



# Summary of Olympia's Investment Strategy Report

**TO:** Olympia Planning Commission  
**FROM:** Amy Buckler, Associate Planner  
**RE:** Summary of *Investment Strategy & Feasibility Reports* by ECONorthwest  
**DATE:** April 21, 2014

The Olympia City Council has recognized a need for the City to create a more coherent and long-term approach towards community development. The Council understands this as critical to encouraging the type of development that would benefit the community, and which the community would like to see. Thus, the Council is leading the City to be more proactive and realistic about its investments, and to be more strategic in connecting its operating budget and capital facilities investments with adopted plans and development strategies.

As part of this approach, the City Council retained ECONorthwest (ECONW) to prepare two reports in relationship to developing a Community Renewal Area (CRA)<sup>1</sup>. The first report, *Investment Strategy: City of Olympia Opportunity Areas* provides an overview of five opportunity sites located throughout the city (not including downtown) and a methodology for considering future economic development opportunities.

This approach includes: 1) strategic infrastructure improvements, such as roads, streetscape and acquiring property, 2) making necessary or desired regulatory adjustments, such as zoning changes, and 3) creating partnerships with developers and property owners to generate development returns that remain sensitive to market demand. Opportunity sites identified by the City Council in the Report include:

**Table 1. Opportunity areas and study rationale**

Opportunity	Council-identified development opportunity
Kaiser/Harrison	Potential for neighborhood commercial/mixed-use/retail district on large single-ownership tract
Olympia Landfill	City-owned, potential major retail site adjacent to existing major retail area
Division/Harrison	Potential neighborhood center adjacent to established neighborhoods
Headwaters	Large multi-ownership parcel with wetland amenity and infrastructure challenges.
Kmart Site	Former K-mart site (currently vacant) on major close-in retail corridor

<sup>1</sup> Washington law (RCW 35.81) allows cities to establish a Community Renewal Area through the designation of a designated geographic area that contains blight and the creation of a Community Renewal Plan for addressing blight in that area. (See link to More Information at end of document.)

The report outlines key factors that will influence future redevelopment potential as well as barriers to development on opportunity sites. To intent is to establish what market information and stakeholder engagement are necessary to achieve City and community goals.

**Key factors:**

- **Population and Demographics:**

- Since 2000, Olympia’s population growth has slowed, and City has not captured as much growth as neighboring cities. (9% compared to 36% for Lacey, and 22% for Thurston County.)
- Olympia is expected to grow by about 18,000 more people by 2030. This suggests a growing demand for all types of uses, especially residential.
- Large tracts of land are uncommon within Olympia’s borders, thus much new development will occur as infill or redevelopment.

- **Employment Growth:**

- State government will remain a key industry, but State employment is forecast to decrease.
- Almost a third of State employees are reaching retirement. Many of these positions are expected to be filled with younger employees, which could impact demand for housing.
- The City may continue to see a trend toward conversion of downtown office space to housing and other uses, as existing vacancies in the private office market are unlikely to be filled with State workers.
- Most new jobs (75%) are expected to be in the commercial sector; fastest growing industries in the forecast include: general services, retail, health care, warehousing/transportation/utilities and construction.
- Joint Base Lewis McChord will continue to be an economic cornerstone of the region.

- **Regional Development Patterns:**

- There are growing signs of an urban infill market in Olympia. In the last 10 years, we have seen a focus on rehabilitating and remodeling existing space. As growth picks up, multi-family development will likely occur in easily developable and/or high amenity areas.
- Future growth in multi-family will be driven in part by changing demographics, as retiring baby boomers and young families seek close-in urban amenities.
- Single-family housing will still be in demand, but is expected to comprise a smaller share of future development.
- Other housing types likely to be in demand include: ADU’s, duplexes, townhomes and senior assisted-living facilities.
- Past trend was for new retail uses to be large-scale, auto-oriented and located near the highway. Retail sales have declined in most of Olympia, except Pacific/Martin and Division/Harrison areas. The City lacks a retail attraction and retention strategy to attract destination retailers.
- A typical household supports approximately 70 sq. ft. of retail space, 15 sq. ft. of which could be neighborhood retail or series.

