AGENDA

Finance and Economic Development Committee Meeting
Thursday, January 3, 2013
7:00 p.m. – 8:30 p.m.
City Hall South Conference Room

1. **Call to Order**

2. **Approval of October 30, 2012, and December 1, 2012, meetings minutes**

3. **Economic Development Update – 10 minutes**

4. **Discussion of Pacific Ridge Bus Tour and Roundtable Discussion – 60 minutes**

5. **Committee Work Plan for 2013 – 10 minutes**

6. **Committee member comment – 10 minutes**

7. **Future meetings**

MINUTES – FINANCE AND ECONOMIC DEVELOPMENT COMMITTEE MEETING

October 30, 2012
South Conference Room
21630 11th Avenue South, Des Moines, WA

Council Members
Chair Matt Pina
Carman Scott
Jeanette Burrage

City Staff
Tony Piasecki – City Manager
Lorri Ericson – Assistant City Manager
Grant Fredricks – PBPW Director
Denise Lathrop – Planning Manager
Marion Yoshino – Economic Development Mgr
Jenna Herbig – Intern

1. Call to Order

The meeting was called to order at 5:30 pm.

2. Approval of Minutes

The September 25, 2012 minutes were approved.

3. Economic Development Update

City Manager Piasecki briefed the committee on the meeting this afternoon with the staff working on the Artemis Hotel project as well as the status of the Furney property purchase and the PSE project. ED Manager told the group that the rest of the projects were going along well.

4. "Waterland Card" Shop Local Program

ED Yoshino shared a copy of the flyer and about the shop local program she is working on. Approximately 50 businesses are interested in participating and it will be modeled after the "Curve Card" program currently used in Renton.

5. Committee work plan 4th quarter of 2012 and 2013

PBPW Director Fredricks passed out the revised F&ED work plan. The plan was revised as a result of the immanent staff changes in that department. Discussion ensued around light rail and a need to assure there was a joint meeting with Seatac. It was confirmed that this meeting would be scheduled. It has been assigned to the PS&T committee. Councilmember Scott expressed her concern about the length of time of the process. Chair Pina requested the years be listed on the work plan along with the quarter. Discussion ensued about the status of the Marina/Beach Park plan and that timeline.

6. Discussion of Pacific Ridge Bus Tour

Saturday, December 1st was selected as the date for the Pacific Ridge Bus Tour. The meeting will take approximately 4 hours. Discussion ensued about the best way to illicit information and suggestions from those who participate.

7. Marina District Residential Parking Requirements

City Manager Piasecki identified that this item was added for discussion due to a request from a developer that the council consider revising the parking requirements in the Marina District in order to facilitate mixed use development with less parking requirements. The consensus of the committee was that this issue might better be addressed by an appeal to the hearing examiner unless there is a compelling argument that parking requirements should be changed citywide in relation to 1 bedroom or studio units.

8. Committee Member Comment

Councilmember Burrage asked about the nexus between the new Healthpoint building and the Human Services money that was being donated to them. Councilmember Piasecki advised that they were not related.

9. Next Meeting

Next meeting is November 27, 2012 5:30 – 7:00 p.m. in the South Conference room. One of the items for discussion will be Marina District Façade Improvement program.

Adjourned at 7:00 p.m.

Respectfully submitted by:
Lorri Ericson, Assistant City Manager

DRAFT

City of Des Moines

Pacific Ridge Window Tour

City Hall Chambers, 21630 11th Ave S
Des Moines Wa 98198

Meeting Notes and Minutes

ATTENDEES

Council Members: Carmen Scott, Matt Pina, Jeanette Burrage
Development Consultant: James Mueller & Assoc. LLC
Real Estate Community Participants:
Mark Johnson, Joe Alhadeff, BJ Bjorneby, Howard Montoure
City Manager: Tony Piasecki
City Staff: Denise Lathrop, Robert Ruth, Marion Yoshino

Meeting Minutes

On Saturday, December 1st the Finance and Economic Development Committee held a tour and round-table discussion on the subject of the Pacific Ridge neighborhood.

