

To: Sammamish City Council

From: Scott Hamilton

19727 SE 19th St.

Sammamish, WA 98075

Date: January 2, 2012

Subject: Business Development for the City as a whole and for the Town Center

Policy and Ordinance Change Suggestions

Introduction

Sammamish completed its Town Center Plan in 2009 and the enabling ordinances in January 2010. As the Plan edged toward completion, a process that began in a robust economy ended in the midst of the Great Recession that began in September 2008 and which continues to be a major drag on the national economy today.

Although there are an increasing number of signs that the US is making progress toward emerging from the Great Recession, commercial banks continue to withhold capital to lend into new developments, aerospace supply chains and a variety of industries. This scarcity of capital is indisputable and is a major impediment—perhaps the *key* impediment—in launching the development of the Town Center.

Washington State's economy also continues to suffer. The State's official in charge of forecasting revenue is on record concluding that the lack of development in the State is a key contributor to the shortfall in receipts, resulting in repeated budget shortfalls requiring the Legislature and Governor to resort to drastic budget cuts. The current Legislative session is a direct result of the revenue shortfall resulting from lower than forecast statewide development.

Closer to home, Regency—the landlord of the Safeway and QFC shopping centers and of a significant portion of Issaquah Highlands—was reported in the Issaquah Press in November-December saying the poor economy is making it difficult to find tenants for the Highlands. Regency asked Issaquah for \$3 million dollars to fund infrastructure (primarily roads) changes to support efforts to attract tenants. The City Council declined.

In Bellevue, developer Kemper Freeman put on hold expanding Lincoln Square to the south, citing poor economic conditions.

No better examples of the challenges facing Sammamish for its Town Center can be seen than the economic challenges facing Issaquah Highlands and Kemper Freeman.

Notwithstanding this irrefutable evidence, the new City Council has an opportunity in the coming weeks to discuss policies and ordinances that may be worth in-depth consideration to jump start the Town Center.

Equally important is the prospect of implementing a discussion for consideration of policies that will be favorable for the small businessman.

In formulating ordinances and policies for development and the business climate in Sammamish, historically the mindset has been to create these with “developers” in mind. Although there has been in the past some discussion about “small businesses,” in reality the Administration, Staff and Councils have essentially defaulted to “developers.”

The current events involving Ace Hardware have brought to light a shortcoming in Sammamish that puts the small business at a disadvantage. While it is true that Ace’s predicament has spurred a great deal of thinking about its situation, the City faces the need to address the issue from a larger, city-wide perspective.

Purpose of This Memo

The purpose of this Memo is to suggest to the City Council that it initiate discussion, beginning with the Council Retreat 26 January 2012, of the following:

1. Creating “Small Business Incentives” (SBI) policies and ordinances;
2. Creating “Enterprise Zone” (EZ) policies and ordinances for the Town Center and other areas of the City, some of which likely will require Comprehensive Plan changes; and to
3. Direct the Staff and Administration to initiate exploratory conversation on these topics at the EDSAT meeting 6 February 2012.

Overview

This Memo outlines *Concepts* and *Ideas* for the SBI and EZ. There is discussion and examples in this Memo using numbers, square footage, incentives specifics and other things to illustrate these concepts and ideas. ***These data are for example only and do not represent actual proposals for incentives. If any member of the public, Administration, Staff, Consultants or City Council “seizes” on these examples and attempts to represent them as firm proposals, you are put on notice here and now that you do so in error. These are for illustrative purposes only.***

I also note a history in our City government of certain officials to adopt knee-jerk opposition to ideas that are not their own, with subsequent efforts to kill consideration or discussion before it gets started. The current economic conditions make it difficult for small businesses and commercial development to get started. Policies, plans and ordinances that were formulated and adopted in very different times should not be “thrown overboard” willy-nilly. I am not even remotely suggesting thus. However, a thoughtful review and creative thinking it warranted under new circumstances and new challenges.

With specific reference to the Town Center Plan, this was created following involvement of the Special Study Area Task Force, the Town Center Committee, two Planning Commissions and two City Councils. Additionally, the Park Commission and Park Bond Advisory Board reviewed elements of the Town Center and made recommendations to the Planning Commission and/or City Council. Many public meetings and charets with citizen input contributed to the development of the Town Center Plan. The Planning

Advisory Board's authorship of the Comprehensive Plan reflected citizen input, including a community meeting attended by 200 citizens, who made it clear they did not want a massive commercial corridor on 228th or a series of commercial villages throughout city.

There is an understandable desire to give the Plan a chance to work as created and envisioned. Again, it was created under a different economic environment with lending capital then freely available. Under today's market conditions, "tweaks" may be desirable that may incentivize development while staying true to the vision of the Plan. To prevent discussion of new ideas, however, is a disservice to those scores of citizens who volunteered on the above referenced committees and to the hundreds of citizens who participated in the public processes to create the Plan. The City owes it to these people, to our City and to the business climate, to engage in discussion under today's economic environment. A decision whether to hold these discussions rests with the City Council, as the policy-makers.

