

CITY COUNCIL AGENDA ITEM

CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: Council 2002-2003 Workplan Goal #6
DEPARTMENT: CMO
PRESENTED BY: Steve Burkett, City Manager
Jan Knudson, Economic Development Coordinator

PROBLEM/ISSUE STATEMENT:

Many of Shoreline's commercial areas require redevelopment and revitalization in order to generate the revenues the City needs to provide high-quality services. Small lot sizes in multiple ownerships is one of the challenges to the type of infill redevelopment we seek. Council Workplan Goal #6 - "evaluate the financial options to acquire and land bank property intended for redevelopment" - is to assess one technique for addressing this challenge.

ALTERNATIVES ANALYZED:

Alternate solutions to the challenges of redevelopment in Shoreline included in this report are as follows.

- Maintain the current priority for strategies in the adopted Economic Development Program, specifically:

	Economic Development Program Strategy	2002 Priority
#2	Identify specific locations for redevelopment – <i>North City</i>	High
#3	Leverage the City's capital investments for better efficiencies and greater return on public/private investments.- <i>North City, Aurora, Trail, Central Subarea Plan, Permit Process Review</i>	High
#4	Coordinate CIP improvements with redevelopment - <i>North City</i>	High
#6	Consider development incentives such as fee waivers, designated Planned Action areas, business relocation strategies etc. a) Tax Exemption Program - <i>10/21 Council workshop</i> b) Planned Action EIS's – <i>North City EIS complete</i> c) Permit Process Review – <i>Complete 4th qtr. 2002</i>	High
#8	Pursue other funding sources such as Block Grant funds, 108 Loan Program, and other grant opportunities.	Low

➤ Raise priority of Strategy #8 and investigate:

- Low-interest loans such as from The Enterprise Foundation
- Bond issuance specifically for land acquisition
- Parking and Business Improvement Areas (BID/PBIA)
- Public Development Authority (PDA)

FINANCIAL IMPACT:

The 2002 adopted Economic Development Program budget is \$193,676, including staff salary and benefits and including \$50,000 for Professional Services for the Permit Review Process. These funds support the current workplan for economic development.

If Council wishes to change the priority of Strategy #8 and pursue land acquisition for redevelopment more aggressively, current strategies will be delayed due to staff resources. Additional resources such as legal and financial consulting would also be required to conduct the more detailed analysis necessary for Council to make an informed decision.

RECOMMENDATION

Staff is recommending the City not take on additional expenses and debt at this time.

ATTACHMENT

Attachment A – Economic Development Program Brochure

Approved By: City Manager  City Attorney 

INTRODUCTION

Council Goal #6 – Evaluate the financial options to acquire and land bank property intended for redevelopment – addresses one of the challenges to redevelopment in Shoreline – parcel assembly. The larger problem we are trying to solve is the challenge of revitalizing our commercial areas in Shoreline's built environment.

In Shoreline's commercial districts, parcels are typically small and require assembly to attract the necessary reinvestment. Limited commercial land supply and policy goals to achieve infill development place pressure to put parking space in structures. This can make construction expensive. In combination with expensive land, Shoreline lease rates are borderline in supporting the construction type and mixed use development we desire.

BACKGROUND

Redevelopment in a built-out environment such as Shoreline can be costly. Often, a developer must buy an existing business in addition to the land it occupies. Shoreline lease rates are slightly below what it takes to make a project financially viable under these conditions. "Land banking", or buying land to make available for future redevelopment, is one technique for reducing the cost of development.

The Council adopted the Economic Development Program in October 2001. Goal #2 of Council's Workplan is to "implement the economic development program." A key emphasis in the Economic Development Program is to encourage revitalization through various strategies. Seven of the Program's ten "strategies for success" relate directly to creating conditions that make retail (and subsequently office) uses more successful.

The following table shows the ten strategies and their current priority. In italics after each strategy is its current status.

