

AGENDA

Finance and Economic Development Committee Meeting
Thursday January 14, 2016
5:30 p.m. – 6:50 p.m.
South Conference Room

- 1. Call to Order**
- 2. Selection of Chair and Co-Chair**
- 3. Approval of the December 10th, 2015 meeting minutes**
- 4. Ono Property Rezone Request Update**
Staff will provide an update on the recent request submitted by Mr. Ono.
- 5. 2016 Work Program**
Staff will seek confirmation from the Committee on the 2016 Work Program.

MINUTES

Finance and Economic Development Committee Meeting

Thursday, December 10, 2015

5:30 p.m. – 6:50 p.m.

South Conference Room

<u>City Staff</u>	<u>Council Members</u>
Chair Matt Pina	Michael Matthias – Assistant City Manager/Economic
Jeremy Nutting	Development Director (ACM/FED)
Vic Pennington	Tim George – Asst. City Attorney
	Dan Brewer – PBPW Director
	Grant Fredricks – Consultant
	Brandon Carver- Eng. Svcs. Manager
	Loren Reinhold – Asst. Dir Ut. & Env. Eng.
	Autumn Lingle- Exec. Admin. Asst.

1. Call to Order

Chair Matt Pina called the meeting to order at 5:31 p.m.

2. Approval of the November 12, 2015 meeting minutes

Minutes approved as submitted.

3. Review of Utility Sources

Finance Director Dunyele Mason presented various scenarios for 2015-2020 general fund balances depending on the percent of water and sewer tax revenue adopted.

- Public negotiations
- Short-term agreement
- Position cuts
- Facility rental fees
- Marina pay parking
- Red light traffic cameras
- Ratepayer impact
- ROW
 - Functions
 - New use permit
- Current cities with franchise agreements
- Cities Coalition formation
- Impacts
 - Service
 - Parks
 - Maintenance
 - Reduced street lighting
 - Safety
 - Crime

4. Ono Rezone Request Update

ACM/FED Michael Matthias provided an update on the recent request submitted by Mr. Ono.

- Contract with independent consultant for analysis
- Bring it to Council on 1/14/16
- Two parties are interested in property

5. Port of Seattle Update

ACM/FED Michael Matthias provided an update on recent discussions with the Port of Seattle.

- Marina masterplan
 - Parking structure
 - Lease
 - Identifying revenue

FAA/Panattoni Project

PBPW Director Dan Brewer gave an update on the project.

- GSA
- Permit/Plan review process
 - Rolling review
 - Rex Christensen project manager
- Third party consultant for Panattoni
- Completion date estimate
- Masterplan Public Hearing
- Panattoni presentation to Council
- K2 lease signing
- Prep work for S. 216th

6. Sound Side Alliance Update

ACM/FED Michael Matthias provided an update on the recent Sound Side Alliance meeting.

- Soundside Alliance Breakfast
- Policy committee
- Port of Seattle workforce study
- 163 attendees

The next meeting is scheduled for January 14, from 5:30-6:50 pm in the South Conference room.

Adjourned at 6:45 p.m.

Respectfully submitted by,

Autumn Lingle, Executive Administrative Assistant

Memo

To: Tony Piasecki, City Manager
From: Michael Matthias, Assistant City Manager/Economic Development Director
cc:
Date: January 6, 2016
Re: Textual Amendment Code Change Request for Ono Nursery

Summary

Des Moines City Council received a letter dated October 13, 2015 from Mr. Yoshikatsu Ono requesting a textual change to the Des Moines City Code Zoning to allow residential uses in the Pacific Ridge Commercial Zone north of 216th Avenue S (specifically on Mr. Ono's property). Current City zoning does not allow for residential uses in that area. (Sadly, Mr. Ono has passed away since that letter was sent.)). The City, limited by commercially designated land citywide, established the current zoning regimen emphasizing that it was important to limit uses on commercially zoned land north of 216th to commercial uses. A textual change to the City zoning code to allow for residential development in that zone would require City Council approval. The City Council remanded this request to the Finance and Economic Development (F&ED) Committee for consideration.

This item will be considered by the F&ED at its January 14, 2016 meeting.

