

CITY OF SHORELINE
SHORELINE CITY COUNCIL
SUMMARY MINUTES OF SPECIAL MEETING

Monday, March 31, 2014
5:45 p.m.

Conference Room 303 - Shoreline City Hall
17500 Midvale Avenue North

PRESENT: Mayor Winstead, Deputy Mayor Eggen, Councilmembers McGlashan, Hall, McConnell, Salomon, and Roberts

STAFF: Debbie Tarry, City Manager; John Norris, Assistant City Manager; Dan Eernisse, Economic Development Program Manager; Robert Hartwig, Administrative Services Director; Richard Kirkwood, Senior Budget Analyst; Jessica Simulcik Smith, City Clerk; Bonita Roznos, Deputy City Clerk

GUEST: Chris Austin, Windermere; Sean Hyatt, Mill Creek Residential; Brian Leibsohn, First Western Properties; Martha Rose, Martha Rose Construction

At 5:32 p.m., the meeting was called to order by Mayor Winstead.

Mayor Winstead opened the meeting with a welcome and introductions.

Dan Eernisse, Economic Development Program Manager provided a brief introduction of the panel: Chris Austin, Real Estate Developer, Windermere, finds land for smaller sized developments, subdivisions and townhouses; Sean Hyatt, Vice President, Mill Creek Residential, develops institutional sized, multi-family projects of 100 plus units; Martha Rose, Owner, Martha Rose Construction, builds two to three high performance spec homes a year and occasionally small commercial projects; Brian Leibsohn, Commercial Development Broker, First Western Properties, represents the Westminster Triangle Property and finds land for small-scale developers. Mr. Eernisse announced David Cutler of GGLO would not be in attendance.

Mr. Eernisse asked the panel for feedback on Shoreline's reputation as viewed by outside developers. Mr. Hyatt responded Shoreline has an above average regional reputation; a good transit system, school district, and park system; and benefits from its proximity to Seattle. He stated the recovery in the south end is still very weak compared to the north end, and further incentives are needed to attract investors. He commented on the concentric rent circle and the high land values due to proximity of Seattle, and made rental cost comparisons in South Lake Union, Shoreline, Mill Creek and Lynnwood. The amount of rent charged in each of these locations is different resulting in developers building where higher rental revenue can be realized since the cost of the building is relatively the same. He informed Council the collapse of the Aurora Square development was outside the Council's scope of decision making and incentives are needed to attract capital investors.

Ms. Rose commented Shoreline residents have a perception that their property is as valuable as property in Seattle. She believes Shoreline provides a better quality of living and is more progressive. She recommends a marketing campaign to highlight Shoreline's Solar Fairs, transit, less traffic, cleaner air, and beauty of the trees. She commented her experience with the permitting process was cumbersome and arduous, and it should not take three years to approve a short plat. When asked what the specific obstacles were, she responded a neighborhood review should not take more than six months and neighbors should not decide who is allowed to build. Delays drive the price up and cannot be recovered by increasing rent. Often neighbors did not attend the required neighborhood meeting and when they did it was not to object to the project. She recommended Shoreline finish the trails, improving Aurora, and develop the Sears Triangle.

Mr. Eernisse commented over the last several years the permitting process has been streamlined and the City needs to work at informing developers.

Mr. Leibsohn commented Shoreline is set up to attract growth but has an identity crisis. Shoreline is commonly overlooked and not seen as a place to invest. He believes its proximity to Seattle and Aurora improvements should be promoted. He inquired as to why the project at Westminster has not taken off and stated Shoreline is not on developers' maps. Shoreline has good housing stock and he recommended marketing community amenities. He concurred that three years for permitting is too long for an investor to take risk and miss the cycle. He commented land value, rental revenue, and housing prices are not the same in Shoreline as they are in Seattle. He recommended revitalization and regeneration of current housing stock (infill of underdeveloped property in Greenwood neighborhood is creating brand new 3000 sq. ft. modern homes in the \$800,000 range); promoting ease of access to Shoreline; creating identity; promoting quality of life; and leveraging the proximity to employment in Seattle.

Mr. Eernisse asked the panel what Shoreline can do to attract investors and development opportunities, and what practices to avoid.

