

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: Proposed Community Renewal Area (CRA) for Aurora Square Area
DEPARTMENT: Economic Development
PRESENTED BY: Dan Eernisse, Economic Development Manager
ACTION: ___Ordinance ___Resolution ___Motion <u>X</u> Discussion

PROBLEM/ISSUE STATEMENT:

Washington law (RCW 35.81) allows cities to establish a *Community Renewal Area* along with a Community Renewal Plan (collectively a CRA) to help areas that need renewal. In the case of Aurora Square, economic renewal is needed. Once a CRA is established, the city gains a toolkit designed to help it facilitate renewal. For example, while Washington law typically limits cities from working with private enterprise, cities are encouraged to partner with private enterprise to rejuvenate a CRA, a tool that can be particularly effective at helping Aurora Square reach its potential.

RESOURCE/FINANCIAL IMPACT:

The act of establishing a CRA will require only staff time and consultant time in the form of legal advice. Once established, the Office of Economic Development estimates that additional staff time and consultant time will be appropriate to interact with Aurora Square owners and to provide initial designs for infrastructure; the budget for the legal assistance is in the 2012 budget, and a one-time \$25,000 budget has been requested for 2013 for additional expenses. Any major expenditure beyond these would need to be proposed to the City Manager and City Council.

RECOMMENDATION

This item is scheduled for Council discussion this evening. Staff has scheduled a public hearing and the potential adoption of an ordinance establishing a CRA for the Aurora Square area for September 4.

Approved By: City Manager **JU** City Attorney **IS**

INTRODUCTION

Washington law (RCW 35.81) allows cities to establish a *Community Renewal Area* along with a Community Renewal Plan (collectively a CRA) to help areas that need renewal. In the case of Aurora Square, economic renewal is needed. Once a CRA is established, the city gains a toolkit designed to help it facilitate renewal. For example, while Washington law typically limits cities from working with private enterprise, cities are encouraged to partner with private enterprise to rejuvenate a Community Renewal Area, a tool that can be particularly effective at helping Aurora Square reach its potential.

DISCUSSION

The Shoreline City Council is keenly interested in economic development, and this proposal is designed to promote economic development in the Aurora Square area. Aurora Square faces daunting challenges which developed over decades, leaving a center that is difficult to navigate with disconnected islands of buildings. Additionally, current building and storm water laws add more challenges to those demanded by today's lifestyles and customers. Together, these challenges stymied redevelopment, limited reinvestment and produced poor sales, values and rents within Aurora Square.

Washington law provides cities with economic development tools that it can use to renew areas that are suffering from clear systemic challenges. RCW 35.81 describes what an area that needs economic renewal looks like, and staff believes that four of the five criteria apply to Aurora Square:

1. "Old, obsolete buildings" such as the vacant Sears Catalogue Sales building and the three vacant buildings on the Joshua Green triangle. The Sears retail building, while occupied, reflects a Sears of decades ago rather than a structure it would build today.
2. "Defective or inadequate street layout" and "faulty lot layout" is readily apparent at Aurora Square. Shoppers cannot walk or drive easily between buildings, and traffic on Aurora and N 160th Street has difficulty accessing the site. In addition, lot layout makes the topography of the site works against the businesses rather using it as an asset.
3. "Excessive land coverage" at Aurora Square is evident in acres of parking in inaccessible or unnecessary locations, a lack of landscaping, and inadequate storm water management that poses costly hurdles for additional development.
4. "Diversity of ownership" at Aurora Square—which has ten different ownership groups—results in the inability to make changes at the speed necessary to respond to opportunities.

The resulting poor economic performance is clear when one compares the revenue generation of a Aurora Village (Costco, Home Depot, etc.) with Aurora Square: Aurora

Village generates 650% more sales tax revenue per acre than does Aurora Square. Additionally, since no new buildings in Aurora Square have been built in the last twenty years, the area produces very little property tax revenue on building improvements. . Attachment A includes a comparison of the Aurora Square and Aurora Village sales tax revenue generation along with a map of ownership of the Aurora Square properties.

But that's the bad news. Aurora Square is a sleeping giant. Given its size, location, demographics, transportation access, and the projections for growth in the Puget Sound economy, Aurora Square could be special. The City regularly surveys its citizens about ways to improve Shoreline, and better shopping, entertainment, and destination restaurants are constantly mentioned. Aurora Square is a key to all of these opportunities. Of course, outstanding businesses already operate on site, and it would be staff's intent that these ventures can grow even more successful with the synergy created in a CRA. All this activity means sustainable sources of revenue for city services too. The potential for Aurora Square to become a model of "lifestyle Shoreline," with smart built infrastructure, residences, offices and generous open spaces tied to transit, neighborhoods, and the Interurban Trail is exciting.

Once the CRA is established, the City will initiate tailored assistance depending on the needs of the site and its interaction with the property owners. Examples may include:

- Designing area-wide storm water management or energy systems that allow individual lots to take advantage of economies of scale;
- Commissioning traffic and parking studies to justify more development through right-sizing parking and providing improved access;
- Creating a special signage district to offset the fact that the Interurban Trail pedestrian bridges tend to block site visibility from passing motorists on Aurora;
- Reworking N 160th Street with hopes of giving Aurora Square another "front door" and of better engaging Shoreline Community College's 9,000+ students;
- Tailoring zoning in special districts that will generate new investment from tenants or users that aren't currently on site;
- Setting aside consolidated areas for significant plazas, parks, or community amenities, rather than requiring each parcel to carve out small sections;
- Financing major infrastructure improvements that allow for more predictable and intensive development.

