

December 5, 2022

MEMORANDUM

To: Neighborhoods, Education, Civil Rights & Culture Committee
From: Lish Whitson, Analyst
Subject: Council Bill 120312: Seattle-First National Bank Building

On Friday, December 9, the Neighborhoods, Education, Civil Rights & Culture Committee (Committee) will discuss and may vote on [Council Bill \(CB\) 120312](#), which would adopt Controls and Incentives for the Seattle-First National Bank building (SFNB) at 566 Denny Way (Council District 7). The exterior and site of the SFNB was designated a Landmark by the Landmarks Preservation Board (LPB) on November 1, 2006. On November 17, 2021, the LPB and the building's current owner, Walgreens, jointly approved a set of Controls and Incentives that would apply to the site and exterior of the structure. CB 120312 would grant final approval for that negotiated set of controls and incentives.

This memorandum describes (1) the landmark nomination and designation process; (2) the City's position as a Certified Local Government under Washington State Law under the National Historic Preservation Act; (2) the SFNB landmark; (3) standard controls and incentives the City uses to encourage compliance with the City's Historic Preservation laws; (4) the zoning in the Uptown neighborhood and zoning incentives for landmarks; and (5) the specific controls and incentives included in CB 120312.

Landmarks Nomination and Designation Process

Seattle's Landmarks Preservation Ordinance, SMC [Chapter 25.12](#), lays out a three-step process for designating City of Seattle landmarks. The process starts with a nomination for consideration of an object, site, or improvement¹ as a landmark, designation as a landmark, and approval of controls to be placed on the landmark and incentives to maintain the landmark.

The LPB – a 12-member board of experts in architecture, history, urban planning, structural engineering, real estate, and finance – oversees the nomination and designation process. The LPB's decision is based on the standards for designation provided in SMC [25.12.350](#):

An object, site or improvement which is more than twenty-five (25) years old may be designated for preservation as a landmark site or landmark if it has significant character, interest or value as part of the development, heritage or cultural characteristics of the City,

¹ Objects that have been designated include street clocks and historic vessels. Sites are unimproved, but potentially landscaped or contain culturally significant elements, areas of land. Improvements include buildings and other structures, such as electrical substations.

state, or nation, if it has integrity or the ability to convey its significance, and if it falls into one (1) of the following categories:

- A. It is the location of, or is associated in a significant way with, an historic event with a significant effect upon the community, City, state, or nation; or
- B. It is associated in a significant way with the life of a person important in the history of the City, state, or nation; or
- C. It is associated in a significant way with a significant aspect of the cultural, political, or economic heritage of the community, City, state or nation; or
- D. It embodies the distinctive visible characteristics of an architectural style, or period, or of a method of construction; or
- E. It is an outstanding work of a designer or builder; or
- F. Because of its prominence of spatial location, contrasts of siting, age, or scale, it is an easily identifiable visual feature of its neighborhood or the City and contributes to the distinctive quality or identity of such neighborhood or the City.

Nomination and Designation

Anyone may nominate a site, improvement, or object of historic, cultural, architectural, engineering, or geographic significance as a potential landmark. Most typically, nominations are made by (1) property owners voluntarily seeking long-term preservation of a structure; (2) property owners required to nominate a structure that triggers thresholds for additional review under the State Environmental Policy Act (SEPA);² or (3) community-based organizations proposing long-term preservation of a site, object, or improvement.

Nominations require filing of a [standard nomination application](#), which includes a physical description of the site, object or improvement and its context; a statement of significance regarding the history of the property and its context; photographs; and plans, maps or other figures. The statement of significance addresses the contextual history of the nominated site, object, or improvement which could relate to the potential standards for designation.

The LPB must consider the nomination at a public meeting. They either (1) approve the nomination in whole or in part and schedule a date for a public meeting on the designation or (2) disapprove the nomination. If the nomination is disapproved, the proceedings terminate, and the nomination may not be brought forward again for five years, or ten years for public school buildings, unless the owner consents to reconsideration.

² Those thresholds are listed in Footnote 1 for subsections [25.05.800.B.6](#) and [25.05.800.B.7](#). Demolition of or modification to structures with at least 4 units in lower-density zones or 6, 8, or 20 units in higher-density zones; or 12,000 square feet of non-residential use in Commercial, Seattle Mixed and Industrial zones or 4,000 square feet in other zones are referred to the Department of Neighborhoods for further review.