Consideration of the Item

The architect for the proposed project, has submitted a comprehensive project summary proposing a mixed-use development including 585 market rate apartment units, a 150 room hotel, 35,000 square feet of commercial space, food and beverage outlets and service-oriented businesses. Project design is characterized as an "urban village center." The project summary states that this type of project represents approximately a 150 million dollar investment in the City.

The proponents of the item have performed an economic retail/fiscal study, comparing other potential commercial uses with their proposed mixed-use development. Their conclusion was that their proposed project offers the greatest value to the city in terms of tax revenue. The comparison was based on discussion with two big box retailers, with certain requirements specific to each. The analysis made the point that this proposed mixed-use project would provide a higher land value for Mr. Ono. The City is dispassionate regarding land values transacted in the private sector and is not in the business of trying to support increased or decreased land values. The City's zoning is based on a comprehensive approach to land use

designations city-wide consistent with City Council policy for integrated, viable land use principles (see Land Use Element in the City Comprehensive Plan).

Analysis

The City hired Weis Communications to perform an independent analysis of the proposed zoning code textual amendment (see summary attached to this memo).

Mr. Weis, in his analysis, pointed out the issue of timing as a significant consideration regarding this textual amendment request. Other parts of the Pacific Ridge Commercial zone allow for mixed-use, residential development. The proposed project incorporates opportunities that are allowable in other proximate areas of the Pacific Highway corridor. Given the dynamic development occurring at the Des Moines Creek Business Park and development options, and transportation improvements occurring in the City and region, maintaining the status quo provides a reasonable approach to assessing the value of future impacts.

In 2005, an Economic Development Strategy, prepared for the City by Ravenhurst Development, Inc.; O'Connor Consulting Group (who prepared the current Economic Study in the Ono project proposal); and Kidder Matthews (who are involved in leasing the Des Moines Creek Business Park), made the point that,

“The Pacific Ridge commercial zoning codes are intended to produce a pedestrian-oriented, urban environment to support the Pacific Ridge residential community. This view of the district should be changed, since the residential vision cannot be supported by the current (or future) real estate market.” [2. Program Elements, a) Policy, page 14, City of Des Moines: Economic Development Strategy Final Report Ravenhurst Development, Inc. 6/14/2005.]

Understandably this analysis was done at a different point in time , but in our view this earlier analysis still holds truth and a large portion of the Pacific Ridge Commercial Zone does provide for mixed-use, residential development.

Recommendation

It is the recommendation of staff to retain the current zoning.



WEIS Communications

P.O. Box 15632
Seattle, Washington 98115-0632

December 31, 2015

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REPORT: Consultant Review of Land Use Code Change Request for Ono Nursery

FOR: Michael Matthias, Assistant City Manager/Economic Development Director, City of Des Moines, WA 98198-6398

By contract, the City of Des Moines has asked Weis Communications to review the Land Use Code Change Request for Ono Nursery (21454 – 24th Ave. S. in Des Moines, Parcel No. 092204-9003) dated Oct. 13, 2015 by Mr. Yoshikatsu Ono, the parcel owner at that time. Certainly, this consultant and all parties involved share in sorrow at Mr. Ono's tragic passing, and wish to express respects and condolences to his family and business partners.

The October Land Use Code Change Request asked the City to change the zoning for this parcel in the Des Moines Municipal Code, and proposed to obtain a permit to develop a mixed-use center with retail, hotel, and multifamily users. The proposed development would be across the street from the new Federal Aviation Administration regional headquarters, which Panattoni Development will develop into facilities reportedly providing 1,600 jobs.

The transmittal letter said the new development could result in "a true transit-oriented, upscale urban village generating much more tax revenue for the city than an extended vacancy would entail." The parcel is zoned Commercial with no Residential.

Accompanying Mr. Ono's letter of request is a lengthy binder of documentations material provided by Caron Architecture and Norca Development Services, with binder sections including a Project Description, a Retail/Fiscal Study, Mixed Use Comparison, a Project Concept Package, a Retail Only Alternative, an Economic Study (by O'Connor Consulting Group), a Water Availability Letter, and a Sewer Availability Letter.