	Economic Development Program Strategy	2002 Priority
#1	Analyze demographic and market data to determine City's competitive position in market area – <i>Complete</i>	High
#2	Identify specific locations for redevelopment – <i>North City Project, Westminster/Aurora Square, TOD, Central Subarea</i>	High
#3	Leverage the City's capital investments for better efficiencies and greater return on public/private investments - <i>North City Project, Aurora Corridor Project, Interurban Trail Project, Central Subarea Plan, Permit Process Review</i>	High
#4	Coordinate CIP improvements with redevelopment - <i>North City Project</i>	High
#5	Improve the permit process to be more predictable and timely - <i>Complete 4th qtr. 2002</i>	High
#6	Consider development incentives such as fee waivers, designated Planned Action areas, business relocation strategies etc. d) Tax Exemption Program - <i>10/21 Council workshop</i> e) Planned Action EIS's – <i>North City EIS complete</i> f) Permit Process Review – <i>see Strategy #5 above</i>	High
#7	Address parking issues and calm the traffic	Medium

	Economic Development Program Strategy	2002 Priority
#8	Pursue other funding sources such as Block Grant funds, 108 Loan Program, and other grant opportunities.	Low
#9	Prepare and maintain a Community/Economic Development Business Plan with quarterly/annual reporting of activities, revenues and expenditures (could include CIP)	Low
#10	Pursue the installation of fiber optic cable and other high-technology infrastructure desired in office development in the Aurora Corridor and elsewhere in the City	Low

Council established Workplan Goal # 6 at its April 2002 retreat to determine what resources might be available to the City to assemble parcels for redevelopment. In response to specific inquiries regarding the Enterprise Foundation, staff prepared this report and is seeking Council confirmation of workplan priorities.

DISCUSSION AND ALTERNATIVES

As stated above, implementing the adopted Economic Development Program is Council Workplan Goal #2 and emphasizes business revitalization in Shoreline. Additional investments Shoreline can leverage to encourage redevelopment are through the 2003-2008 adopted Capital Improvement Program.

Funding used for the Aurora Corridor, Interurban Trail and Central Subarea Plan Projects could include land acquisition for construction staging, business relocation and, potentially, parcel assembly. The greater portion of the funds for this project are anticipated to be grant funds which would not carry the debt service of low-interest loans or bonds.

Other forms of funding land acquisition for the purposes of redevelopment include:

- Tax Increment Financing
- Low-interest Loans such as those offered by the Enterprise Foundation
- Bond Issues
- Parking and Business Improvement Areas (BID/PBIA)
- Public Development Authority

A brief overview of these options follows. Four of the five options carry with them some form of additional debt service and repayment. If the City's current resources and sustainable financial position are to remain unchanged, any additional debt would need to be backed by a dedicated revenue stream. This can take the form of cashflow from a project resulting from the investment or from tax revenues generated by the improvements.

Tax Increment Financing (TIF)

TIF is authorized under RCW 39.88 and RCW 39.89 and is referred to in that legislation as the community redevelopment financing act and community revitalization financing. It essentially targets the incremental increase in tax revenues resulting from a project or improvement for repayment on debt service for debt issued to finance that improvement. It is primarily aimed at financing public improvements.

A significant challenge to TIF is the requirement for a local government to obtain written agreement for the use of community revitalization financing from taxing districts that together levy at least 75% of the regular property tax on property within the increment area.

Low-Interest Loans

Organizations such as The Enterprise Foundation and Fannie Mae are lending institutions offering low-interest loans to public agencies for various public purposes. The Enterprise Foundation is a lending organization whose mission is to assist in the early funding of projects that include an affordable housing element. Of late, the organization has been funding transit-oriented development around future light rail stations in Portland. The affordable housing element of Enterprise projects usually includes 50 % of the housing units affordable at 80% or below median income levels.

How It Works

The City could use Enterprise funds to purchase land and then make that land available for redevelopment. In some cases, the funds can be used to finance project improvements rather than the land. Loans are typically five-year terms and can be at 100% loan-to-value (no down payment) with the City backing the loan with its full faith and credit. It is even possible to borrow more than the value of the property to fund predevelopment tasks.