1. **Welcome and Introductions** – 10:05am Committee Chair Matt Pina

2. **Presentation of the Agenda** – City Manager Piasecki

3. **Background Briefing** - 10:15am Community Development Director Lathrop

4. **Policy Questions and Tour Overview** – 10:20am ED Manager Yoshino

5. **Pacific Ridge Tour via Bus** - 10:30am City Staff et al

6. **Lunch Break** - 11:30am

7. **Member Discussion, Q&A** - 12 Noon

    - Current state of the area, future trends
    - Best strategies for addressing development goals

    (Please see discussion notes attached)

8. **Concluding Remarks** – 2:10 pm Committee Chair Pina

Adjourned – 2:15pm
Respectfully submitted,

Marion Yoshino
Economic Development Manager

Discussion Notes

Tony
"Let's talk about uses. One example raised is that auto uses are not allowed."

Mark
"Yes, Dunn has only had ONE VACANCY. Screening can help with auto uses - don't have to look at cars being repaired.
(Howard, Shannon agree…)
Auto glass, tires, quick oil change
But, we don't want it to look like old Aurora either.

There is a limit on hotels? Just a small # of rooms?
(80 to 120 rooms)

Tony
Yes, when Garden Suites was being built, and that was the smallest hotel you could build.

Matt
Ok, what should we allow, and what should we NOT allow?

Mark
Don't let pendulum swing too far (as Robert says). If you open it (uses) too far then cap (capitalization) rate gets even lower.

Matt
We have body of seven & staff, doing our best, what more can be done?

Mark
Storage is not allowed as a separate use, we would like that.
We are looking at apartments also

Jim
It's hard because what works on Capitol Hill will not work here, where you don't have density. With 5/2 projects, cost of structured parking is a deal killer.

Denise
King Co has just done 'rightsize package.'

Carmen
(Viewpoint apartment project statistics) They have 254 parking spaces!

Everyone
"Wow"

Jim
We should think about design standards. Shoreline has done good things and the difference at the border with Seattle is very clear.

Tony
Yes! Really looks different where you cross over 145th, Seattle side is worse

Jim
Pedestrian friendly stands out. There are reference materials available that talk about a 'hierarchy of streets. You can look at this, it has already been done.

Robert
Uncontrolled strip vs overly restrictive – don't let pendulum swing too far

Jim
Understand it has already been done – find best example and copy that

Tony
Do you think that (Shoreline) is the best example? Their lots are much deeper.

Jim
You have to accommodate your customer

Mark
Re: parking – Car dealerships put out used cars on sale days to look like customers are there at the sale. Empty/no parking lots look like there is no business. The set back is a huge factor.

Jeanette
I think that being set back from the street is actually more pedestrian friendly.

Matt
The Council needs to talk about set back – I agree seeing cars is an indicator of business

Mark

Heritage Plaza owner was very disappointed with not being able to set building back – he has no leasing for retail where you can't see parking.

Carmen
To protect your car from crime, leave it out in view.
Normandy Park Town Center development has dark buildings where you can't see inside. Lake Tapps shopping center has a great example of lots of windows, they chose good anchor tenants there

Joe
No! Tenants chose them!

Matt
(Re: Council meetings and public participation)
The format is not inviting, we need roundtables.
Sometimes the possibilities can make the rumor mill go crazy.
On 7th Ave, I asked developer for a plan – he just said 'I'll work on it' but didn't come back with anything. It will be vacant if the PUBLIC doesn't support it. Give me a plan that I can sell to the public.

BJ
I want to say that I am proud of you guys for doing this, and the downtown plan too.
Parking lots between businesses and street just makes sense – and you can see addresses

Denise
But doesn't having design guidelines give a developer predictable positive vision?

Jim
Allow retail & big box on the auto corridor if that works, and then transition back to 'complete streets' behind

Mark
I get that now, you do need some guidelines

Shannon
We tried showing our property for hotel uses, but with mobile home park behind us, the Hyatt is not interested

Matt

The City wants to be a partner – create OPPORTUNITIES. But we don't have development capital. We make changes and then projects don't come.

Jim
Yes, you have to get projects and zoning on 'target' with communication from brokers and business owners.
What is REAL to market? Need a plan

Carmen
The Council can't just make wholesale changes, we need a timeline for decisions required.
Sometimes the request is spot zoning.
Want to make intelligent changes proactively, with good knowledge.