Objective: The objective for this review include: 1) Reviewing the proposal in the context of highest and best use of the subject property, 2) Commenting on the potential impacts of Des Moines Creek Business Park development and related transportation improvements including light rail on the subject property, and 3) Reviewing any other salient issues and points of interest identified by Weis Communications as related to the proposal.

Highest and Best Use of Subject Property: The parcel in question technically is zoned as Pacific Ridge Commercial. The area is located along Pacific Highway South and between 24th Avenue South to the west, Interstate 5 to the east, South 212th Street to the north, and Kent-Des Moines Road to the south. Further, "nearby regional transportation facilities (existing and planned) provide excellent access to the area."¹ Thus the Ono property is unique in providing adjacency to the City of Kent, proximity to nearby urban growth in Burien, SeaTac and Kent, with quick access to SeaTac Airport, as well as accessibility for consumers throughout the larger region, including new employees at Amazon facilities nearby in the Striker Business Park in Kent.

This offers unique opportunities for commercial development and future tax income for the City, especially sales tax from new retail development in Des Moines, which is crucial for the City at this time. Such would be in tune with the Comprehensive Plan strategy for “diversifying revenue streams, reducing dependence on property tax, and increasing revenues generated from retail sales and commercial economic activity.”² According to a leading commercial source of demographics, Nielsen Claritas, as of January 2014 the overall population of The Soundside, of which Des Moines is a part, was projected to grow at a rate of 4.5% by 2019, a healthy rate of growth.³ Thus, in light of overall growth in the region, to change the zoning at this time to allow for mixed-use development including residential could be shortsighted.

Reportedly the City of Des Moines has considered big-box retail as a potential developer of Pacific Ridge, yet it is clear that major retailers are shifting to smaller-format stores – Target especially, as announced by the company’s new CEO⁴, but others like Walmart less so. Walmart Oct. 14 announced it would slow the pace of new-store openings in the U.S., where it operates about 4,600 outlets. “Last fiscal year, Wal-Mart opened 354 U.S. stores, including Supercenters and its smaller Neighborhood Markets. Next fiscal year, the company estimates it will add between 135 and 155 stores.”⁵

Even with these shifts and changes, it may be premature to assume that big-box or at least relatively large retail is no longer a possibility in Des Moines, given the new Business Park growth in Pacific Ridge announced since the Ono proposal was put together (see further discussion below).

Retail development is desirable from the City’s perspective, of course, in terms of potential sales tax income needed to support overall development in Des Moines, including additional service (police, fire, etc.) costs that will accompany residential growth in the city.

Potential Impacts of Des Moines Creek Business Park and Related Transportation Improvements: Certainly the Ono proposal is a creditable response to the FAA’s announced development in the Des Moines Business Park, which Panattoni Development is building on Port of Seattle-owned land at the corner of South 216th Street and 24th Avenue South. The FAA development reportedly will bring 1,600 new jobs to Des Moines, mostly from Renton. Further, earlier this month, subsequent to the Ono proposal’s documentation, K2 Sports reportedly leased 165,000 square feet of space at the Des Moines Creek Business Park. A *Puget Sound Business Journal* story covering this added that Greencore Group has said it’s moving 350 jobs from Sodo and adding 50 more in Des Moines, taking 75,000 square feet in the Business Park. Another group, Meiko America, also has leased space at the Business Park, leasing 34,000 square feet there.⁶

Development at the Business Park will bring in potential users of any new Pacific Ridge retail establishments, as could the transportation improvements nearby along the Pacific Ridge. The ground-floor retail development envisioned in the Ono proposal appears to be too limited in light of the potential for more substantial retail development.

Whether the Business Park growth will help attract big-box, large retail, or even a retail “village” (something more ambitious than a “strip mall”) development, perhaps including hotel/motel involving the Ono site, is uncertain at this point. The exact outlook also depends, of course, on property lease rates established not only for the Ono property but also for the Furney property in

the Pacific Ridge Commercial zone.

