

**CITY OF OLYMPIA
LAND USE AND ENVIRONMENT
COMMITTEE
MINUTES
March 23, 2009**

Members Present: Councilmember Messmer, Councilmember Machlis, Councilmember Strub

Staff Present: Steve Hall, Subir Mukerjee, Keith Stahley, Steve Friddle

Guests Present: Michael Cade, EDC; Bob Jacobs

The March 23, 2009 meeting of the Land Use and Environment Committee was called to order at 4:01 p.m.

I. Approval of Minutes of 2/21/09 Land Use and Environment Committee.

Minutes approved with the following changes noted by Councilmember Messmer:

1. Agenda Item 2, 8th bullet should read: *The transit chapter is more substantial because the city has not studied this as much in the past. The consultant has provided a larger amount of background and recommendations for transit.*
2. Agenda Item 2, 9th bullet should read: *Tumwater council member and IT board member Valenzuela has become a County Commissioner, so she will no longer represent IT on the ad hoc committee. Councilmember Messmer, Ms. Simpson and Mr. Riker will be meeting with the IT Board to discuss the mobility strategy. Combined with having Dennis Bloom of IT on our resources group, this meeting with the board will work to fulfill our IT involvement.*
3. Agenda Item 2, Change the sentence that currently reads: *It wasn't mentioned in his report, but it became clear that he did not take into consideration the tax abatements already in place in the City. TO: Councilmember Strub noted that that the consultant did not take into consideration the tax abatements already in place in the City.* Move this to page 3, as the first bullet in **Councilmember Strub's Comments and Questions.**

Councilmember Strub moved that the Minutes be approved. Seconded by Councilmember Machlis. All said aye.

2. Economic Indicators for Downtown. (Steve Friddle, CP&D)

Mr. Friddle said that this item was discussed in June and August 2009. It brings together the work done at a community level by the EDC, ODA, PBIA, and the VCB. Michael Cade, Executive Director with the EDC is using a new software licensing program that gives us up-to-date point-in-time information about a number of criteria about the City's office, industrial and retail space using a geographic boundary identical to what the City uses in the Comp Plan.

Mr. Cade said that the data comes from a master data set called Costar, and they get quarterly and monthly updates. The information comes from their drive-bys and public records. EDC staff also does a walking tour to make sure that data is consistent with what is actually on the ground. They have the ability to track data in a polygon sort, rather than just by census tract, or by forecast analysis tract. Even a large aggregate piece can be drilled down by city block. We now have the ability to go backwards in time, to 2007 and look at some trends in the real estate market.

Questions from Committee to Mr. Cade:

- Are you also doing this for the whole County or for certain other subsets of the county so it can be compared? We have data on all of Thurston County, and they can do comparisons using a polygon or a search parameter.
- If you find discrepancies, do you report it back to them so they can update their data set? Yes, we have a team meeting once a month with them to make sure that what we have on the ground and what he is getting is consistent.
- If there is a vacant building that is not being marketed, will that show up? Yes, it will show up as just unimproved property.

Mr. Cade reviewed the charts in the handout. He noted that with the changing economy, the figures that they will get for the first quarter of 2009 are likely to be somewhat different. Main points were:

Office Space

- In Thurston Co., the *Current Leased Rate* is less than 90, so the activity in downtown Olympia is as solid as you find anywhere in Thurston, except possibly the Hawks Prairie and I5 moving southward near Marvin.
- *Net Absorption* - In 2007, there was some office space that came on line and that was quickly absorbed.
- *Absorption rate* - 77 office space properties in the downtown core show up on the survey. This tracks how well we are attracting new businesses.
- *Rental rates* - Olympia's office space goes for \$19-20/sq ft. and this number is also consistent for the county.
- *Time on Market Analysis* - The majority of space is absorbed or leased during first 3 months that it comes on the market. This is not uncommon in the Puget Sound market and is pretty healthy.
 - Councilmember Strub said that it is interesting that the office space rental rate for Olympia is similar to all of Thurston County, because the State is telling us that they need to expand their office space out into Tumwater because it's cheaper.
 - Mr. Cade said yes and he will pull a subset number for Tumwater in particular and get a better answer.

