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IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON  
FOR KING COUNTY

GRE DOWNTOWNER LLC, a Washington  
limited liability company, d/b/a ADDISON  
ON FOURTH,

Plaintiff,

v.

CITY OF SEATTLE,

Defendant.

No.

**VERIFIED COMPLAINT**

JURY TRIAL DEMANDED

Plaintiff GRE Downtowner LLC, a Washington limited liability company, d/b/a Addison on Fourth (“GRE Downtowner”), brings this action against Defendant City of Seattle (the “City”) seeking damages caused by ordinances adopted by the City that amount to a taking of GRE Downtowner’s property requiring just compensation.

**I. INTRODUCTION**

1. Seattle has long suffered from an affordable housing crisis. Over the past decade, housing development has not kept pace with Seattle’s strong population growth and the dramatic shift in the makeup of its economy. This is in part because low-income housing is rarely a profitable endeavor. Few firms have been able to sustainably develop and operate the affordable housing that Seattle desperately needs.

2. Seattle’s own Goodman Real Estate, Inc. (“GRE”) is one such firm. GRE is a vertically integrated real estate company that constructs, develops, manages and invests in multi-

1 family real estate. Over its 30-year history, GRE (directly or through affiliates) has developed,  
2 renovated, managed, and invested in three countries, 24 states, and many types of real estate, such  
3 as historic office buildings in Seattle, marinas, hotels, and retail, but predominately apartment  
4 buildings, both conventional and affordable. Owning and operating affordable housing complexes  
5 creates certain understandable risks for any real estate company, but GRE has long had roots in  
6 this community, and its deep understanding of real estate management, development, investment,  
7 and the regulatory landscape has enabled it to sustainably operate low-income housing in  
8 Washington for decades.

9         3. With financing provided by the Washington State Housing and Finance  
10 Commission (“WSHFC” or the “Commission”), GRE has purchased and renovated several aging  
11 apartment properties and converted them to affordable housing and extended their useful life. One  
12 of those properties is a development known as “Addison on Fourth” (the “Addison”). Between  
13 2010 and 2013, GRE Downtowner redeveloped the Addison to place it in the Low Income Housing  
14 Tax Credit (“LIHTC”) program, a federal program that encourages private investment in  
15 affordable housing. The redevelopment was a massive and complex undertaking involving various  
16 economic stakeholders, including the Commission, bond investors, institutional tax credit  
17 investors, and the Federal Home Loan Mortgage Corporation (commonly known as “Freddie  
18 Mac”) (collectively, the “Stakeholders”).

19         4. GRE Downtowner’s plans and projections for the Addison were based on its deep  
20 institutional experience in developing housing projects; knowledge of the existing federal, state,  
21 and City regulatory regime; and agreed-upon financial underwriting outlining detailed projections  
22 of the Addison’s future as an affordable housing complex. While it is difficult to run low-income  
23 housing sustainably, GRE Downtowner was confident that it could run the Addison at a small  
24 profit and provide several hundred units of much-needed affordable housing to Seattle. And GRE  
25 Downtowner was not alone in its belief. No fewer than five other institutional entities—four of  
26 whom had money on the line—signed off on the projections. These are the Commission; Citigroup

1 (as bond underwriter); Freddie Mac (as credit enhancer for the bonds issued by the Commission  
2 to finance the project); East West Bank (as credit enhancer for the bonds issued during the  
3 construction and renovation of the project); and Stratford Downtowner Investors Limited  
4 Partnership (“Stratford”) (as LIHTC tax credit investor).

5 5. For years, GRE Downtowner’s and the Stakeholders’ beliefs were proven correct.  
6 Between 2015 and 2018, the Addison’s performance tracked projections and budgets. Costs were  
7 manageable and GRE Downtowner was able to realize the majority of the (limited) rent it could  
8 charge. GRE Downtowner rarely had reason to initiate eviction proceedings. On average, this all  
9 meant only a relatively small surplus for GRE Downtowner. But it also meant that GRE  
10 Downtowner could operate the Addison sustainably and indefinitely.

11 6. From 2015 through 2018, the Addison became a reasonable and affordable place to  
12 live. The community was generally safe, in large part because GRE Downtowner was able to deny  
13 tenancy to dangerous and disruptive individuals, as evidenced by their criminal backgrounds.  
14 Residents were generally able to quietly enjoy their apartments in peace. When there were  
15 incidents between tenants, GRE Downtowner was able to handle them appropriately, including  
16 through occasional eviction if necessary. The building was full or nearly full during this time. In  
17 all, the Addison appeared to be a success and an exemplar of what low-income housing could look  
18 like in Seattle.

19 7. This did not last. Starting in 2018, the City began adopting a series of ordinances  
20 that, together, made it virtually impossible to operate low-income housing in Seattle. While their  
21 purposes may have been to increase access to affordable housing, their result has been to ensure  
22 that low-income housing in Seattle is financially disastrous for housing providers like GRE. Each  
23 one of these ordinances would have been problematic on its own, but their combined effects have  
24 destroyed GRE Downtowner’s ability to sustainably operate the Addison, to manage the living  
25 environment, and to uphold the tenants’ rights to the peaceful and quiet enjoyment of their  
26 residences.

1           8.       The first in this series of disastrous ordinances was the “Fair Chance Housing  
2 Ordinance,” enforced since 2018. This ordinance prohibits landlords from denying tenancy based  
3 on an applicant’s criminal history—no matter how severe or extensive. In other words, if a  
4 dangerous and unreformed criminal applies for a room at the Addison, the City has given GRE  
5 Downtowner two choices—stop renting that unit entirely or endanger the Addison (both its  
6 residents and its property) by renting to him or her.

7           9.       As one may expect, this ordinance has wreaked havoc on the Addison and GRE  
8 Downtowner. By the end of 2018, reports of criminal activity and drug usage at the Addison rose  
9 significantly, causing serious concerns to other residents. Tenants began to leave more often than  
10 they had in the past. And GRE Downtowner began to notice what would ultimately be a  
11 devastating trend—that its costs (associated with security and repairing units) began to rise, while  
12 its revenues (derived from both renting units and actually collecting rent owed by tenants) began  
13 to fall.

14          10.      But the City was not done. In 2019, it then passed what has become known  
15 colloquially as the “Roommate Ordinance.” Through this regulation, the City gave the right of any  
16 roommate or “immediate family member”—so broadly defined as to include *ex*-dating partners—  
17 to occupy their roommate or family member’s residence. This is regardless of the danger or  
18 disruption this individual may pose and does not require approval of any kind on GRE  
19 Downtowner’s part. This has resulted in GRE Downtowner no longer being able to efficiently  
20 remove disruptive visitors from the Addison. GRE Downtowner must now resort to the (slow and  
21 expensive) eviction process when dealing with the dangerous and disruptive individuals who are  
22 now GRE Downtowner’s involuntary “tenants.” Many of these “tenants” were unknown to GRE  
23 Downtowner before its employees were informed that these new “tenants” had a legal right to  
24 occupy the Addison, and that they would not leave.

25          11.      Between the Fair Chance Housing Ordinance and the Roommate Ordinance, the  
26 City has forced GRE Downtowner (and Seattle’s other housing providers) to accept as tenants

1 dangerous criminals who often refuse to pay the rent they agreed upon. GRE Downtowner’s only  
2 recourse is to seek an order of eviction through the judicial system. But the City has made eviction  
3 difficult or impossible as well, through the adoption of two other ordinances.

4 12. In 2020, the City passed ordinances precluding both (1) nearly *all* evictions from  
5 *every* December 1 through March 1 (the “Winter Eviction Ban”), including those based on failure  
6 to timely pay rent, and (2) nearly all evictions between March 2020 and February 28, 2022 (the  
7 “COVID-19 Eviction Moratorium”).

8 13. For a provider of low-income housing, eviction is an essential tool, even though it  
9 is always a last resort. As many or most of a low-income housing provider’s tenants are essentially  
10 judgment-proof, most housing providers would be lucky to see a small fraction of rent owed if a  
11 resident refused to pay. The only solution for a housing provider in this instance is to evict the  
12 resident so that the landlord can rent the unit to someone who will pay what they agreed to pay.  
13 But the housing provider will likely not recover much or any of the back rent owed, no matter their  
14 efforts.

15 14. The Winter Eviction Ban and the COVID-19 Eviction Moratorium removed this  
16 critical tool from GRE Downtowner’s belt. With the latter ordinance spanning two full years  
17 (through February 2022),<sup>1</sup> the City gave residents carte blanche to refuse to pay their rent. Without  
18 the ability by GRE Downtowner to evict non-paying tenants, there was simply no reason for certain  
19 residents to pay rent during this period. And thanks to the Fair Chance Housing Ordinance and the  
20 Roommate Ordinance, GRE Downtowner was forced to let its units to those likely to simply refuse  
21 to pay rent, even if they had the means to pay.

22 15. This is exactly what happened. Despite the “gross potential rent” (“GPR”)—the  
23 amount of the maximum possible rental income GRE Downtowner could collect—increasing  
24 substantially between 2019 and 2023, actual collections have gone *down* each year since 2019.