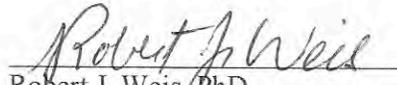
On a different note, the Business Park leasing and Pacific Ridge Commercial development connected with related transportation improvements likely will change the “balance” of the Des Moines business community, adding new interests literally above and away from the downtown business community. For economic development, it may be in the best interests of all businesses in Des Moines to establish a new sense of collaboration at this time as the business community expands and grows, to build a strong and coherent “brand” for the city as “an inviting, livable, safe waterfront community, embracing change for the future while preserving our past.”⁷

Other Salient Issues and Points of Interest:

Finally, advocating apartment development at this time, even considering phase-ins proposed for the Ono project, should take into account the possibility of a downturn of the apartment “cycle” in the greater Seattle region. A Seattle company, Apartment Insights, earlier this month said “This quarter's alarming deterioration of the most expensive submarkets may be a prime indicator that the market is getting softer and will continue to do so. . . . A near doubling of rental incentives and a quarter point increase in the vacancy rate also portend a slowdown.”⁸

In commenting on this report, the Puget Sound Business Journal went on to say, “This is occurring as nearly 21,600 rental units are under construction, slightly fewer than last quarter but 2,300 more than a year ago. Just over half are going up in the city of Seattle, about a quarter on the Eastside and 16 percent and 8 percent in South King and Snohomish counties, respectively.” Some local banks began to back off from apartment financing more than a year ago in light of the emerging bubble in apartment development at least in Seattle. If the cycle turns down in the region overall, apartment development in Des Moines may be less feasible than the Ono proposal has envisioned.

RESPECTFULLY SUBMITTED,


Robert J. Weis, PhD

¹ 2015 City of Des Moines Comprehensive Plan, 6/25/2015, page 11-1.

² Comprehensive Plan, p. 8-1.

³ Weis Communications, *Population Demographics for Soundside Alliance in Washington: Cities of Burien, Des Moines, Normandy Park, SeaTac, Tukwila*, Report Submitted to The Soundside Alliance, October 2014.

⁴ Nick Halter, “Target’s store plan: urban, urban, urban,” *Minneapolis / St. Paul Business Journal*, Dec. 23, 2015, online edition.

⁵ Sarah Nassauer, “Wal-Mart Surprises Market with Dim Outlook,” *The Wall Street Journal*, Oct. 14, 2015, online edition.

⁶ Marc Stiles, “K2 Sports leaves Seattle for big new facility near Sea-Tac Airport,” *Puget Sound Business Journal*, Dec 7, 2015, online edition.

⁷ 2015 City of Des Moines Comprehensive Plan, 6/25/2015, page 11-1.

⁸ Marc Stiles, “New report finds ‘alarming deterioration’ of Seattle apartment market,” *Puget Sound Business Journal*, Dec. 22, 2015, online edition.

Finance and Economic Development Committee Possible Work Program Items for 2016

Following is a list of policy related issues that staff is currently aware of. The City Council may have others.

Required

- ~~Temporary Homeless Encampments (November 5th Public Hearing).~~
- Updates to CAO and SMP – DOE requirements (March Public Hearing).
- Establishing an impact fee deferral program (required by 9-1-2016).
- Low Impact Development (LID) standards (required by 12-31-2016).

Important

- Adult entertainment ordinance (February 25, 2016).
- Siting of essential public facilities: (February 11 Public Hearing – will be pushed out to March)
- Regulations for mixed use projects fronting Pacific Highway South in Pacific Ridge (March 2016).
- DMMC Code Maintenance (March 2016)

- Zoning work related to Blueberry Lane (BP to residential).

- BP - Business Park Zoning work along South 216th Street.
- IC - Institutional Campus Zoning work.
- Work in support of Marina Development

- Group Homes
- Commercial Land Use Table:
 - Medical facilities
 - “Non-Profits”

Would be good to address

- Establishment of, and coordination, with a Citizen Advisory Group/Architectural Committee related to Sound Transit’s Design Proposals.
- School Impact Fee’s
- Non-conformance code.
- Siting of wireless facilities.
- Roof top structures.
- Keeping of Animals.
- Update of the PUD Code.
- Update of the subdivision Code.