**Barriers to development on opportunity sites:**

- Rents are too low to support costs of new construction.
- Most of the opportunity areas are built out with existing rents providing income to owners. In order for redevelopment to be feasible, the properties would need to generate higher rents.
- Financing is difficult for unproven markets.
- Competition: there are more easily developable sites in the region.
- Infrastructure deficiencies exist which can make redevelopment financially unfeasible.
- Lack of community consensus on growth.

**The Report recommends the City take the following “proactive” approach to development opportunities:**

- Develop a process for continuously reviewing and updating information related to the opportunity sites addressed in this report.
- Review changing market dynamics
- Develop relationships with property owners and other stakeholders to learn about their interests and short-term and long-term development goals.
- Continue and improve community conversations to better clarify and articulate desired development outcomes and coordinate stakeholders’ visions for development.
- Take advantage of opportunities when they present themselves.
- Coordinate funding opportunities with other public stakeholders.
- Coordinate with planning and implementation in key opportunity areas.

**In the short term, the Report suggests the City should:**

- Engage the full Council to determine how to best work with the Planning Commission (OPC), Coalition of Neighborhood Associations and other key stakeholder groups to initiate a process for annually reviewing opportunity sites.
- Consider how to integrate this new approach into current planning processes, such as the CFP, and connect it to the Comprehensive Plan.
- Engage directly with OPC in discussions regarding how to make use of the information about the five opportunity sites. Use the new methodology in OPC’s annual review of the CFP.
- Convene a development roundtable (perhaps in conjunction with the Thurston EDC.)
- Work broadly to explain the City’s new vision for community development (gather input from stakeholders regarding the opportunity sites, discuss potential (re)development tools.)
- Clarify the City’s development toolkit.

**Downtown Feasibility Study**

The second report, *Community Renewal Area Feasibility Study*, is focused on downtown and the potential creation of a CRA within all or part of downtown. The Study, which included input from the consultant agency BERK, provides the following information:

- Outlines City powers with and without Community Renewal.
- Identifies Opportunities and Challenges, and tools for addressing challenges.
- Lists stakeholder concerns, such as a perception that formal finding of blight in downtown might hinder ability to attract private investment; concerns about the City's ability to use condemnation authority through Community Renewal; community conversations about development in Olympia have been contentious.
- A finding that it is technically feasible to use Community Renewal in downtown Olympia, however it may face political challenges in adoption and implementation.
- A proposed process for creating a Community Renewal Plan.

**The Feasibility Study makes the following recommendations:**

- City of Olympia should pursue adoption of a CRA for downtown.
- More detailed site or area planning would be helpful.
- A Downtown Master Plan process will be complimentary to this effort.
- It is important to work with key stakeholders and the general public to ensure this tool has broad support.
- The City should consider Downtown's place in a larger portfolio of development opportunities.
- Community Renewal, by itself, will not solve the challenges of Downtown.

**At this time, the City Council has agreed to:**

- A boundary that encompasses most of downtown (see map in the Feasibility Study.)
- A governance structure: the City Council will serve as the Community Renewal agency board, thus retain control over final decision-making with regard to the CRA.
- The existence of blight.
- Further evaluation of the following five downtown properties in regard to a Community Renewal Plan: Reliable Steel on West Bay Drive, former Health Department and Thurston County Housing Authority properties on the Isthmus, Capital Center property including vacant lot north of 4<sup>th</sup> Ave on the Isthmus, Griswald's property on 4<sup>th</sup> Ave.
- Use of condemnation on a limited basis: for any property or building the City must find the property meets the statutory definition of health and safety blight (a higher standard than "economic blight") and has been vacant and economically unproductive for a period of five years or longer.

In April, the City hosted an Isthmus urban design process which may be used in the creation of a final Community Renewal Area Plan. The workshop was a pilot to develop and test an engagement methodology involving stakeholders in productive decision-making that can be used for other complex community development projects in the future. Another purpose was to evaluate community-supported opportunities for Isthmus area redevelopment.

**For More Information:** [Community Renewal Area Planning](#)

Web Address: <http://olympiawa.gov/city-government/departments/community-planning-and-development/community-renewal-area-planning>