

PORT COMMISSION OF THE PORT OF EDMONDS

MINUTES OF SPECIAL MEETING

(EDMONDS YACHT CLUB)

November 16, 2009

Commissioners Present

Bruce Faires, President
Mary Lou Block, Vice President
Marianne Burkhart, Secretary
Fred Gouge
Jim Orvis

Staff Present

Bob McChesney, Executive Director
Marla Kempf, Deputy Director
Tina Drennan, Finance Manager

Others Present

Karin Noyes, Recorder

CALL TO ORDER

Commission President Faires called the meeting to order at 7:11 p.m.

PLEDGE OF ALLEGIANCE

All those in attendance participated in the Pledge of Allegiance to the American Flag.

PORT COMMISSIONER COMMENTS

Commissioner Faires pointed out that, by State law, ports are required to have long-range plans (Scheme of Harbor Improvements). He advised that two Commissioners have been working with staff and consultants from LMN Architects and Berk & Associates to draft some initial concepts for the Commission and public to consider. He emphasized that this is the first time the full Commission has seen the proposal. He explained that the effort focused on how Harbor Square could best serve the needs of the community in the future. However, it was also necessary to recognize the following constraints:

- **Current \$8 Million Debt.** The Port did not previously have a master plan for Harbor Square because the property was controlled by a private developer who owned the buildings and leased the land from the Port. The Port purchased the buildings two years ago, and it is important to keep in mind that they currently owe more than \$8 million.
- **Charter and mission of ports in Washington State.** As per the Port's charter, they must concern themselves with economic development (transportation, marine related infrastructure, and business development).
- **Economic Realities.** Over the years, a spectrum of plans has been created for the downtown/waterfront area of Edmonds, none of which have been implemented. The Port's goal is to create a plan that can be implemented from an economic perspective.
- **Market.** Unfortunately, the Port is constrained by what the market will and will not support.

- **Zoning Code Requirements.** Because the City of Edmonds is the permitting agency, anything the Port wants to do that is outside of the scope of the current contract rezone must be approved by the City. There are numerous stakeholders, and they all need to come together to figure out what is right for the future of Harbor Square.

Commissioner Gouge said he was one of the two Commissioners serving on the Property Committee when the Commission decided to purchase the Harbor Square Business Complex Buildings. At that time, his thoughts centered on how the Port could work in conjunction with the owners of the Harbor Square Inn and the Harbor Square Athletic Club to improve or redevelop the existing tilt-up concrete buildings. He has also considered the potential rate of return on the Port's investment, as well as what the best use would be for the public. He cautioned that when considering redevelopment opportunities for the downtown bowl and waterfront properties, they must keep in mind what is best not only for the current residents of Edmonds, but for future generations. He emphasized that something must be done with this publicly-owned property in the near future or it will become derelict.

Commissioner Block said that whatever redevelopment takes place at Harbor Square should be an asset to the community visually, financially, and from the standpoint of how it will fit into the community. She recalled that she worked for the City of Edmonds Planning Department when the City acquired the Edmonds Marsh property, and she has always been protective and concerned about this asset. It is important to make certain the marsh is protected and enhanced. She said she looks forward to the consultants' presentation, as well as soliciting public input. She said she would like to incorporate the public's thoughts into the Commission's deliberation and noted the Commission would spend a great deal of time reviewing all options.

Commissioner Faires explained that while the public would be invited to share their input during the meeting, the Commission would also invite citizens to submit their ideas in writing for future consideration by the Commission.

Commissioner Burkhart said that as the Port Commission reviews options for Harbor Square, they must keep in mind the importance of identifying the highest and best use of this valuable public asset. She advised that she participates on the Edmonds Citizens Economic Development Commission, which is looking at the various parts of the City to identify where and what kinds of economic development could take place. She raised concern that the current development at Harbor Square does not represent the highest and best place for economic development in the City of Edmonds, and she suggested that perhaps it would be more appropriate to develop it nicely to increase the Port's cash flow and bonding capacity and then focus elsewhere on economic development opportunities that might have a bigger pay off for the City such as on Highway 99.