The following strategies were recommended by the developers:

1. Good advertising and marketing
2. Predictable and quick permitting process
3. "Roll out the red carpet"
4. Entitlements & incentives (ex. free land, 1st 5 people)
5. Accommodating and helpful staff
6. Consolidation of utilities, one stop shopping, eliminate the need to use separate consultants to navigate process (particularly out of town developers)
7. Address the issue of 145 & Aurora
8. Promote 15 minute bus ride to Seattle as jobs center
9. Reduce Automotive Uses and Casinos as they receive negative feedback from developers and are not jobs that attract people to the area
10. Need walkability and sidewalks
11. Create a University Village
12. Promote Shoreline's Seattle address (Zip Code)
13. Draw more people to Central Market

14. Set-up a onetime review of all processes
15. Be faster and centralized on utilities and permitting
16. Streamline process
17. Offer low impact fees

Council inquired about employment opportunities required to attract investors. Mr. Hyatt commented that national developers are looking for jobs in the area they are building in to ensure tenants can afford to pay rent. Mr. Leibsohn commented Shoreline can play off the proximity of Seattle and other cities' job bases; and stated the question then becomes how easy is it to get to other cities.

Council asked how the requirement for structured parking is received by developers. Mr. Hyatt responded the market is demanding structured parking and there is usually a backlash when no parking is provided. Structured parking costs \$22,000 more per stall than surface parking.

Mr. Eernisse asked the developers to identify justifications for a higher cost of land. Ms. Rose responded the quality of the school district, transits, parks, and minimal traffic.

Councilmembers agreed that Shoreline's amenities are not being appropriately marketed.

Mr. Eernisse asked the panel to identify amenities that will attract investors to Shoreline. Mr. Austin recommended creating a sense of place similar to Vallejo, California with a catalyst project to assemble shops, restaurant and walkable places. Mr. Leisboshn recommended offering an incentive for gentrification for existing properties. Providing an incentive for private businesses to clean up their property will complete the revitalization of Aurora and help the City attract investors. Ms. Rose recommended a permanent structure for a Farmers Market with longer hours to create a sense of place consisting of shops, music and vendors that can expand outward and serve as a town center. She also recommended marketing Shoreline's municipal solar array, which is among the biggest in Washington. Mr. Hyatt recommended creating a restaurant and night life scene, similar to Capitol Hill and Ballard, in a market style development, and reusing existing spaces to support trendy restaurants that will drive residential rental choices and provide activities for people to experience. Mr. Austin recommended marketing the story of the essence of Shoreline, activities in Shoreline, and providing a place where business owners can sell their story.

Council commented on the challenges of encouraging trendy restaurants to open without the customers/residents to support them financially. Mr. Hyatt recommended selecting one area to target efforts and energy, possibly Aurora Square, to provide residents with a place to go and breathe life into the City. Council inquired as to how light rail stations serving as the portals to downtown will effect development. Mr. Hyatt responded transit oriented development is good but cautioned renters will not pay additional rent because transit is coming in six years. Institutional investors look at today's rent and not rental revenue on a six to eight year timeline.

Council and developers discussed the advantages and disadvantages of providing parking at transit stations, including residents driving from home to stations to commute to Seattle for jobs

but also needing residents to remain in Shoreline to support Shoreline’s nightlife. The Roosevelt Station was highlighted as a successful station.

Council commented on the benefit of having successful and completed projects to showcase to encourage lenders to underwrite investments. Mr. Leibsohn responded it is helpful for underwriters to see a proven track record and it is challenging to get someone to be the pioneer. Mr. Austin commented on the challenge of finding enough land for large developments, and although townhome cottages are simple, an adequate amount of units are required to produce a return on investment. Mr. Eernisse commented on a transit boulevard to connect the transit station at 185th Street to support the development of single family affordable homes.

Council commented on “up-zoning” around light rail stops to attract developers, discussed the impact of the cost of the land to developers, and the potential for sellers to drive up the price of the land. Mr. Austin recommended up-zoning 5:1 with parking below the structure stating anything else compromises the value. Mr. Hyatt recommended over-zoning, and commented that economics plus demand will generate the value of the land. He described a new wood building construction method used in Vancouver, BC allowing exclusively wood framing instead of concrete for midrise units, and recommended adoption of code to allow for this sort of wood construction. Council expressed interest in researching this idea further. Ms. Rose commented on adopting a code to allow carbon intensive building in Shoreline.

Mayor Winstead thanked the panel for their insight, commented the session was extremely valuable, and stated Council may ask them to return for future discussions on Shoreline Development.

Mayor Winstead declared the meeting adjourned at 6:48 p.m.

Bonita Roznos, Deputy City Clerk