Industrial

- 24 industrial properties show up on the survey, and there is a very low vacancy rate. Businesses include Ziegler's Welding, Les Schwab, Fish Brewery, Batdorf and Bronson's roasting house
- *Net Absorption*. Industrial people stay - when they find a spot they hunker down.
- *Average rental rate* is \$6.25/sq. ft. In Lacey, about \$2/sq ft less. Downtown Tumwater, near the airport, port properties are around \$4.50-\$5.00/sq. ft. Grand Mound is a little higher because of I5.
 - Councilmember Machlis asked if he would encourage us to look at the industrial space as a potential development area. If so, can we get information about what it is about the downtown location that is particularly valuable to them?
 - Mr. Cade said he would encourage us to look at this issue - industrial space appears to be highly valued in Olympia. He mentioned a survey he did of 160 onsite manufacturers last year, and he will figure out how many of the people surveyed are in downtown Olympia to see if it can help tell us why they like it here. The manufacturing that we have in Washington is typically very green and sustainable. We could look at how they are sustainable and how they are adding to the patina that we call the downtown core.

Retail properties - 192 properties

- *Rental rates for retail space* - \$6.50 - \$27.00 - that's a big range, which for cities the size of Olympia is probably pretty good - he will get statistics.
- *Time on market analysis for retail space* - the 22+ months is probably the Griswold building, but for the most part you see time on market as being pretty good.

- Downtown vacancy for retail is 4% for retail, which is less than the rest of the county. The Griswold Building has been vacant for a while. Nonetheless, we've got a great nugget going on here. We've tried to communicate that to the newspaper, but now we can give them some actual numbers.
- Councilmember Machlis said that we must also to look at the amount of underutilized property. Looking at the spaces we have for retail, is one thing; if you look at all of the land that's undeveloped in the downtown, you have a whole different view of potential.
- Councilmember Messmer said that the City is compact and dense, like few other places in the county, and people expect it to be this way. People see a space that is vacant and it sticks out. Strip mall parking lots and large multi-laned streets in other parts of the county are not seen as underutilized space. People don't perceive per square foot of activity that's happening.
- Mr. Cade said he will try to pull some numbers for land coverage density. We also need to look at how many jobs/acre.
- What about the trade-off between having a state office building vs. an industrial use - would you get the bulk of B&O taxes that would make it worth it as a trade-off? Mr. Cade said that it depends on the kind of business. We need to look at the return on retail sales tax, or some sort of mechanism, to say that this property or this block is generating this kind of income to the City. We may find we have a high rental rate, but low return on those dollars back to the City.
- Mr. Cade noted that now we can pull data on employment levels in a specific radius (3-5-10 mile radius), which wasn't available before.
- Councilmember Machlis asked if Mr. Cade recommends that we try to get the radius closer to downtown, or just use the one mile radius. In response, Mr. Cade described the economic gardening program at Western WA University. They say that growing a local business is similar to grow a seedling in the forest. If you grow it in its own environment, it will be stronger than if you transplant it. They have a program in their economics program to takes on questions from local business entrepreneurs who are thinking of starting a business.

Councilmember Messmer's Comments:

- The original discussion of this item looked at whether or not we had separate information about if downtown is changing or not, and if our actions and decisions are helping downtown or not. Now we have real data that we can use to track over time what is happening, and then address the reporting that supposedly describes our downtown - but has no data to back it up.
- This information is also useful because, even though the City's role is not simply the business of economic development, some of these kinds of activities occur anyway.
- We need to see what other questions can be answered with the same data, and try to get more depth out of the information. For example, see if we can use this data this to inform us about the jobs/acre or the square footage and see how it relates to conversations about proportions of housing and retail, etc. It can help inform us if we want to make any efforts to attract certain kinds of businesses and judge them beyond zoning and infrastructure support.
- It is important that we can draw a line and have separate information for downtown. We can have a conversation about whether or not there is anything that we can influence as a city government that is different from what other groups and organizations working in this larger field can do. If we have numbers, we can say we are moving in this direction and can decide to sustain this number, or improve on it.
- We do have this downtown focus plan merging going on - see if there is a way to put this together in the same conversation.