25 \_\_\_\_\_  
26 <sup>1</sup> Any tenant who was able to show “financial hardship” was given another six months of protection from eviction,  
through August 28, 2022. SMC 22.205.090.

1 This is because GRE Downtowner has been, for long stretches, forbidden from evicting residents  
2 who refuse to pay what they agreed to pay for no other reason than they do not want to. That means  
3 GRE Downtowner not only cannot collect revenue from such units, but it also cannot rent such  
4 units to anyone else who *would* pay. And even though the COVID-19 Eviction Moratorium has  
5 expired, every winter, GRE Downtowner is still forced to sit on its hands and wait for spring to  
6 evict those who should be evicted.

7 16. Without the ability to evict, the only way for a housing provider to make up its lost  
8 revenues is by raising rents. This would need to happen regardless, just to keep up with inflation.  
9 But if the above were not enough to destroy the financial viability of any low-income housing  
10 development in Seattle, the City has *also* passed two ordinances penalizing landlords for  
11 implementing often necessary rent increases.

12 17. The first, passed in 2021, requires landlords to provide tenants with six *months* of  
13 notice before increasing the rent by any amount. This, of course, does not let housing providers  
14 change rents in accordance with market conditions. Any rent increase significantly lags rising  
15 costs. And housing providers cannot raise the rent in one jump, either. If a landlord raises the rent  
16 *by more than 10%* and a tenant moves because of this increase, the City’s Economic Displacement  
17 Relocation Assistance ordinance (“EDRA”), also passed in 2021, forces the landlord to pay their  
18 former resident’s *entire* new rent for *three months*—regardless of whether the tenant suffered any  
19 increased costs. Because 10% is a small increase for low-income housing (where a rent increase  
20 of \$130 per month would often qualify), the penalty nearly always greatly exceeds any additional  
21 revenue that a landlord would realize with a rent increase. Functionally, the City has capped rent  
22 increases at 10%.

23 18. The combined effect of these six ordinances has been devastating. Since 2018, with  
24 each passing year, the Addison has deteriorated further. As GRE Downtowner is forced to accept  
25 more and more dangerous and disruptive individuals as residents, more and more of the Addison’s  
26 law-abiding residents leave. Drug addiction and disorder jeopardize the quality of life for long-

1 term, lease-compliant residents. Tenants have threatened to murder maintenance technicians who  
2 come to fix the apartments they themselves destroyed. The situation has become dangerous for  
3 those who remain. Despite GRE's installation of security cameras and hiring of armed security  
4 personnel, the Seattle Police Department now requires a minimum of three officers to respond to  
5 any call at the Addison.

6 19. Many of the Addison's residents (who have done nothing wrong) have moved out  
7 (sometimes out of Seattle entirely) to seek a safer home. One current resident, who has lived there  
8 since 2004, was thrilled with the changes made after GRE Downtowner's acquisition and  
9 renovations. Her apartment was updated, and the lobby was modernized and decorated with plants,  
10 art, sofas, armchairs, and a television. She felt safe. With the passage and implementation of the  
11 City's ordinances, however, that is no longer the case. She is planning to leave. Those who cannot  
12 leave are subject to assault, threats, and other criminal behavior from residents that the City has  
13 forced GRE Downtowner to accept. At worst, this behavior is life-threatening. But even at its  
14 mildest, many of these forced residents are so loud, destructive, and disruptive, they deny the  
15 Addison's residents the quiet enjoyment of their property that they are owed.

16 20. In addition to causing safety and severe quality-of-life issues for tenants, the  
17 economic effect of the City's various ordinances on GRE Downtowner has been catastrophic.  
18 Occupancy rates have plummeted, as have rent collections. Costs have skyrocketed, especially  
19 those associated with security and unit repair/maintenance. The Addison now hemorrhages  
20 money—more than \$2.7 *million* in just 2023 alone. As a result, GRE Downtowner is currently  
21 unable to pay its mortgage and is in default, and the Addison's overall value has been destroyed.

22 21. In essence, the City has put GRE Downtowner and other landlords of low-income  
23 housing in a squeeze play. GRE Downtowner and its partners invested tens of millions of dollars  
24 in the Addison to operate it as affordable housing—all well before the City passed its onerous  
25 ordinances. But the City has now forced GRE Downtowner to either (1) act as public housing for  
26 dangerous and disruptive criminals indefinitely, all while privately absorbing the massive losses

1 stemming from housing them, or (2) shut down entirely, losing an enormous amount on its original  
2 investment, and reducing the affordable housing supply the City needs. Either option is disastrous  
3 for both GRE Downtowner and the Addison’s peaceful low-income tenants. And GRE  
4 Downtowner has suffered the consequences through both the severe diminution of the property  
5 value of Addison, and many millions in losses suffered.

6 22. In all, the combined effect of the City’s ordinances and regulations is so  
7 overreaching and invasive that it amounts to a taking. The City, through its functional  
8 commandeering of low-income housing properties in Seattle, has destroyed the value of GRE  
9 Downtowner’s property so significantly as to make the Addison unsaleable.

10 23. The City’s Fair Chance Housing Ordinance, Roommate Ordinance, COVID-19  
11 Eviction Mortarium, and Winter Eviction Ban have also combined to effect a per se physical taking  
12 on GRE Downtowner. “The right to exclude is ‘one of the most treasured’ rights of property  
13 ownership.” *Cedar Point Nursery v. Hassid*, 594 U.S. 139, 149, 141 S. Ct. 2063 (2021) (quoting  
14 *Loretto v. Teleprompter Manhattan CATV Corp.*, 458 U.S. 419, 435, 102 S. Ct. 3164 (1982)). The  
15 City denies GRE Downtowner (and all residential landlords) the right to exclude by automatically  
16 bestowing tenancy rights on the “immediate family” of any current tenant. As “immediate family”  
17 includes “persons 16 years of age or older who are presently residing together,” the City has  
18 revoked GRE Downtowner’s right to exclude from the Addison non-tenants who “reside” with an  
19 Addison tenant—no matter how disruptive, destructive, or dangerous that individual may be. GRE  
20 Downtowner has no way to exclude these individuals short of initiating eviction proceedings.  
21 Forcing GRE Downtowner to accept such individuals on its property as tenants is a physical taking  
22 of the Addison.

23 24. GRE Downtowner brings this action seeking from the City the just compensation  
24 it is owed. While the City has the right to pass ordinances relating to housing within the City, it  
25 must pay just compensation when its ordinances, as is the case here, work a taking.

1 **II. JURISDICTION AND VENUE**

2 25. The Court has jurisdiction over the parties under RCW 2.08.010 because all acts  
3 forming the basis of this Complaint occurred in King County, Washington.

4 26. Venue is proper in this Court pursuant to RCW 4.12.010 and RCW 4.92.010, as  
5 GRE Downtowner’s principal place of business is King County, GRE Downtowner’s cause of  
6 action arose in King County, and the location of the real property that is the subject of this action  
7 is in King County.

8 27. GRE Downtowner currently owns, and at all material times has owned, that certain  
9 commercial and multifamily residential real property commonly known as Addison on Fourth,  
10 having a street address of 308 4th Ave. S., Seattle, WA 98104.

11 **III. FACTS**

12 28. Goodman Real Estate, Inc. and its affiliated companies have operated in  
13 Washington for more than three decades. GRE’s role as both developer and manager gives GRE  
14 unique insight into the financials of all aspects of a development pre- and post-completion, as well  
15 as the sustainability of low-income housing projects. GRE Downtowner LLC owns the Addison,  
16 and another affiliate, GRE Downtowner Manager LLC, serves as GRE Downtowner’s managing  
17 member. A wholly owned subsidiary of Goodman Real Estate, Inc., GRE Management LLC, is  
18 the property manager for the Addison.

19 29. The Addison has a long history in Seattle. It started as the New Richmond Hotel,  
20 which opened in 1911. In 1970, a Seattle developer purchased the terracotta hotel and converted  
21 it to low-income housing at 80% of the Area Median Income (“AMI”). In 2012, GRE Downtowner  
22 purchased the apartment community for approximately \$12,500,000 and redeveloped it as Addison  
23 on Fourth for approximately \$26,500,000. Private capital was attracted to fund the third-party  
24 equity required for the redevelopment pursuant to the qualification of the project under the  
25 federally sponsored LIHTC and the Historic Tax Credit. The renovation project also qualified for  
26

1 a solar energy tax credit as a result of GRE’s efforts to make the building more energy efficient  
2 through the installation of solar panels.

3 30. The Addison was placed in service in the LIHTC program in 2013, and was fully  
4 renovated and operationally stable by 2015. Located on the border of Seattle’s International  
5 District and Pioneer Square, the Addison provides 254 studio and one-bedroom apartment homes  
6 at a 60% AMI rent limit, including set asides for residents with disabilities, 46 artist studios, and  
7 four commercial spaces.

