

PORT COMMISSION OF THE PORT OF EDMONDS
MINUTES OF SPECIAL MEETING
HARBOR SQUARE REDEVELOPMENT

May 5, 2010

COMMISSIONERS PRESENT

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

STAFF PRESENT

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

OTHERS PRESENT

Karin Noyes, Recorder

CALL TO ORDER

Commission President Block called the meeting to order at 6:00 p.m.

PLEDGE OF ALLEGIANCE

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

WELCOME

Commissioner Block welcomed the members of the public who were in attendance and introduced the Commissioners.

PROGRAM INTRODUCTIONS

Mr. McChesney announced that the purpose of the public workshop is to share the Port's thoughts and ideas for redeveloping Harbor Square. He explained that the meeting is intended to be interactive. He emphasized that there is not yet a chosen preferred alternative, and no decisions have been made regarding future development. However, the Port does have some conceptual illustrations and a bulk analysis that identifies some reasonably plausible redevelopment scenarios and their attendant economic feasibility. With the help of the public, the Port has a great opportunity to make more progress.

Mr. McChesney reviewed that Harbor Square was actually built in 1985, and most people in the community would agree that some type of redevelopment will be necessary at some point in the near future. The question to discuss at this workshop is when, how and what should be developed.

Mr. McChesney emphasized that the Commission is really interested in the public's input, and there are three ways for the public to participate.

- Members of the audience are welcome to come to the podium to express their thoughts, and to the extent possible, the Commission will answer their questions. Otherwise, they will take the questions under advisement for further consideration and respond accordingly.
- Comment forms were provided at the sign up table. Members of the public can use these forms to submit their written issues and ideas to the Port.
- Public thoughts and ideas can be submitted to the Port directly from the web page info@portofedmonds.org.

Mr. McChesney commented that there are no bad suggestions or questions. However, to frame the discussion, the Port Commission thinks it is necessary to provide one basic premise: whatever is proposed must be doable. That means it must be economically feasible and there must be a way to finance whatever ideas are discussed.

COMMISSIONER COMMENTS

Commissioner Faires explained that the storyboards located throughout the room were prepared by consultants to provide conceptual ideas, and they were presented previously to the public in late 2009. It is important to understand that the conceptual ideas were not intended to be proposals. He reminded the public that it is incumbent upon the Port and Commission to be economically responsible. Therefore, any plan for redevelopment of Harbor Square must be financially and economically feasible. The information provided by LMN Architects and Berk Associates informs the Port of what they can do under the present conditions and provides quantitative information as to what would be necessary for redevelopment to be economically viable. The scenarios they prepared were not intended to be proposals. Instead, they were intended to help the Commission sort out what the future of Harbor Square can be. They do not represent any proposal or plan.

Commissioner Faires said that while many people will have ideas that can be helpful, he would like them also to talk about future values for the community and how these values should be incorporated into the redevelopment plan. Examples of community values could include environmental stewardship, economic viability, sustainability, and demographics.

ECONOMIC DEVELOPMENT PERSPECTIVES

Mr. McChesney advised that one of the main themes of the workshop discussion is economic development, which is really a fancy way of talking about the future. Opinions on economic development are largely determined by your time perspectives. A person who defines the future as tomorrow and wants tomorrow to look just like today should have nothing to fear about what the Port might propose for Harbor Square because the Port plans 5 to 20 years into the future. However, if you define the future as "forever", then we need to do a better job in identifying our planning horizon. He suggested that somewhere between tomorrow and forever is a good place for Harbor Square redevelopment.

Steve Johnston – Landau Associates

Mr. McChesney introduced Steve Johnston from Landau Associates, who was invited to speak about what he sees for the future of Edmonds from the standpoint of economic development. Mr. McChesney advised that he has known Mr. Johnston for many years, and his firm has been involved in many community development projects. They are recognized leaders in the industry for environmental and site redevelopment.

Steve Johnston, Landau Associates, said that as far back as he can remember, the Port has been very proactive in providing public amenities to the community. He said he is a 33-year resident of Edmonds, and has worked in Edmonds for the past 25 years (12 in the Westgate area and 13 on 2nd Avenue). He is the CEO for Landau Associates, an environmental and consulting firm that has been actively involved in the community, working with the Port of Edmonds, for many years in getting sites ready for redevelopment. He has learned that the best projects come from a lot of community support, with stakeholder participation and creative minds working together for input. He suggested that what they are really doing when planning for the future is preparing the community for their children and grandchildren. The desire should be to complete legacy projects and uses that can sustain and endure in the years to come, and environmental issues are part of this equation. He said that as long as he has worked with the Port, they have been at the front in addressing environmental issues. He stressed that the Edmonds community is unique and can be enhanced with innovative development. He summarized that the greatest lesson he has taken away from successful projects is that it takes a combination of great planning, funding, and being willing to accept tradeoffs where everyone is willing to give up one thing in exchange for something else. He said he hopes the community will approach the redevelopment of Harbor Square with that thought in mind.