Typically, the City would be responsible for paying debt service during the term of the loan. If the current rate on a hypothetical \$5 million loan is 6%, the annual debt service would be \$300,000. Rates, of course, would vary according to the cost of funds.

In paying the loan back in five years, the City could issue bonds to essentially refinance the debt but there would still need to be an identified revenue source to pay off the bonds. A project could pay off the loan but in a marginal market, it is likely to not generate enough cashflow within the five-year term putting the City at risk. Sales tax revenue from a project could be dedicated to repay the loan but this would require the project to have a significant retail element in order to generate the necessary sales tax.

Bond Issues

Similar to what is being considered in Workplan Goal #7, the City could issue bonds specifically for the purpose of land acquisition for redevelopment or business relocation. These bonds could be issued by Council or by vote of Shoreline residents. Issuance of the bonds would still require debt service and repayment and the analysis provided above would apply.

Parking and Business Improvement Areas (BID/PBIA)

A BID/PBIA is a self-help funding mechanism authorized by state law (RCW 35.87A) that allows businesses and property owners within a defined area to establish a special assessment district and assess themselves for broad categories of PBIA improvements. These improvements can include

- acquisition, construction, or maintenance of parking facilities;
- decoration of any public place;
- promotion of public events to take place in public places;

- provide professional management, planning and promotion for the area; and
- provide maintenance and security for common public areas.

The City does not incur any additional debt with a PBIA unless the improvements are funded through issuance of debt (bonds) backed by the special assessments. The process for establishing a PBIA can take up to a year and requires the signatures from business operators responsible for at least 60% of the total assessments of the proposed area.

The Chamber of Commerce and some members of the business community have expressed interest in pursuing a BID for the Central Subarea.

Public Development Authority (PDA)

A PDA is a public corporation authorized by RCW 35.21.730-755. Its purpose is to assist community and economic development efforts by clarifying the authority and procedures a public corporation has to participate in federally guaranteed "conduit financings".

A PDA is set up essentially as a sub-agency to the governing authority creating it and has many of the same powers and authorities as a city, town or county. The purpose of a PDA is to improve the administration of federal grants and programs, or to improve the general living conditions in the urban areas of the state, city, town or county.

A PDA can own and sell real estate, contract with individuals and agencies, loan and borrow funds, and issue debt. Upon issuance of debt, the challenge of financing and repayment remains the same. Creating a PDA is a significant undertaking requiring time and resources that the City does not have currently.

Conclusion

There are many competing interests and projects for the City's CIP and bonding capacity. At this time, it appears the City cannot afford to take on additional debt. Council Goal #7 is to investigate issuing bonds to finance additional capital improvements but some of these or current CIP projects would likely be postponed if we were to assume additional debt to acquire land for redevelopment.

The current Economic Development Program addresses the current challenges to revitalization in Shoreline within existing available resources. If Council wishes to implement one of the options described above as a higher priority, staff will return to Council with a proposed workplan and budget requirements for conducting a more detailed analysis and appropriate recommendation.

RECOMMENDATION

Staff is recommending the City not take on additional expenses and debt at this time.

ATTACHMENTS

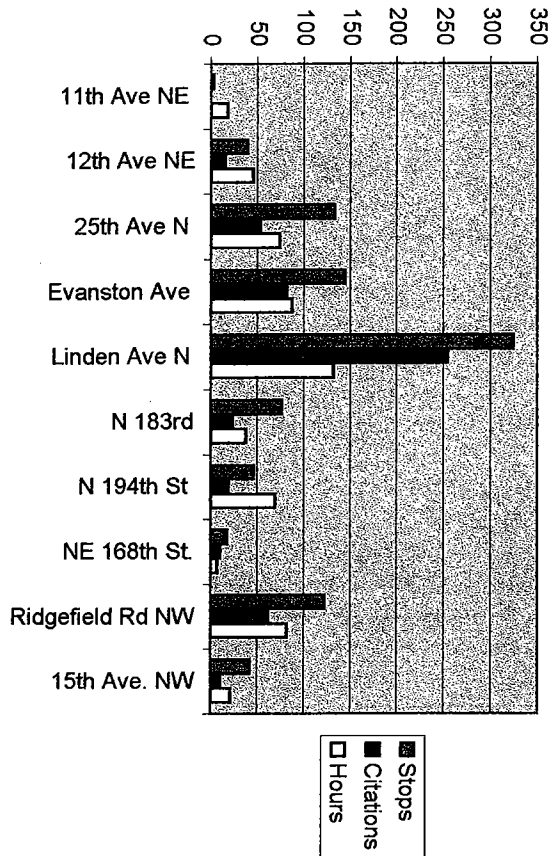
Attachment A – Economic Development Program Brochure