Small Business Incentives (SBI)

That SBI discussion is needed is illustrated by the Ace situation but "small business" is not limited to Ace. For example, there has been a sign in the commercial complex behind Radio Shack for several years soliciting a lease for space of less than 8,000 sf in front of a vacant lot. This would require a building, permits, concurrency analysis, etc. During deliberation over impact fees several years ago, "small business" was discussed but the City Council chose to have a single fee.

A discussion to adopt policies and ordinances for SBI might include the following elements:

1. Establishment of a square footage maximum to qualify as a "small business." For a benchmark, City Hall is about 39,000 sf. Is a building half this size a good maximum? Or 15,000 sf? Or some other figure?
2. Define the incentives. These might include reductions in the road impact and permit fees, storm water management fees, expedited permitting processing and other administrative actions. Where a small business might desire to locate in the Town Center, relief from the 80% covered parking, Unified Zoning Development and mixed use requirements as currently defined might be considered.
3. By law, if a developer (regardless of the size) does not pay the full impact fee, the burden for the amount waived falls to the governing jurisdiction. An alternative to waiving some of the impact fee might be to adopt a payment schedule for the small business rather than requiring it all up front.
4. If legally permissible, might it be good policy or desirable to exempt entirely a small business of up to a certain size (15,000 sf, for example) from the requirement to have a concurrency test? (And if so, how do you prevent a loophole of bundling a series of small businesses to create a larger commercial complex that would require concurrency testing?)
5. Are ordinances flexible enough to permit temporary erection of a building (similar to those like temporary classrooms but on a larger scale) for a limited time (perhaps 3-5 years) in areas not necessarily zoned for interim uses (such as the Town Center C or B zone while A zone development is pending)? Could school parking lots provide opportunities for temporary uses?

6. Are ordinances flexible enough to allow small businesses to erect temporary structures outside of the Commons for special events, such as football homecomings, parades and other special occasions?
7. Invite the Chamber of Commerce to join in on what SBI is needed and makes sense.

These sorts of ordinance changes could be achieved relatively quickly (a subjective term in government-ese, to be sure). Procedural changes such as expedited permitting do not require Planning Commission “process.” Impact fee changes ordinarily require PC involvement but the City Council does have a mechanism at its disposal under which it may take direct action on an “emergency” basis. This procedure requires some discussion; the Retreat would be a good place to have some preliminary conversation.

Enterprise Zones (EZ)

The Town Center Plan, as noted, was the creation of years of study, work, public input and the product of citizen committees and commissions and City Councils. The Plan was recognized from the beginning to be a “living document.” Nobody recognized the impact and the length of the Great Recession that continues, on a close-to-home basis, to stifle development in this State and bank lending. As previously noted, Issaquah Highlands and Lincoln Square have been negatively impacted by economic conditions. Thus, when some criticize the Plan without recognizing these factors, the criticism falls flat.

That being said, this does not mean that “tweaks” and incentives should not be considered; they should. This does not mean the “Vision” of the Town Center Plan is threatened or will not be “preserved.” The Plan was always intended to be a “living document.”

An “Enterprise Zone” would be designed to provide incentives to kick-start the Town Center in the near-term. In the longer term, EZs might be applied to the Sammamish Highlands and Pine Lake Centers for redevelopment; or immediately adjacent areas such as the Pine Lake Park and Ride (for air-rights development) or the R-18 zoned area immediately east of the Shurgard storage facility.

Creation of EZs would likely require Comprehensive Plan amendments for the Town Center Plan and as applied to other areas of the City as well. Thus, creating EZs will be a more lengthy process than the SBIs suggested above.

In order to segment the concepts and ideas of EZs, I identify these as Parts A, B and C.

Part A

“EZ-TC1”

One of the concerns expressed over and over from developers and others about the current Town Center Plan is the lack of visibility from 228th for the “Core” at the top of SE 4th for commercial businesses. Many of the Council Members and Staff will recall that I advocated the created of a Transit

Oriented Development on the NW corner of SE 4th and 228th,¹ more commonly known as the “Caboose property.” These efforts did not pass either the Planning Commission or the City Council. Although I still believe this to be an ideal location of a modest TOD, more to the point, the Caboose property and adjacent land lends itself to become designated as an EZ. Doing so may kick-start the Town Center in these poor economic conditions and it would rectify the “visibility” issue for the core.

Under this Concept, the series of parcels of land from the Caboose property westward to the core would be designated an EZ.

The amount of commercial development allowed in the EZ would be determined through “process,” as would incentives and qualifications. However, it is imperative to note that the EIS for the Town Center considered traffic impact up to 700,000 sf and residential up to 3,000 units. Anything over this amount would require a supplemental EIS but anything up to this amount is already accounted for in traffic analysis on 228th.²

The question, then, becomes: What incentives?

