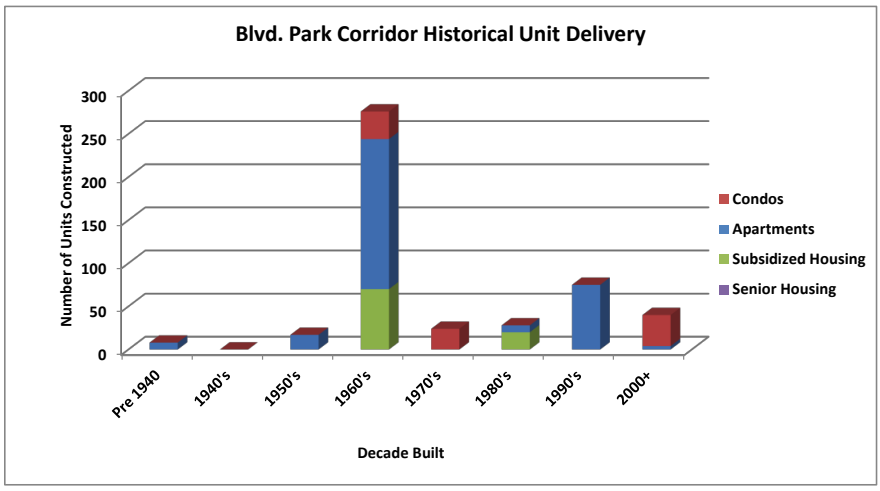

***Source: King County Assessor (2012)***

**Boulevard Park Corridor**

The Boulevard Park Corridor study area has a current multi-family housing stock of 468 units, with an average unit age of 39 years. The majority of the housing stock in this corridor was built in the 1960s, when over 250 units were constructed. Multi-family production dropped off in the 1970s and 1980s, and then saw a slight resurgence 1990s. Since 2000, there have been a total of 40 units constructed in the corridor area, 90% of which have been condos. The following table and chart summarizes the current breakdown of multi-family housing units and the historical delivery of units in the Boulevard Park study area.

| Blvd. Park Corridor | | |
|---|---|---|
| **Housing Type** | **Total Units** | **Avg. Yr. Built** |
| Senior Housing | 0 | N/A |
| Subsidized Housing | 90 | 1973 |
| Mkt. Rate Apartments | 286 | 1971 |
| Condos | 92 | 1984 |
| **Total:** | **468** | **1974** |