Commissioner Orvis said that he has attended countless City Council meetings over the past several years, and he has seen a number of great plans, studies and ideas about what could be done along the waterfront. The City of Edmonds has spent a lot of time and money on studies that are gathering dust on shelves because they were not economically feasible and/or supported by the public. He suggested the first step in the process should be to find out what the citizens of Edmonds will accept and then create a plan that is consistent and economically feasible. If they cannot come to some kind of agreement on how the property should be redeveloped, he suggested the Port continue to maintain it in its current state to bring in revenue to pay off the loan. The Port Commission should wait until people decide what they really want and would support before they spend a lot of money developing plans.

HARBOR SQUARE OVERVIEW

Mr. McChesney introduced Mark Hinshaw, LMN Architects, and Allegra Calder and Kapena Pflum, Berk & Associates, who were present to report their findings and proposal to the Commission and public. He noted that the desired outcome of the consultants' work was to gain a better understanding of the Harbor Square property in its present condition, to consider various development concepts and scenarios, and to talk about the next step in the master plan process. He expressed his belief that, ultimately, Harbor Square must be redesigned in relation to the market conditions. It is a public investment with economic carrying costs, and the Port Commission's desire is to

provide additional public benefit and public spaces and increase the City's tax base. The proposed plans include various options for mixed-use development that ties Harbor Square to the downtown properties.

Mr. McChesney recalled that discussions about redevelopment of the downtown/waterfront area have been taking place throughout the community for a number of years, and no decisions would be made tonight. The intent is to conduct an iterative and open process that involves extensive public input and discussion. The Commission and staff welcomes input from the public. He reminded the public that economic development is an essential element of the Port's mandate and the cornerstone of their Strategic Plan, and future conversations should focus on gaining a better understanding of what that means. He cautioned that the future of Harbor Square is the issue and he invited the public to join with the Commission in discovering what types of development would be possible.

PRESENTATION BY LMN ARCHITECTS AND BERK & ASSOCIATES

Mark Hinshaw, LMN Architects, advised that he was involved in earlier iterations for redevelopment of the waterfront properties, but the previous activity involved a much larger portion of land. He emphasized that the privately-owned parcels are not part of what the Port Commission is now considering. The Port has decided to proceed to look at its own property and not in partnership with any other property owners. Commissioner Faires pointed out that the term "Port Property" actually references publicly-owned property.

Mr. Hinshaw noted that the term "plan" was used several times, but it is important to understand that the current proposal is not a specific plan, proposal or recommendation. It is an analysis or comparison of several directions that could be taken for the property. While LMN Architects completed the physical and architectural analysis, Berk & Associates completed the market and fiscal analysis, which helped inform and give advice.

Mr. Hinshaw explained that Harbor Square today is basically a product of another era when there was a high demand for office space (1-3 story walk-up spaces that were small in nature with a strip mall character). They were built at a time when there was a very high demand for retail space. However, the demand for both office and retail space has changed dramatically in the last several years. By looking at communities across the nation, it has been concluded that there is an oversupply of office and retail space, and a massive contraction in demand of both types of space is expected in the next 10 years for a variety of reasons. He explained that the population is aging and the size of families is no longer expanding. In addition, the cultural and social climate is dramatically different than when the buildings were constructed. He noted the current vacancy rates at Harbor Square, which is an on-the-ground indicator of the decreased demand for this type of space. The Harbor Square buildings have been struggling because there is great competition for higher-class space, more amenities, architectural treatments, etc. that place the development at a disadvantage.

Mr. Hinshaw said it is possible to keep any development of this type on life support for a period of time by reducing rents and operating costs, etc. But eventually, it will reach the end of its life, and that is what he believes they are beginning to see at Harbor Square. It is an older model and not what potential tenants are seeking. It is not meeting market demands of the changing demographics and consumer tastes and is one of many centers that are being looked at for potential redevelopment.

Current Scenario

Mr. Hinshaw explained that this option represents what could happen if the property were redeveloped under the current zoning scenario without any changes to the standards and regulations of the existing contract rezone. The proposal would maintain the buildings that are high performers (Harbor Square Inn and Harbor Square Athletic Club), but would replace all the low-performing buildings (Buildings 1-5) with new development that meets the current zoning requirements. He cautioned that while many people focus on height as the singular factor of the City's zoning ordinance, there are actually many more powerful constraints that can have much more impact on future redevelopment of the property such as parking and lot coverage ratios. These two constraints drive the property's potential yield to a relatively low point.

Mr. Hinshaw advised that if the existing buildings were removed and replaced with buildings of identical size and the same pattern of development, there would be no increase of yield so there would be no motivation or incentive for a developer to take on the project.