ATTACHMENT A

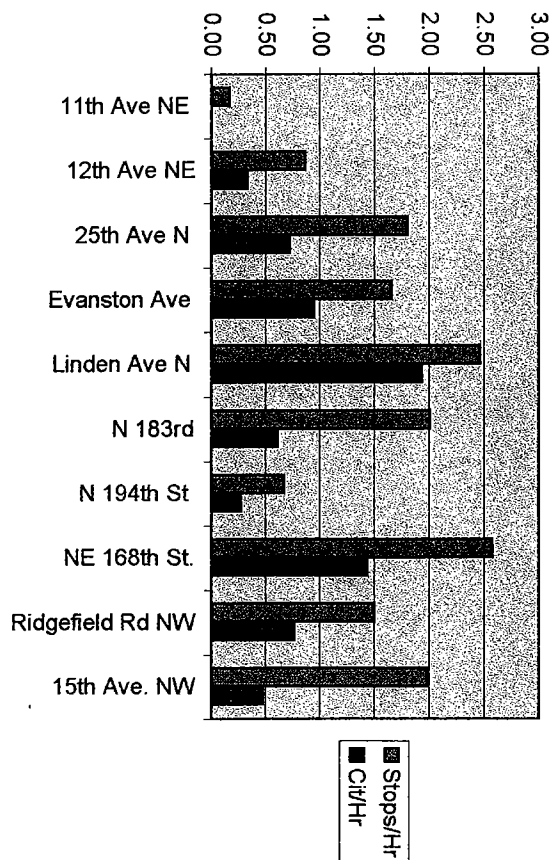
Economic Development Program Brochure

Attachment A: NTSP Enforcement: October 2001 - September 2002

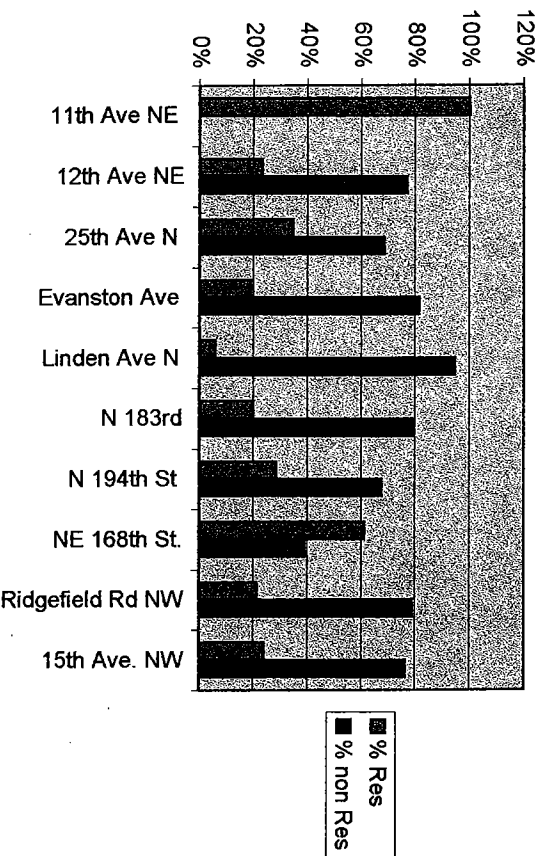
Total Number of Stops/Citations



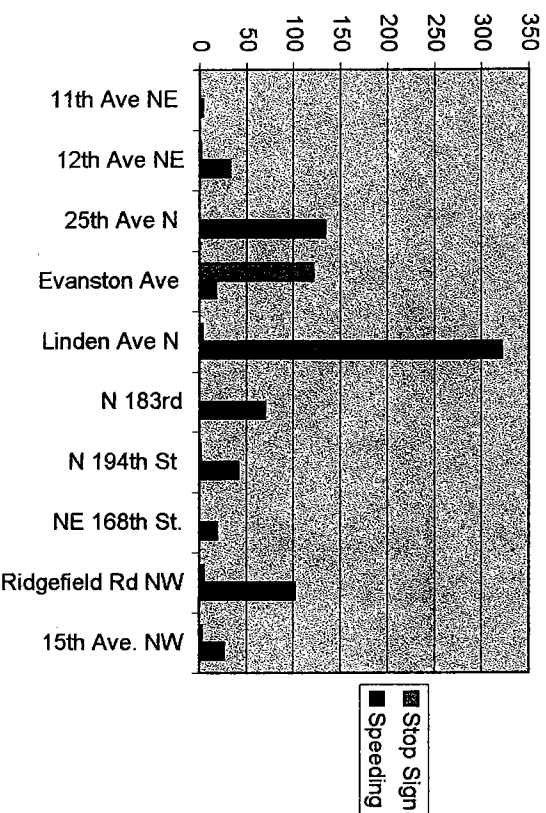
Number of Stops/Citations Per Hour of Enforcement