Councilmember Machlis' Comments:

- The group that has been working on this is a pretty broad based group interested in business development downtown. At meetings, people get the data and then quickly start asking question from this data.
- Tie in the information about Olympia's industrial sector with the conversations with the Port, and when talking about green jobs.

- Using this data will inform questions about our opportunities for economic development, as well as tracking if we are being successful; it will also help us set goals.
- Another issue that will be coming to us is what we want our retail rates to be. As we develop we will have higher rates, Should we have some sort of preservation program to help existing businesses stay in their spots? We can have that kind of strategy against what we know will be growing retail rates.

Councilmember Strub's Comments:

- This is a good start. She wants to get to the point where we have some data about underutilized properties, which requires some subjective analysis.
- Part of the concern people have about downtown is not just how many empty storefronts, but what is in those stores - tattoo parlors or high end toy stores. It makes a difference to how they perceive downtown, how much time and money they spend downtown. We need to look at each parcel and asking if this is what we want.

Mr. Jacobs was asked if he wanted to speak. He asked that Committee consider two points:

- Dealing with The Olympian and their many years long campaign to destroy the downtown under the guise of helping downtown is a very important issue. He has repeatedly told members of The Olympia staff that downtown vacancy rates have been healthy for the last 20 years or more. It would be a good to show them what the downtown vacancy rates are actually the same or better than the county's.
- The City government's ability to affect the use of land and economic development is exceedingly limited. City Councils can hire police officers, build fire stations, build parks, but be cautious about trying to affect what kind of businesses move into a certain part of town - you have very little control over that. Research into this matter has shown that the way government entities can affect the quality of businesses that come into the area is by having a good quality of life: streets, parks, those kinds of things. Those are not direct actions, and they have an indirect and uncertain impact.

Mr. Stahley suggested that we consider what we heard last month from Barney and Worth and think about how we can package all this up for a final presentation. There may be more data we need to get out on the street, looking at the different kinds of business that are out there, which would be relatively simple to get.

Councilmember Messmer asked if Committee members think that it is a good idea to come to Council with that report in the same evening or shortly thereafter.

- Councilmember Strub said she doesn't need to wait to bring tonight's item to Council. There are a lot of ways this information can be useful to us in making decisions, and more decisions will need to be made soon. There are a number of things we make decisions about on a regular basis that we think we are moving the right direction, but we can't quantify it. We need to take a look at this before we give our full report.
- Councilmember Machlis said that one of the reasons she has been advocating for EDC staffing is that in her experience, government can influence land use and public policy goals through planning and financial leveraging that is only available to us, either directly on property that we own or through use of public programs like block grants. We are still at the stage where we are underutilizing tools that are out there, partly because we don't have the staff capacity to take advantage of it. We have a lot of property downtown that we have some choices of what to do about them, and this will have a great affect on what investments occur elsewhere.
- Councilmember Messmer: When we do some investment, like building city hall, we build infrastructure. There is also the part of the market that reacts to the small things that the City does. We aren't going to drive that completely, but we can indicate that when we make a certain decision, we are doing it so that it hopefully will have influence on another piece. Being able to use some of this data will help us feel we are making some progress. It will be useful in the Comp Plan updates when we have conversations about downtown, to use this as a backdrop for it, to say

what we know is already there. People have described to us about what they know about downtown, how many this or that, whether we have industrial, etc. without having the data. Now we can say we have the data and then have the conversation.