Kapena Pflum, Berk & Associates, explained that their role in the process was to review all the different scenarios from the financial perspective of what each scenario would mean to the Port, potential partners, and City of Edmonds revenues. He advised that redevelopment based on the current contract rezone would not result in more density or change of use. The current vacancy rate at Harbor Square is about 30%, and if the redevelopment were very attractive, the vacancy rate could improve by as much as 10%. However, the internal rate of return would be about 5%, which is not something a developer would consider doing. Construction costs would be higher by several million dollars than the actual value of the end product, so redeveloping the property to the same type of use and density would not be feasible and would be highly unlikely.

Allegra Calder, Berk & Associates, cautioned that the current concepts do not represent concrete plans, so their level of analysis was based on a threshold of assumptions. She explained that in the current market there is no financing available for projects of this type. Therefore, the assumptions would need to be retested in a healthy environment when they have a better sense of what financing and the return on condos would be. The current analysis was intended to inform the process, but not to indicate the actual numbers the Port would get. Again, she cautioned that the plans are conceptual at this point.

Commissioner Faires pointed out that the present zoning does not include residential uses, so condominium development would not be allowed. Mr. Hinshaw agreed that one significant constraint of the existing zoning is that it does not allow residential uses. When the current contract rezone was approved years ago, no one thought there was a residential potential in this area. Now the world and economy are different and the demand is shrinking for commercial and office space and dramatically increasing for urban residential space. However, the demand for suburban residential space is beginning to taper off. Family size will continue to drop, and people who are of retirement age will be looking for homes in urban residential settings. This translates into stacked flats and condos rather than the old style of apartments. Some neighborhood services or restaurants on the ground floor would also be desirable to serve the community.

Mr. Hinshaw explained that in this scenario, the redevelopment would add some green space into the property. The streets identified on the proposal do not exist today, but they could be woven into the property to create more useable development parcels. Rather than one developer, a more likely scenario would be multiple developers over a longer period of time.

Scenario 1

Mr. Hinshaw explained that this concept assumes a different zoning contract than what currently exists. While the current height limit would not be altered, the zoning language would be changed to add residential as a permitted use. In addition, the lot coverage and parking ratios would be changed to reflect a more urban type of development scenario.

Mr. Pflum advised that if market conditions were favorable, redevelopment under this scenario could be considered feasible from a developer's perspective. However, from the Port's perspective, the residual land value analysis indicates a developer would only be willing to spend \$8 million for the property. The current value of the property is \$8 million given its current operations. The stream of revenue the Port is getting from Harbor Square is worth between \$7 and \$8 million. Therefore, he concluded that this option is a borderline proposal.

Commissioner Faires asked Mr. Pflum to describe how each of the scenarios would impact the City's tax revenue. Mr. Pflum answered that the analysis factored in the sales and utility tax opportunities that would be created by each of the scenarios. With Scenario 1, the revenue stream coming from the development would be worth about \$1.8

million, and the annual tax revenue generated per year would be about \$215,000. If the property is redeveloped based on the current contract rezone but some tenant improvements were done to make the development perform better, the property would likely generate annual tax revenue of about \$160,000, for a difference of about \$50,000.

Mr. Pflum emphasized that none of the financial analysis included the Harbor Square Athletic Club and Harbor Square Inn. Commissioner Faires explained that both of these properties have long-term land leases. The consultant's work focused on the older portion of the Harbor Square Business Complex known as Buildings 1 through 5.

Phil Lovell, Edmonds Planning Board, questioned what the rate of return would be for Scenario 1. Mr. Pflum answered that the rate of return would be about 5.6% IRR. Ms. Calder added that the consultants tried to be fairly conservative on their assumptions, but they were looking at a high-end product similar to what was developed at Point Edwards. She emphasized that \$8 million is the point where the Port may decide it does not make sense to redevelop the property and a developer may not want to pay \$8 million.

Mr. Hinshaw clarified that Scenario 2 does not assume that all the buildings would be replaced with residential uses. The hotel and health club would continue as an added village area to the downtown. There would be an accessible green area for the community's use, which would require that some portion of the development pad be dedicated for this use. Some retail uses would be provided along Dayton Street to continue the synergy from downtown to the waterfront. As presented, Scenario 2 would accommodate 210 units and 24,000 square feet of ground level retail space that faces Dayton Street. He recognized that the properties closer to the railroad tracks would be less marketable.