Establishing a CRA does not change zoning or heights of buildings. In fact, the CRA itself doesn't change anything, but merely provides a toolkit for a city to use for the very limited purpose of bringing about renewal. The CRA will allow limited master planning of the site, allowing public and private goals to be met together. The City will be able to partner with Aurora Square property owners to provide connections and the infrastructure necessary to serve the site. However, the City will not be dictating to the owners how they use or develop their sites.

Establishing a CRA should be neutral in its effect on property values, as it neither guarantees improvement nor devalues property. Therefore, establishing a CRA will not affect property taxes or property values until the area experiences significant

improvement. Staff has requested confirmation of this from the King County Assessor's Office. Once confirmed, staff will add to this information to a list of frequently asked questions (FAQ). The current FAQ document is included as Attachment B.

Two common property rights objections often surface when cities create CRAs: the dislocation of residents and the use of condemnation or eminent domain for economic development. Since no residents live in the Aurora Square area, the first objection doesn't apply. As for condemnation, staff is proposing that the Council adopt a renewal plan for Aurora Square that explicitly states that condemnation and eminent domain not be used for economic renewal, even though RCW 35.81 provides cities with that tool. Our legal counsel, Hugh Spitzer of Foster Pepper, advises that condemnation and eminent domain only be used as a last resort to renew areas with severe health and safety challenges. Mr. Spitzer has agreed to attend the August 13 meeting to answer Council's questions. Mr. Spitzer has previously published information about the formation and powers of a CRA which has been included as Attachment C.

Forming a Community Renewal Area

RCW 35.81.050 requires that in order for the City to exercise any of the powers of a CRA the Council must adopt an ordinance or resolution declaring that one or more blighted areas exist in the City and the rehabilitation and/or redevelopment of such area is necessary in the interest of the welfare of the residents of the City. Specifically staff is recommending that Council form a CRA for Aurora Square. For purposes of Aurora Square the term "blighted area" is defined as an area that "substantially impairs or arrests the sound growth of the city."

As specifically defined in RCW 35.81.015, and discussed previously in this staff report, the declaration would be justified by:

1. "Old, obsolete buildings" such as the vacant Sears Catalogue Sales building and the three vacant buildings on the Joshua Green triangle.
2. "Defective or inadequate street layout" and "faulty lot layout" in relation to size, adequacy, accessibility or usefulness.
3. "Excessive land coverage" at Aurora Square is evident in acres of parking in inaccessible or unnecessary locations.
4. "Diversity of ownership" at Aurora Square—which has ten different ownership groups—results in the inability to make changes at the speed necessary to respond to opportunities.

The Council is also required to hold a public hearing on the proposed formation of the CRA.

Specifically the creation of the CRA would provide the following powers to the City (RCW 35.81.070):

1. To undertake and carry out community renewal projects within the City, to make and execute contracts to carry out the renewal projects and to disseminate community renewal information.
2. To provide, arrange or contract for the repair of streets, roads, public utilities or other facilities.

3. In connection with a community renewal project to install, construct, and reconstruct streets, utilities, parks, playgrounds, and other public improvements.
4. To provide financial or technical assistance, using available public or private funds, to a person or public body for the purpose of creating or retaining jobs.
5. To contract with a person or public body to provide financial assistance, authorized by RCW 35.81, to property owners and tenants impacted by the implementation of the community renewal plan and to provide incentives to property owners and tenants to encourage them to locate in the community renewal area after adoption of the community renewal plan.
6. To apply for, and accept, loans, grants, contributions any other form of financial assistance from the federal government, the state, county, or other public body, or from any sources, public or private, for the purposes of RCW 35.81.
7. To make plans necessary to carry out the purposes of the CRA.
8. Acquire, with the approval of the City Council, real property for the purposes of community renewal project. Should the City find it necessary to acquire additional property, the City would act in the public interest as a typical buyer, using a negotiated purchase agreement. In addition, RCW 35.81 prescribes that cities that acquire property for economic renewal in CRAs need to do so with the intention of returning the property to the private sector as soon as is reasonable. The City already owns a great deal of right-of-way that it can use to help renew Aurora Square.

Should the Council decide that the toolkit provided by a CRA is valuable, then the next step would be to direct staff to create an ordinance declaring and defining both the Community Renewal Area and a Community Renewal Plan. Staff has tentatively scheduled the CRA Public Hearing and ordinance adoption for September 4.

STAKEHOLDER OUTREACH

Staff has contacted all of the ten property owners in Aurora Square in writing (Attachment D), and some also in person, about the Council's intention to discuss a CRA at the August 13th meeting. Property owners have been encouraged to attend and/or provide written comment.

COUNCIL GOALS ADDRESSED

The creation of a CRA at Aurora Square will promote the Council's Goal 1: Strengthen Shoreline's economic base. The City Council adopted a comprehensive Economic Development Strategy in January of 2012 that specifically calls out the need to improve Aurora Square as one of the city-shaping place-making opportunities in Shoreline.

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Attachments:

- Attachment A: Aurora Square and Aurora Village comparison, Aurora Square ownership
- Attachment B: CRA Frequently Asked Questions
- Attachment C: Information from Hugh Spitzer regarding CRAs
- Attachment D: Letter to Aurora Square property owners