***Source: King County Assessor (2012)***



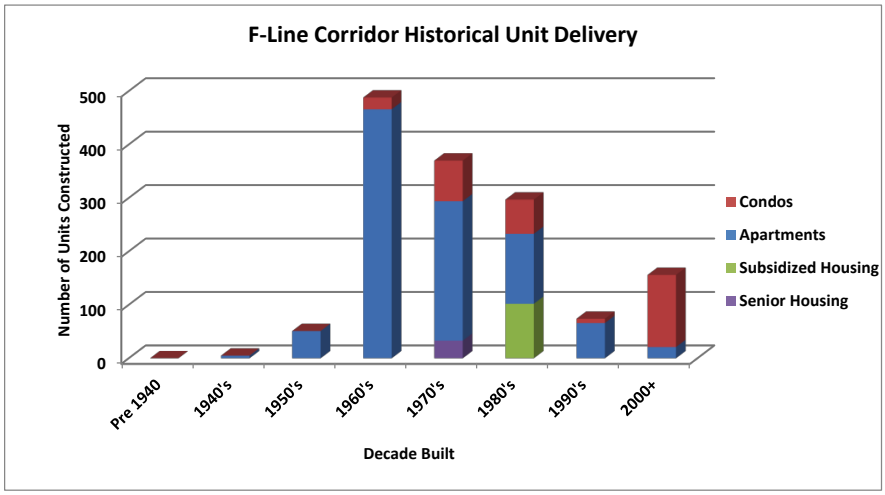

***Source: King County Assessor (2012)***

**F-Line Corridor:**

The F-Line Corridor study area has a current multi-family housing stock of 1,441 units, with an average unit age of 35 years. Major unit production began in the 1960s and continued for 30 years, eventually dropping off in the 1990s and early 2000s. This Corridor area has seen the most activity in recent years, with over 150 units constructed since 2000, 124 of those units came from the Burien Town Square Condominium project that was completed in 2008. This Corridor also has significant planned activity with the expected development of the remaining three Town Square parcels into market rate apartments and the development of a transit oriented development adjacent to the new park-and-ride facility. The following table and chart summarizes the current breakdown of multi-family housing units and the historical delivery of units in the F-Line Corridor study area.

| F-Line Corridor | | |
|---|---|---|
| **Housing Type** | **Total Units** | **Avg. Yr. Built** |
| Senior Housing | 33 | 1977 |
| Subsidized Housing | 102 | 1983 |
| Mkt. Rate Apartments | 1,001 | 1974 |
| Condos | 305 | 1992 |
| **Total:** | **1,441** | **1979** |

***Source: King County Assessor (2012)***




***Source: King County Assessor (2012)***

## EXISTING LAND USE AND DEVELOPMENT CAPACITY

Heartland analyzed King County assessor parcel data to inventory existing land uses and estimate total regulatory development capacity within each study area. This analysis looks at total development capacity, assuming that vacant and redevelopable parcels are developed to the maximum allowable units allowed in the property's zone. While this will not be representative of the development density that is expected to occur, it is informative for identifying broad areas/zones where a large gap exists between actual and allowable density. To determine whether a parcel is "redevelopable", Heartland applied a threshold improvement ratio to the parcel universe. Heartland defined redevelopable parcels as ones where assessed improvement value represents less than 20% of the total assessed property value.

### Ambaum Corridor

Almost half of the land area within the Ambaum Corridor is currently being devoted to multi-family residential use, including stacked-flat apartments and condos, zero-lot-line residential and duplex/triplex/four-plex uses. While this is mostly aged product, almost all of the units pass the 20% improvement ratio threshold and therefore are not considered redevelopable. In total, Heartland estimates that the Ambaum Corridor study area contains 11.9 acres of vacant land and 12.6 acres of redevelopable parcels. The total regulatory capacity estimate for the study area is 598 multi-family units.

| Ambaum Corridor Parcel Use Breakdown | | | |
|---|---|---|---|
| **Present Use** | **# of Parcels** | **Total Acres** | **% of Area** |
| General Commercial | 59 | 28.4 | 17% |
| Mixed-Use | 0 | 0.0 | 0% |
| Mobile Home Park | 3 | 2.3 | 1% |
| Multi-Family Residential | 85 | 75.6 | 46% |
| Office | 20 | 7.3 | 4% |
| Parking | 13 | 3.2 | 2% |
| Public/Community-Oriented | 8 | 4.8 | 3% |
| Senior/Medical Facility | 6 | 11.7 | 7% |
| Single Family Residential | 66 | 17.9 | 11% |
| Vacant | 34 | 11.9 | 7% |
| **Totals** | **294** | **163.1** | **100%** |

| Ambaum Corridor Development Capacity | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Land Category** | **RM-24** | **RM-12** | **RM-18** | **RM-48** | **O** | **CI** | **CC-1** | **CN** | **Totals** |
| Developed | 29.41 | 13.54 | 36.46 | 12.55 | 15.67 | 17.35 | 12.30 | 1.33 | 138.61 |
| Vacant | 2.45 | 1.18 | 0.46 | 3.29 | 1.48 | 1.48 | 0.58 | 0.99 | 11.91 |
| Redevelopable | 0.79 | 0.56 | 1.05 | 1.13 | 0.59 | 4.50 | 3.79 | 0.15 | 12.58 |
| Total Acres: | 32.65 | 15.29 | 37.97 | 16.97 | 17.75 | 23.33 | 16.68 | 2.47 | 163.10 |
| Total Developable: | 3.24 | 1.74 | 1.51 | 4.43 | 2.08 | 5.98 | 4.37 | 1.14 | 24.49 |
| Code Max DU/Acre | 24 | 12 | 18 | 48 | 24 | 24 | 12 | 12 | |
| **Capacity (Units)** | **78** | **21** | **27** | **212** | **50** | **144** | **52** | **14** | **598** |

