

Economic Vitality Commission
1-18-17

**CITY OF ISSAQUAH
Economic Vitality Commission
SUMMARY MINUTES**

January 18, 2017

City Administrative Offices
Pickering Room

1775 12th Avenue NW
Issaquah, WA 98027

MEMBERS PRESENT	STAFF PRESENT
Karl Leigh, Chair Derek Doke Richard Gabel Jeff Howlett Ethan Stiles Kristi Tripple, Vice Chair	Jen Davis Hayes, Economic Development Manager Andrea Snyder, Economic Development Manager

CALL TO ORDER

LEIGH called the meeting to order at 5:35 PM.

APPROVAL OF MINUTES: December 14, 2016

MOVED BY HOWLETT, SECONDED BY STILES that minutes of the Economic Vitality Commission meeting on December 14, 2016 be approved as presented. MOTION CARRIED UNANIMOUSLY.

MIXED-USE ANALYSIS

Davis Hayes presented background on the Council's directive to staff to analyze mixed-use development in the Central Issaquah area and this is one item of the development. Her presentation included information on the motivation for the Council to examine mixed use; what the City's mixed-use results have been to date; how the City can encourage mixed use, or at least deter development that doesn't meet the City's vision for mixed use; trade-offs and considerations in pursuing mixed-use development; and market conditions that support mixed use.

STILES raised the issue of whether employment and residential densities are equally important in creating favorable conditions for mixed-use development. The Commissioners exchanged views on whether employment or residential density was more important, and generally agreed that ideally, a neighborhood would have both for mixed-use development to occur. The Commissioners noted that the City already has retail centers that people are accustomed to driving to, such as Target, and while mixed-use is the goal, there are likely several steps to be taken to achieve it. The Commissioners also agreed that the presence of I-90 creates problems as well.

Davis Hayes continued her presentation on current trends that would suggest viability of mixed use in the next five to ten years. The Commissioners shared impressions and opinions about the recently completed Atlas Apartments and soon-to-be constructed Vale Apartments. Davis Hayes continued her presentation on the results of the City's conversations about ways to encourage mixed-use development with other cities, including Kirkland, Bothell, and Lynnwood, and developers. LEIGH asked how large a factor being near a transportation hub, such as the Kirkland Transit Center, would be in attracting mixed-use development. The Commissioners referred to mixed-use projects elsewhere in the Puget Sound area of which they are aware.

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Davis Hayes continued her presentation on potential approaches the City could take to support and encourage mixed-use development. She referred to four items for the Commission's consideration and comments, as follows:

- Remove density bonus requirements;
- Do not require additional affordable housing beyond what is required now in the Urban Core;
- Require 15-foot minimum first-floor ceiling heights;
- Require at least 5,000 square feet of commercial space OR allow up to 40 percent residential use on the ground floor.

HOWLETT asked whether the City had considered buying the ground floor of residential developments for the purpose of ensuring mixed-use in a given building. Davis Hayes said that may have been suggested at one time, but that the City is not considering this option at this time.








GABEL and DOKE both spoke in favor of allowing the market to develop by allowing developers to build what they want to; the market will ultimately drive itself. DOKE noted the biggest problem facing developers is lack of land; developers are interested in developing in central Issaquah, but find it hard to find available land to buy. He continued with his thoughts on the difficulties of making subterranean parking pencil out for developers.