8 31. In purchasing, renovating, and placing the Addison in the LIHTC program, GRE  
9 Downtowner worked closely with WSHFC; bond investors; GRE Downtowner’s investor  
10 member, Stratford; and Freddie Mac to make the project a reality. During this period, GRE  
11 Downtowner developed informed expectations on how to sustainably manage and operate the  
12 property over the long term. These expectations were based on GRE’s own projections (which  
13 were themselves based on the performance of numerous past projects and the current state of the  
14 low-income housing market), as well as the projections of a fully independent consultant or  
15 consultants retained by certain Stakeholders.

16 32. No fewer than five distinct groups reviewed and were comfortable with these  
17 financial projections at the time of financing. This includes Freddie Mac, the Commission,  
18 Citigroup (as bond underwriter), East West Bank (as provider of a letter of credit), and Stratford  
19 (as the tax credit investor).

20 33. Also informing GRE Downtowner’s expectations and projections was the stability  
21 of the relevant landlord-tenant laws in Washington state and Seattle, which at that point had not  
22 changed in significant respects for many years.

23 34. Between 2015 and 2018, when the Addison was redeveloped and fully operational  
24 and stable, the Stakeholders and GRE Downtowner’s 2012 projections and expectations were met  
25 in all material respects.

## 1 **The City Begins Adopting Invasive and Onerous Ordinances**

2 35. GRE Downtowner’s ability to run the Addison sustainably changed by 2019, as the  
3 Seattle City Council passed with increasing frequency a series of unprecedented and untested  
4 ordinances that ultimately had the collective effect of fundamentally changing the behavioral and  
5 economic relationship between a housing provider (and by extension all Stakeholders) and a  
6 resident.

7 36. The first of these ordinances was the Fair Chance Housing Ordinance, passed on  
8 August 14, 2017 and enforced since February 18, 2018. This ordinance makes it an “unfair practice  
9 for any person to . . . [r]equire disclosure, inquire about, or take an adverse action against a  
10 prospective occupant, a tenant, or a member of their household, based on any arrest record,  
11 conviction record, or criminal history,” which includes denying a prospective tenant residency  
12 based on their criminal record. SMC 14.09.025(A)(2). In other words, the Fair Chance Housing  
13 Ordinance forces housing providers to accept as residents individuals with dangerous criminal  
14 histories who may still pose a danger to others (or at least be extremely disruptive and erratic),  
15 which in turn has a significant and demonstrable negative impact on the community living  
16 environment as a whole.

17 37. Through the Fair Chance Housing Ordinance, the City has forced GRE  
18 Downtowner to (1) accept as tenants at Addison individuals with very serious criminal convictions  
19 or who otherwise pose a high risk of danger to other tenants, or (2) stop renting to new potential  
20 tenants entirely. If GRE Downtowner ever denied someone tenancy based on their criminal  
21 background—no matter how dangerous that individual was—GRE Downtowner would be subject  
22 to five-figure fines for each instance.

23 38. As the full impact of the Fair Chance Housing Ordinance took shape by 2019,  
24 conditions at the Addison quickly deteriorated with the addition of new tenants with significant  
25 criminal histories. Reports of break-ins, drug usage, and other criminal activity rose significantly.  
26 Some of the Addison’s long-term tenants left, but many more without the means to move were

1 forced to remain and bear the burden on the Addison’s living environment that the ordinance has  
2 imposed. More broadly, the issue is not just criminality; the inability to screen tenants has generally  
3 created an environment that infringes on the basic rights tenants have to the quiet enjoyment of  
4 their residences. As explained in more detail below, the City’s ordinances have made the Addison  
5 an ultimately unsatisfying and inadequate place for lease-compliant and law-abiding residents to  
6 live in peace.

7 39. The issue of GRE Downtowner being forced by the City to accept dangerous  
8 tenants was exacerbated by the City’s Roommate Ordinance, passed in late 2019. The Roommate  
9 Ordinance bestows the right to occupy a rented unit upon any roommate or “immediate family  
10 member” of a current tenant—regardless of the danger such an individual may pose to a  
11 community. While the City allows the landlord to screen roommates, thanks to the Fair Chance  
12 Housing Ordinance, it cannot deny a tenant’s roommate occupancy based on their criminal history.  
13 The City does not allow landlords to deny occupancy for “immediate family” at all. This defined  
14 term is broad and includes “persons 16 years of age or older who are presently residing together  
15 who have resided together in the past and who have or have had a dating relationship.”

16 40. The result of the Roommate Ordinance is a physical invasion of the Addison  
17 property. This is done by individuals whom GRE cannot screen and can no longer physically  
18 remove from the Addison—including (former) non-tenants who assault tenants or destroy  
19 property—so long as they are related to or live with an Addison resident, GRE must instead go  
20 through the eviction process. Not only that, but the Roommate Ordinance makes it difficult or  
21 impossible to keep track of who is and is not considered a tenant at the Addison at any given time.  
22 This uncertainty jeopardizes GRE’s ability to administer LIHTC reporting requirements, such as  
23 obtaining and verifying sufficient tenant information to certify the Addison’s compliance with the  
24 LIHTC program’s income and other residency restrictions.

25 41. Between criminal activity and non-payment of rent, an increasing number of  
26 residents of the Addison (and their roommates/family members) violate their leases and thus are

1 subject to eviction. Eviction represents the only way that GRE can remove these residents from  
2 the Addison and is therefore the only effective way for GRE to keep the Addison’s other residents  
3 safe. But between 2018 and 2021, the City made matters much worse, by passing two other  
4 ordinances that functionally *prevented* GRE from evicting these destructive residents for  
5 significant periods of time.

6 42. On February 10, 2020, the City passed the Winter Eviction Ban, precluding nearly  
7 all evictions from every December 1 through March 1, including those based on failure to timely  
8 pay rent. While the stated goal of the Winter Eviction Ban is to “protect the public health . . . by  
9 reducing the number of individuals entering into homelessness during the wintertime,” Mayor  
10 Jenny Durkan refused to sign the bill on the grounds that it would not achieve its stated goal. For  
11 three months of the year or more, the Winter Eviction Ban forces housing providers to allow  
12 residents to occupy their property even if they stop paying rent entirely. The Winter Eviction Ban  
13 remains in effect today.

14 43. From March 2020 until February 28, 2022, the City also maintained an eviction  
15 moratorium (the “COVID-19 Eviction Moratorium”) that provided a complete defense to eviction,  
16 with a limited exception for tenants posing an imminent threat to health and safety. The COVID-  
17 19 Eviction Moratorium applied to all instances of non-payment of rent without requiring a  
18 showing of inability to pay, meaning that the City gave carte blanche to residents to live rent-free  
19 for two years. Unsurprisingly, GRE Downtowner’s collections from residents took a dive between  
20 2020 and 2022. And despite the Department of Housing and Urban Development (“HUD”) having  
21 increased acceptable rent limits under the LIHTC program during this period, GRE Downtowner  
22 remained unable to increase rent for occupied units.

23 44. The inability to evict tenants who are dangerous to others or likely to damage  
24 property or not pay rent poses significant risks to other residents, as well as costs on housing  
25 providers (including GRE Downtowner), as the units occupied by those residents cannot be rented  
26 out to those who would pay. One of the only ways a housing provider can make up for this cost is

1 by raising rent. Raising rent is also necessary to keep up with increased costs associated with  
2 inflation, subject to the rent restriction requirements of the LIHTC program. But the City has made  
3 it quite difficult to operate within even the LIHTC rental framework with a pair of additional  
4 ordinances.

5 45. The “180-Day Notice Requirement” (passed on September 27, 2021 and codified  
6 at SMC 7.24.030) requires that housing providers provide residents with 180 days of notice before  
7 imposing any rent increase. And the Economic Displacement Relocation Assistance ordinance  
8 (EDRA) (also passed on September 27, 2021 and codified at SMC 22.212) requires housing  
9 providers to pay significant amounts to low-income residents should the landlord increase rent by  
10 10% or more and a resident decides to move. Mayor Durkan was so concerned about the  
11 implications of EDRA that she declined to sign the associated bill, noting that it “requires landlords  
12 . . . to pay essentially three months’ rent to the tenant as relocation fees . . . regardless of whether  
13 the property owner faces increased costs, including property taxes.” She was right.

14 46. The functional effect of the 180-Day Notice Requirement and EDRA is that GRE  
15 Downtowner cannot raise rents until six months in the future (regardless of any increased costs it  
16 is suffering) and can only implement rent increases under 10% (lest GRE Downtowner become  
17 responsible for extremely expensive relocation expenses).

18 47. Even with caps on rents imposed by LIHTC, the threat of EDRA forces GRE  
19 Downtowner and other housing providers to keep rent unsustainably low. For example, GRE  
20 Downtowner could not increase rent on a \$1,000-per-month studio apartment by a mere \$100 to  
21 \$1,100 (even though allowed by LIHTC) without wiping out all that additional revenue (and more)  
22 due to the substantial assistance GRE Downtowner must provide to any tenant of such an  
23 apartment who moved. Because the Addison is *all* low-income housing, this means that GRE  
24 Downtowner is forced by the City to keep rental rates unsustainably low across the board.

