

MEMORANDUM

July 18, 2011

To: Olympia Planning Commission
From: Jason Robertson, J Robertson and Co.
Re: **July 18 OPC Comprehensive Plan Update Briefing: Developer and Financier Insights**

Through *Imagine Olympia*, the public outreach interface of the City of Olympia's Comprehensive Plan update, over a thousand community members have shared their goals for the future of the City, rated peer ideas or otherwise participated in forums, surveys and other activities. The outreach effort has yielded several recurring goals. Among them, Olympians hope to see:

- A vibrant downtown with a mix of uses including new residential components
- Vital urban corridors that can accommodate a considerable share of future population growth through high-density construction and a variety of transit options
- "10-minute" neighborhoods," where people can walk, bike or take shorter vehicle trips to gather, shop or otherwise do things they like to do
- Low-impact, energy-efficient development (part of the broader sustainability goal)

After consulting with the City of Olympia Land Use Committee, the Olympia Planning Commission (OPC) asked staff to review the above ideas with members of the development and finance community. The goal: to understand if and how Comprehensive Plan updates can be best structured to help facilitate implementation of priority community goals.

Initially, a panel briefing was scheduled for July 18. However, due to vacation conflicts and the scheduling of a similar developers' roundtable through Thurston Regional Planning Council, the panel would have been under-represented and possibly duplicative. At the same time, staff and members of the development community recognized "Olympia-specific" information and feedback might get lost in the broader developers' roundtable. To that end, staff invited several developers with local market knowledge to share their thoughts and insights through a series of in-person and e-mail interview exchanges. Specific questions and responses are outlined below. As will be noted, some topics garnered more input than others.

Interviews were conducted by City of Olympia consultant, Jason Robertson. Respondents were offered anonymity to ensure open and honest feedback, and are therefore not specifically identified in this memorandum. Responses are individual opinions and should not be considered blanket statements reflecting the views of all Olympia-area development and finance community. Ideas are intended to spur additional discussion and potentially additional requests for information.

Developer and Financier Questions and Responses

1. What is it going to take to generate interest and/or help pencil out mixed use development in the downtown and along Olympia's (designated) high-density corridors?

- One challenge to developing “high density corridors” in Olympia is that there’s just not enough density. Usually people build “up” because they have to, or because it’s about the same cost as building new one-story buildings. Right now, there’s plenty of developable land in Lacey and surrounding areas.
- Although much of the development along Olympia’s high density corridors may not match the ultimate vision, it’s still too valuable to tear down and redevelop. Harrison, Pacific and Martin Way are not really “underdeveloped” from a financial standpoint.
- Consider establishing a task force to review and simplify existing code.
- The Colpitts project appeared to be a good seed project and example of public-private cooperation. It will be interesting to see what happens if the market improves.
- If the market conditions weren’t challenging enough, downtown is also home to a number of contaminated properties. When a mixed use development begins with a \$500,000 investment and 3-4 years delay to clean up the property, it just doesn’t make any sense.
- Another challenge is that mixed use that includes residential is much more complicated to manage (e.g. noise, smells, etc.). Property managers will only take it on if the profit margin makes it worthwhile (which it does not at this time).
- We looked at doing a mixed-use residential (market rate) project downtown, entirely within the City’s code (no variances needed), and it just doesn’t pencil-out. We couldn’t command the rents/leases it would take to pay for the construction.
 - i. While our state government economy brings stability, it also means we have fewer high income earners willing to live in an urban environment. It’s just easier to build/buy a \$250,000 new home in Lacey or unincorporated Thurston County.
 - ii. We could try building a lower-quality building, but that would not likely advance the City’s vision for great design and market rate housing.

2. What are the best approaches to attracting private investment for mixed use development?

What’s worked elsewhere and why?

- There are two approaches to development and design review: A) Scour the code to find a reason to say no; or B) If most other requirements met, find a way to get to “yes” where challenges exist. The latter is a hallmark of vibrant communities.
- Market development opportunities downtown (once code, permitting process simplified).
- Continue to make Olympia an inviting, attractive place where people want to live. Recent investments, improvements and amenities are moving in the right direction.

- For the foreseeable future, mixed use residential will likely need to be subsidized in order to work. There simply isn't sufficient market support (demand) right now.
- Ideas that might help:
 - i. City can facilitate assembly and clean-up of multiple parcels. The potential for making an impact and finding a mixed use project that pencils-out goes up when there's a "block" of land in play. Downtown has many, many small parcels.
 - ii. The City could choose a strategic location and build a public parking structure near designated residential properties, then not require residential development to include parking. That's a significant cost impediment at present.

3. How can we make it easier to create "10-minute neighborhoods" or otherwise "retrofit" commercial businesses in existing neighborhoods (think San Francisco Street Bakery or Frog Pond on Capitol Way) or ensure new neighborhoods incorporate these design features?

- This is an exciting idea. The challenge is reconciling people's image of what neighborhood commercial used to be, and what it may need to be today. People are used to small mom and pop shops that have been in their existing locations for decades. Now, someone would probably need a store of several thousand square feet to have a viable business model.
- They would also need to draw from a greater "shopper-shed" than just the surrounding neighborhood. That means more parking would be required, which is very expensive. Or, the City could waive parking by allowing off-site parking. But then the neighbors may no longer feel they got the quaint community commercial shop they imagined.
- Another challenge: people will embrace a bakery, but maybe not a 7-11. I don't know how much you can use the zoning code to choose who locates in a designated commercial area.
- If the City really wanted to implement this idea, it would take vision and commitment in the face of opposition. It would probably have to help with costs as well. For example, the cost of extending utilities to a commercial development is very expensive. If the City could help with that, it might help the project be more viable.

4. The City is often asked to create more pocket parks, civic plazas and other open/people spaces. Developers have traditionally made "margins" by maximizing construction within a given footprint. How or where do the two sides meet?

- The City is already proactive in this area, requiring open space through existing code.

5. What can the City do to promote, facilitate or otherwise ensure low-impact construction approaches for future projects? What barriers or regulatory challenges do you foresee?

- Builders actually want to go green. It's more economical, in addition to being the right thing to do. We will continue to see better practices as techniques and materials improve.
- The main regulatory challenge at the moment is related to building expansion. If a commercial developer wants to add on to an older building, or repurpose it for a better market use, he or she is required to retrofit or upgrade the ENTIRE building; not just the new addition. It's just too expensive.