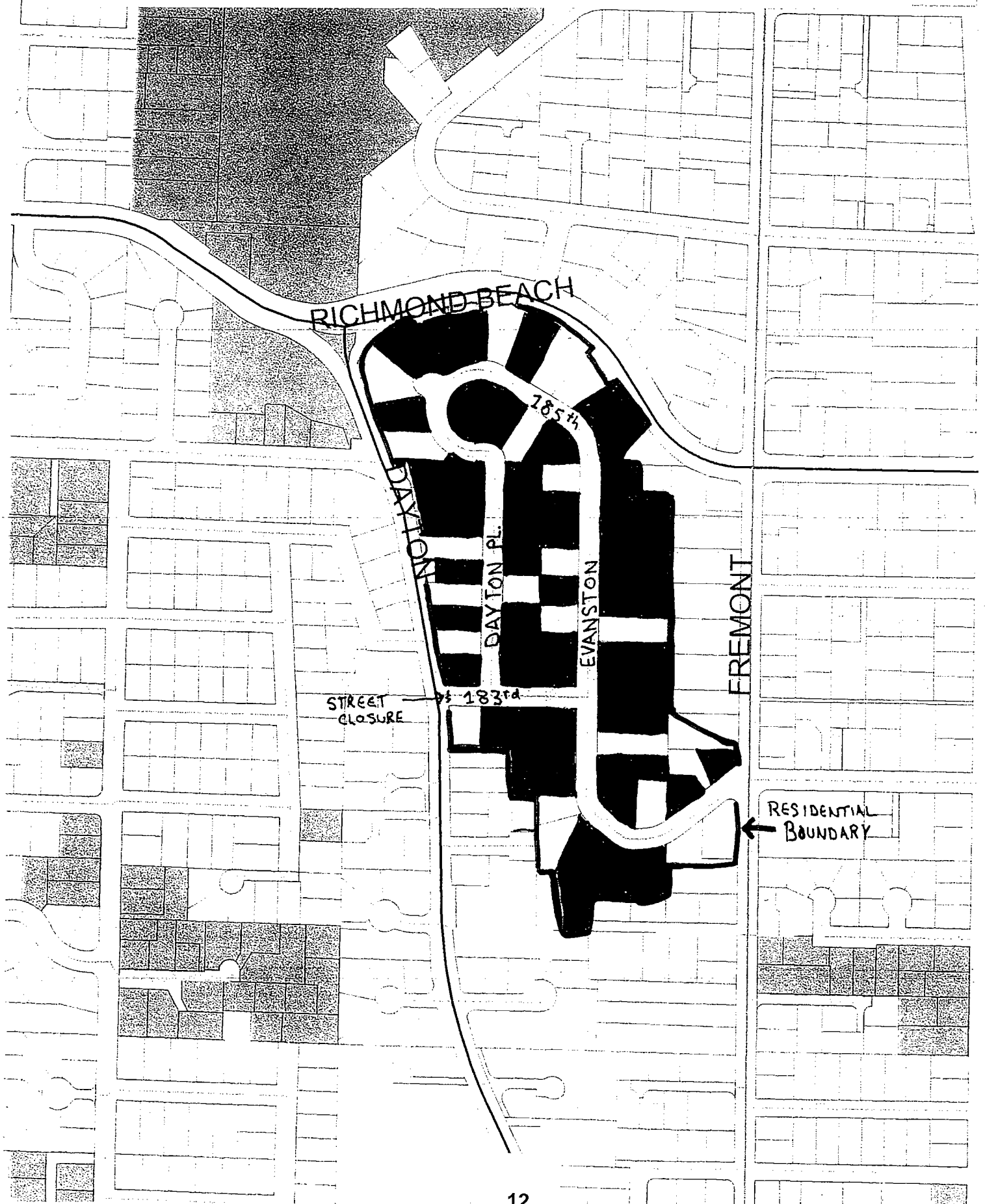
Percent Resident/Non-Resident



Number of Stops By Violation Type



Attachment B: Map of Residents Who Returned Petitions



MISSION

Ensure the long-term viability of the City's economic base by enhancing the existing business environment in Shoreline and by bringing together the public and private resources necessary to redevelop underutilized or deteriorating commercial districts.