25  
26

48. The effects of the six aforementioned ordinances are summarized below:

Ordinance	Name/Summary	Cumulative Effects
Ordinance 125515 SMC 14.09.025 passed 1/16/18 enforced since 2/19/18	<b>Fair Chance Housing Ordinance</b> <ul style="list-style-type: none"> <li>Prevents landlords from denying a prospective tenant residency based on their criminal record</li> </ul>	<ul style="list-style-type: none"> <li>GRE can no longer screen or manage its tenants and maintain a safe and healthy environment at the Addison.</li> <li>Many of the Addison’s tenants, who have done nothing wrong, have been forced to move out to seek a safer home.</li> <li>Occupancy rates and rent collections have plummeted.</li> <li>GRE cannot run the Addison at anything but a significant financial loss.</li> <li>Maintenance and security costs have increased.</li> <li>GRE is currently unable to pay its mortgage and is in default.</li> <li>The property is not saleable at all due to the inability to generate positive net cash flow (the property’s negative cash flow would make its value on an income basis negative as well).</li> <li>The collective impact of the City’s ordinances amounts to a physical taking.</li> </ul>
Ordinance 125950 SMC 7.24.030 Passed 9/30/19  (Mayor Durkan refused to sign)	<b>Roommate Ordinance</b> <ul style="list-style-type: none"> <li>Bestows the right to occupy a rented unit upon any roommate or “immediate family” member</li> <li>Prevents landlords from denying occupancy based on criminal history</li> <li>Prevents landlords from screening any “family member” (which is broadly defined)</li> </ul>	
Ordinance 126041 SMC 22.205.080 Passed 2/10/20  (Mayor Durkan refused to sign)	<b>Winter Eviction Ban</b> <ul style="list-style-type: none"> <li>Forces landlords to allow tenants to occupy their property even if they stop paying rent entirely (for 3 months or more)</li> </ul>	
Civil Emergency Order; Executive Order (“EO”) 2020-05; EO 2020-06; EO 2020-09; EO 2020-12; EO 2021-06; EO 2021-07; EO 2022-01; EO 2022-03  In effect 3/16/20 – 2/28/22 (with some protections extending through 8/28/22)	<b>COVID-19 Eviction Moratorium</b> <ul style="list-style-type: none"> <li>Provided a complete defense to eviction of residents (with limited exceptions for tenants posing an imminent threat to health and safety)</li> <li>Applied to all non-payment of rent without requiring a showing of inability to pay</li> </ul>	
Ordinance 126450 SMC 7.24.030 Passed 9/27/21  (Mayor Durkan refused to sign)	<b>180-Day Notice Requirement</b> <ul style="list-style-type: none"> <li>Requires landlords to provide tenants with 180 days of notice before imposing any rent increase</li> </ul>	
Ordinance 126451 SMC ch. 22.212 Passed 9/27/21  (Mayor Durkan refused to sign)	<b>Economic Displacement Relocation Assistance</b> <ul style="list-style-type: none"> <li>Requires landlords to pay significant amounts to low-income tenants should the landlord increase rent by 10% or more and a tenant decides to move</li> </ul>	

1           49.     Due to the combined effects of the Fair Chance Housing Ordinance, the Roommate  
2 Ordinance, the Winter Eviction Ban, the COVID-19 Eviction Moratorium, the 180-Day Notice  
3 Requirement, and EDRA, GRE Downtowner has found it difficult to (1) ensure the safety of the  
4 Addison’s residents while being forced to accept dangerous and/or destructive and disruptive  
5 tenants who frequently cannot be evicted for months, or (2) manage the Addison sustainably, due  
6 to increasing expenses and plummeting rent collections. As a result of the City’s ordinances, GRE  
7 Downtowner cannot derive enough revenue from the Addison to operate at anything other than a  
8 significant yearly loss.

9     **The LIHTC Program**

10           50.     To fully understand the impact of the City’s ordinances, it is necessary to consider  
11 them in the context of the LIHTC program in which the Addison is required to participate.

12           51.     The LIHTC program was created as part of the Tax Reform Act of 1986, codified  
13 as amended at 26 U.S.C. § 42. The program is premised on a model of leveraging private-sector  
14 equity to facilitate cash flow into the development and rehabilitation of low-income housing.  
15 Through the program, the Internal Revenue Service (“IRS”) allocates federal tax credits to state  
16 housing credit agencies, which then distribute the credits to eligible low-income housing  
17 developers.

18           52.     The LIHTC program is the most important resource for creating affordable housing  
19 in the United States today, with more than three million affordable LIHTC units placed in service  
20 between 1987 and 2017. Given the shortage of affordable housing in many cities (including  
21 Seattle), the incentives offered by LIHTC are critical to the development of such housing projects.

22           53.     The LIHTC program allows investors to claim tax credits annually over a 10-year  
23 period if the property remains in compliance with the program’s requirements. 26 U.S.C.  
24 § 42(b)(1)(B). These requirements are long-term and complex, and include, for example, income-  
25 eligibility requirements and rent limits for an initial 15-year “Compliance Period” and an  
26 additional 15-year extended use period. *See id.* § 42(h)(6)(D), (i)(1). During the initial 15-year

1 Compliance Period, the tax credits can be retroactively “recaptured” by the IRS for any number of  
2 reasons. *See id.* § 42(j).

3 54. In Washington, the housing tax credit is allocated by the Commission, which is  
4 responsible for creating a plan and policies for the fair allocation of the credit to housing projects.  
5 As a condition of receiving tax credits, project owners are also required to enter into a recorded  
6 regulatory agreement restricting the use of the property to its terms. The Commission also monitors  
7 all tax credit properties in Washington for compliance with the law. Since the program began,  
8 more than 100,000 affordable apartments have been built or renovated in Washington with the  
9 housing credit.

10 55. Annually, the maximum allowable rent is determined by HUD and based on the  
11 area median income. Given its financing, the Addison provides housing for Seattle residents  
12 earning up to 60% of the area’s median income. For example, in 2022, that was \$54,360 for one  
13 person. The maximum monthly rent for a studio apartment was \$1,358, while the maximum  
14 monthly rent for a one-bedroom unit was \$1,455.

15 56. Sales of tax credit properties are restricted during the first 15 years to purchasers  
16 who are approved by the Commission, and legal and accounting issues add hurdles that further  
17 complicate the sale process. The long terms of the LIHTC regulatory agreements also generally  
18 foreclose the possibility of converting a low-income housing development into a market rate one,  
19 at least for years. Thus, the marketability of these properties is limited, and there is virtually no  
20 possibility of converting a LIHTC property into a market rate property during the lengthy restricted  
21 use period.

22 57. Due to the onerous restrictions on the use and transfer of LIHTC properties, the  
23 Washington State Department of Revenue acknowledges that these properties are difficult to  
24 appraise and value because “[u]nlike conventional properties,” LIHTC properties “are in a  
25 situation where, due to the difficulty of transferring these properties because of the program  
26

1 requirements, the conventional ‘willing seller/willing buyer’ concept is altered.”<sup>2</sup> Because of all  
2 the complex considerations contributing to value as encumbered by the LIHTC program, an  
3 income-based approach to valuation is the best means of evaluating the market value of a LIHTC  
4 property.

5 58. The existence of the LIHTC program demonstrates why the City’s ordinances have  
6 been particularly deleterious. Because low-income housing is such a low-margin and long-term  
7 investment, the federal government instituted LIHTC credits to incentivize housing developers to  
8 commit to the long-term provision of affordable housing. Now that GRE Downtowner and other  
9 developers are locked into LIHTC projects and all the restrictions that come with them, the City  
10 has destroyed the already-marginal profitability of the affordable housing that is critical to the  
11 citizens of Seattle. As GRE Downtowner’s options for the Addison (operating it or shutting it  
12 down) all involve massive losses, no rational housing developer will invest in low-income housing  
13 developments in Seattle—even with the tax advantages that LIHTC offers—as long as the City  
14 maintains its destructive ordinances.

15 **Economic Impact of the Ordinances**

16 59. The economic impact of the City’s ordinances on the Addison have been so severe  
17 that GRE Downtowner is unable to pay its mortgage and is in default as of November 2023.

18 60. One of the reasons that LIHTC developments have low profit margins is that  
19 property managers cannot charge market rents—rents are capped at an amount determined by  
20 objective economic criteria. But expenses, by contrast, are not controlled, so any and all of them  
21 can increase subject to regulatory or market conditions. This means that if the project is to be  
22 sustainable, LIHTC properties must have high occupancy rates, carefully managed expenses, and  
23 the ability to promptly address problems.

24

25

26 <sup>2</sup> Wash. State Dep’t of Revenue, Low-Income Housing Valuation Guide, at 2 (Sept. 2008),  
<https://dor.wa.gov/sites/default/files/2022-02/Low-IncomeHousingValuationGuide.pdf>.

1           61.     Eviction is a last resort. But sustaining a low-income housing property like the  
2 Addison requires the ability to evict non-paying, dangerous, or exceptionally disruptive residents  
3 in a reasonable amount of time. Eviction costs are significant enough that when a resident has  
4 caused problems for the community or simply cannot make rent, it is usually better for all parties  
5 to work out a payment schedule rather than to initiate eviction proceedings.