Conceptually, these might include:

1. Relief from the 80% parking structure requirement (to perhaps 50%?) provided Low Impact Development drainage, surfaces and other techniques as determined are incorporated;
2. Making *optional* instead of *mandatory* mixed use development and affordable housing requirements. There may well be commercial reasons for a developer to elect to proceed with mixed use and affordable housing elements but as an incentive in an EZ, these might be relaxed.
3. As with SBI, permitting fee reductions and expediting. Other incentives outlined in the SBI might be considered as well, possibly including consideration for concurrency impact fees through reductions or payment schedules.
4. To avoid the strip-mall look existing at Sammamish Highlands and Pine Lake, the buildings should front the street and the parking lot (or parking structure) would be in the “courtyard” (so-to-speak).
5. If Metro Transit or Sound Transit were to express interest in a public-private partnership for a modest TOD, other incentives might be considered, as identified through process.
6. Are there SBI concepts that could be applied to the EZ?

¹ Lest one of the Council Members regurgitate his prior objections to this concept by once again mischaracterizing what I described over and over, this TOD is NOT a massive TOD-Seattle style or like that of Bellevue’s 106th St. Center. This TOD was conceived as some commercial development built around a park and ride.

² It is also necessary to remind Readers that traffic analysis is over a 24 hour period with two hour AM and PM “peak” times. Traffic is also multi-directional; the traffic goes North, South, East and West from the development and not only Southbound on 228th Ave.

Part B

“EZ-TC2”

The area described in EZ-TC1 affords one opportunity to enhance the business climate for the Town Center. Consideration of adopting a variation of EZ-TC1 for other areas of the Town Center might also be considered for those areas zoned with 90,000 sf of commercial space or more.

Creating EZ-TC2 for these areas would *conceptually* not be as liberal with incentives as that suggested for EZ-TC1. However, *ideas* for discussion might include:

1. If an application for development is filed within 12 months of adoption of EZ-TC2, the applicant as incentives would benefit from:
 - a. Permitting benefits as outlined in SBI;
 - b. No concurrency considerations (the EIS already covers this analysis);
 - c. Possible reduction in structured parking requirements, though not as liberal as EZ-TC1;
 - d. Possible *reduction* (though not elimination) of mixed use and affordable housing *requirements*.
2. Alternatively, or perhaps in conjunction with some of the items in #1, an increase in residential density of some level (not to exceed 50%, to suggest a number) might be considered.
3. A modest increase in commercial space allocation might also be discussed, at a level “process” will have to determine. I would suggest no more than a 50% increase for the 90,000 sf allocations (though 50% is only an *idea*) and some level less than that for the core.

To repeat, all this is predicated on an application being filed within 12 months of adoption of the EZ-TC2. Precise definition of “application” needs to be made. A “completed application” as commonly defined is conceptually what I have in mind, as opposed to a generalized application (such as a Docket Request/Application).

Additionally, for the Town Center the City may consider issuing Councilmanic bonds (these do not require a citizen vote) to assist developers in financing the parking structures or storm water management systems. The State’s policy is to be the “last money in.” In other words, the developer would be required to obtain X% of his financing and then the City would “top it off”. Late-comer features could be a part of this concept.

Part C

“EZ-CW”

An Enterprise Zone-CityWide would be for any area in the City specifically designated an EZ that is outside the Town Center (because the Town Center has its own specific plan). The two immediate, obvious areas to be designated EZs are the Sammamish Highlands (including Saffron and the Radio

Shack complexes) and Pine Lake Center shopping areas; and the Pine Lake Park and Ride and the R-18 zoned area adjacent to the Highlands.

The air rights over the park and ride and the R-18 zoned areas provide the most immediate development opportunities outside of the Town Center. Over the course of the next decades, the Sammamish Highlands and Pine Lake Center themselves present opportunities for redevelopment.

Another area that would lend itself to an EZ-CW designation for a Juanita Village-style project is The Notch, should the City renew its interest in obtaining County approval to designate The Notch as a Potential Annexation Area.

Incentives that might be adopted for SBI or EZ-TC could easily be extended to EZ-CWs. This is a longer-term consideration.

Summary

The City Council Retreat at the end of this month and the EDSAT meeting next month provide immediate opportunities to start a discussion with intent of setting direction for the Administration and Staff.

The SBI concept is something that can be enacted relatively quickly (by government standards) and in my view should be enacted this year. The EZ-TC requires “process” but should be considered beginning this year, particularly EZ-TC1, which will address the visibility issue that many consider to be a shortcoming for the core. EZ-TC2 extends the concept of incentives to other areas of the Town Center.

EZ-CW is a concept that could begin consideration and process in 2013.

The Sammamish Chamber of Commerce should be consulted right away on the SBI concept.

Disclosure

Since accusations and false assertions are commonplace in this City, let it be known I do not have any financial or contractual interest with anybody, anything, or any developer, property owner, potential buyer in the Town Center or anywhere else in the City or The Notch. Any such accusations or assertions that might be made will be considered libelous or slanderous and any persons making these shall expose themselves to potential legal action.

I offer this Memo entirely in the spirit an interested citizen who volunteered on City committees and commissions for more than eight years. I wish to see the Town Center development begin as soon as possible. The current economic and capital market constraints have stalled development and new concepts and ideas are needed to “get moving.”

The Council’s consideration is appreciated.