Chris Fleck, citizen, inquired if the Port Commission is considering the option of selling the land to a developer for condominium development. Commissioner Faires replied that the Commission has not made a decision at this point, but they understand that selling the property is one option. Mr. Hinshaw added that the Port would have a lot of choices. However, it is important to keep in mind that with most condominium development, lending bodies will want a fee-simple title rather than a long-term lease.

Barbara Tipton, citizen, asked if the financial analysis took into consideration the additional cost of providing services and infrastructure for the new residential units. Mr. Pflum answered that for the type of development identified in Scenario 1, the biggest cost impact will be for police and fire service, particularly related to the residential uses. He cautioned that while there are many myths that residential development has a negative impact on the City's finances, that is not often true in urban areas. If there is already some capacity for police and fire service to adequately serve the additional residential units, the City would not have to pay more money. However, if a development moves beyond this threshold, the cost of providing additional services would be significant. He summarized that a development of this type in a relatively urban setting would not likely have a significant service cost, but they did not complete a detailed service analysis. Mr. Hinshaw emphasized that they do not anticipate a lot of young families would live in the new units. Therefore, the impact to the existing school system would be minimal. The majority of the dwellers would likely be pre-retirees or young professionals. He agreed with Mr. Pflum that any scenario that ranges between 200 and 500 additional units would have an almost insignificant impact on the infrastructure system.

Rich Senderoff, Edmonds Citizens Economic Development Commission, asked if the retail space that is proposed along Dayton Avenue in Scenario 1 would have a residential component, as well. Mr. Hinshaw explained that the residential units would be located on the ground floor of the residential buildings. Mr. Senderoff questioned why none of the scenarios includes the concept of clustering the residential uses and mixing them with clusters of commercial and business space. Mr. Hinshaw explained that this concept is difficult to accomplish because the services required for residential units are dramatically different than those required for commercial spaces. However, they are beginning to see a variant called "live/work" where the ground level space is double in height and the front is used as an office or art gallery, etc. The back of the structure would be used for living space. However, implementing this concept would require a greater ceiling height on the ground floor which may not be possible given the current 35-foot height limit. He summarized that there is a limited demand for this type of space and it is definitely an option for the Harbor Square property. However, it is not a familiar concept for banks and brokers so it has had only mixed success, and some people view the option as risky. He noted that none of the scenarios would preclude this option,

but their goal was to keep the models at the comfort level people in Edmonds are used to rather than pushing to the edge.

Mr. Pflum said that in addition to the fiscal impact of about \$215,000, Scenario 1 would also result in a one-time component to the revenue (sales tax from construction) of about \$460,000 over the course of development.

Mr. Hinshaw said that while it is true that suburban detached single-family development can create a burden on a city's ability to provide services, that is not the case with urban residential development. When units are constructed closer to the urban center, revenues can actually be positive.

Scenario 2

Mr. Hinshaw advised that Scenario 2 would change the parking and lot coverage ratios and allow residential development. It would also include a height increase to allow some of the buildings to be up to four to five-stories tall. This would increase the yield to 333 units and allow about the same amount (24,000 square feet) of retail space. It would have the same type of central green component as Scenario 1, with townhouses facing the green area.

Ms. Calder explained that when calculating rate of return, it is important to keep the sales velocity (number of units that can be sold) in mind. The numbers were based on being able to sell a given number of units within a specific amount of time to pay off construction loans. From a developer's standpoint, two factors that are extremely important to consider are how quickly the units and commercial space can be sold and at what prices. If residential uses are going to be a significant component of the new project, it will be important to complete this analysis before moving forward with development plans.

Ms. Calder noted that the consultants did not include a phasing component to the model and the rate of return might be better if they added a phasing process. Without phasing, the project would be larger and the rate of return would be about 20%. The fiscal impact to the City on an annual basis would be about \$300,000 in tax revenue, and the construction sales tax revenue would be about \$740,000. She concluded that Scenario 2 would provide a higher fiscal stream and more revenue to the City, and it would also make more sense to the developer and the Port.

Commissioner Gouge asked if the consultants' financial analysis took into account that sales tax revenue could be increased by new residents spending money in Edmonds. Mr. Pflum answered affirmatively.

Commissioner Faires said it is important to keep in mind that the land value cannot be given away because the property belongs to the public and has a purpose of economic development and job creation. However, it might be possible for the Port to sell the land and purchase property elsewhere for economic development that would contribute even more to the local economy on a long-term basis.