6           62.     When GRE begins the eviction process, it is because the resident is (1) a chronic  
7 non-payer of rent and refuses to pay; (2) a danger to others; (3) a threat to the living environment  
8 so significant that other tenants cannot realize the quiet enjoyment of their property (often to the  
9 point where Washington law requires the landlord to take action); or (4) some combination of the  
10 three. In these circumstances, the housing provider cannot rent the apartment while a non-paying  
11 resident remains. Worse, the housing provider will almost certainly receive little or none of the  
12 back rent due. Yet worse, dangerous individuals will remain in their unit, jeopardizing the safety  
13 of the community and accelerating the deterioration of the property, thereby further decreasing its  
14 value.

15           63.     The City's ordinances have also systematically destroyed GRE Downtowner's  
16 ability to keep the Addison occupied at sustainable levels. Combined, they have had two  
17 destructive effects on GRE Downtowner's revenue from the Addison. First, they have caused the  
18 Addison's long-term residents to move out, causing vacancy rates to skyrocket to a peak of **44.85%**  
19 in 2023. Second, GRE Downtowner cannot realize any rents owed from a large portion of its  
20 involuntary tenant base, meaning that even renting an apartment to a resident frequently results in  
21 little or no revenue from that resident.

22           64.     These impacts of the City's ordinances have shifted both economic and reduced  
23 quality-of-life burdens from the least responsible residents to those working hardest to support  
24 their families. That is, leaving aside the physical dangers and deterioration of the overall living  
25 environment created by certain residents, bad tenants effectively require landlords to create an  
26 insurance pool whereby lease-compliant residents ultimately must cover the cost of non-lease-

1 compliant residents. As the number and expense of non-lease-compliant residents increase, so too  
2 must the rates charged.

3 65. The decrease in revenue at the Addison is a direct result of the City’s ordinances.  
4 Not only have GRE Downtowner’s rent revenues dropped considerably in absolute amounts since  
5 the ordinances passed, but residential rent revenue as measured as a percentage of the GPR—that  
6 is, the amount of the maximum possible rental income GRE Downtowner could collect—has  
7 plummeted.

8 66. This “percentage of GPR” is the best way to understand the stark impact of the  
9 City’s ordinances on GRE Downtowner, as GRE Downtowner relies on collecting a gradually  
10 increasing amount of rent revenue each year to offset what are inevitable rises in operating and  
11 capital expenses. In other words, collecting the same amount of rental revenue, year after year, as  
12 costs and GPR increase, would quickly result in Addison’s expenses outpacing its revenues and  
13 becoming unsustainable.

14 67. Between and including 2015 and 2018, GRE Downtowner collected roughly 93%  
15 of the Addison’s GPR annually, and never fell below 90% in any given year. This changed in  
16 2019, after the Fair Chance Housing Ordinance went into effect, when collection as a percentage  
17 of GPR fell from nearly 94% to 87%. With the addition of the numerous other ordinances and the  
18 cumulative effects of more and more unmanageable or dangerous tenants moving into the Addison  
19 that cannot be effectively evicted, collections have fallen precipitously each year.

20 68. As a result of the City’s ordinances, rent collections have plummeted from roughly  
21 93% between 2015 and 2018 to **below 45% in 2023**. This is summarized in the chart below:

22

Year	GPR	Collections	% of GPR Collected
2015	\$2,876,184	\$2,606,269	90.6%
2016	\$2,922,696	\$2,730,005	93.4%
2017	\$2,933,739	\$2,748,018	93.7%

Year	GPR	Collections	% of GPR Collected
2018	\$3,128,544	\$2,936,213	93.9%
2019	\$3,415,837	\$2,970,901	87.0%
2020	\$3,789,921	\$2,777,330	73.3%
2021	\$3,892,392	\$2,695,321	69.2%
2022	\$4,082,267	\$2,288,111	56.1%
2023	\$4,308,692	\$1,900,088	44.1%

69. The other side of the coin is amounts lost to vacancies and bad debt—that is, unrealized rent that is extremely unlikely to be recovered from the resident.

70. GRE Downtowner’s bad debt has become unmanageable as a result of the City’s ordinances. After hovering around \$42,000 between 2015 and 2018, bad debt shot up to about \$75,000 in 2019 and 2020, and then reached **\$515,846** in 2022. Despite GRE Downtowner’s best efforts, bad debt remained at \$258,053 in 2023. As long as the ordinances remain in place, GRE Downtowner will continue losing massive amounts in bad debt.

71. The 180-Day Notice Requirement and EDRA make it difficult for GRE Downtowner to find other sources of revenue. GRE Downtowner cannot raise rents (regardless of costs it faces) without six months of notice, and EDRA functionally prevents rent increases of 10% or higher (or else GRE Downtowner will be required to pay substantial moving costs for any tenant who leaves the Addison, risking the rent increase becoming a net *expense* for GRE Downtowner).

72. The Addison currently cannot sustain rental rates at LIHTC maximum limits due to the Addison’s diminished reputation as a result of the City’s ordinances. As a result, the units must be rented for a lower price than the Addison could otherwise charge consistent with the LIHTC program’s requirements. But even if circumstances change such that modest rent increases become viable, EDRA’s requirements will then kick in to ensure that the property will never achieve break-even status. GRE Downtowner’s choice is to keep rents unsustainably low or to pay

1 a relocating tenant three months of any increase in rent that meets EDRA’s threshold. For example,  
2 GRE Downtowner raised the rent on one of its units from \$1,330 per month to \$1,514 per month.  
3 A \$184-per-month increase only totals an extra \$2,208 per year. But as this represented a 14% rent  
4 increase, the tenant moved out and GRE Downtowner was required to pay him significant rental  
5 assistance. The bill ended up being \$3,990 for GRE Downtowner—almost two years’ worth of the  
6 rent increase on the unit.

7 73. Destroying GRE Downtowner’s ability to realize revenue from the Addison’s  
8 tenants would itself be fatal to the Addison’s sustainability. But the City’s ordinances are yet worse  
9 in their impacts; they have also exponentially increased the expenses associated with running the  
10 Addison.

11 74. For example, the number of evictions that GRE Downtowner was forced to initiate  
12 due to the ordinances has increased substantially. The year 2016 saw just 14 evictions, and 2017  
13 saw just 17. But GRE Downtowner was forced to evict 34 individuals in 2018 and 63 in 2019. As  
14 the Addison has roughly 250 units, that means every fourth unit had a tenant evicted in just 2019.

15 75. As explained above, eviction is a last resort, and the only thing worse than having  
16 to evict a resident is when a housing provider is prevented from evicting a resident who poses a  
17 danger to, and degrades the living conditions of, their neighbors and the building. This is what  
18 happened during the COVID-19 pandemic. The City passed the COVID-19 Eviction Moratorium  
19 in March 2020, and evictions dropped from 17 in 2020 (most in the first two months of the year)  
20 to four in 2021, zero in 2022, and two in 2023. This was not because GRE suddenly lacked cause  
21 and reason to evict a substantial number of tenants whom it was forced to accept due to the City’s  
22 ordinances—it was because the COVID-19 Eviction Moratorium made it impossible to evict many  
23 dangerous and destructive tenants. And being forced to retain these tenants imposed (and continues  
24 to impose) enormous costs on GRE Downtowner and the Addison’s residents.

25 76. The Residential Landlord-Tenant Act (“RLTA”) imposes on landlords a number of  
26 duties, which they owe to their tenants. These duties include the duty to “[k]eep any shared or

1 common areas reasonably clean, sanitary, and safe from defects increasing the hazards of fire or  
2 accident,” and the duty to “make repairs and arrangements necessary to put and keep the premises  
3 in as good condition as it by law or rental agreement should have been, at the commencement of  
4 the tenancy.” RCW 59.18.060(3), (5).

5 77. GRE Downtowner takes seriously its duties under the RLTA. So because the Fair  
6 Chance Housing Ordinance and the Roommate Ordinance force GRE Downtowner to rent  
7 apartments to those with significant criminal histories or drug addictions (who are often  
8 destructive), GRE Downtowner’s costs associated with maintaining the Addison’s units and  
9 common spaces have dramatically increased. Many of GRE Downtowner’s involuntary tenants,  
10 when they are evicted (or leave voluntarily after being offered significant economic concessions),  
11 leave their units in a trashed or otherwise unusable state, as shown in the pictures on the following  
12 page:

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COMPLAINT – 24

1           78.     This pointless destruction requires GRE Downtowner to spend significant amounts  
2 of money repairing damage like that shown above. This also results, of course, in units being  
3 unavailable during periods of repair, decreasing the number of units that GRE Downtowner can  
4 rent out at any given time.

5           79.     The widespread increase in property damage and accelerated deterioration of the  
6 living environment have also made it increasingly difficult to meet the standards of WSHFC  
7 inspections required by the LIHTC program. Due to increasing federal oversight concerning  
8 LIHTC inspections and IRS scrutiny, WSHFC has recently changed its position concerning what  
9 does and does not amount to a reportable deficiency. The Commission must now report to the  
10 federal government *all* deficiencies found at inspections, whether or not they are subsequently  
11 corrected. In addition to physical inspections, WSHFC has substantial reporting requirements in  
12 place to ensure that the residents are in fact those that the LIHTC program exists to serve. Those  
13 reporting requirements are typically met through the submission of tenant certifications. It has  
14 become increasingly difficult to meet these inspection and reporting requirements.