Joe
Congratulations on this meeting. Most Councils hide from public they serve – get public out in front of you! Councils put up barriers to public, leave it to staff.
Robert has a book to follow, that's his job.

Jeanette
(re: high cost of fees)
We have to have traffic impact fees to fund roads

Joe
Example of Fife with high sewer fees – 'you are not a Gucci city'

Mark
Traffic impact fees are short-term thinking. You can't afford to give up $20 million in future revenue for today's cost. The city will be around for decades to come right?
(Again example - death care use not allowed)

Tony
The code does not allow me to be flexible

Matt
We need to focus on win/win. I want to know when something dies because zoning doesn't allow it. Zoning means 'right now you can't do it.'

Tony
Things die when we take them individually. We need to have an overall vision.

Shannon
We are an airport town. You have two cities, one over there and one here. The first step is to get more people – residential to support commercial.
Start building apartment projects and make them green construction.
Electric cars – need cities to provide charging stations
Can't develop businesses first then residential – doesn't work, no support for businesses.
Need *safe* places for people to live
We can't afford to build new residential for the rents that they are getting at the new Viewpoint Project.

Mark
Cost is about $150k per unit, we are looking at 152 units.
Rush Construction did an analysis for us, capitalization rate is 3.7%
But Des Moines needs a rate of 7% to attract capital, for investment. This is a $35 million project, and we can't get to a 7% cap rate.
Bellevue can attract capital at that rate because it is a more conservative, proven investment climate.
I can't take a $4 million loss, worth less the day after I built it than what I paid.

Pacific Ridge Tour – Roundtable Discussion

December 1, 2012 – Denise Lathrop's Notes

S. Johnson:

- If you build residential along the corridor it will provide support for business
- Make apartments "built green" /environmentally friendly
- Build infrastructure to support electric vehicles
- Multigenerational, not just retirement age

M. Johnson:

- 5/2 construction sweet spot w/ minimal site preparation – based on rent study by Rush Construction for the Maestro property – SeaTac View Point ($900-$1,100 per 700 sf unit);
- City's stormwater vault and trip impact fees are expensive - $151/unit cost ≃ $35 million;
- Cost of development doesn't pencil - most banks require a 3.7-3.8% cap rate but development risk is higher in Des Moines which requires ≃ 7% cap rate so cannot capture ROI;
- Developer backs in what they pay for land;
- Parking is a loser

J. Alhadeff:

- Infrastructure costs can be deal-breaker – e.g., 25-30 ac site, large employer, large water user/reuse ≃ $34 million for GIF on water system;
- Limited development opportunities on Pacific Highway given the lot depth, speed of traffic and permitted uses;
- City needs to consider area by DMCBP and ProLogis – market to the Kent Valley tenants – industrial and retail

H. Montour - sooner the better (re: big box discussion)

T. Piasecki - Pacific Ridge zoning, setbacks and comprehensive plan considerations

  - parking location and requirements for structured parking
  - no auto-oriented uses (e.g., mechanic), death services, storage units,… allowed
  - hotel - minimum size required (e.g., Garden Suites)

J. Mueller - cautioned pendulum doesn't swing the wrong way RE: permitted uses

BJ Bjorneby – sign code is too restrictive, need to allow larger bill board signs

D. Lathrop – Pacific Ridge Vision and Design Guidelines intended to provide predictability for property owners and investors in terms of quality of design and creation of positive visual image – does this seem reasonable? Provided example of potential issues – e.g., Property Owner – A builds a well designed

building and Property Owner – B builds a basic building and puts a big sign on their roof which would likely have a negative impact the value of the adjacent property.

M. Johnson, J. Mueller and J. Alhadeff – agreed that design guidelines important within reason

Other Topics Discussed

- Interim uses – support for auto dealerships and "park n' fly" lots
-

Denise - walkable Urban Village
buildings brought up to sidewalk

James Mueller - ① Is there a larger vision for the whole city?
② Market studies done?
Determining demand?
Ans. Tony Ravenhurst study
Business Park study

Mark Johnson - Owners know "without a shadow of a doubt" what will & wont work.