Phil Lovell, Edmonds, asked Mr. Johnston to share his thoughts on whether or not underground parking would be feasible for the subject property. He also asked him if anyone has ever considered options for long-term relief of the flooding that occurs in the vicinity.

Mr. Johnston said Landau Associates has not specifically looked at the flooding issue, but he recognized that the water table is high. Engineers researched the option years ago and indicated that underground parking can be done, but it is not likely to occur because it would be costly. He explained that the geotechnical conditions at the site are conducive to good load, so he anticipates that a wide variety of construction options could be considered. He said his company was involved with the clean up that occurred previously at Harbor Square, and much of the accessible contamination was addressed. However, there is some contamination that can only be addressed with the elimination of buildings.

Denny Derickson, David Evans Associates

Mr. McChesney introduced Denny Derickson, David Evans Associates, who was also invited to share his thoughts and experiences. He advised that he has worked with Mr. Derickson on port waterfront development projects in the past. He said Mr. Derickson was formerly the head of planning at the City of Everett and Snohomish County, and he has extensive experience working with both public agencies and private companies.

Denny Derickson, David Evans Associates, said he has worked for a long time as a professional planner in the area, and has been an Edmonds resident for 39 years. Edmonds is his home and community, and he would address the audience from that standpoint, as well as from an objective standpoint as a planner. He said he wants the right things to happen in Edmonds. He suggested the issue is not just about money, but money must be a factor of any development. He said he spent almost 30 years in the public sector and the last 11 years in the private sector at David Evans Associates, which does a diverse amount of work in land development, municipal programs, energy and efficient transportation. He emphasized that Edmonds has a part in the future of transportation in the area, and he anticipates the future will bring more and more bus opportunities to the properties in the vicinity of Harbor Square. He recalled he worked with Community Transit last year on potentially creating a new east/west bus route on 196th Street, which would run every 10 minutes throughout the day and into the evening. Edmonds also should take advantage of their ferry and train service opportunities.

Mr. Derickson said his planning passion focuses on waterfront redevelopment and opportunities for mixed-use, transit-oriented development. He has had the good fortune of working on at least a dozen projects of this type, both large and small. He said he is excited about what can be done at Harbor Square and suggested the main thing to look at is what can be done to take advantage of the transit system that already exists in the area. He expressed his belief that Harbor Square is a great site. He referred to a handbook called "*TRANSIT ORIENTED COMMUNITIES: A BLUEPRINT FOR WASHINGTON STATE*", which was prepared by Futurewise and the Washington State

Transportation Commission. The document provides the latest guide for doing the best projects and has many good suggestions that the Harbor Square redevelopment could take advantage of.

Mr. Derickson expressed his belief that the work done by LMN Architects and Berk Associates is a good start. It does not dictate the right solutions for design, but it does set the table for what the Port and the City will have to do next. He urged the Port and the public to look closely at the issues the reports say should be addressed. He emphasized that they only have one opportunity to get redevelopment of Harbor Square right. He reminded those in attendance that the Growth Management Act is the cornerstone of how the State will go in the future, and it demands that local communities face up to the reality of density. The City will be required to provide more density to accommodate the growth allocated to them by the State. Harbor Square could accommodate a portion of this growth and allow the City to grow gracefully. He pointed out that if the City does not take steps to utilize sites like Harbor Square to accommodate higher density, the State may tell them they have to at some point. It is important that the growth be accommodated the way the City wants rather than the way the State mandates.

Mr. Derickson suggested the Port can be the catalyst for doing the right thing to get started. They have good leadership and are doing good things to get the effort started, but there must be a partnership between the Port, the City, private developers, and the community in order to have a project that is economically feasible, has an outstanding design, and offers superior site amenities. This effort will require give and take on all sides. For example, to get more public amenities on the site will require the community to accept greater density and taller buildings. This compromise will be particularly important on the Harbor Square site, where underground parking would be difficult and costly. Unless the community can find someone to subsidize the development, he suggested that a height density of at least four stories would be necessary in order for a redevelopment project to be economically feasible at Harbor Square. He summarized that they need a project that is environmentally sustainable at a high level, and the Port should consider opportunities to apply low-impact development techniques at Harbor Square.