15           80.     The expenses GRE Downtowner has incurred in an effort to both mitigate the risks  
16 posed by dangerous residents and stabilize the living environment for its tenants have increased  
17 dramatically. For example, GRE Downtowner's costs related to building security and maintenance  
18 (exclusive of salaries) have skyrocketed. Between 2015 and 2018, GRE Downtowner paid, on  
19 average, \$115,830 per year for security and maintenance—that is, to keep the Addison's residents  
20 safe and apartments habitable. But since and including 2019, these costs have almost *quintupled*,  
21 rising to an average of \$486,926 per year, including an astonishing \$833,353 in 2022. Because the  
22 Addison's usual net cash flow pre-ordinances averaged approximately \$350,000, this *one*  
23 *particular cost* increase was alone enough to wipe out any positive cash flow.

24           81.     Even with these substantial costs undertaken by GRE Downtowner for the benefit  
25 of the Addison's tenants, many still do not feel safe. Nearly 50 tenants since 2018 have reported  
26 to GRE Downtowner that they moved due to concerns for their own safety.

1 82. Other operating expenses have increased exponentially as well. Thanks to the  
2 deteriorated conditions at the Addison caused by the ordinances, GRE Downtowner is also  
3 suffering from high costs associated with staffing and turnover.

4 83. GRE Downtowner has also needed to hire additional personnel to manage the  
5 Addison's vacancies, increasing its administrative payroll expenses from \$275,273 in 2015 to  
6 \$619,495 in 2023. Despite the increase of nearly \$350,000, this represents a worthwhile investment  
7 (that is, a way to avoid losing even *more* money) for GRE Downtowner, considering that the  
8 Addison's occupancy sank as low as 55.15% in September 2023. GRE's marketing expenses  
9 related to the Addison also have increased, going from an average of \$21,284 between 2015 and  
10 2018 to \$43,251 in 2023.

11 84. The Addison's most destructive residents have also inflated GRE Downtowner's  
12 insurance premiums. After hovering around \$41,000 per year between 2015 and 2017, primary  
13 property insurance on the Addison has increased between 19.5% and 29.5% each year, culminating  
14 in a **\$151,377** premium for 2023.

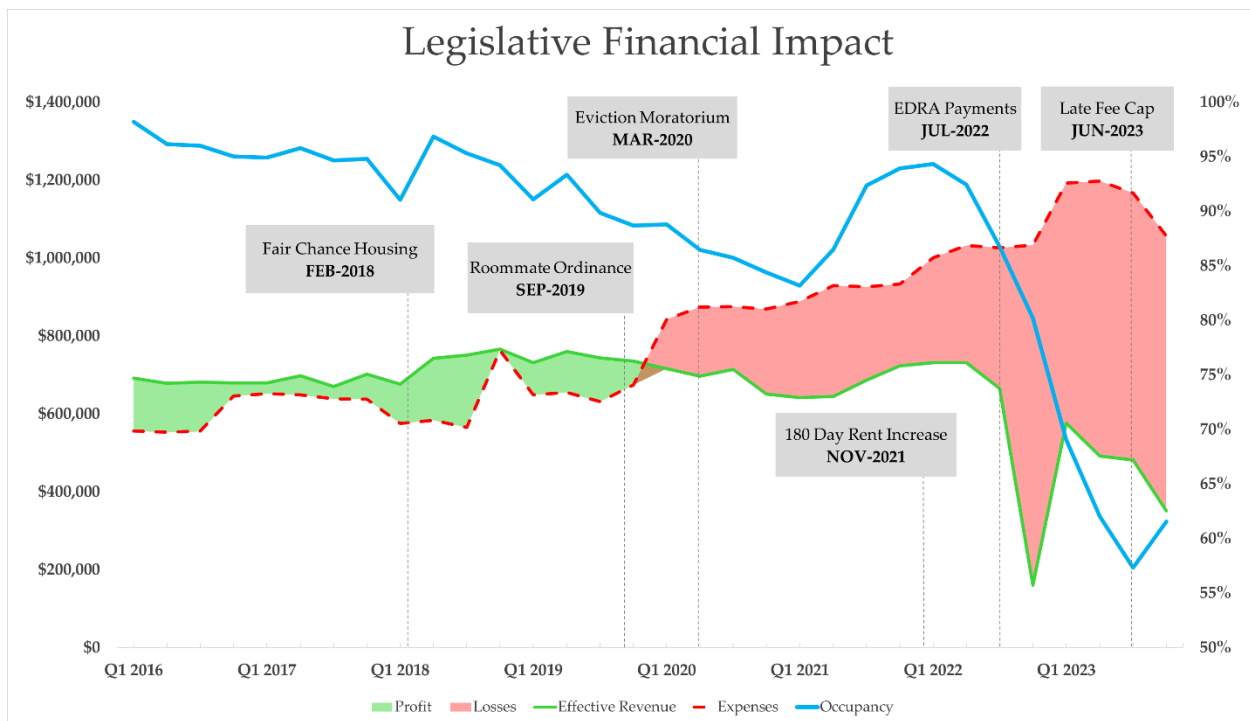
15 85. Ultimately, the damage to the Addison's brand has been severe. Bad social media  
16 reviews as a result of the Addison's degradation have discouraged peaceful potential tenants from  
17 even applying, making more room for an ever-increasing number of dangerous and destructive  
18 new tenants for the Addison. The Addison continues to deteriorate due to their presence; more  
19 peaceful residents move out and warn others to avoid the Addison, and the vicious cycle continues.

20 86. Overall, the direct impacts of the City's ordinances have transformed the Addison  
21 from a viable LIHTC property into a property that loses over \$2.7 million *per year*, as shown  
22 below:

Year	Adjusted Net Cash Flow of the Addison
2015	\$371,277
2016	\$420,898
2017	\$171,933

Year	Adjusted Net Cash Flow of the Addison
2018	\$449,745
2019	\$362,619
2020	(\$683,353)
2021	(\$980,043)
2022	(\$1,803,003)
2023	(\$2,712,465)

87. The overall impact, based on various metrics discussed above, is also visually represented through the following graph:



88. Between 2014 and 2018, the Addison realized roughly 72% of the projected adjusted net cash flow included in the project’s closing binder. If that had held between 2019 and 2023, GRE Downtowner would have been \$1,553,984 in the black over that period. Instead, the

1 ordinances caused GRE Downtowner to *lose* \$5,816,245 over five years, a difference of nearly  
2 **\$7.4 million**. And these losses continue to mount, despite GRE Downtowner’s efforts.

3 89. Further, the City’s ordinances have resulted in damages to GRE Downtowner’s  
4 financing as well. Due to the unforeseeable expenses and uncollectable revenue caused by the  
5 City, GRE Downtowner has been unable to pay either the “developer fee” or “deferred developer  
6 fee” it owes. This fee is often the only true incentive a developer has to manage a low-income  
7 housing project, as the developer frequently only owns a small interest in the land itself. GRE  
8 Downtowner’s inability to pay has resulted in GRE Downtowner owing not just \$4,735,209 in  
9 principal on the two fees, but also an additional **\$5 million** in interest.

10 90. The Addison is far from the only property suffering. The Seattle Office of  
11 Housing’s recently disclosed its release of \$14.2 million in what it describes as “one-time Payroll  
12 Expense Tax funding to support the operating stability of” the Office of Housing’s “housing  
13 partners and the city’s affordable housing portfolio.”<sup>3</sup> The Office of Housing itself admits that  
14 “[a]ffordable housing providers are currently facing significant challenges due to escalating costs  
15 and lost rent revenue.” As shown above, this is exactly what GRE Downtowner faces and  
16 continues to face, due to the City’s ordinances.

17 91. But GRE Downtowner’s massive operating losses do not reflect the full extent of  
18 the negative economic impact the ordinances effected on GRE Downtowner. The City’s  
19 ordinances have also destroyed the value of the Addison property.

20 92. The Addison must be operated as a low-income housing development for the next  
21 23 years, due to its LIHTC structure. But the City’s ordinances have so severely hampered the  
22 Addison’s income that it is impossible to run the Addison at anything other than a significant  
23 operational loss—making the Addison functionally valueless on an income approach valuation  
24 basis. The long-term restrictions placed on properties by the LIHTC program also significantly

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25 \_\_\_\_\_  
26 <sup>3</sup> Seattle Office of Housing, Operating Stabilization RFQ Awards, *available at* <https://housing.seattle.gov/os-rfq-awards/>.