Shannon Johnson - "can't build to the sidewalk on a 45-55 mph highway." It is not pedestrian friendly."

Mark J. 2 new buildings are 4 years old, mostly vacant, scare off other investors.

Lunch

Matt - player age - relative to periods of time

Shannon Johnson - 1st step - determine how to get more people to live in ~~the~~ area.
- cities don't have infrastructure to support electric cars
- have to create a ~~p~~ safe place for people to live.

Mark Johnson 5 over 2 apartments seem to be the sweet spot. Cost of development is very high. Cap rate in DM is higher than 7% Redmond 4%. 35 million investment.

Joe Alhadeff - We back in to value of ~~land~~ project - that determines what is the residual value of the land.
- Every city wants to be a "Gucci" city.
- DM Hwy 5 strip can be a asset.
- Recognize appropriate uses.
- A major manufacturer want 25 acres here in the NE quoted 34 million to do GIF for water - all fees

Jeannette - impact fees were becoming 50-60 million.

Mark Johnson - take a long term look. Too much up front cost chases growth away.

Tony - Can't approve what code doesn't allow.
Council makes code changes.
We don't do the construction
Matt - We need to create opportunities

Shannon - - We are an airport town.
- Pac Hwy is entirely different than downtown.
Hotel said "Mobil Homes in back? We're not interested."

James Mueller - DM needs to know what the market wants on Pac Hwy So.
The actual market needs to be DM target

Joe Alhadeff I can tell you unequivically that I can give you a much better presentations than staff can. They have a different agenda + rules to follow.

B.J. - Proud of you for doing this conversation
- a parking lot in front just makes sense
- Be more flexible on signs

James Mueller - "Complete Streets" (referenced by Denise) great downtown, but Hwy corridors are big box - traffic retail, very different from downtowns

James Mueller - Philosophy of a special-purpose corridor

Mark Johnson - People want to do what they are used to - and feel safe with - want to see in to front of building, don't want cars out of view or in back

Joe Hladeff - Do Macro planning - not micro management.
99 strip needs to be re-addressed.
A lot of them are shallow depth, limited uses - Make the moves to attract people.
- Valley flooding problem minimized by government actions. Mother Nature always wins when she is angry. Valley businesses are still potential for Des Moines.

James Mueller - Think about design standards - Shoreline is doing a much better job than Seattle (Shoreline has very deep lots)