### Boulevard Park Corridor

The present use survey for the Boulevard Park Corridor highlights the low utilization of the commercial and multi-family zoned land in the study area. Heartland estimates that 15% of this land is vacant and 36% is currently being used for low-density, single-family residential uses. The Boulevard Park Corridor is estimated to contain 13.3 acres of vacant land and 7.7 acres of land that is considered redevelopable. The total regulatory capacity estimate for the study area is 621 multi-family units, with more than a third of those coming from developable RM-48 zoned parcels.

| Blvd. Park Corridor Parcel Use Breakdown | | | |
|---|---|---|---|
| **Present Use** | **# of Parcels** | **Total Acres** | **% of Area** |
| General Commercial | 37 | 17.6 | 20% |
| Mixed-Use | 0 | 0.0 | 0% |
| Mobile Home Park | 1 | 0.7 | 1% |
| Multi-Family Residential | 41 | 18.3 | 21% |
| Office | 6 | 1.6 | 2% |
| Parking | 2 | 0.4 | 0% |
| Public/Community-Oriented | 5 | 3.7 | 4% |
| Senior/Medical Facility | 0 | 0.0 | 0% |
| Single Family Residential | 92 | 31.3 | 36% |
| Vacant | 41 | 13.3 | 15% |
| **Totals** | **224** | **86.3** | **100%** |

| Blvd. Park Corridor Development Capacity | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Land Category** | **CC-2** | **CI** | **O** | **RM-12** | **RM-18** | **RM-24** | **RM-48** | **Totals** |
| Developed | 17.28 | 5.70 | 0.58 | 8.64 | 11.85 | 3.72 | 18.15 | 65.91 |
| Vacant | 4.05 | 0.84 | 0.00 | 0.23 | 2.34 | 2.96 | 2.92 | 13.34 |
| Redevelopable | 2.46 | 2.01 | 0.00 | 0.00 | 0.00 | 0.52 | 2.67 | 7.66 |
| Total Acres: | 23.79 | 8.54 | 0.58 | 8.87 | 14.19 | 7.20 | 23.73 | 86.90 |
| Total Developable: | 6.52 | 2.84 | 0.00 | 0.23 | 2.34 | 3.48 | 5.59 | 20.99 |
| Code Max DU/Acre | 24 | 24 | 24 | 12 | 18 | 24 | 48 | |
| **Capacity (Units)** | **156** | **68** | **0** | **3** | **42** | **84** | **268** | **621** |

### F-Line Corridor

The F-Line Corridor, running through Burien's Urban Center, expectedly contains a large amount of land that is currently being used for general commercial purposes—mainly retail uses. Much of this land hosts low-intensity, older development that fall below our improvement ratio threshold and is therefore considered redevelopable. The study area contains a total of over 37 acres that are currently built on, but that Heartland considers redevelopable. Additionally, there are currently 8.5 acres of vacant land in the corridor. This developable land translates into a total regulatory capacity of 2,268 units. It should be noted that over 1,500 of these units are from DC-zoned land, with a high density of 100 units per acre, based on the City's 2009 growth target density.

| F-Line Corridor Parcel Use Breakdown | | | |
|---|---|---|---|
| **Present Use** | **# of Parcels** | **Total Acres** | **% of Area** |
| General Commercial | 108 | 81.0 | 44% |
| Mixed-Use | 1 | 1.5 | 1% |
| Mobile Home Park | 0 | 0.0 | 0% |
| Multi-Family Residential | 94 | 39.4 | 21% |
| Office | 40 | 16.9 | 9% |
| Parking | 15 | 7.0 | 4% |
| Public/Community-Oriented | 12 | 17.1 | 9% |
| Senior/Medical Facility | 0 | 0.0 | 0% |
| Single Family Residential | 72 | 14.4 | 8% |
| Vacant | 24 | 8.5 | 5% |
| **Totals** | **366** | **185.8** | **100%** |

