



Downtown Olympia Community Renewal Plan



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History and Purpose of Community Renewal in Downtown Olympia

In recent decades, Olympia's Downtown has seen less private investment in development and redevelopment than other parts of the South Puget Sound region, leading to fewer jobs, lower tax base, diminished quality of place and pockets of urban blight. Reasons for this are wide-ranging: many of the causes of lower investment levels (including national economic conditions) have not been entirely under City control. However, City leaders recognized that more could be done.

In 2013, City Council accepted an Investment Strategy that addressed opportunities and challenges for redevelopment in Downtown, along with other areas around the City. This Strategy was a first of its kind commitment to a more proactive and coordinated approach to City investments in redevelopment activities. For Downtown, the Investment Strategy resulted in a conversation and eventual action regarding the use of Community Renewal, a state-authorized redevelopment tool.

The Community Renewal Law provides the City with tools to eliminate blight, to encourage private sector participation in Downtown renewal, to shape development in furtherance of the City's goals of creating a safe and welcoming downtown for all, and to increase commerce and private investment. The designation of a Community Renewal Area (CRA) is a means to bring focus to an area with evidence of blight and utilize various tools made available under the Law. The City undertook a feasibility study for community renewal, which found that the downtown area met the statutory definition of blight. The feasibility study also recommended a CRA boundary.

On February 3, 2015, the Council passed Resolution 15-0119 (the "CRA Resolution") making findings of blight, establishing a CRA boundary and directing staff to work with property owners and developers to identify specific actions for which community renewal powers would be appropriate. The adoption of this resolution gave the City a more formidable seat at the development table and should enable more viable and better-quality private redevelopment.

Economic development should not compromise social, environmental, and urban design goals, but must be a complementary and necessary part of a larger strategic vision for the City's future. Without this economic development component, the City may have the vision for a vibrant downtown but will lack the means to carry it out and its efforts to eliminate blight may not be sustainable. As a result, at approximately the same time the City embarked on developing this Community Renewal Plan, the Council initiated a Downtown Strategy, which will be implemented in coordination with the Plan and may result in amendments to this plan when the Downtown Strategy is complete.



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Purpose of Community Renewal in Olympia: Opportunities and Challenges

The Community Renewal Plan capitalizes on many agreed-upon opportunities for redevelopment. Specifically:

- Many sites in Downtown are underutilized and have potential to accommodate new development. The 2013 Downtown Market Conditions Summary identified 3.5 vacant acres and 49.4 redevelopable acres in Downtown.¹ While a small portion of these properties have since redeveloped, the overall pattern with many surface parking lots remains.
- Downtown boasts significant infrastructure and public facilities that are amenities for new development, including: Heritage Park, Percival Landing, Sylvester Park, Historic Downtown, Transit Center, Greyhound Bus Depot, Capitol Lake, Budd Inlet, waterfront access, Capitol Theater, Washington Center for Performing Arts, WET Science Center, Hands-On Children's Museum, public library, post office, and Capitol Campus.
- Low vacancy rates and recent modest growth in rents for multi-family residential units citywide suggest that there is near-term demand for multi-family housing or mixed-use development in Downtown. Citywide rental rates have increased in the last five years going from \$785 per unit in 2010 to \$944 in 2015. Over the same period vacancy rates have decreased with a 3.6% vacancy rate in 2015². There is interest among the development community in new multi-family housing development that could capitalize on easy access to services, transit, and the waterfront.
- Adaptive reuse of existing buildings is a particularly attractive opportunity in the short term, as it has potential to provide space at a lower cost than new construction, and avoids creating additional inventory of office space in a relatively weak market. The 2016 Downtown Strategy Market Analysis notes sizable availability of office space for non-State Government users, which typically occupy smaller spaces in the Olympia market. Recent adaptive reuse projects, including the Cunningham Building on Fourth Avenue, Franklin Lofts project and the Legion Square conversion of second and third floor office space into residential units, provide concrete evidence of this trend. In addition, there are opportunities for technical assistance and incentives for developers exploring adaptive reuse.
- New market-rate construction is beginning to occur, as evidenced in the new mixed-use projects at 123 4th Avenue and 321 Legion Avenue. Though still in its early phases, the project appears to be successfully commanding rental rates above that of existing multifamily around the City. This project accessed EB-5 funding, and was not conventionally financed. It is unclear whether a conventionally-financed development of this scale might move forward.