Highland Hills

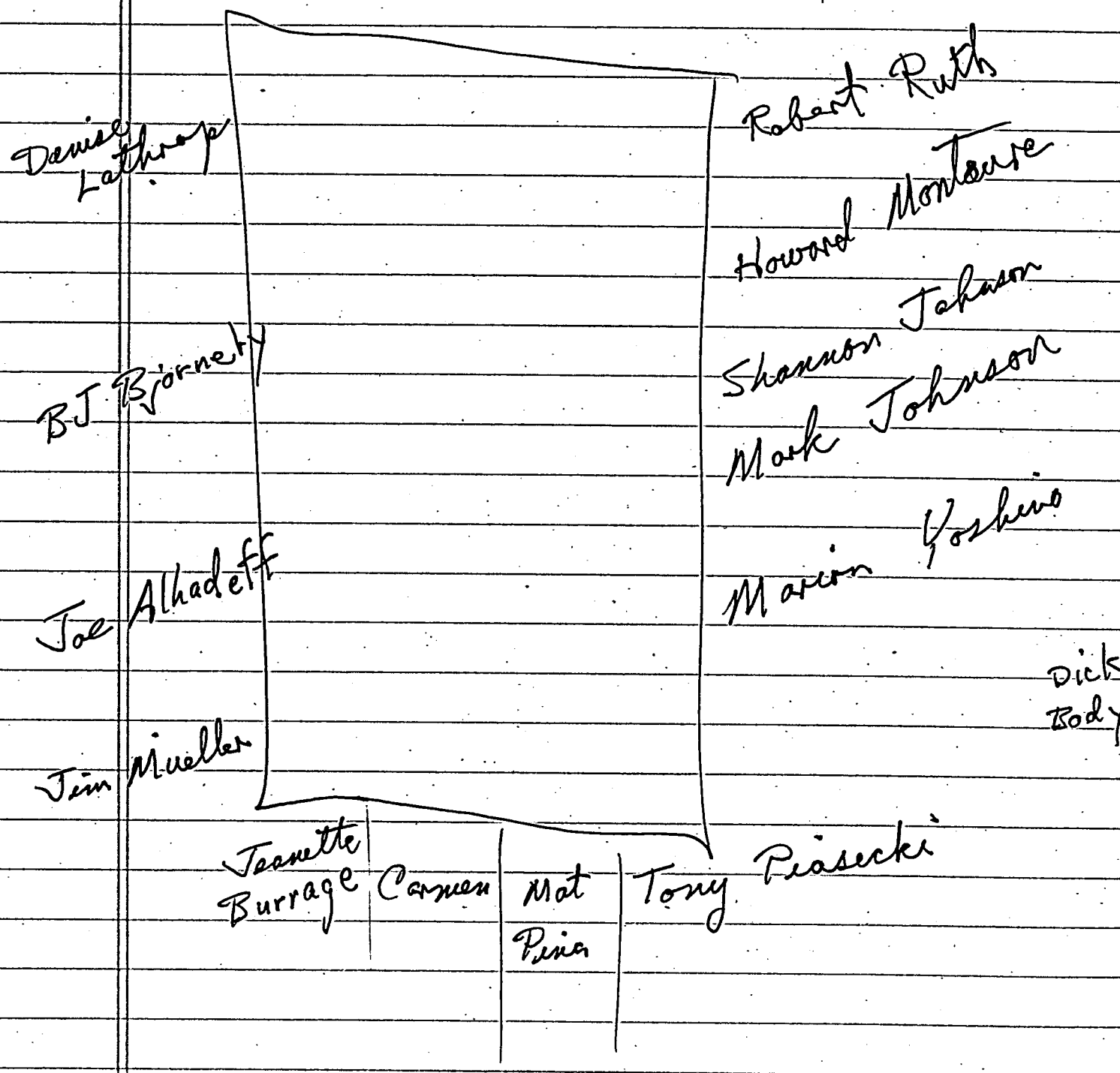
Stakeholders

Advisory
want
need

5 Stakeholders

Owners - Tenants
Developers / Builders
~~Investors~~
Realtors / Agent
~~Finance~~
Lenders
~~Builders~~
Architects / Design

Joe Alhadeff - City - Port - RE Brokers & Alhedeff all tried to get PSE approved - he will read our Pacific Ridge code & give us feedback


Daniel Lathrop
BJ Bjornerty
Joe Alhadeff
Jim Mueller
Robert Ruth
Howard Montesse
Shannon Johnson
Mark Johnson
Marion Yoshino
Dick Body
Jeanette Burrage
Carmen
Mat Pena
Tony Piasecki

F&ED Work Plan (Proposed 12/27/12)

2013 Work Plan

- Pacific Highway South Corridor
  - Interim Uses Q1 (*Direct to Council)*
  - Pacific Ridge Comp Plan Element Q3/4
  - Pacific Highway Land Use & Environmental Review Q1-Q3
  - Midway Q1-Q2
  - Urban Center designation Q3

- Comprehensive Plan Update – in advance of 2014 major update Q1-Q4
  - North Central Neighborhood Element
  - Economic Development Element (new)

- IC Zoning (HCC, Wesley, Judson, Landmark) (*direct to Council)* Q1

- Park Impact Fee Q3/4

- PUD Code Q2/3

- Code Enforcement code updates (weeds, canopy/canvas, front yard parking, shipping containers, garage sales, rodent control, view blocking vegetation) Q1-Q4

- Misc Zoning Code
  - Reader Board definition Q1
  - Accessory structure height limits Q1-Q2

- Subdivision Code (Title 17) Q3/Q4

- Must do: short plat frontage improvements Q1

- Marina/Beach Park Development Plan Q1- Q4

- Message Signs, wayfinding, directional & promotional signage, kiosks Q1/Q2

- Façade Improvement (UW student project) Q1