GOALS

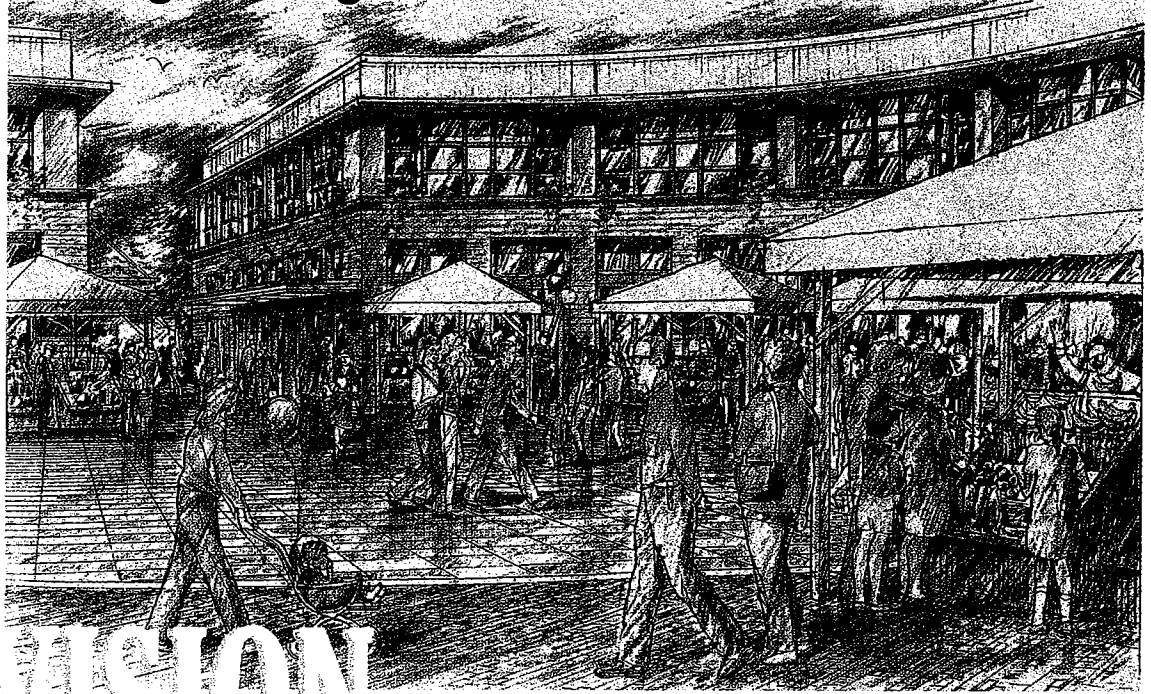
- Enhance the existing business environment in Shoreline.
- Improve the aesthetics of commercial areas to encourage higher quality investments.
- Provide citizens greater choices to live, work, shop and play in Shoreline.
- Foster a healthier economic base generating increased property value and additional sales revenues.