| F-Line Corridor Development Capacity | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Land Category** | **CC-1** | **CC-2** | **CR** | **DC** | **O** | **RM-12** | **RM-24** | **SPA-3** | **Totals** |
| Developed | 1.45 | 19.86 | 8.39 | 41.20 | 4.13 | 3.67 | 42.47 | 18.89 | 140.06 |
| Vacant | 0.88 | 0.17 | 0.00 | 5.37 | 0.00 | 0.00 | 2.11 | 0.00 | 8.53 |
| Redevelopable | 0.17 | 1.13 | 8.18 | 10.30 | 0.00 | 0.70 | 9.49 | 7.24 | 37.21 |
| Total Acres: | 2.51 | 21.15 | 16.57 | 56.87 | 4.13 | 4.37 | 54.06 | 26.14 | 185.80 |
| Total Developable: | 1.05 | 1.30 | 8.18 | 15.67 | 0.00 | 0.70 | 11.60 | 7.24 | 45.74 |
| Code Max DU/Acre | 12 | 24 | 24 | 100* | 24 | 12 | 24 | 24 | |
| **Capacity (Units)** | **13** | **31** | **196** | **1,567** | **0** | **8** | **278** | **174** | **2,268** |

*The DC zone does not have a density limit; therefore the DU/Acre figure of 100 was taken from Burien's Comprehensive Plan Land Use Analysis for the zone's April 2009 growth target density.

## APPENDIX III: Recent Land and Improved Sales within Study Areas

| Ambaum Corridor Commercial Land Sales & Listings | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Property** | **Address** | **Sale Date** | **Sale Price** | **GBSF** | **$/GBSF** | **Land SF** | **$/SF** | **Zoning** |
| Thai Thai Restaurant | 13409 Ambaum Blvd SW | 6/6/2012 | $275,000 | 2,040 | N/A | 15,452 | $18 | CC-2 |
| Robbins Co Sale #1 | 14629 Ambaum Blvd SW | 12/20/2011 | $279,000 | 700 | N/A | 12,643 | $22 | CC-1 |
| Robbins Co Sale #2 | 14611 Ambaum Blvd SW | 12/15/2011 | $216,500 | 500 | N/A | 11,275 | $19 | CC-1 |
| Converted SFR | 12451 Ambaum Blvd SW | 2/23/2011 | $155,000 | 1,940 | N/A | 7,200 | $22 | RM-24 |
| Alpine Fence Site | 11235 16th Ave SW | 10/15/2010 | $325,000 | 400 | N/A | 18,850 | $17 | CC-2 |
| Fire Station Site | 900 SW 146th St | 12/8/2009 | $2,087,000 | 13,040 | N/A | 78,972 | $26 | CC-1 |
| Millenium Ford Vacant Land #1 | 811 SW 146th St | Listing | $400,000 | 0 | N/A | 25,700 | $16 | CC-1 |
| Millenium Ford Vacant Land #2 | 14600 9th Ave SW | Listing | $600,000 | 0 | N/A | 24,500 | $24 | CC-1 |
| Emerald Pointe Dev. Opportunity | 13401 12th Ave SW | Listing | $3,995,000 | 0 | N/A | 426,888 | $9 | RS-12000 |

| Ambaum Corridor Improved Commercial Sales & Listings | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Property** | **Address** | **Sale Date** | **Sale Price** | **GBSF** | **$/GBSF** | **Land SF** | **$/LSF** | **Zoning** |
| Navos Apt Building | 13213 Ambaum Blvd SW | 3/16/2012 | $1,003,300 | 10,036 | $100 | 19,421 | $52 | RM-24 |
| Schick Shadel Facility | 12101 Ambaum Blvd SW | 8/10/2011 | $2,000,000 | 25,532 | $78 | 103,384 | $19 | RM-12 |
| Chelsea Park Retail | 13612 Ambaum Blvd SW | 2/11/2010 | $430,000 | 5,190 | $83 | 11,067 | $39 | CI |
| Millennium Ford Service Dept. | 14615 9th Ave SW | Listing | $2,100,000 | 21,000 | $100 | 45,777 | $46 | CC-1 |
| South Ambaum MF | 800 SW 156th St | Listing | $939,950 | 12,424 | $76 | 19,248 | $49 | RM-24 |