Barbara Tipton, Edmonds, asked Mr. Derickson to provide guidance about when the Shoreline Management Act would take precedence over the Growth Management Act. She noted that requirements of the Shoreline Management Act would come into play with any redevelopment at Harbor Square. Mr. Derickson answered that one act does not take precedence over the other. They have to work in harmony. There has been a recent case law regarding this issue, and the Legislature is still working things out. He said the City of Edmonds is doing a good job of balancing the two documents. Clearly, they have to take care of nature first, but he suggested the Harbor Square site could do both. He explained there are ways to provide a little more buffer for the Marsh since they are starting with a closer than usual footprint for the buildings near the marsh. However, it is important to keep in mind that protecting the Marsh to a greater degree will require that more density be allowed elsewhere.

Ms. Tipton asked Mr. Derickson to speak to the case of Everett Shoreline Coalition versus the City of Everett and the State Department of Ecology. The judge in this case ruled that the Shoreline Management Act takes precedence over the Growth Management Act when shorelines of statewide significance are involved. She noted that the Edmonds Marsh has been identified as a shoreline of statewide significance. She said she would hate for the Port's redevelopment project to get into legal problems so it is important to address these issues early. Mr. Derickson said this case actually required some new legislation. The matter went before the State Supreme Court, and the judge offered a fuzzy answer. Now cities, counties and the development community are trying to figure out what to do. The issue may likely require more clarification from the Legislature. It is important to keep in mind that the Shoreline Management Act does not prohibit development in areas where there is a shoreline of statewide significance, but it does mean that additional things may be required.

REVIEW OF STORYBOARD DISPLAY

Mr. McChesney explained that the storyboards were created from the work done by LMN Architects and Berk Associates. Their study information was presented to the Commission in November. Since that time, the Port has analyzed the information to get it ready for further discussion. The storyboards are intended to offer a variety of art and

analysis, illustrate what is possible and provide suggestions for the future. He reviewed each of the storyboards as follows:

- **Historical Perspective:** The Port acquired the 14.62 acre Harbor Square property in 1978 for \$350,000. In 1982 the Port entered into a ground lease and development agreement with a private developer to develop the site. No residential uses were proposed and the height limit was established at 35 feet through a contract rezone. The project was completed in 1985. An environmental investigation and subsequent clean up took place from 2003 to 2006 at a cost of over \$2 million. The Port purchased six of the buildings (Buildings 1 through 5 and the Harbor Square Athletic Club) from the developer for \$13.5 million. The estimated value of the property is \$7.5 million, which was calculated using a 7.5% capitalization rate and net operating income of \$563,863. This explains the Port's imperative for trying to move forward with some type of redevelopment program.
- **Baseline Redevelopment:** This concept represents what would be possible based on the existing contract rezone. The permitted uses would remain the same, and the 35-foot maximum height restriction would remain intact. The baseline redevelopment concept would increase office and retail space by 25,000 square feet. Using this scenario, it is estimated the economic value of Harbor Square would increase to \$19.2 million, which was calculated using a capitalization rate of 7.5% and net operating income of \$1.4 million. The concept represents a best case scenario when market conditions improve. The additional square footage, higher rents, and improved occupancy would result in an estimated value ranging from \$18 million to \$20.6 million. Construction costs are estimated to be about \$26.2 million. The final value would be lower than the construction costs by \$5.6 million to \$8.2 million. Under this scenario it is unlikely any new developer would consider Harbor Square as a serious investment opportunity for an office-retail mixed-use development.
- **LMN Alternative 1:** This alternative would modify the contract rezone to allow for residential development, but still maintain the 35-foot maximum height restriction. Most people understand that "mixed-use" is a term of art and anticipates at least some residential uses. There is a market for residential uses and a lot of value is added to a development for providing residential opportunities. Therefore, developers like to include at least some residential space in their mixed-use development plans. The feasibility study conducted by Berk Associates suggests that it would not make sense to sell the Harbor Square Property for redevelopment under the existing 35-foot height limit because the value of current operations are worth about the same as the expected residual land value. The Port still owes \$8,270,202 on the underlying loan.
- **LMN Alternative 2:** This alternative illustrates a potential transaction between the Port and a private developer that would allow the Port to pay off the underlying loan and provide sufficient investment potential for a private sector developer to assume the risks associated with purchasing the property. The question is how far the development should be expanded to reach a point where redevelopment is feasible, and the feasibility report suggests that three to five story buildings would be necessary. However, no conclusions or decisions have been made at this point.
- **Edmonds Marsh:** The Edmonds Marsh is located adjacent to the Harbor Square Property, and staff has met with Friends of the Edmonds Marsh to consider the impacts redevelopment of Harbor Square could have on the Marsh. The artist renderings are intended to illustrate that redevelopment would not be incompatible with a healthy, viable Marsh with high ecological values. The Port has particularly focused on how the buffering would work. While they do not have all of the technical details worked out at this time, they feel it is important to stress the relationship between the Marsh and Harbor Square. Staff has also talked to City of Edmonds Planning Department staff about what can and cannot be done in the area near the Marsh. At this stage, they know that a redevelopment proposal would most likely be permitted under the existing zoning and the Shoreline Management Act.