Mr. Hinshaw explained that he does not anticipate that redevelopment of the property would take place all at the same time. All of the new units would have to be eased into the market place. He observed that in Scenario 2 the streets have been woven throughout so that existing buildings could continue to perform and bring in revenues while some redevelopment is occurring.

Diane Buckshnis, citizen, noted that traffic patterns at Harbor Square can be quite challenging. She questioned if people would really want to purchase houses at Harbor Square when they know that Edmonds Crossing will not happen for 25 to 30 years. She asked if the consultants took traffic patterns into account. She also observed that there have been a lot of water issues at Harbor Square, and she questioned if the proposed redevelopment is realistic. While the proposal would be great moneywise, she suggested the location is not as good as the Point Edwards site. Mr. Hinshaw said they know from other communities where development has occurred that plenty of people will want to live at Harbor Square. Commissioner Faires reminded those in attendance that the Port must consider future demographics, which is moving towards wanting to walk rather than drive to destinations. He pointed out that

Harbor Square is within walking distance of downtown Edmonds. Because of its close proximity to the Edmonds Station, it could also be considered a transit-oriented development.

Joan Bloom, citizen, pointed out that Scenario 2 would allow up to 332 residential units, which would likely result in at least 332 additional vehicles. She questioned how many jobs would actually be created by Scenario 2. Commissioner Faires agreed that redevelopment of Harbor Square would not result in a significant number of new jobs, but selling the property to a developer would allow the Port to participate in an economic development project elsewhere in the City where new jobs could be created. He expressed his belief that the real demographics in the downtown bowl area will be residential. While there would be some jobs associated with the retail component, jobs would not be the primary focus. Mr. Pflum pointed out that approximately 500 square feet of retail space equates to about one job, and the number is higher for office space. Therefore, the 24,000 square feet of commercial space could result in between 50 and 100 additional jobs depending on the uses. If the property were sold and the Port were to use the money elsewhere for economic development, more jobs could be created.

Mr. Hinshaw observed that any redevelopment project would require environmental review, which would include a traffic analysis. However, it is important to keep in mind that commercial uses generate more traffic impact than residential uses. If the property were redeveloped to the full extent possible under Scenario 2, the traffic impacts would not likely be any greater than what currently exists.

Edmonds City Council Member Ron Wambolt asked if the financial analysis includes excise tax in addition to sales tax. Ms. Calder advised that the figures identify the combined real estate excise tax, construction taxes, and sales tax revenue. Mr. Pflum said that if the City's goal is to bring in more rooftops to add synergy to the downtown retail core, it will beef up the revenues if people live and shop in Edmonds. It would also attract people from other communities to come to Edmonds to shop. He suggested that the development outlined in Scenario 2 could provide an important link to the downtown core.

Chris Keuss, citizen, asked if the consultant did any analysis regarding the increase in revenues to the business community as a result of the new residential units that would encompass Scenario 2. He observed that 330 additional units would have an impact on the existing retail businesses in downtown Edmonds. Mr. Pflum agreed there would be some benefit to the downtown businesses, but it was not factored into the analysis. Mr. Keuss said one concern of the existing retailers is that the new retail space might take away some of their current business, but he assumes the additional population would help the existing businesses. Mr. Pflum agreed, particularly given the small scale of the additional retail space that would be included in the redevelopment project. This type of retail space could be occupied by restaurants to create a reputation for Edmonds that would result in an anchor affect that could be very positive for existing businesses.

Ms. Tipton questioned how easy it would be to sell the units that are located close to the railroad tracks. Mr. Hinshaw said he was very skeptical about whether units located close to the tracks would be highly marketable, but there are many examples throughout the region where high-end houses are located within a block or two of railroad tracks. These units are fully occupied, marketable and desirable. However, he acknowledged that steps would need to be taken during the construction phase to mitigate the impacts. Many people choose to live close to the tracks if high-speed rail service is available.

Scenario 3

Mr. Hinshaw explained that in discussions with the Property Committee, it was suggested they consider a scenario where the Harbor Square Athletic Club's tennis facility would be relocated to property near the tracks. This would open the south end for other forms of economic uses. It would provide a buffer near the tracks, and the tennis court use would not really be impacted by the railroad noise and vibration. This scenario would make Harbor Square an even more interesting place to live since it would be secluded from the impact associated with the train tracks. A pocket neighborhood could be inserted into the current location of the tennis courts. Many people like the townhouse development type, but perhaps the mixture could also include stacked condominiums and/or apartments. The retail

space would be located principally along Dayton Street, but perhaps some could be provided in conjunction with the hotel and/or athletic club, as well. Scenario 3 would accommodate up to 374 units.