However, there are many challenges for Downtown development that require coordinated action to overcome. Overall, demand for commercial space (particularly state government) is not growing in the near-term. Land is more expensive and, in many cases, development costs are higher. Properties therefore have a higher redevelopment hurdle than sites elsewhere in the City and county, where there are lower cost vacant and/or greenfield sites to build on. Exhibit 1 summarizes how a CRA can help to capitalize on these opportunities and overcome these challenges.

¹ Thurston Regional Planning Council, 2011; BERK, 2013.

² Olympia Downtown Strategy Market Analysis, Property Counselors; Dupre + Scott, 2015

Exhibit 1. Challenges and Tools in Olympia

Key challenges	Notes or details	Tools	CRA role?
Blighted and / or abandoned buildings	Isthmus site, Griswold's, and DFW site are all examples of abandoned or underutilized buildings that should be demolished and /or redeveloped to improve Downtown.	The City has authority to remove blighted structures in preparation for development for a public use, and does not require any special tools for that process. Community Renewal, however, is the only tool that addresses blighted buildings to allow for private development.	Community Renewal allows Olympia to acquire properties with blighted buildings for the purpose of transferring the property to private developers. In a Community Renewal context, the City can also use the disposition process to incent development that achieves public vision. A Public Development Authority could assist in the redevelopment process, or provide an alternative approach, especially if significant federal or other non-local funding and/or public-private partnerships are involved.
Lack of public control / involvement in dev't process	State laws prohibit Olympia from acquiring property for the purpose of transferring to private parties for development.	Currently, indirect methods are available to the City (zoning and code, tax structure and incentives, infrastructure provision). The City can use Community Development Block Grants or Section 108 to acquire property and then sell it for private development—not via condemnation however. <i>(Note: this statement needs legal review)</i>	Without City ownership of a site, RFPs or RFQs from the City are unlikely to be successful in attracting quality developers. Community Renewal allows the City to acquire property for this purpose, providing the City with power to have more direct involvement in the development process.
Environmental contamination	Some downtown sites are “brownfields,” with lingering soil contamination from the pollution of previous land uses.	Numerous tools, including Local Improvement Districts (LIDs), Community Revitalization Financing, CERB/LIFT grants, and General Obligation (GO) bonds can be used to fund environmental cleanup.	Community Renewal specifically authorizes cities to undertake environmental cleanup, though it does not create new funding sources to fund these cleanup efforts. It would allow the City to partner with private development interests to affect cleanup of private property.
Construction costs due to fill	Much of Downtown built on fill; construction costs are high because deep pilings are needed.	Can use Section 108 to help offset construction costs, as well as New Market Tax Credits and EB-5, under the right circumstances	Some tools (Section 108 in particular) give the City a seat at the table without transferring the property to the City. Community Renewal gives the City a better opportunity to control the disposition process through site acquisition.
Flooding and sea level rise	The risk of flooding, particularly in the light of rising sea levels, could lead to more costly development conditions for shoreline properties.	Numerous tools, including LIDs, Community Revitalization Financing, CERB/LIFT grants, and GO bonds can be used to fund infrastructure improvements to protect against flooding.	Community Renewal does not have a specific role in addressing this challenge.
High office vacancy / low rental rates	Vacancy rates for office have risen for four consecutive years, reaching 9.7% in 2013. Office rents have fallen over that same period of time from \$19.61 to \$15.69 per SF.	Tax abatements, Tax Credits (including New Market, Historic), Section 108, Business Improvement Areas, can be used to improve the financial pro forma for new office development.	Community Renewal does not have a specific role in addressing this challenge, except that, for key sites that are public priorities or in public ownership, CRA can allow the public sector to work more directly with a developer on a redevelopment strategy and potentially write down land costs to overcome some of these challenges.
Negative perception of downtown	Stakeholder interviews revealed many concerns about crime, cleanliness, and homelessness.	Parking and Business Improvement Areas, Main Street Program, and Main Street Tax Incentive Program can be used to promote Downtown.	Community Renewal does not have a specific role in addressing this challenge.
Property ownership	There are few prime parcels available for redevelopment; many are Port owned.	Where Port or some other public agency already owns a site, there is opportunity to partner with City and blend tools like Section 108, NMTCS, EB5, etc. On private prime sites, the city can work with willing existing owners and help apply tools above.	Community Renewal allows the City to acquire property for this purpose, providing the City the opportunity to incentivize new private development in Downtown. Ports are allowed to transfer land to private parties for commercial development.