If the nomination is approved:

- The LPB then holds a public meeting within 60 days to consider designation of the site, object or improvement, as a City of Seattle landmark. At that meeting, the LPB receives any comments in support of or opposed to the designation and decides whether to approve the designation; and
- A [Certificate of Approval](#) (C of A) is required from the LPB before any changes can be made to the nominated site, object or improvement. This requirement remains in place unless the LPB decides not to approve the designation.

If the LPB declines to designate a landmark, the proceedings terminate, and a nomination may not be brought forward again for five years, or ten years for public school buildings, unless the owner consents to reconsideration.

Controls and Incentives

If the LPB approves a designation, the structure, site or object officially becomes a landmark. The LPB issues a report on the designation within 14 days and the City Historic Preservation Officer (CHPO) begins to negotiate a Controls and Incentives agreement with the Landmark's owner.³ Controls delineate the features of the Landmark that must be maintained and the process for receiving a C of A for making changes to the Landmark. The agreement also includes a detailed list of types of work that do not require a C of A, and the types of work that can be reviewed by the staff in lieu of the Board. Incentives often include zoning flexibility, exceptions to building and energy codes, and financial incentives, such as Special Tax Valuation.

If Department of Neighborhoods' historic preservation staff (staff) and the Landmark's owner reach agreement on Controls and Incentives, the Controls and Incentives agreement is considered by the LPB. If the LPB approves the negotiated Controls and Incentives agreement, it is forwarded to Council in a Council Bill for consideration. If the LPB disapproves of the negotiated agreement, they may file their own recommendation with the Seattle Hearing Examiner (Examiner) and any interested party may file objections to the LPB's decision with the Examiner.

If staff and the Landmark's owner cannot reach agreement on Controls and Incentives, staff will forward their proposed Controls and Incentives to the LPB for consideration. In this case, the LPB may recommend or not recommend the Controls and Incentives, and file their objections with the Examiner. The owner, and any interested person of record may also file objections with the Examiner.

If objections to the LPB's decision are filed, the Examiner will hold a hearing. According to SMC [25.12.560](#): "The [LPB's] recommendation on proposed controls and incentives must be

³ The SMC includes specific time limits for negotiation of Controls and Incentives agreements. Negotiations are supposed to start within 15 days of designation of a Landmark per SMC [25.12.490](#) and negotiations should be concluded within 75 days of designation per SMC [25.12.500](#). However, these timelines are frequently extended upon a vote by the LPB.

supported by applicable law and substantial evidence in the record. The appellant bears the burden of proving that the Board's recommendation should be rejected or modified.” The Examiner must “determine whether to recommend, accept, reject or modify all or any of the proposed controls and economic incentives recommended by the Board, and/or whether to recommend a modified version of any of the proposed controls or incentives.” The Examiner may not impose requirements for a particular use of the Landmark. The Examiner must also ensure that owners are not deprived of a “reasonable economic use” of the landmark.⁴

If the Examiner recommends that no controls be imposed, changes may be made without review by the LPB. If the Examiner recommends Controls and Incentives be applied, it files that recommendation with the City Council. Either way, the Examiner’s decision may be appealed to the City Council, by any party of record before the Examiner, which will treat any appeal as a Quasi-Judicial matter.⁵

If no appeal is filed, the Council reviews Controls and Incentives bills as a legislative action. SMC [25.12.650](#) states, “The Council may by ordinance amend or repeal any designating ordinance...” However, in the past, the Washington State Historic Preservation Officer (SHPO) has warned that decisions by the Council that could be seen as “arbitrary and capricious” could risk the City’s designation as a Certified Local Government. Council-initiated changes to a Controls and Incentives ordinance should be both “well-documented and thoroughly justified.”

Certified Local Government Status

The City’s delegation to the LPB of the authority to review nominations, designate landmarks, and approve changes to designated landmarks is a requirement for the City to maintain its designation as a [Certified Local Government](#) (CLG) under the National Historic Preservation Act of 1966 (NHPA). Designation as a CLG makes the City eligible for Federal and State grants, allows the CLG to directly participate in consulting and negotiating with the Federal government when there is a project that is subject to review under Section 106 of the NHPA (such as the West Seattle to Ballard Light Rail Extension and SR 520 projects).

