

DATE: February 20, 2015

TO: Community and Economic Revitalization Committee

FROM: Keith Stahley and Leonard Bauer (City of Olympia); Lorelei Juntunen (ECONorthwest) and Jay Reich (Pacifica Law Group)

SUBJECT: APPROACH TO DISCUSSION OF OLYMPIA'S RFQ PROCESS

The City of Olympia is in the process of creating a Community Renewal Area (CRA) in the City's downtown. One component of the process involves release of a solicitation to identify private investment partners interested in new community development projects in Downtown Olympia. The City Council is reviewing options for the focus and scope of that solicitation. This memorandum provides input to the Community and Economic Revitalization Committee (CERC) and Council as they review options.

This solicitation will be the first step for the new CRA. While there may well be additional solicitations and activities in the future, the most important consideration for this initial solicitation is to identify the projects that provide the best opportunity for achievement of council's goals for the CRA process. The solicitation will invite interest from developers, property owners, individuals, or interest groups willing to make proposals for community development projects that are in furtherance of City goals and the City's commitment to engage in public outreach and interaction. Several Council and CERC conversations have lead to the appended initial draft of the solicitation. The draft requires additional decision-making on several fronts to be ready for release.

The most important of those decisions, and the one that will drive much of the remainder of the content of the final solicitation, is geography: what parcels or areas to include or not include in the solicitation? At this time, should the City request solicitations for community development projects within the entire Community Renewal Area boundary, a narrower subarea (excluding the Isthmus?), or on a set of specific City owned properties within the subarea? Might a series of individual property solicitations be a better approach? Members of the community and the Council have expressed various opinions on this topic. However, a decision must be made with regard to scope and focus before the solicitation can be appropriately drafted and finalized for release.

Options for solicitation focus

The table below describes options for CERC and Council consideration as it tackles this fundamental question. The options are meant to be illustrative and are neither mutually exclusive nor definitive; Council may opt to combine or create new options. They are intended to support a robust conversation and decision-making process regarding how best to proceed with revitalizing downtown Olympia by bringing private developers or other partners into a conversation about investments in specific properties that can catalyze the revitalization of downtown.

Options: Focus Solicitation On:	Decision Factors	
<p>A: Any property with viable development opportunity in: (1) the entire CRA boundary; or (2) some portion of the CRA boundary</p>	<p>Greatest possible range of responses, including from properties not yet discussed through the CRA process.</p> <p>A “let the market decide” approach.</p> <p>May result in proposals on larger, complicated, and potentially very catalytic projects.</p>	<p>May be too broad to elicit confidence from developers in a competitive market.</p> <p>Would not allow for including specific information for all properties, which may create a disincentive for developers to make proposals because they would need to invest resources to investigate properties.</p> <p>May result in a wide range of proposals that are difficult to compare and select among.</p> <p>May result in a larger number of proposals than city resources allow to be implemented.</p> <p>May result in a diffuse set of projects that do not have a significant impact on any area.</p>
<p>B: Any city-owned property, plus a few selected properties of interest*</p>	<p>The City has the greatest leverage on properties it controls.</p> <p>This approach narrows the field to help to clarify the City’s intent for redevelopment.</p>	<p>Would include at least some of the Isthmus properties.</p> <p>Requires the city to determine specific properties of interest and, if they do not control those properties, ensure that the property owner is interested in having the property included.</p> <p>May result in a larger number of proposals than city resources allow to be implemented.</p>
<p>C: One property, or a specified limited number of properties of interest*</p>	<p>The narrowest and most specific of the approaches.</p> <p>Identifies the most viable projects.</p> <p>Solicitation could include very specific information about each property to attract a developer.</p> <p>Allows for focused investment by the City in the projects that it thinks will have the greatest impact.</p>	<p>As above, requires the city to determine specific properties of interest.</p>

*For these purposes, “properties of interest” should be defined as properties that meet the statutory definition of “health and safety blight” or that have willing property owners.