- The report she would like to make to Council tomorrow night is that we do have indicators, they are good and they might be pliable in various directions. And there are a number of ways they can be used. There is not a recommendation from this group that we do something in particular. She doesn't want to limit the recommendation to say here's exactly what to do about this data. It is more useful to say we have it, let's use it, ask questions about it, let's have it come forward when decisions are made.
- Suggest that we recommend that the council see this info. We can have it go to them as an informational item, on consent, or have them receive it in some way.

Mr. Friddle and Mr. Cade will improve the attachments before the Council meeting.

Mr. Cade will work with Councilmember Machlis on organizing the data differently in order to use it to trend.

3. Land Use and Environment Committee 2009 Work Plan (Keith Stahley, CP&D)

A work plan approved by the LUEC needs to go to Council. Mr. Stahley and Councilmember Messmer have put together a list of what we are planning to do, what has been referred to us, what we already did, and what the status is of each item. This is a rough version. We keep everything on the list until we've dispensed with it. We've laid out some dates. There are some items that the Committee of Chairs took on, such as parking fees for contractors and other items in the (long) Barriers to Development list, and it is unclear what its status is. The Committee of Chairs is not the final say - we need an official referral from Council. She will ask Council what they intended for the LUEC. She asked Committee if we should take all those items out as referrals to the various committees that were on that list. Councilmember Messmer: It is a draft and ongoing in its development, and need to clean up and ask council on the barriers, etc.

Councilmember Machlis requested that if we do that, she would like to see the whole list of barriers and where the recommendation was for referral before it goes to Council. Councilmember Messmer agreed to do this. She will ask about these referrals listed here as pending City Council referral.

Other items discussed were:

- Safe walking routes to school, parking fees for contractors, retaining walls and fences, etc.
- Leftovers from last year, such as the update from antiquated plats.
- From the Council 2008 retreat we have Consideration of Downtown Minimum Parking Requirements that appeared on our list as a request item. Should we get rid of it?
- Artesian well is on hold right now. It was put on our list from a retreat.
- We don't have anything on there about Mayor Mah's proposal for the isthmus. There was discussion of sending it to LUEC, but we never really made a decision on it. There was no referral made. If we are interested in seeing it, we would have to ask for that referral tomorrow night and put it on soon if they want us to move quickly. Councilmember Strub said she will see it in Gen Gov and Councilmember Machlis will see it in finance. Councilmember Messmer said she won't ask for the referral now.
- It was agreed that the LUEC would add the follow-up on the Downtown Plan to May, and then we would do the referral at the time that we get the presentation to Council.
- Councilmember Machlis requested that the LUEC be involved in discussing data needs for the Comp Plan update. Also, park impact fees and the zoning for parks, specifically whether we are getting parks within one mile of residential areas. Should we be asking for parks in our residential requirements for subdivision and development? Do we need to look at a code or land use change to get that? Also, are we getting the densities we need for transit.

- Councilmember Strub said that she took exception to the part of the audit when they said that you have to spend fees within this radius. That's why we have a Comp plan - we decide if we want a Priest Point Park or a bunch of little neighborhood parks.
- Councilmember Messmer suggested that for the Parks issue, good referral questions could be: Are we currently achieving the parks within a certain walking distance of residential? How do we define if we are achieving it? If the answer is no, what do we need to do about it? She requested that Councilmember Machlis ask for this referral. Councilmember Machlis agreed to do this.
- With regard to the transit issue, we don't have the densities now. Councilmember Messmer referred to the transit chapter of the comp plan. The mobility strategy material that's available talks about this issue, and we have some information that was generated out of that about the densities along routes.

Note that on August 17 we have a 4:00 pm start because Council is that night.

Councilmember Messmer requested that LUEC meets December 7 instead of December 14 in order to be able to refer up and be able to complete things.

Councilmember Messmer said that the Downtown Plan needs to come back, but with this minor clean up; this will go forward as a consent item for approval. We need to clean up today's list and make sure the other items are clear. Mr. Stahley said that we will do that on the 31st.

Meeting adjourned 5:27 p.m.