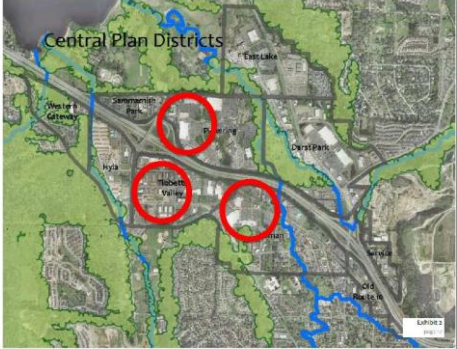
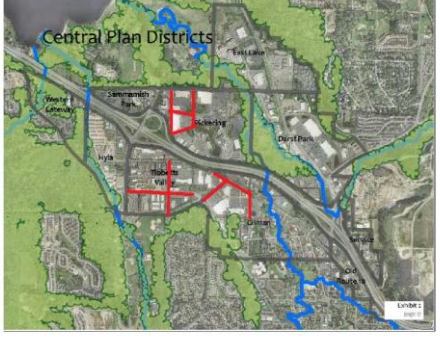


Davis Hayes asked Commissioners whether they thought the four items on the list of steps the City could take would "move the needle" toward encouraging more mixed-use development. The Commissioners generally agreed that any steps the City takes should avoid statements that start with "require that..." in favor of an approach that provides flexibility and offers incentives. Commissioners talked about ways to make incentives from the City strong enough to become a "tipping point" toward encouraging mixed-use development, including reducing or limiting impact fees. DOKE said removing the first item about density bonus requirements would probably have the most impact.




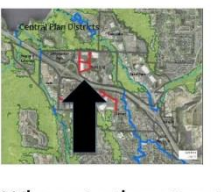
HOWLETT initiated a discussion of why four- or five-story residential buildings are the most profitable for developers, and noted that although the City has plenty of retail now, at some point more retail will be needed. DOKE noted the market will make that adjustment as it is needed.

Davis Hayes continued another potential approach is for the City to purchase land and/or make investments in infrastructure such as utility upgrades, parking structures, and so on. She concluded her presentation with a description of upcoming meetings of the Land and Shore Committee, Planning Policy Commission, and so on leading to presentation of staff's recommendations to Council for action on mixed-use. Council action is expected in September 2017. She encouraged Economic Vitality Commission members to attend any or all of these meetings. LEIGH suggested staff put together a slide or two that contains the important points that the Economic Vitality Commission has expressed on mixed-use so that those ideas can be presented at the meetings described by Davis Hayes.

The Commission continued its discussion of the advisability of focusing efforts on one specific geographic area. It was the general consensus that the Tibbetts Valley area offers the most advantages. The Commissioners also discussed the possibility that requiring mixed-use in a given geographic area could have the unintended consequence of creating more pressure for development to occur in other areas.

<p style="text-align: center;">PROJECT MOTIVATIONS</p> <ul style="list-style-type: none"> • City expended considerable resources and energy on the Central Issaquah Plan. • Early returns have not lived up to Vision. • Sense of lost opportunities. • Community impacted by new developments. • Ensure redevelopment is additive to community. 	<p style="text-align: center;">PROJECT STUDY QUESTIONS</p> <ul style="list-style-type: none"> • What are the market conditions supporting mixed-use? • Do market conditions support mixed-use now? If not, when? <ul style="list-style-type: none"> – What can the city do to accelerate mixed-use? – What can City do to deter development not fitting vision? • What are trade offs and policy considerations? 
<p style="text-align: center;">Findings</p> <p>What are the market conditions supporting mixed-use?</p> <ul style="list-style-type: none"> • Strong MF rents and lower costs needed to support MU <ul style="list-style-type: none"> • MU is primarily a housing product – housing rents determine financial feasibility • Parking drives construction costs and site efficiency – need to find opportunity for right-sized parking • Challenges <ul style="list-style-type: none"> • Higher construction costs • Different tenant/leasing environments • Parking • Locational needs • Attributes needed for success <ul style="list-style-type: none"> • Density • Rental rates 	<p style="text-align: center;">Findings</p> <p>Do market conditions support mixed-use now? If not, when?</p> <ul style="list-style-type: none"> • Current retail and residential rents do not support mixed use products • High-density, single-use residential are most financially feasible and preferred for the current property stock in the CIP • Current rent gap and trends suggest mixed-use viability in the future (5-10 years) 
<p style="text-align: center;">Findings</p> <p>City & Developers interviews</p> <ul style="list-style-type: none"> • Mixed-use projects need to be market driven/supported • City needs to define are for focused pedestrian-oriented, retail environment • City investment helps to catalyze, encourage and enhance development 	<p style="text-align: center;">Potential Approach</p> <p>Require mixed-use in defined, focus areas and provide the following regulatory flexibility to assist with financial feasibility:</p> <ul style="list-style-type: none"> • Remove density bonus requirements • Do not require additional affordable housing (beyond what is required now in Urban Core) • Require 15' minimum first floor ceiling heights • Require at least 5,000 sq ft commercial OR Allow up to 40% residential use on ground floor
<p style="text-align: center;">Potential Approach</p> <p>Use of City resources to directly participate in land development of mixed-use projects.</p> <ul style="list-style-type: none"> • Purchase/utilize current City-owned land for mixed-use development. • Invest in infrastructure (utility upgrades, parking structure, open space) 	<p style="text-align: center;">Next Steps</p> <p>March 2017: Land & Shore Council Committee</p> <p>April 2017: Council Work Session Presentation</p> <p>June 2017: Planning Policy Commission</p> <p>August 2017: Land & Shore Council Committee</p> <p>September 2017: Potential Council action</p> 