Designation as a CLG requires that the CLG demonstrates a commitment to preserve, protect, and increase awareness of our unique cultural heritage found in the built and natural environment. The Washington State Historic Preservation Officer (SHPO) reviews designation of each CLG annually to determine whether the CLGs have:

- complied with the certification agreement;
- met minimum program requirements;
- performed its responsibility consistently; and

⁴ The factors that the Examiner uses to determine reasonable economic use are outlined in SMC [25.12.590](#) and include the market value of the landmark before and after the controls and incentives are applied; the owner’s past and projected future financial return on the property; and the net return and rate of return on the site.

⁵ For more information on Council’s review of quasi-judicial matters, please see the Council’s [Quasi-Judicial](#) rules.

- coordinated with the identification, evaluation, and preservation priorities of the comprehensive state historic preservation planning process.

The SHPO has the authority to decertify a CLG if it determines that the CLG has not complied with the certification agreement or met these other standards.

Standard Controls and Incentives

Controls are intended to maintain the designated features of a landmark that convey its significance according to the LPB. Incentives are provided to owners of a landmark to assist in the maintenance and preservation of the landmark. Most recent Controls and Incentives ordinances include the following provisions:

Controls

Controls typically identify the alterations and significant changes to the designated features or characteristics of the landmarks that require a C of A from the LPB. In the case of features requiring a C of A, the LPB will review plans and specifications to ensure that the significant features are maintained. Typically, in-kind maintenance is excluded from this requirement. The Controls may also identify changes that can be approved administratively by the CHPO.

Incentives

[Incentives](#) typically include the following:

- Flexibility under the Land Use Code to accommodate uses otherwise not permitted in the zone under an administrative conditional use permit. For example, in Neighborhood Residential (NR) zones, SMC [23.44.026](#) states that a landmark may be occupied by uses not otherwise allowed in NR zones provided that: (1) the use is compatible with the Landmark, (2) uses permitted outright are impractical, and (3) the use isn't detrimental to nearby properties or the public interest.
- Other incentives as provided for in the Land Use Code. For example, Landmark structures may receive a special exception from parking requirements. Specific to the SFNB, the zone in which it is located provides for transfers of development rights and transfers of development potential from designated landmarks. This is a benefit for the property owner discussed later under "Zoning."
- Exceptions may be provided from requirements of the Seattle Building Code and the Seattle Energy Code.
- Opportunity for Landmarks to access property tax relief pursuant to Revised Code of Washington (RCW) Section [84.26](#). This State law allows for a reduced assessed value up to ten years, equal to the amount invested in qualified rehabilitation expenditures in a two-year period.

Seattle-First National Bank

The SFNB was designated a City Landmark on September 20, 2006. It was designated under designation criteria C, D, E, and F:

- C. It is associated in a significant way with a significant aspect of the cultural, political, or economic heritage of the community, City, state or nation;
- D. It embodies the distinctive visible characteristics of an architectural style, or period, or of a method of construction;
- E. It is an outstanding work of a designer or builder; and
- F. Because of its prominence of spatial location, contrasts of siting, age, or scale, it is an easily identifiable visual feature of its neighborhood or the City and contributes to the distinctive quality or identity of such neighborhood or the City.

The building was built by Seattle-First National Bank⁶ in 1950. The building is representative of a new modern style of branch bank intended to be “friendly” to its patrons. Its location on Denny Way, at an intersection where the street grid shifts and is now surrounded by recently built multi-story mixed-use and hotel development, makes it an easily identifiable visual feature of the neighborhood.

Seattle-First’s history goes back to the first bank founded in Seattle – Phillips, Horton & Company. The bank was the result of the merger in 1929 of the three largest banks in Seattle. By 1934, it was the largest bank in the Pacific Northwest. Following World War II, there was a shift in banking to provide a more customer-friendly experience and accommodate increased automobile use by bank customers. The SFNB is representative of the new free-standing branches being built during that time with its drive-through, distinctive signage on a podium, and surface parking lot.