Mr. Pflum pointed out that the scale of development in Scenario 3 would be very similar to Scenario 2. He did not model the fiscal impact of this scenario because the rate of return and residual land analysis would be nearly the same, as well. However, there is a potential that the rate of return would be slightly better because the land swap deal would strengthen the market and result in better sales performance. There may also be some marginal improvement to retail sales tax, as well. Ms. Calder cautioned that if the community is interested in pursuing any of the options, more financial analysis would be needed to address questions about marketability. She observed that while townhouse development can often involve three stories, if the key market is focused on retirees, then three-story townhouses may not be desirable. She suggested that if the Port decides to move towards residential development, they should do more research related to market demographics. Mr. Hinshaw observed that rather than townhouse or row house development, another option would be condominium development similar to what exists in Edmonds today, which could increase the potential number of units to 422.

GENERAL DISCUSSION

John Heighway, citizen, questioned how the proposed development would impact the environment. He noted that it appears development would occur within 200 feet of the wetland. Mr. Hinshaw answered that any developer would be expected to utilize green building techniques and apply sustainable principles to make up for the sins of the past. He summarized there is great potential for a developer to utilize low-impact development techniques as part of a future project. He observed that, at this time, the property is developed as mostly impervious surface, and the proposals would allow low-impact development values to be inserted. Mr. Heighway asked if the proposals have taken into account the rising level of Puget Sound. Mr. Hinshaw answered that the ground floor of the project would likely be parking and/or retail space. He noted that the property is being reviewed as a coastal area.

Allen Mearns, citizen, said he has not heard any discussion about the possibility of using the Harbor Square property for energy production. There may be some future opportunity to create energy or to absorb CO2 rather than producing it. He suggested there are bigger and broader issues that Edmonds may like to consider. Mr. Hinshaw agreed there are opportunities for some type of development that embodies systems and programs that are state of the art. Mr. Mearns clarified he is not talking about greening up new structures, but flattening the whole development and considering a type of solar energy production opportunity.

Commissioner Faires said it is important that all of the stakeholders get involved as the plans mature. It is also important for the Commission to hear the different perspectives in order to come up with the right answer.

Commissioner Orvis said it is important to keep in mind that the Port must have a place to start the discussion. They are going through the master plan exercise because the Port must have a comprehensive scheme for the property before they can do anything. The scheme can be changed as they move forward, but they have to have a starting point that is within the realm of possibility in the near future. He said he does not believe anything will happen on the property in the near future given the current economic situation and the money the Port still owes on the property. This gives the Commission and the public plenty of opportunity to change the plan as new ideas become available.

Stephen Clifton, Edmonds Community Services/Economic Development Director, expressed appreciation to the Citizens Economic Development Commission Members who were in attendance at the meeting. He questioned if the balance of the economic data would be available for public review. Mr. McChesney advised that the information would be posted on the Port's website by the end of the day on November 17th. Hard copies could be obtained from the Port's administrative office.

Mr. Lovell questioned how the proposed schemes would integrate with the synergy created by the rest of the Port operations. He noted that the remainder of the Port property is marine related and provides some wonderful public areas. He recalled someone previously mentioned the possibility of an anchor destination or new restaurants. He

asked if any thought has been given as to how the “mini village” concept could be categorized. Mr. Pflum said they definitely see a lot of potential for synergy between the downtown, Harbor Square and the waterfront. He explained that when they reviewed the scenarios there was a lot of uncertainty about the market demand and environmental issues. They believe the scenario that allows for additional density with higher height limits would give more flexibility to the Port and potential developers. The 35-foot scenario would max out the building envelope without a lot of room to make the project work if a portion of the property is not useable.

Mr. Hinshaw said some good research has been done on creating self-contained energy systems to charge the area and contribute back to the larger supply. This is not a visual theme of the scenarios, but an environmentally conscious theme depending on how the buildings are designed. He said research has confirmed that denser environments typically perform the best because they keep people from moving outward and the infrastructure from being pushed out to the edge. This concept allows developers to take advantage of existing infrastructure and mass transportation facilities so fewer cars are needed.

