

AGENDA

Finance and Economic Development Committee Meeting

Thursday August 14, 2014

6:00 p.m. – 6:50 p.m.

South Conference Room

- 1. Call to Order**
- 2. Approval of the June 12, 2014 meeting minutes**
- 3. Development Updates – 10 minutes**
- 4. Discussion of the letter from Mr. Bruce Lorig – 15 minutes**
- 5. Status report on and discussion of proactive code enforcement in the City's commercial areas – 15 minutes**
- 6. Committee member comments – 10 minutes**

MINUTES – FINANCE AND ECONOMIC DEVELOPMENT COMMITTEE MEETING

June 12, 2014

South Conference Room

21630 11th Avenue South, Des Moines, WA

Council Members

Chair Matt Pina

Jeremy Nutting

Jeanette Burrage

City Staff

Tony Piasecki – City Manager

Dan Brewer – PBPW Director

Denise Lathrop – Community Development Mgr

Grant Fredricks – Consultant

Nikole Coleman-Porter – Land Use Planner

1. Call to Order

The meeting was called to order at 5:46 p.m. by Chair Matt Pina

2. Approval of the May 8, 2014 Meeting Minutes

Minutes approved as submitted.

3. Development Updates

City Manager Piasecki provided an update on the following items:

- DMCBP – Port of Seattle approved the land lease and Development Agreement on June 10th. Target date for ground breaking is June 23rd.
- Marina – Currently working with an attorney to create a development agreement.
- Landmark Event Center – They are still working through the purchase agreement. There now appears to be a back up offer if this one falls through.
- Marina District – Lorig and Associates, a prominent 40-year old Seattle development company, has agreed to assist the City in assessing why the Marina District has not commercially developed in spite of zoning code changes recently made by the City. The City Manager is meeting with Bruce Lorig next week to tour the Downtown and discuss the scope of contract services.

PB&PW Director Brewer provided an update on the following items:

- Artemis Hotel – Construction is well under way and progressing smoothly. Building plans for the next phase of the building permit have been submitted and are under review.
- Blueberry Lane – Civil Plans have been submitted, reviewed, and returned with comments. Staff is waiting for resubmittal.
- Theater – There appears to some interest be a developer to purchase the building.

4. Discussion of upcoming Ordinances

PB&PW Director Brewer provided information on a Draft Ordinance to allow Five-Story Wood Frame Buildings in the Downtown Commercial Zone (where permitted in the zoning code) and the Institutional Campus Zone. This will provide more flexibility for developers proposing buildings within these zones. The Draft Ordinance is scheduled for Council consideration on the June 26th meeting.

PB&PW Director Brewer also provided information on a Draft Ordinance to address an error in the sign code. Amendments were made to the City's Sign Code in August 8, 2013. The Signs Code was repealed and replaced by Ordinance No. 1591 on January 30, 2014. A result of this repeal and replacement was the inadvertent omission of portions of 18.41.150(7) [currently 18.200.160(7)] and

18.42.310(1)(c)(i) [currently 18.200.300(1)(c)(i)] that were adopted on August 8, 2013 by the enactment of Ordinance No. 1572. Draft Ordinance 14-114 would add the Council-directed language that was passed by the Council on August 8, 2013 back into the Sign Code.

5. Pacific Highway South – Confirmation of Draft Land Use Concepts

Community Development Manager Lathrop presented three draft land use concepts based on the feedback received during the May 8th Committee meeting. The committee talked about mixed use, “shop front” streets, the circulation network and transitions between single family and higher density areas. Staff will take the information provided by the committee and return with some market analysis data at the next meeting. A Council briefing of this information is tentatively scheduled for the August 14th meeting.

6. Committee Member Comments

Councilmember Burrage asked about setbacks to be proposed in the second reading of Draft Ordinance 14-035 relating to the Transit Community Zone. Staff indicated that several examples and options would be provided in the agenda packet and discussed at the Council meeting. This item is currently scheduled for the June 26th Council meeting.

The next regular meeting is scheduled for July 10, 2014, from 5:30-6:50 p.m. in the South Conference room.

Adjourned at 6:45 p.m.

Respectfully submitted by:

Dan Brewer, Planning, Building and Public Works Director

Lack of Development Activity in the Marina District

- Why has there been so little building/development in the Marina District in the last 7-10 years?
- Builders/developers tell the City that they can't make projects "pencil" in the Marina District. Why?
 - Code issues?
 - Location/market issues?
 - Financing related issues?
 - Topography issues?
 - Problems with parcel sizes/platting?
 - Is Des Moines not a desirable place to live/open a business?
 - Utility issues?
 - Capacity problems?
 - Connection charges too high?
 - Electricity – 3-phase power too expensive/difficult to get in some locations?
 - Street layout (i.e. long and narrow commercial area)?
 - Amount and nature of vehicle traffic?
 - Surrounding density/population too low/small?
 - Density/population in Marina District too low/small?
 - The City of Des Moines is not "development friendly"?
 - Are the City's parking requirements too stringent? Does the City require too many on-site parking spaces?
 - Is the City's permitting process too difficult to get through or take too long?
- What should the City take advantage of to attract development?
 - Proximity to the airport?
 - Proximity to water?
 - Proximity to Seattle/Tacoma/Bellevue?
 - Other?
- What type of development would pencil in Des Moines, given our current code/regulations?
 - Less intense?
 - Not attempt to maximize density?
 - Not need to build underground/structure parking?
 - i.e. surface parking only
- What type of developers/projects should the City target? How can the City identify and connect with the investors who are a good fit for the City's properties and opportunities?
- Any other "tools" we should be using to facilitate development?
- Are there incentives/concessions that other cities offer that Des Moines should consider?