<p style="text-align: center;">Discussion</p> <p style="font-size: 2em; text-align: center;">Questions?</p> 	<p style="text-align: center;">Recommendation #1: Geographic Focus</p> <ul style="list-style-type: none"> • Criteria • Ability for higher development density <ul style="list-style-type: none"> ○ Urban Core or Mixed-use zoning • Street classification <ul style="list-style-type: none"> ○ Focus on pedestrian oriented streets such as core streets • Development potential in next 5 – 10 years <ul style="list-style-type: none"> ○ Likely to redevelop • Meets vision (TBD) <p>Concerns:</p> <ul style="list-style-type: none"> • Too many focus areas? Limit to 1?
<p style="text-align: center;">Recommendation #1: Geographic Focus</p> 	<p style="text-align: center;">Recommendation #1: Geographic Focus</p> 
<p style="text-align: center;">Recommendation #1: Geographic Focus</p>  <p>Tibbetts Valley</p> <ul style="list-style-type: none"> • Maple from SR-900 to Newport • 12th from Newport to Gilman • Proposed Mall from 12th to 7th <p>How Meets Criteria</p> <ul style="list-style-type: none"> • Ability for higher development density: Urban Core Zoning • Street classification: Core street, Boulevard • Development potential in next 5 – 10 years: Potential TOD project • Transit Center, Regional Park, existing horizontal retail & services • Potential: Proximity to 10th/12th crossing/light rail station 	<p style="text-align: center;">Recommendation #1: Geographic Focus</p>  <p>Tibbetts Valley</p> <ul style="list-style-type: none"> • Maple from SR-900 to Newport • 12th from Newport to Gilman • Proposed Mall from 12th to 7th <p>Why not other streets within Tibbetts Valley?</p> <ul style="list-style-type: none"> • Gilman Blvd & Newport focused on moving traffic • Gilman to Maple, SR-900 to 12th Ave: Most properties are covered under Rowley Development Agreement