1 limit the market for the Addison. The Washington State Department of Revenue has itself  
2 acknowledged that “due to the difficulty of transferring these properties because of the program  
3 requirements, the conventional ‘willing seller/willing buyer’ concept is altered.”<sup>4</sup>

4 93. GRE Downtowner purchased the building in 2012 for \$12.5 million. It then  
5 invested \$26.5 million more in major renovations and other soft costs associated with its placement  
6 into the LIHTC program. GRE Downtowner has invested approximately \$39 million into the  
7 property, plus nearly \$5.8 million in additional losses between 2019 and 2023. There is no chance  
8 of recouping these outlays through a sale of the property given the further diminution to value and  
9 operations caused by the City’s ordinances. Even if GRE Downtowner could find a purchaser for  
10 the Addison, the purchase price would not entirely reflect the economic impact of the City’s  
11 ordinances on GRE Downtowner. One would have to take into account the amounts that GRE  
12 Downtowner has been forced to spend, and the losses its incurred—\$5.8 million and counting as  
13 of December 31, 2023, or \$7.4 million off of reasonable projections—which do not in and of  
14 themselves impact the value of the Addison and thus would not be recaptured through its sale.  
15 And this does not even consider other financing-relating expenses that GRE Downtowner will or  
16 may be obligated to pay to its general and limited partners.

17 94. Thus, the City’s ordinances have destroyed the value of the Addison as a  
18 sustainable low-income housing development. This impact is especially troubling given that the  
19 LIHTC program is “the federal government’s primary policy tool for encouraging the development  
20 and rehabilitation of affordable rental housing.”<sup>5</sup> The City’s flawed ordinances have functionally  
21 commandeered the properties of private housing providers and placed massive costs on them. The  
22 ordinances have made it impossible to own and operate low-income housing safely and efficiently  
23 in Seattle, trapping GRE Downtowner (and other housing providers) in a situation where it must

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24 <sup>4</sup> Wash. Dep’t of Revenue, Low-Income Housing Valuation Guide at 2 (Sept. 2008),  
25 <https://dor.wa.gov/sites/default/files/2022-02/Low-IncomeHousingValuationGuide.pdf>.

26 <sup>5</sup> Mark P. Keightley, Cong. Res. Serv., RS22389, *An Introduction to the Low-Income Housing Tax Credit*, at Summary  
(2023), <https://sgp.fas.org/crs/misc/RS22389.pdf>.

1 subsidize the cost of housing recidivist criminals to the tune of *millions* per year, and roughly \$5.8  
2 million through 2023 (and more for 2024).

3 95. It is difficult to see how or why an investor would dare invest the capital required  
4 to cover all the liabilities the Addison has accrued over the past few years because of the City's  
5 ordinances and the LIHTC restrictions on the property. The Addison's (nearly non-existent)  
6 market value today would reflect only speculation by an investor that the City may repeal its  
7 ordinances and make running a low-income housing development financially possible again.  
8 The City's ordinances have exacerbated the already dire affordable housing shortage in Seattle.

9 **GRE Downtowner's Investment-Backed Expectations for the Addison**

10 96. The City's ordinances have also eviscerated GRE Downtowner's reasonable,  
11 investment-backed expectations.

12 97. During the Addison's redevelopment, two sets of detailed financial projections  
13 were made to track many financial metrics associated with the operation of the Addison through  
14 the Compliance Period. Both sets of projections took into account LIHTC regulations and  
15 restrictions, as well as state and local housing regulations as they existed at the time. Each  
16 contained assumptions based upon the best information available at the time of closing. Both  
17 projections showed that the property would generate yearly modest but positive adjusted net cash  
18 flow, which would increase year over year through the Compliance Period. This would keep the  
19 management of the Addison sustainable through and beyond the Compliance Period.

20 98. Between 2015 and 2018, the projections largely held as an accurate reflection of  
21 actual returns. For example, GRE's financial data demonstrates that vacancy loss, bad debt, and  
22 other concessions were materially congruent in the 2015–2018 timeframe, ranging from 5 to 7  
23 percent. The same was true for total economic rent, administrative expenses, maintenance and  
24 repair expenses, insurance premiums, and capital expenses. Overall, net cash flow remained  
25 positive and did not materially depart from the projections.

1           99.     Starting in 2019, when the effects of the Fair Chance Housing Ordinance became  
2 manifest, everything changed. Revenue dramatically decreased and operating expenses  
3 dramatically increased, as explained above, resulting in a material divergence from GRE’s  
4 investment-backed expectations. Net cash flow went from a positive return of several hundred  
5 thousand dollars a year to generating yearly losses in the millions, including an approximately  
6 \$683,000 loss in 2020, \$980,000 in 2021, \$1.8 million in 2022, and \$2.7 million in 2023.

7           100.    These losses are due directly to the City’s new and experimental ordinances.

8           101.    Projections going forward, which account for the changes in the past four years,  
9 show similarly dramatic losses through at least 2028, the end of the Compliance Period. The  
10 original redevelopment projections, by contrast, show a positive return of net cash flow through  
11 the Compliance Period of between \$6 and \$12 million in the aggregate. Currently, GRE expects a  
12 ***\$21 million-dollar downward swing*** in the Addison’s anticipated value through the life of the  
13 Compliance Period.

14           102.    In 2023, the Addison was projected to have revenues of \$3,521,108 and operating  
15 expenses of \$1,404,302. When subtracting other significant costs such as debt service, partnership  
16 expense, and other capital expenses, this would have left GRE Downtowner with a surplus of north  
17 of \$531,615 for 2023. In reality, the Addison had revenues of merely \$2,253,289. The difference  
18 is attributable to bad debt (that is, tenants who will not pay) and vacancies. Bad debt and vacancies  
19 only became an issue when the City passed ordinances forcing GRE Downtowner to accept  
20 dangerous criminals as tenants and made them difficult or impossible to evict, which in turn made  
21 the Addison a difficult place to live and populated in large part by individuals who rarely or never  
22 pay rent.<sup>6</sup>

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23           <sup>6</sup> Also threatening GRE Downtowner’s ability to receive rent when owed is a new ordinance limiting late  
24 fees landlords may charge. Passed by the City Council on April 18, 2023 (and like so many of these  
25 ordinances, returned unsigned by the Mayor), Ordinance 126803 (codified at SMC 7.24.034) caps any “fee  
26 for late payment of rent” at ***ten dollars per month*** and disallows any other fees related to late payment of  
rent. This means that tenants will have almost no incentive to pay their rent on time, which may cause  
disruption and further negatively impact GRE Downtowner’s bottom line.

1           103. GRE Downtowner was able to realize more net cash flow than its projections during  
2 the 2015-2018 period before the City began to pass experimental ordinances. The startling  
3 deviation from those projections in 2019 and onward can be seen here:

Period	Average Projected Adjusted Net Cash Flow Per Year	Average Actual Adjusted Net Cash Flow Per Year	Average Difference Between Expectations and Reality	Percentage Difference Between Expectations and Reality
2015-2018	\$185,227	\$353,463	\$168,236	+90.1%
2019-2023	\$430,603	(\$1,163,249)	(\$1,583,852)	-367.8%

10           104. The stark differences between expectations and reality are the result of the City's  
11 numerous ordinances. Simply put, the City's actions have destroyed GRE Downtowner's  
12 reasonable, investment-backed expectations.

### 13 **The Character of the City's Ordinances**

14           105. The City's various ordinances also go far beyond the typical or acceptable  
15 regulation of the landlord-tenant relationship that has been a staple of state law for centuries.  
16 Rather, they are so pervasive and intrusive as to be tantamount to a physical invasion of GRE  
17 Downtowner's property.

18           106. By forcing GRE Downtowner to accept tenants regardless of the danger they may  
19 pose to their neighbors or the costs they will impose on GRE Downtowner, the City has passed  
20 ordinances that impose a direct physical invasion of the Addison without the owner or operator's  
21 consent.

22           107. In 2019, the Addison was forced to accept a tenant who was recently released from  
23 jail and could not be denied tenancy for his criminal history due to the Fair Chance Housing  
24 Ordinance. Almost immediately after moving in, this tenant began damaging security cameras  
25 around the building and threatening the Addison's staff with a weapon. After nearly a *year* of  
26 turmoil, GRE Downtowner was able to evict him, only to discover that he had destroyed his

1 apartment at some point before eviction, leading to over \$10,000 in repairs that GRE Downtowner  
2 had to undertake.

3 108. As a result of the Roommate Ordinance, it is nearly impossible for the Addison’s  
4 staff to even keep track of who is actually a *tenant*, as the ordinance does not require that a  
5 roommate or “immediate family” be added to a lease before bestowing tenancy rights upon them,  
6 thus forcing widespread invasion of the property without consent. It also does not even allow  
7 landlords to *screen* “immediate family” members.

8 109. The Roommate Ordinance has resulted in several situations where a *resident* has  
9 requested that the Seattle Police Department physically remove a threatening non-resident from  
10 their apartment, only for the police to inform the resident that the roommate (non-resident) may  
11 have established residency in the apartment and thus may continue to live there.

12 110. The Addison’s long-term rent-paying residents are the ones who are forced to bear  
13 the day-to-day brunt of the City’s intentions. Since 2018, tenants have committed numerous  
14 stabbings. In November 2019, for example, a resident who had lived at the Addison for six months  
15 stabbed his guest in the chest during an argument. It was only after the resident was arrested that  
16 building managers learned the resident had *several outstanding arrest warrants*. GRE  
17 Downtowner learns of the Addison’s tenants’ criminal histories only when the police arrive and  
18 arrest someone on the premises. In other words, due to the Fair Chance Housing Ordinance, GRE  
19 Downtowner only finds out about significant threats to public and community safety when it is too  
20 late.