⁶ Seattle-First National Bank was also known as (1) “First Seattle Dexter Horton National Bank,” when first incorporated as a result of the merger of First National Bank Group, the Dexter Horton National Bank, and Seattle National Bank; (2) First National Bank of Seattle; (3) Seattle-First National Bank; (4) Firstbank; and (5) Seafirst. The bank was acquired by BankAmerica Corporation in 1983, but continued to operate as Seafirst or Seattle-First National Bank until 1999.



Figure 1. Postcard announcing the opening of the Seattle-First National Bank Denny Way Branch in 1950 (Washington State Department of Archaeology and Historic Preservation)

The Denny Way branch was one of a few Seattle-First National branch banks following a general prototype designed by J. Lister Holmes.⁷ The Denny Way branch was designed by John W. Maloney based on that prototype. Holmes is known for the design of Yesler Terrace, Seattle Public Schools Administration Building, and Catherine Blaine K-8 School. Maloney is known for his design of churches in and around Seattle, including the former St. Thomas Seminary, which is now Bastyr University in Kenmore; a number of schools in and around Seattle, including Mercer Middle School; and a number of buildings on the Seattle University Campus, including the Lemieux Library.

The SFNB was built on land that was leveled as part of the last phase of the Denny Regrade. Built around the same time were the Battery Street Tunnel for State Route 99/Aurora Avenue N one block to

the east and the [Broad Street](#) electrical substation, also a City landmark, two blocks to the north. In 2007, the year after its designation, Walgreens purchased the SFNB and converted it from an office use to a retail drug store in 2009.⁸

Zoning

The SNFB is in the Seattle Mixed 160 Uptown zone with a Mandatory Housing Affordability (MHA) suffix (SM-160 UP (M)). This zone was created in 2017 in response to the recommendations of [Uptown: Framework for the Future](#), a five-year process to create a new neighborhood plan, new zoning and new design guidelines for the Uptown Urban Center. That

⁷ A list of these buildings is included in the Landmarks Board's report. The first building built on this prototype still stands at the northeast corner of 1st Avenue S and S Forest Street in the Duwamish industrial area. Differences between the structures include the relationship between the accessory surface parking and the building, the drive through which is a prominent feature of the Denny building, and the large sign post which is only at the Denny Way building. None of these other versions of the prototype have been designated.

⁸ The LPB's Landmark Designation [report](#) provides additional detail about the significance of the structure and its location in the Denny Regrade, its designers, and Seattle-First National Bank.

effort designated the area bounded by Denny Way to the south, Broad Street to the north and 7th Avenue N (formerly Aurora Avenue N) to the east as the “Uptown Triangle.”

The Uptown Triangle was [rezoned](#) in October 2017 from Seattle Mixed 85 to the current SM-160 UP zoning. Height limits were almost doubled, and the floor area ratio (FAR) was increased from a maximum of 6 FAR, with no limit on residential density, to 7 FAR for residential or mixed-use structures. Non-residential structures taller than 125 feet are limited to 2 FAR, non-residential development at or below 125 feet is permitted up to 7 FAR. This change allowed for taller, skinnier buildings than had been permitted previously.

The rezone added Uptown to the [MHA program](#). In the Uptown triangle, an M/High payment and performance area, residential development is required to provide seven percent of units or \$24.76 per square foot toward affordable housing. Non-residential development is required to provide the equivalent of five percent of the commercial floor area or \$9.76 per square foot toward affordable housing. The rezone also added a Transfer of Development Rights (TDR) and Transfer of Development Potential programs (TDP)⁹ to Uptown, with the SM-160 UP zone being the only area where TDP or TDR may be used.

In the SM-160 UP zone, floor area exceeding 5 FAR up to the maximum of 7 FAR is considered “extra floor area.” Extra floor area can also be achieved through participation in the City’s housing and childcare bonus programs and the TDR and TDP programs. At least 65 percent of extra floor area needs to be achieved through participation in the housing bonus or housing and childcare bonus programs, which result in on-site or off-site affordable housing. The remaining 35 percent of floor area needs to be provided through provision of on-site publicly-accessible open space or through TDR or TDP that is acquired from publicly accessible open space, sites with Landmark structures, or sites with vulnerable masonry structures in the Uptown Urban Center.