Jan Conner, Harbor Square Inn, pointed out that height is a sensitive issue in Edmonds. She asked what the maximum height of Scenario 3 would be. Mr. Hinshaw advised they never assumed anything more than 5 stories or about 60 feet in height. Ms. Conner pointed out that the Harbor Square property sits lower and asked if the consultant looked at a cross section to identify view impacts. Mr. Hinshaw said the previous iteration that included private property owners to the north provided information that made it clear that if the Harbor Square property were developed with buildings up to 60 feet, the impact to views would be minimal. Stair stepping development would also help keep the view corridors open.

Evan Pierce, Edmonds Citizens Economic Development Commission, asked if other communities with successful redevelopment of this type have a similar waterfront orientation. He asked the consultant to provide examples. Mr. Hinshaw said that Kirkland is a prime example of a successful waterfront development. Mr. Pierce requested feedback regarding the option of providing retail space on more than just the ground level. Ms. Calder explained that the desirable place for retail space is on the ground floor. While it may be possible to have retail space on the second floor, it would not be feasible to locate retail space on the third, fourth and fifth floors, which is where the scenarios begin to pencil out. She cautioned, however, that it is not likely that second story retail space would be feasible in this location.

Commissioner Faires recalled that early in the process, they considered the demographics of who the market would serve, and this analysis caused them to change the ratio of office and retail space downward because there was an oversupply. In addition, office space would not provide the same synergy with the downtown retail core. The Commission concluded that the amount of commercial space should be decreased and the amount of residential space should be increased in order to build the community, augment the revenue generated by the downtown businesses, and become a successful and desirable transit-oriented development. The Commission believes the proposed ratio of commercial and residential space is about right.

PROCESS FOR MOVING FORWARD

Commissioner Faires said it is important for the Commission to identify a process that allows all of the stakeholders to be involved. He suggested the Commission schedule another special meeting in the near future to sort out exactly what process and schedule they want to follow to move the master plan along. Commissioner Gouge said he needs some time to digest the information. He suggested the Commission could meet the first week of December in a special workshop meeting to discuss the issue further.

Mr. McChesney reminded the Commission that Comprehensive Plan amendment applications must be submitted to the City of Edmonds by December 31, 2009, in order to be considered in 2010. Staff believes this will be an innocuous step that will not require Commission decisions. Submitting an amendment to the City would give the Commission an opportunity to engage in a public process in early 2010. Mr. Clifton agreed the Port must submit their amendment application to the City by the end of 2009 in order to place the amendment on the 2010

Comprehensive Plan amendment docket. The actual amended master plan proposal should be submitted to the City for consideration by mid year 2010. He agreed to provide Mr. McChesney with more information about the Comprehensive Plan amendment process.

Commissioner Orvis said that given the current economic climate and the Port's economic outlook over the next year, it is not likely the Port would be ready to move forward with master plan implementation in 2010. He observed that the scenario that shows the most reasonable rate of return represents a design that has caused hate and discontent amongst the citizens in the past. He expressed his belief that more time is needed to come up with a master plan proposal. However, he would not be opposed to submitting a letter of intent to the City as a placeholder in case they are able to come up with a master plan proposal in 2010. He cautioned that he does not want to spend a substantial amount of money and time to come up with a plan that will lie on the shelves like all of the others that have been created. He expressed his belief that the options that are economically viable would not be acceptable to the citizens of Edmonds right now. Therefore, he suggested the Commission slow the process down for a time.

Commissioner Burkhart expressed her belief that taking steps towards identifying a community consensus would be a worthwhile process. She noted that submitting a letter of intent to the City of Edmonds would not commit the Port to coming up with a master plan proposal within the next six months. Commissioner Block agreed and suggested the Port submit a letter of intent as a placeholder on the 2010 Comprehensive Plan amendment docket. As they begin to identify those areas where there is agreement and perhaps move forward, the Port would have the option of submitting a master plan proposal in 2010, but it would not obligate them to do so.

Commissioner Faires emphasized that the Commission has a responsibility to develop a plan for Harbor Square, and this plan should incorporate the perspective of the majority of the stakeholders. However, he said it would be a mistake to do nothing because they cannot get 100% consensus. He encouraged the Commission to take as much time as necessary to sort out what the majority of the stakeholders want. Again, he suggested the Commission meet the first week of December to discuss a process for engaging the public in the discussion and moving forward with a master plan proposal.