<p style="text-align: center;">Recommendation #1: Geographic Focus</p>  <p>Gilman</p> <ul style="list-style-type: none"> • Maple from Newport to Gilman • Gilman Blvd from Maple to 7th • 7th from Gilman to Locust • Proposed Mall from 12th to 7th <p>How Meets Criteria</p> <ul style="list-style-type: none"> • Ability for higher development density: Urban Core Zoning • Street classification: Core street, Boulevard • Development potential in next 5 – 10 years: Commons Redevelopment, newer ownership of Heritage Square • Meets vision (TBD): Area near housing redevelopment to support neighborhood-oriented businesses 	<p style="text-align: center;">Recommendation #1: Geographic Focus</p>  <p>Gilman</p> <ul style="list-style-type: none"> • Maple from Newport to Gilman • Gilman Blvd from Maple to 7th • 7th from Gilman to Locust • Proposed Mall from 12th to 7th <p>Why not other streets within Gilman?</p> <ul style="list-style-type: none"> • Lower density of zoning (Mixed Use Residential, Mixed Use) • Uncertainty of Gilman ROW with potential redevelopment of Front Street interchange
<p style="text-align: center;">Recommendation #1: Geographic Focus</p>  <p>Pickering</p> <ul style="list-style-type: none"> • 12th from NW Sammamish south to I-90 • Lake Drive from 12th to 11th • 11th from NW Sammamish south to Lowe's parcel line <p>How Meets Criteria</p> <ul style="list-style-type: none"> • Ability for higher development density: Urban Core Zoning • Street classification: Core street • Development potential in next 5 – 10 years: Costco office • Accessibility to I-90, potential I-90 crossing, light rail station 	<p style="text-align: center;">Recommendation #1: Geographic Focus</p>  <p>Pickering</p> <ul style="list-style-type: none"> • 12th from NW Sammamish south to I-90 • Lake Drive from 12th to 11th • 11th from NW Sammamish south to Lowe's parcel line <p>Why not other streets within Pickering?</p> <ul style="list-style-type: none"> • Other Pickering parcels are smaller and require assemblage • Costco DA covers other area <p>NOTE:</p> <ul style="list-style-type: none"> • Pickering Place Owners Association currently restricts residential

MORATORIUM UPDATE

Davis Hayes summarized where the Council's decision to enact a moratorium on development now stands. She noted another joint meeting on the housing component of the moratorium is being held next Thursday, January 26. She reported on the results of staff's focus group with real estate agents held yesterday that focused on housing diversity. She noted that other pieces of the moratorium, like vision and parking, are also moving forward. Staff will be sending Commissioners a matrix of where the six topics within the moratorium are now, and how they are expected to move toward Council action at about the same time. She noted that changes in any of the six areas will have implications for the other areas.

TRIPPLE noted the Council is having a public hearing on the moratorium next month, and said she knows that the hearing is required by state statute, but asked what the Council hopes to learn. Davis Hayes said the Council will decide at the February hearing whether or not to extend the moratorium for another six months. Action to extend will be taken in March.

ECONOMIC VITALITY COMMISSION ANNUAL REPORT

Davis Hayes asked for feedback on the draft Economic Vitality Commission Annual Report. She noted that the Commission decided to focus on moratorium items such as mixed use and housing in 2017. Staff will work with the Commission Chair and Vice Chair to finalize the report and forward it to the Mayor and City Council.

COMMISSIONER RECRUITMENT

Davis Hayes noted the Commission has four vacancies, and encouraged Commissioners to reach out to others they may know who would be good members. The application deadline is January 30, 2017.

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AUDIENCE COMMENTS

None.

OTHER BUSINESS/ANNOUNCEMENTS

The next meeting will be held at 5:30 PM on Wednesday, February 15, 2017.

Snyder gave details on the March Commission meeting, which will be a joint meeting with the Downtown Issaquah Association at a downtown venue (specific date to be determined). She also invited Commissioners to attend an open house on February 4 at the Community Center at which the City's streetscape consultant will present proposals for what Front Street and the area around the Hatchery could look like. Staff will be looking for feedback from the public as well as from other boards and commissions about the proposals. LEIGH suggested inviting the Urban Village Development Commissioners specifically. Snyder noted staff is trying to set up a way for residents to give feedback online, and will also have an opportunity to give feedback at future meetings, including when the City Council takes action.

ADJOURNMENT

With no further business to conduct, LEIGH adjourned the meeting at 7:20 PM.

Respectfully submitted,

Susan Lowe
Recording Secretary

These minutes are a brief summary of the Economic Vitality Commission meeting. For more information or clarification, please contact the Economic Development Department at 425-837-3444.