Extra floor area can also be achieved by providing one or more of the following features:

- Up to 1 FAR for development on a lot that includes a landmark structure;¹⁰
- Up to 1 FAR for development on a lot that includes an arts facility;
- Up to 1 FAR for development on a lot that includes a preschool, elementary or secondary school; or
- Up to 0.5 FAR for a lot that includes at least ten units with at least three bedrooms each and outdoor amenity area with children’s play equipment.

⁹ The term “Transfer of Development Rights” or TDR is used when discussing non-residential floor area. The term “Transfer of Development Potential” or TDP is used when referring to residential floor area. TDR or TDP programs allow a property owner to sell unused development rights or potential that would otherwise be allowed to be built on the site. TDR or TDP sales are typically private market transactions. The City sets up the program and ensures compliance with the regulations governing the TDR or TDP program, but private property owners undertake most TDR or TDP transactions.

¹⁰ There are two designated landmarks in the SM-160 UP zone, the Seattle-First National Bank and the Broad Street Substation located at 319 6th Avenue N.

SM-UP zones exempt the following areas from floor area limits:

- Landmark structures, unless TDR or TDP has been transferred from the landmark site;
- Floor area in a child care center, elementary school or secondary school;
- Floor area for theaters or arts facilities;
- Floor area of required street-level uses; and
- Floor area in vulnerable masonry structures if they are maintained for a minimum of 50 years.

In drafting the regulations for the SM-UP zone, the City considered the SFNB as one of two landmarks in the Uptown Triangle, and intended for the use of TDR to help with the preservation of the SFNB.

Council Bill 120212

CB 120312 (1) recognizes the designation of the landmark by the LPB; (2) identifies the site and exterior of the SFNB as the features designated by the LPB; (3) recognizes the basis of the designation; (4) imposes controls on the landmark; (5) grants incentives for the maintenance of the landmark; (6) recognizes the enforcement mechanisms provided under [SMC 25.12.910](#); and (6) records the landmark status in the SMC and with the King County Recorder's Office.

The Controls and Incentives recommended by the LPB for the SFNB are consistent with other recently approved Controls and Incentives agreements. Controls included in the bill would require a C of A from the LPB before making significant changes to the exterior of the building or the site. No C of A would be required for in-kind maintenance, removal or replacement of small plants, or installation or removal of underground, rooftop or security equipment. The CHPO would be authorized to approve alterations to the structure if changes were deemed to be consistent with the purposes of Chapter 25.12 of the SMC. Among the changes the CHPO would be authorized to approve are (1) removal of hazardous trees; (2) installation or removal of mechanical and lighting fixtures and signage; (3) installation of fire, life safety, or accessibility features; (4) changes to paint colors or drive-through window and equipment; and (5) emergency repairs.

Incentives provided in the bill include the standard incentives described previously: (1) ability to use the structure for a use not otherwise allowed; (2) other land use, building, and energy code flexibility; (3) special tax valuation after qualified rehabilitation; and (4) the ability to transfer development rights from the property.

Under [SMC 25.12.650](#), the Council has the authority to adopt, amend, or reject CB 120312. In the last 30 years, the Council has only amended one Controls and Incentives ordinance, which was for the Seattle Monorail.¹¹ Because CB 120312 would codify a negotiated agreement

¹¹ The Council passed Ordinance [121240](#) which adopted controls and incentives for the Seattle Monorail, but amended the ordinance to remove designation of the monorail's Westlake station, tracks and columns. Action on this ordinance took place while the Seattle Monorail Project was designing a new citywide monorail system.

between the LPB and the owner of the Landmark, the Council should consult with interested parties before making changes to the controls and incentives.

To protect the City's designation as a Certified Local Government, if the Council wishes to amend or reject the Controls and Incentives for the SFNB, Central Staff recommends that Councilmembers ensure that the Council's decision is not arbitrary and capricious, and its reasoning is thoroughly documented and justified.

Next Steps

The Committee may vote on CB 120312 at its December 9 meeting. If the Committee makes a recommendation on the bill, it could be considered as early as the January 3 City Council meeting.

cc: Esther Handy, Director
Aly Pennucci, Deputy Director
Yolanda Ho, Lead Analyst