| Blvd. Park Corridor Commercial Land Sales & Listings | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Property** | **Address** | **Sale Date** | **Sale Price** | **GBSF** | **$/GBSF** | **Land SF** | **$/LSF** | **Zoning** |
| Lyon's Gate Property | 11652 Des Moines Memorial Dr. | 9/28/2006 | $900,000 | 0 | N/A | 80,586 | $11 | RM-24 |
| Auto Service Site | 11441 Des Moines Memorial Dr. | Listing | $164,999 | 0 | N/A | 17,424 | $9 | CC-2 |
| Dunn Lumber Surplus Lot | 11445 Des Moines Memorial Dr. | Listing | $400,000 | 0 | N/A | 20,473 | $20 | CC-2/RM-18 |
| RM-24 Land Assemblage | 12251 Des Moines Memorial Dr. | Listing | $349,000 | 0 | N/A | 48,787 | $7 | RM-24 |

| Blvd. Park Corridor Improved Commercial Sales & Listings | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Property** | **Address** | **Sale Date** | **Sale Price** | **GBSF** | **$/GBSF** | **Land SF** | **$/LSF** | **Zoning** |
| Dunn Lumber Site | 11455 Des Moines Memorial Dr. | 6/18/2012 | $790,000 | 18,780 | $42 | 51,965 | $15 | CC-2 |
| Wayne's World Tavern | 1832 S 120th St | 2/15/2011 | $325,000 | 3,335 | $97 | 12,726 | $26 | CC-2 |
| Culcleasure Building | 12653 Des Moines Memorial Dr. | 4/30/2012 | $230,000 | 3,200 | $72 | 10,995 | $21 | CB |
| Cascade Vue Apts | 12037 Des Moines Memorial Dr. | 11/9/2010 | $785,000 | 8,400 | $93 | 13,721 | $57 | RM-24 |
| Fairway Lanai Apts | 1807 S 118th St. | 10/29/2010 | $2,220,700 | 39,898 | $56 | 48,823 | $45 | CC-2 |
| Country Squire Apts | 11209 Des Moines Memorial Dr. | Listing | $2,795,000 | 35,231 | $79 | 33,106 | $84 | RM-48 |

| UC RM-24 Commercial Land Sales & Listings | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Property** | **Address** | **Sale Date** | **Sale Price** | **GBSF** | **$/GBSF** | **Land SF** | **$/LSF** | **Zoning** |
| SFR Property | 228 SW 154th St | 6/19/2012 | $109,775 | 0 | N/A | 7,500 | $15 | RM-24 |
| SFR Property II | 225 S 156th St | 2/14/2011 | $120,000 | 0 | N/A | 8,125 | $15 | RM-24 |
| Vacant Parcel | 158xx 4th Ave S | Listing | $225,000 | 0 | N/A | 13,715 | $16 | RM-24 |

| UC RM-24 Improved Commercial Sales & Listings | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Property** | **Address** | **Sale Date** | **Sale Price** | **GBSF** | **$/GBSF** | **Land SF** | **$/LSF** | **Zoning** |
| Ladmarc Apts | 15411 4th Ave SW | 10/15/2012 | $2,073,800 | 17,520 | $118 | 30,000 | $69 | RM-24 |
| Laru Apts | 420 SW 154th St. | 12/3/2011 | $1,250,000 | 17,090 | $73 | 22,500 | $56 | RM-24 |
| 10-Unit Apt Building | 800 SW 156th St | Listing | $939,950 | 12,424 | $76 | 19,248 | $49 | RM-24 |