COMMISSIONER COMMENTS

Commissioner Zagorski said she is interested in hearing what the public has to say about the idea of constructing residential uses on the Harbor Square property. She reminded the public that the Port is looking for the highest and best use of the land, which may be mixed-use development with a lot of residential. She pointed out that the Port is mandated to do economic development, and residential development brings a lot of benefits to the City: real estate sales taxes, property taxes, sales tax on construction, and more people to shop in Edmonds.

Commissioner Zagorski cautioned that the Commission is interested in hearing ideas that are not “pie in the sky.” They need to keep in mind the needs of the community. They are not dreaming; they are planning. She referred to the pie chart that was prepared to illustrate how the Edmonds community, the public sector (Port and City) and the private sector (developer) must all work together to come up with some middle ground that is workable for everyone. She reviewed that the Edmonds community has expressed a desire for economic development, open space, public access, and protection of the Marsh. The City and the Port have stressed the need for financial feasibility, economic development, and open space and public access. A private developer will require an opportunity to construct a building that is financially feasible, marketable and risk compatible.

Commissioner Orvis emphasized that the Port is not ready to redevelop the property at this time. They do not have a plan in place, they do not have funding, and they do not know what the vision should be for the area. He said he is frustrated that Edmonds has been struggling with these issues for 15 years. They ask for plans and then turn them down because they do not fit what some people envision for Edmonds and they do not want change. However, it is not possible to continue forward with no change. Keeping the area the same as it is now is doomed to failure, and the community will likely end up with something they do not want.

Commissioner Orvis recalled that the City dodged a bullet a few years ago when a conservancy group started legislation that would have required high-density development in areas within ¼ mile of a major transit area, which includes the downtown Edmonds waterfront. High density means taller buildings to provide more residential opportunities. The proposed legislation would have required this higher-density development in Edmonds. While it did not pass because the economy tanked, it gained a lot of traction and will likely come up again at some point in the future. He noted that the Department of Transportation has planned for dense development around transportation sites, as well.

Commissioner Orvis reported that he recently attended a meeting with representatives from the Department of Transportation where a potential overpass over the tracks in Edmonds was discussed. It was noted that if an overpass begins or ends on Department of Transportation property, the City’s current height limit would mean nothing. It was stated that an overpass of 25 feet or less would not be possible.

Commissioner Orvis emphasized that it is time for the community to seriously talk about what the vision should be. They need to get beyond discussions about no change to consider how they want the City to look in the future. He said none of the Commissioners would support 10-story buildings at Harbor Square. They need to develop a vision and master plan that addresses the existing constraints and represents something everyone in the community can live with rather than waiting for someone from outside the community to dictate what they have to do. He summarized that the Port is not ready to redevelop Harbor Square at this point, but they want to engage the community in a discussion of what they really want and then identify potential funding sources to move forward.

Commissioner Gouge said he has served on the Commission for 11 years and has lived in Edmonds since 1962. He stressed that the waterfront area is very important to the community, as is the Marsh and the economic development activities of the Port of Edmonds. He emphasized that economic development is one of the Port’s main charters. It is important to keep in mind that the Harbor Square buildings will eventually need to come down, and growth must happen in Edmonds. He recalled that there used to be stinky sawmills at the waterfront, and the community was originally opposed to having a marina. Things will change, and it is important to find the “sweet spot” where everyone can work together.