Summary: Community Renewal Area Details

Boundary

The boundary for the Community Renewal Area is shown in Exhibit 2. This boundary was originally developed through the process led by the Community Economic Revitalization Committee (CERC, an appointed committee of Council members³) beginning in 2013 with the Community Renewal Feasibility Study. The CERC discussed several boundary options, and selected the option in Exhibit 2. They felt that this boundary option best aligned with the City's intent for the creation of a CRA: to eliminate blight, to remove or address barriers to redevelopment, and to initiate new partnerships on the Port properties. The following barriers have a blighting influence on downtown Olympia, hinder the ability of the private sector to invest in the area, and are found throughout the CRA boundary:

- Blighted buildings (that meet statutory "health and safety" blight requirements)
- Soil contamination
- Liquefaction
- Sea level rise / storm surge
- Aging infrastructure
- High ground water and soils (increases development costs, complicates parking development)
- Diversity of property ownership

³ At the beginning of the CRA process, this committee was referred to as the "Ad Hoc" Committee.

Exhibit 2. Downtown Olympia Community Renewal Area boundary



Any projects added to this plan must be within this boundary.

Blight

The primary legal requirement for creating a CRA is that the area be “blighted.” RCW 35.81.015(2) defines a blighted area as having any of a long list of negative characteristics. Several of the statutory characteristics of blight are found within the boundaries of the CRA, including: physical deterioration and obsolescence of buildings, faulty lot layout, unsanitary or unsafe conditions, existence of hazardous soils, diversity of property ownership, and conditions that endanger life or property by fire or other causes. Details are included in Appendix B, and the City Council made findings with respect to these blighted conditions in the CRA Resolution.

Approach to Community Renewal Projects

CRA's require a workable plan that outlines uses of public and private funds to eliminate or prevent the spread of blighted areas, steps to encourage redevelopment, and activities that will achieve the goals of the plan. In its discussion of these projects, the CERC considered the following properties for possible actions under the Community Renewal Law:

- Griswold's Property on 4th Avenue
- The Water Street Redevelopment Area, on Water Street between 4th and 5th Avenues
- Reliable Steel property on West Bay Drive
- Properties on the Isthmus: Former Health Department, former Thurston County Housing Authority property, and Capitol Center property including vacant lot north of 4th Avenue

The City of Olympia has adopted a unique approach to Community Renewal projects that increases the flexibility of the Plan to respond to market-based public private partnership opportunities as they arise. The City recognizes that it does not currently have the resources to complete all of the projects it has considered, and that even if it did, not all of those properties are market-viable for redevelopment at this time. Further, the list may be incomplete: new projects are likely to arise in the coming years that are not currently envisioned.

This Plan therefore begins with just one project: the Griswold's Project (described in later sections of this plan).

Additional projects that require City attention and action, and appear to have viability for private redevelopment with public assistance, may be added in the future through a Plan amendment process.

For example, Council released an RFP and entered into contract for the design of the Water Street Redevelopment Area with the goal of redeveloping the area as a vibrant mixed-use community. The City may amend the Community Renewal Plan in the future to add this project, as more details about this important redevelopment are known.

Approach to Use of Condemnation

The CERC discussed the use of condemnation for economic development purposes, an authority that the state grants to the governing body of a CRA. Recognizing that the use of condemnation is contentious, the Plan includes a set of binding criteria that limit the ability of a future CRA governing body to use condemnation except as follows:

Before it may use condemnation authority on any property or building, the City must find that the property meets the statutory definition of health and safety blight (a higher standard than "economic blight") contained in RCW 35.81.015(2), and has been vacant and economically unproductive for a period of five years or longer.

CRA Project: Former Griswold's Property

The City's first CRA project is the former Griswold property, located at 308-310 4th Avenue East. The City of Olympia is engaged in an ongoing effort to improve downtown Olympia. The former Griswold's property is in the heart of Olympia's Entertainment District along 4th Avenue with numerous restaurants, bars and theaters all within close proximity. The City sees this area as a key area for redevelopment of downtown that will have substantial positive impacts on the immediately surrounding properties as well as the broader downtown.