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CITY OF SHORELINE ECONOMIC DEVELOPMENT

Strengthening Our Business Environment



VISION

Create vibrant, mixed-use commercial areas that contribute to the whole health of the community.

The Shoreline City Council has made a major commitment to improving the economic vitality of the City.

Many of the commercial areas in Shoreline are underdeveloped and underutilized. Job opportunities within the City are limited and many residents must work elsewhere. In order to accomplish its goals, the City will need to form partnerships with other public agencies as well as with the private sector. The City also needs to be strategic with its capital investments.

Shoreline does have many advantages that can help attract redevelopment: a central location in the Puget Sound region with easy access to Seattle and Snohomish County, excellent public schools including Shoreline Community College, stable single family residential neighborhoods and frequent all-day transit service to commercial and employment centers.

Improvements the City is currently making to infrastructure, land use planning, services and redevelopment affect the community's livability and, therefore, its economic vitality. The Aurora Ave. N., Interurban Trail, Central Shoreline Subarea Plan and North City projects will serve as major catalysts for redevelopment in Shoreline.

Some of the other strategies the City will use include improving the City's image, sense of identity and competitive position in the market area; strategically investing in capital improvements and marketing; focusing efforts and resources in selected areas rather than using a shotgun approach; creating financially feasible plans and programs that encourage private investment, and; supporting private investments with appropriate and realistic public investments.

SHORELINE CAPITAL IMPROVEMENT INVESTMENTS

Aurora Corridor Project: The City's plan to improve safety, traffic flow, aesthetics and redevelopment potential of Aurora Avenue North.

North City Business District: Shoreline has a series of capital improvement projects designed to kick-start redevelopment in the North City Business District.

Interurban Trail: This linear park will provide new recreation opportunities and a non-motorized transportation corridor, linking Shoreline to surrounding communities.

Central Shoreline Subarea Plan: The City is developing a vision for the central commercial area in Shoreline that will act as an incentive for redevelopment, align strategies for the use of public right-of-way and protect neighborhoods.

Shoreline City Council

Scott Jepsen
Mayor

Kevin Grossman
Deputy Mayor

John Chang
Ron Hansen
Rich Gustafson
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Bob Ransom



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APRIL 2002

CITY OF SHORELINE ECONOMIC DEVELOPMENT

Strengthening Our Business Environment



STRATEGIES FOR SUCCESS

- 1) Analyze demographic and market data to determine City's competitive position in market area.
- 2) Identify specific locations for redevelopment.
- 3) Leverage the City's capital investments for better efficiencies and greater return on public/private investments.
- 4) Coordinate CIP improvements with redevelopment.
- 5) Improve the permit process to be more predictable and timely.
- 6) Consider development incentives such as fee waivers, designated Planned Action areas, business relocation strategies etc.
- 7) Address parking issues and calm the traffic.
- 8) Pursue other funding sources such as Block Grant funds, 108 Loan Program, and other grant opportunities.
- 9) Prepare and maintain a Community/Economic Development Business Plan with quarterly/annual reporting of activities, revenues and expenditures (could include Capital Improvement Projects).
- 10) Pursue the installation of fiber optic cable and other high-technology infrastructure desired in office development in the Aurora Corridor and elsewhere in the City.

FOR MORE INFORMATION

about the City of Shoreline Economic Development Program, contact
**Economic Development Coordinator
Jan Briggs at (206) 546-0959.**