## APPENDIX IV: Study Area Comparable Property Profile Tables

**Ambaum Corridor Multi-Family Property Summary Table**

| Property | Address | Yr Built/ Eff Yr | # of Units | Avg Unit Size | Rent Range | Weighted $/SF | Bldg Gross SqFt | Lot SqFt | FAR | Zoning | Achieved DU/AC | Parking Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Shorewood Apts | 11050 16th Ave SW | 2005 | 36 | 800 | $795-$995 | $1.20 | 29,916 | 37,700 | 0.79 | R-48 | 42 | 1.7 |
| City's Edge Condominiums | 11801 Ambaum Blvd | 1995/2008 | 45 | 922 | $999-1,175 | $1.26 | 41,490 | 264,438 | 0.16 | RM-12 | 7 | 2.0 |
| Salmon Creek Apts | 1038 SW 122nd St | 1994 | 32 | 720 | $740-$870 | $1.10 | 23,222 | 36,588 | 0.63 | RM-48 | 38 | 1.5 |
| Sherri Arms Apts | 1010 SW 126th St | 1968 | 40 | 767 | $700-$875 | $1.06 | 33,974 | 56,700 | 0.60 | RM-18 | 31 | 1.5 |
| Amber Glo | 1223 SW 128th St | 1969 | 47 | 877 | $695-$815 | $0.86 | 48,824 | 53,000 | 0.92 | RM-12 | 39 | 1.4 |
| 8-Unit Apartments | 857 SW 134th St | 2000 | 8 | 1,088 | $895-950 | $0.87 | 8,704 | 20,413 | 0.43 | RM-18 | 17 | -- |
| NW Development Apts | 13505 Ambaum Blvd SW | 2007 | 8 | 845 | $1,025-$1,050 | $1.24 | 12,765 | 16,674 | 0.77 | CI | 21 | -- |
| The Heights at Burien | 13608 12th Ave SW | 1948/1973 | 542 | 711 | $675-$985 | $1.09 | 770,760 | 1,098,147 | 0.70 | RM-18 | 21 | 1.2 |
| Hallmark Apts | 14409 8th Ave SW | 1968 | 52 | 695 | $575-$675 | $0.92 | 43,605 | 66,390 | 0.66 | RS-7200 | 34 | -- |

**Ambaum Corridor Commercial Property Summary Table**

| Name | Address | Type | Yr Blt | NNN Asking Rent ($/SF/Yr) | Stories | Bldg NSF | Space SF |
|---|---|---|---|---|---|---|---|
| Ambaum Center | 12808 Ambaum Blvd SW | Retail | 1965/1985 | $12.00 | 1 | 46,600 | 7,090 |
| Burien Professional Building | 13512 Ambaum Blvd SW | Office | 2006 | $15.50 | 3 | 9,000 | 3,260 |
| WAPDCA Office Bldg | 870 SW 136th St | Office | 1953 | $14.28 | 1 | 1,888 | 1,888 |
| 14021 Ambaum Blvd SW | 14021 Ambaum Blvd SW | Office | 1966 | $10.25 | 2 | 3,693 | 975 |
| Ambaum Professional Center | 14212 Ambaum Blvd SW | Office | 1965 | $15.50 | 2 | 20,102 | 4,231 |
| Ambaum Office Building | 14241-14257 Ambaum Blvd | Office | 1956 | $10.00 | 2 | 12,389 | 3,661 |
| Pully Point Professional | 14413 Ambaum Blvd SW | Office | 2008 | $20.00 | 1 | 4,050 | 1,850 |
| Ambaum Plaza | 14400 Ambaum Blvd SW | Retail | 1989 | $14.00 | 1 | 26,847 | 4,680 |
| Millenium Ford Body Shop | 14615 9th Ave SW | Retail/ Industrial | 1966 | $15.60 | 1 | 7,700 | 7,700 |