The City acquired this property in a willing-seller market transaction in June of 2016. The Griswold's building burned in a fire in 2004 and is a complete loss. The remaining shell structure has been vacant and abandoned for the twelve years since the fire. Currently, the building has had numerous code violations including violations for flaking exterior surface, lack of a roof, missing or boarded windows, and graffiti. Section 1.4 of Appendix B provides details of this blight. In addition, a structural evaluation indicates that the existing wall, foundation, and partial roof structure would need to be razed as part of any development of the property.

Project Objectives

The objective of the project is to eliminate the existing blight, and redevelop the property with a viable and productive use that will serve as a catalyst to support the economic vibrancy of downtown Olympia. Specifically, the City would like to redevelop the property as a mixed-use building. Residential housing is desired to support an increase in the population living downtown and overall vitality of the area. Retail uses on the ground floor are required on 4th Avenue, which is designated a "Pedestrian A" street, and would enhance the retail environment on 4th Avenue and downtown. The City would also like to return the property to the private market as contemplated in the Community Renewal Area law.

These objectives are consistent with the City's comprehensive plan, support a more walkable downtown and improved traffic, helps rehabilitate a deteriorating structure, and encourage private participation in downtown renewal.

Project Actions

To redevelop the Griswold's property and return it to productive use, the City plans to pursue a public-private partnership with a private developer. This process will require a mix of CRA and other tools to ensure that a sound and adequate financial program exists for the financing of the project and to quickly return the property to the private market. The specific steps are:

1. **Issue a RFP to solicit a private development partner.** This is the first step to finding and selecting a qualified development partner that shares the City's vision for the development of the property. The City plans on releasing a RFP in July 2016 with the selection of a developer by November 2016.

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2. **Engage in Public Participation.** The City has been committed to public and stakeholder engagement throughout the conversation regarding the revitalization of Downtown. The RFP for the Griswold's property is explicit about an expectation that the selected developer continue this engagement, in partnership with the City.
 3. **Engage in a public-private partnership.** After selecting a development partner, the City will develop and negotiate a development agreement specifying the terms and responsibilities for the potential sale and development of the former Griswold property.
 4. **Provide Development Incentives as Required.** The City is willing to provide support and incentives that are reasonable to achieve the community benefits. Through the development agreement, the City may provide one or more of the following incentives to the selected developer depending on the benefit to the community and the proposed redevelopment project's eligibility for certain funds:
 - Below market terms for sale of the property
 - Residential property tax exemption (as allowed through OMC 5.86)
 - Priority permitting
 - Loans through the City's Section 108 and Grow Olympia Fund Loan Programs
 - Infrastructure and frontage improvements
 - Remediation of contaminated soil
 - Demolition of existing structures
 - Public finance technical assistance through the NDC

At the end of this process, the City will have partnered with a private developer to eliminate a specific source of blight in Downtown and have taken another significant step in realizing the vision for Downtown.

Appendices:

- A. List of meetings, workshops and public hearings
- B. Blight findings and resolution
- C. Opportunity area study
- D. Feasibility report

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Appendix A.

List of meetings, workshops and public hearings

2013

- April 2013 - Project kick-off
- Spring/Summer 2013 - Investment Strategy Component A market analysis work
- August 2013 - Citizen Advisory Committee (CAC) formed
- September 2013 - Presented Component A results to Community and Economic Revitalization Committee (CERC) and CAC.
- Fall 2013 - Moved forward with Component B (CRA Feasibility Study)
- December 2013 – City Council hears Component B findings

2014

- Winter 2014 - Move forward with urban design workshop focused on Isthmus
- April 2014 – CRA urban design workshop held
- August 2014 – City Council hears Isthmus scenario and feasibility analysis moves forward with CRA public participation process
- October 2014 – CRA developer roundtable held
- December 2014 – CRA open houses held

2015

- January 2015 – City Council approves resolution establishing CRA and boundary
- Winter 2015 – Move forward with Request for Proposal (RFP) process
- April 2015 – Public Finance Seminar by NDC
- May 2015 – CRA open house and workshop
- July 2015 – City Council approves CRA RFP documents
- August 2015 – RFP released