July 1, 2014

Mr. Anthony Piasecki
City Manager
City of Des Moines
21630 11th Avenue South
Des Moines, WA 98198

Dear Tony,

Thank you for the tour of your Downtown and an explanation of your goals for the city. As you explained, the city has lost a significant source of revenue from the state's sales tax equalization program and would like to find a way to encourage new real estate development whose property taxes could make up a part of the loss.

In general, I think Des Moines is doing better than one might expect in terms of real estate development. The proposed business park on the Airport property should, over time, have a significant impact coupled with the new hotel and several smaller projects that are under consideration. This is more activity than one might normally expect.

That said there are some things you could do to improve your chances to attract additional development projects.

At its essence, real estate development is a relatively simple process. The developer tries to identify a user or users and builds a building for them to occupy. This trick is to find users that can afford the rent (particularly for a new building with higher cost/rent than an older building). For Des Moines, the main source of demand is for housing and for services for people living in that housing.

You already have a significant amount of Downtown housing and services to support that population. Undoubtedly there are more people who would move to Des Moines if more housing was available. If that occurred, more commercial space would be needed to service them.

The question is how to encourage new development. One way is to reduce the cost of development. The other is to make your Downtown a more attractive place to live and thereby increasing rents and making it easier to afford today's higher development costs.

1. With regard to reducing the cost of development, your parking requirements are particularly costly and onerous. Structured parking costs \$25-35,000 per stall and requires nearly as much space as the housing it supports. Apartment rents in Des Moines have trouble supporting that cost. Of the sites I remember, only the old QFC site was big enough to accept an efficient parking layout.

The other sites were very small, and clearly too small to support parking for a 4 or 5 story building. You indicated that several land owners were considering mixed-use commercial/apartment buildings. I doubt if they have understood the parking requirement and have figured out how to satisfy it.

I am not sure that there is a good solution to the parking problem unless a developer can acquire several contiguous sites. Reducing the parking requirement for apartments and eliminating it for small amounts of commercial space would help, as would providing more on-street parking. Think Madison Park in Seattle or Winslow on Bainbridge Island. In a dense urban environment, adequate parking causes the buildings to be too far apart to provide a walkable pedestrian-friendly experience, you end up with congestion. However, people will come there in spite of the congestion to experience the environment. One or two city-owned parking lots would help supplement on-street parking for the commercial uses.

2. If you can mitigate the parking problem, your Downtown height limits are so low and the available sites are so small that most developers can't build a big enough project to be worth the trouble. Only the existing property owners have any incentive to make something work.

3. Apparently you have proved quite flexible in modifying your zoning restrictions when approached by owners who need relief from one or more constraints of your code. That is commendable. However, a developer from outside who read your code would not know of your flexibility and might not even consider a project.

If you truly want more development in your Downtown, I would loosen your parking requirements both for commercial and residential space. I would increase height limits to perhaps 50 and 60 feet and try to provide on-street or city owned parking.

With regard to improving the desirability of your Downtown, there are several things you can do:

1. Your streets are too wide and are very unpleasant for pedestrians. They were designed to favor cars over people. I would turn some of the center turn lanes into a boulevard with landscaping and trees to soften the street's impact on pedestrians. Or provide angle parking in places with some landscaped areas to help solve the parking problem and the street problem together. The most successful commercial areas (Downtown Kirkland and Seattle's Capitol Hill) don't have enough parking but people go there in spite of that problem.

2. People like trees, real tall trees, not the little fruit trees you have in the Downtown. Real trees block views but they are very friendly and would improve the ambience of your Downtown and hopefully the business (and sales tax payments) of your merchants.

3. You can probably think of several opportunities to provide more landscaping (trees and bushes) along your Downtown streets. One that comes to mind is the sewer lift station site, which could be a mini-park.

I realize that there is a conflict between having a people-friendly Downtown and the desire of many property owners for expansive views of the water. In reality, a friendly, vibrant downtown will increase property values more than a few higher buildings and some street trees that result in partial views of the water will decrease property values.

The above are some thoughts after a very short exposure to your city. You have a very nice Downtown with an existing base of shops, restaurants, and services to work with. There are a few things you can do to improve on what you have and make Des Moines even better. However, they have their own problems of view blocking and congestion. These would both become political issues. You may ultimately decide that the political cost is not worth the potential benefit.

Again, thank you for the tour and the explanation of your circumstances. I hope my initial thoughts will be useful as you work to improve Des Moines. If you have any questions, please give me a call.

Sincerely,

A handwritten signature in black ink, appearing to read "Bruce", written in a cursive style.

Bruce Lorig