Bruce Witenberg, Edmonds Citizens Economic Development Commission, asked if the Commission has considered the option of working with Mr. Hinshaw to prepare a model to illustrate the height of the various alternatives from various vantage points. Perhaps the Commission could hold a public meeting in the Edmonds Theater to display the illustrations on a large screen so people could see what views may or may not be impacted and not worry so much about how tall a building would be.

Ms. Tipton said the Commission needs to define who the stakeholders are. She said she is a member of the group, Friends of the Edmonds Marsh. She noted that the marsh abuts the Port's property. She distributed copies of the group's mission statement and objectives to each of the Commissioners.

Mr. Senderoff said he views Edmonds as a very unique town in the area and one thing that makes it unique is its central downtown, which no other community in the area has. He suggested that a master plan model that includes tourism and high-end retail art galleries with residential on the edges would make sense. However, he said he has never been a fan of mixed-use developments that have residential units on top of commercial ground floor space. He said he has heard from business owners and residents of this type of development that it does not work. He suggested that perhaps another scenario could be created that takes advantage of the City's unique characteristics. He recalled the City has often been criticized for not being risky enough and for not doing anything different. Perhaps Harbor Square is an area where the City could do something different to create a positive draw. He encouraged the Port to look outside of the box and consider a scenario that would include business and residential clusters that abut on the back of each other rather than on top of each other.

Commissioner Faires reminded those in attendance that the Port's Harbor Square Master Plan does not need to provide minute details at this time. Instead, it could provide overview language that allows enough latitude to make future development decisions.

Mr. Senderoff observed that all four of the scenarios presented by the consultant are similar to the proposals that were submitted in 2008. However, he acknowledged that Scenario 3 includes some uniqueness in that it talked about moving the townhouse development closer to the marsh area. Again, he suggested that it is time for the City to do something unique.

Mr. Mearns suggested a process that involves citizen and stakeholders working in small groups and then meeting together to put together the various ideas.

Ms. Bloom reminded those present of Commissioner Gouge's earlier comment about keeping in mind what is best for future generations. She announced that the City Council would consider the draft Community Sustainability Element on November 17th. The document would be incorporated into the Comprehensive Plan and talks about looking long-term and not just 20 years into the future. She said she views all four of the scenarios as being like Kirkland, and people in Edmonds do not want to become Kirkland. Many members of the audience took exception to this comment and indicated they would not be opposed to development similar to what has taken place in Kirkland. Ms. Bloom summarized her thought that the Port needs to think more creatively and the four scenarios presented by the consultant do not think outside the box.

Commissioner Faires emphasized that in order for citizen comments to be helpful, they need to accept the responsibility of showing what the vision for Harbor Square should be rather than just saying they don't like what was presented and the Commission should come up with something else. Ms. Bloom said that she has talked about what she envisions for the downtown/waterfront properties on many occasions. Commissioner Faires agreed but pointed out that her vision is not viable.

Keeley O'Connell, citizen, said she supports many of the public comments, particularly those related to the visioning process. She said it is important that the community bring a vision forward, and this process must be structured so that everyone has an equal opportunity to participate and there are no preconceived notions. She said she understands the Port's constraints related to redevelopment of Harbor Square, as well as the financial assumptions that have been presented. However, each of the scenarios presented by the consultant represent different choices of the same plan.

Commissioner Faires agreed it is important to solicit ideas from the stakeholders. However, it is also important that the ideas be developed within the constraints of reality. For example, a regional swimming pool was an idea that would not work for several reasons. He encouraged the public to present their ideas within the context and constraints the Port must deal with.

Darrol Haug, Edmonds Citizens Economic Development Commission, suggested the Commission and Port staff identify a mechanism for capturing all of the various public ideas via their website so they can be viewed by everyone. Mr. McChesney agreed this would be a good idea.

Commissioner Gouge thanked the Commissioners, staff and consultants for their efforts in preparing the proposals that were presented. They spent a lot of time to put together a starting point for future discussions.

Rather than a special meeting in December to discuss the process for moving forward with the Harbor Square Master Plan, the Commission agreed to schedule the issue on their December 14th agenda as a workshop discussion.

ADJOURNMENT

The meeting was adjourned at 9:10 p.m.

Respectfully submitted,

Marianne Burkhart
Port Commission Secretary