21 111. The dangers do not end with property damage, harassment, and assault. There have  
22 also been at least five separate incidents of apparent arson since just 2020, threatening the lives of  
23 all in the building.

24 112. One tenant, who could not be denied tenancy based on his past criminal behavior,  
25 was able to stay in the Addison’s Unit 704 for more than a year before GRE Downtowner was  
26 finally able to evict him. Resident #704 harassed, assaulted, and threatened other tenants—much

1 of it after he had already been served an eviction notice. In one particularly troubling incident from  
2 September 2021, GRE Downtowner received a report that Unit 604 had a leak in it. Two  
3 maintenance technicians visited Unit 704, as Resident #704 had been known to leave his shower  
4 running to the point of causing flooding. When the two technicians got to Unit 704 and asked to  
5 come inside, the tenant rushed into the hallway, assaulted one of the maintenance technicians, and  
6 threatened to murder him. The tenant then followed the technicians and continued to threaten them.  
7 GRE Downtowner was only able to rid the Addison of this menace by convincing him to sign a  
8 Voluntary Vacate form in exchange for agreeing not to collect thousands of dollars of rent that  
9 was past due.

10 113. The City’s ordinances have also incentivized extortion. Because it is so difficult to  
11 evict even a particularly dangerous or destructive tenant, these tenants have learned that as long as  
12 they do not leave first, it is often economically efficient for a landlord to pay them to leave instead  
13 of engaging in the increasingly expensive and increasingly lengthy eviction process.

14 114. Another tenant spent four months at the Addison publicly smoking crystal meth  
15 without a shirt on, exposing himself to residents and staff, stealing and destroying property from  
16 common areas, and pounding on residents’ doors at all hours of the night to scream at them. Again,  
17 GRE Downtowner was forced to accept him because it was not allowed to deny him tenancy based  
18 on his criminal history.

19 115. In just the two years following the implementation of the Fair Chance Housing  
20 Ordinance, *evictions at the Addison tripled*. In that time, GRE Downtowner pursued judicial  
21 evictions of tenants in 42 of its apartments. Of these 42 evictions, 30 were for serious and often  
22 life-threatening behavioral issues: a stabbing; allowing drug dealers to take over an apartment;  
23 bringing trespassers into the building; harassing/assaulting staff; being aggressive with neighbors;  
24 damaging the building; and prostitution.

25 116. The Addison’s tenants have obviously noticed the deterioration of the community  
26 and the intolerable levels of criminality and open drug usage. Tenants describe the new Addison,

1 as contorted by the City’s policies, as “a [j]unkie haven” with “lots of tweakers doing drugs in the  
2 building” and lament that “[h]ardcore drug addicts and severely mentally ill residents make it quite  
3 colorful at all hours night and day.” According to one recent resident, the Addison is now filled  
4 with “people who don’t appreciate the building or the[ir] home,” and has become a place where  
5 “you don’t feel safe or comfortable” because another resident may “try to follow you or your kid.”  
6 Another recent resident has gone so far as to state that they “wouldn’t invite my enemy to this  
7 place.” Another did not mince words, advising potential tenants to “RUN AND KEEP RUNNING  
8 AWAY FROM THE ADDISON ON FOURTH.”

9 117. The deterioration is objectively measurable. Between 2013 and 2017—before the  
10 existence of any of the ordinances—the Addison averaged 67% positive reviews to a mere 25%  
11 negative reviews. In other words, tenants generally liked living there. This changed drastically in  
12 2018, with tenants leaving only 28.5% positive reviews and 57% negative reviews. Since 2019,  
13 the positive reviews have remained just as low (at 29%), while the negative reviews have increased  
14 further to a shocking **69.3%**.

15 118. Traditional guards have refused to work in the building due to these challenges.  
16 And the Seattle Police Department will not respond to any call at the Addison unless they can  
17 bring a minimum of three officers. The lack of police presence merely compounds the danger that  
18 Addison residents and staff face from tenants the City has forced GRE Downtowner to accept.

19 119. GRE Downtowner chose to participate in the LIHTC program for the betterment of  
20 its community in Seattle and to provide quality affordable housing, while also investing millions  
21 of dollars to renovate a historic building and contributing to the urban fabric of the International  
22 District and Pioneer Square neighborhoods—a contribution one would think the City would want  
23 to encourage. GRE Downtowner committed to this long-term program encouraging private  
24 investment based on a deep understanding of the regulatory landscape, which the City later  
25 upended. Due to the City’s ordinances, GRE Downtowner now has liabilities of **over \$40 million**  
26 stemming from the Addison, with no end or relief in sight.

1           120. At this point, no rational for-profit developer would invest in a LIHTC property in  
2 Seattle and commit themselves to operating an affordable housing development. The current  
3 climate created by the City’s ordinances has thus had the opposite effect of what the LIHTC  
4 program did and does encourage, and so long as the City continues to maintain this regulatory  
5 scheme, it must be held responsible financially for the consequences of its actions.

6 **Physical Invasion**

7           121. In addition to the ordinances effecting a partial regulatory taking of the Addison by  
8 the City, the Fair Chance Housing Ordinance and Roommate Ordinance combine to create a per  
9 se physical taking of the Addison.

10           122. “The right to exclude others is an essential stick in the bundle of property rights.  
11 This property right may be protected by utilization of criminal trespass laws in appropriate cases.”  
12 *City of Sunnyside v. Lopez*, 50 Wn. App. 786, 795 n.7, 751 P.2d 313 (1988) (citation omitted). But  
13 because of the Fair Chance Housing Ordinance and Roommate Ordinance, the City has denied  
14 GRE Downtowner this “essential” right to exclude.

15           123. Before the City passed its ordinances, GRE Downtowner had the right to utilize  
16 trespass laws to expel unwanted individuals from the Addison. This was an indispensable method  
17 through which GRE Downtowner could ensure the safety of the Addison’s tenants.

18           124. This is no longer the case. Through the Fair Chance Housing Ordinance and  
19 Roommate Ordinance, the City grants the right of occupancy to any tenant’s “immediate family”  
20 (which is so broadly defined as to include both ex-dating partners or anyone “presently residing”  
21 with the tenant) or “an additional resident who is not a member of the tenant’s immediate family.”  
22 There is no minimum time for a person to “reside” in an apartment before gaining occupancy rights  
23 to that apartment—as long as that person “presently resides” in an apartment, they are entitled to  
24 occupy it.

25           125. What this means is that GRE Downtowner does not merely have to rent apartments  
26 to those with significant criminal histories but can no longer even remove anyone who “presently

1 resides” with those whom GRE Downtowner was unable to deny tenancy in the first instance.  
2 These individuals now have a **legal right** to occupy the Addison, even if an unreformed criminal  
3 tenant no longer wants **them** there. The only way GRE Downtowner can remove these individuals  
4 is through the eviction process, formerly reserved for actual tenants.

5 126. The City has granted a right of occupancy to individuals whom GRE Downtowner  
6 never contracted with and whom GRE Downtowner wants to expel from its property. In doing so,  
7 the City has effected a per se physical taking of the Addison.

#### 8 IV. CAUSES OF ACTION

##### 9 Count 1

##### 10 **Inverse Condemnation Under Washington State Constitution, 11 Article I, Section 16—Partial Regulatory Taking**

12 127. GRE Downtowner incorporates the preceding allegations of this Complaint as if  
13 fully set forth herein.

14 128. Article 1, section 16 of the Washington State Constitution forbids the government  
15 from taking private property for public use “without just compensation having been first made.”

16 129. When a Washington government entity takes private property without providing  
17 the constitutionally required just compensation, the aggrieved party may bring a claim for “inverse  
18 condemnation” against the government entity.

19 130. At all relevant times, GRE Downtowner has been, and currently remains, the sole  
20 owner of the Addison property.

21 131. Through its implementation of the ordinances and their effects on the Addison, the  
22 City has effected a physical invasion and partial regulatory taking on GRE Downtowner.

23 132. The ordinances have destroyed the value of the Addison property, cost GRE  
24 Downtowner millions of dollars per year, devastated GRE Downtowner’s reasonable, investment-  
25 based expectations for the property, imposed numerous physical invasions by dangerous tenants,  
26 and destroyed the value of the property.





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DATED: October 22, 2024.


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*Attorneys for Plaintiff GRE Downtowner LLC  
d/b/a Addison on Fourth*

1 **VERIFICATION**

2 I, George Petrie, am authorized to make this verification on Plaintiff's behalf. I am over  
3 the age of eighteen and am competent to testify as to the matters set forth herein. I make this  
4 declaration based on materials prepared at my direction by GRE's staff. I have read the foregoing  
5 Verified Complaint and the information provided to me and believe the same to be true to the best  
6 of my knowledge and belief.

7  
8 Signature:   
9 Name: George Petrie  
Title: Manager

10 SUBSCRIBED AND SWORN to or affirmed at Seattle WA,

11 this 21 day of October, 2024.

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VERIFICATION