Principles for determining solicitation's focus

In order to facilitate a discussion about what specific site or sites should be included in the solicitation, staff recommends that Council agree on a framework of principles for evaluating and selecting the specific properties that are most likely to yield the City's first CRA successes. Some key principles include (not prioritized or weighted):

1. Public benefit – The site's development is likely to result in public benefit.
2. Location –The site has locational advantages such as proximity to public parks, transit, public parking and major transportation corridors.
3. Blight removal – The site's development will result in the elimination of blight on the property, or may influence elimination of blight on nearby properties.
4. The City has a reasonable expectation of control of or partnership on the property:
 - a. Ownership – owned by the City or in an area that includes City ownership.
 - b. Partnership – owned by private parties who are willing to participate as an active partner in the redevelopment process.
5. Scale – The site is of an appropriate size to achieve market economies.
6. Catalytic Potential –Site development has the potential to trigger redevelopment of surrounding underutilized properties.
7. Constraints – The site's constraints (such as contamination, soils, etc.,) are known or can be identified and can be reasonable addressed.
8. Timing – The site has potential to move forward quickly from solicitation to proposal to development agreement to project construction.
9. Zoning – The site's zoning supports development potential.
10. Public investment – The level of public investment needed to make the property marketable and/or project feasible is commensurate with the public benefit received from its development.
11. Comprehensive Plan – Site development has the potential to further the goals of the Comprehensive Plan relative to downtown.
12. Likelihood of successful development. The site appears likely to attract private development partners, or to move to successful implementation.

Staff and consultant recommendation

Staff and the consultant team recommend that City Council consider narrowing the request for proposals to a single property or area and at most three properties of interest (Option C). Staff feels that a broad request will leave potential interested parties confused about the City's interests and priorities and not clearly reflect the City's commitment to partnering on a redevelopment project,. It would also allow staff to be more focused in targeting the right financial tools to the potential project. Staff heard directly from developers and their representatives that they would not respond well to unfocused solicitation.

Proposed next steps

The City of Olympia has retained the National Development Council (NDC) to support the City's ongoing economic development activities and to assist in this process. The NDC is an expert in project financing and brings years of experience and expertise to the table in helping local governments work effectively with private sector partners. NDC will also be providing underwriting services for the City's \$1,000,000 Grow Olympia Fund and \$1,500,000 Section 108 Loan Program. In particular NDC brings expertise about available federal resources such as New Market Tax Credits, Historic Tax Credits, Brownfields Economic Development Initiative, Low Income Housing Tax Credits and 63 – 20 bonds for eligible projects.

Once a decision on geography is made, staff can move forward with a revised draft of the solicitation itself. The schedule, included as a GANTT chart on the following page, includes two finance seminars with NDC, as follows:

Seminar #1: BEFORE release of solicitation

- Primary Audience: Council and staff
- Secondary Audience: Interested stakeholders, CRA property owners, general public
- Purpose: Inform final version of the solicitation; describe and provide details regarding range of tools and incentives available to support public private partnerships
- Format: Presentation and discussion

Seminar #2: AT THE SAME TIME as the release of solicitation

- Primary Audience: Developers and property owners interested in solicitation
- Secondary Audience: Council, staff, interested stakeholders, general public
- Purpose: Describe opportunities for public private partnerships in response to solicitation
- Format: Presentation and discussion

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	
RFQ/P					Draft and Council review of solicitation / NDC Finance Seminar		Release/ Bidder's Conf/NDC Finance Seminar		Responses due			Selection		Negotiations		Possible development agreement in place
CRA Resolution and Plan		Council adopts resolution								Draft of Plan	Final Council review		Final Plan adopted			
Public Outreach	CRA Open House	Public Hearing							Open House on Responses	Public review draft CRA available		Public review draft available	Public hearing			
Downtown Plan		Scoping						Plan underway								