**Blvd. Park Corridor Multi-Family Property Summary Table**

| Property | Address | Yr Built | # of Units | Avg Unit Size | Rent Range | Weighted $/SF | Bldg Gross SqFt | Lot SqFt | FAR | Zoning | Achieved DU/AC | Parking Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Miitary Road 4-Plex | 11454 Military Rd | 1980 | 4 | 900 | $925 | $1.03 | 4,245 | 18,295 | 0.23 | RM-48 | 10 | 2.0 |
| Arbour Court | 2225 S 112th St | 1990 | 75 | 1,000 | $775 - $1,050 | $0.94 | 98,483 | 124,075 | 0.79 | RM-48 | 26 | 1.4 |
| Country Squaire Apts | 11209 Des Moines Mem Dr | 1966 | 30 | 917 | $789 | $0.86 | 35,231 | 33,185 | 1.06 | RM-48 | 39 | 1.8 |
| Fairway Lanai Apts | 1807 S 118th St 98168 | 1968 | 43 | 843 | $685-$950 | $1.02 | 36,252 | 48,823 | 0.74 | CC-2 | 38 | 1.3 |
| Fairway Arms Apts | 11262 20TH Ave S | 1959 | 11 | 652 | $665 | $1.02 | 7,640 | 19,970 | 0.38 | RM-18 | 24 | 1.4 |
| Rodeberg 4-plex | 12438 Roseberg Ave S | 2005 | 4 | 897 | $985 | $1.10 | 3,776 | 16,278 | 0.23 | RM-12 | 11 | 1.5 |
| Boulvard Park Apts | 12239 Des Moines Memorial Dr | 1969 | 9 | 663 | $550 | $0.83 | 6,945 | 8,778 | 0.79 | RM-24 | 45 | 1.2 |
| Pali Court Apts | 11425 Military Rd | 1962 | 7 | 924 | $800 | $0.87 | 8,322 | 10,812 | 0.77 | RM-24 | 28 | 1.9 |
| Eastview Lanai Apt | 11600 Military Rd | 1964 | 12 | 1,085 | $775-$960 | $0.80 | 18,352 | 19,786 | 0.93 | RM-18 | 26 | 2.1 |

| UC RM-24 Area Multi-Family Property Summary Table | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Property** | **Address** | **Yr Built/ Eff Yr** | **# of Units** | **Avg Unit Size** | **Rent Range** | **Weighted $/SF** | **Bldg Gross SqFt** | **Lot SqFt** | **FAR** | **Zoning** | **Achieved DU/AC** | **Parking Ratio** |
| Laru Apts | 420 SW 154th St. | 1967 | 20 | 730 | $795 | $0.97 | 17,090 | 22,500 | 0.76 | RM-24 | 39 | 1.3 |
| Olive Tree Apts | 308 SW 155th St | 1989 | 14 | 940 | $975 | $0.97 | 15,520 | 15,000 | 1.03 | RM-24 | 41 | 1.3 |
| Palos Apts | 455 SW 156th St | 1959 | 25 | 640 | $929 | $1.03 | 17,300 | 29,395 | 0.59 | RM-24 | 37 | 0.8 |
| Windsor Court | 219 S 156th St | 1994 | 54 | 840 | $985 - $935 | $1.15 | 52,285 | 47,916 | 1.09 | RM-24 | 49 | 1.5 |
| 10 Unit Apt | 800 SW 156th St | 1979 | 10 | 1,242 | $813 | $0.65 | 12,424 | 19,248 | 0.65 | RM-24 | 23 | 1.0 |
| Grandview Court Apts | 145 SW 155th St | 2001 | 13 | 1,139 | $1,195- $1,395 | $1.14 | 30,362 | 23,946 | 1.27 | RM-24 | 24 | 3.7 |
| Oliveira Court Apts | 454 SW 156th St | 1969 | 14 | 758 | $600- $750 | $0.92 | 10,735 | 13,296 | 0.81 | RM-24 | 46 | 1.6 |
| Burien Huas | 430 SW 154th St. | 1967 | 33 | 775 | $500- $800 | $0.84 | 25,580 | 30,000 | 0.85 | RM-24 | 48 | 0.3 |