Commissioner Gouge reminded the public that the Commission represents citizens in both Edmonds and Woodway, and they have the responsibility to have sufficient revenue so they do not have to raise Port District tax rates. If nothing happens with the Harbor Square Property, the Port will reach a point where it will no longer be feasible to continue to repair and maintain the existing development. This will result in a situation where the buildings deteriorate to a slum condition. At that point, redevelopment will need to occur, and the citizens and the Port need to work together to decide what that future redevelopment should look like. He explained that growth would continue to occur, even if the community decides to do nothing. He encouraged the public, the Port, the City and the private sector to work together to come up with a plan that everyone can work with.

Commissioner Gouge said he would be surprised if the Port was able to start any type of redevelopment on the site within the next five years. Numerous issues must be addressed such as daylighting Willow Creek, protecting the Marsh, etc. While no one will like every decision the Commission makes in the future, they should keep in mind that the Commission must continue to make decisions based on economic feasibility to make sure they maintain a viable Port District. He noted that the Port has been prudent in recent years, and this has paid off for them during the economic downturn.

Commissioner Faires said he likes to look at the “hope” side rather than the “fear” side. Commissioners Gouge and Orvis talked about what could happen if the community does not sort out what it wants. He noted that Harbor Square is one of the last opportunities to make a significant change to the downtown community of Edmonds. He suggested this could include a change in demographics. He asked those in attendance to imagine if the community is able to bring in enough small residential units to attract a significant number of young people, which is something to hope for rather than fear. They can either fear what the Legislature might do relative to transit-oriented development, or they can hope to come up with the right mix of residential and retail development to attract young people who want to use the train to commute to Seattle for work and utilize the businesses in the community. If they look from the hope side rather than the fear side they can see how change will be important to the future of the community and what it might mean in terms of environmental sustainability, economics, etc. Once they identify what they hope the community can be in the future, they can come up with a plan to facilitate the changes accordingly.

Commissioner Block said it is true there has been a recent effort to require increased density in areas within close proximity to transit stations, and this includes residential development. The goal is to make these areas self sufficient and self reliant. If the community can identify a vision that accomplishes the goals the Growth Management Act envisions, they will be much more likely to end up with a development that is right rather than being required to do what the Legislature mandates. She stressed the need to include an appropriate mix of higher-density residential uses so they can meet the future growth targets. Whatever development takes place, it must be an asset to the community and financially feasible. She recalled that she worked for the City’s Planning Department when the Marsh property was acquired. She is extremely concerned about what happens to this viable and valuable asset, and she would never vote on a plan that would have a detrimental impact on the Marsh. She emphasized that the entire Commission is committed to protecting the environment, which is a major aspect of their mission statement.

Mr. McChesney advised that when talking about redevelopment of Harbor Square, it is important to understand that the athletic club and hotel would remain. They are critical features of the property as anchor tenants, and they provide valuable services to the community.

OPEN FORUM

Phil Lovell, Edmonds, recalled that Alternative 2 included relocating the athletic club closer to the railroad tracks. Commissioner Orvis said that only the tennis courts were proposed to be moved.

Mr. Lovell noted that the high cost of redevelopment may preclude young people from migrating to the area unless they are well off. Commissioner Faires agreed that the demographic mix is directly associated with the cost of housing. He explained that larger condominiums would likely sell for \$750,000 or more, which would be too costly for many young people. However, if they were to build a larger number of small (1,000 square foot) units, the

individual cost would be between \$300,000 to \$350,000 based on the feasibility study. He suggested that constructing smaller units at a greater density would offer an opportunity to change the demographics in the downtown area, and he is interested in pursuing the concept. Commissioner Zagorski agreed that smaller (down to 750 square feet) units might become much more viable for professionals working in downtown Seattle because they can commute on the train, thus reducing their transportation expenses.

Mr. Lovell asked what the Port's next step would be. He also asked if any studies have been done relative to view corridors to the waterfront from 6th or 7th Avenues. If not, he said he has a potential resource at the University of Washington who could help the City with this effort. Mr. McChesney explained that the Port is at the preliminary stages of obtaining the right set of entitlements to move forward. The entitlement process will include a feasibility study, and a lot more design work would need to take place. Currently, the Port has notified the City of a potential Comprehensive Plan change. If everything works perfectly, they could move forward with the Comprehensive Plan change this year, but he is not sure they can meet that schedule. Ultimately, there would come a time when the Port would start to engage in discussions with the development community on different ways to go forward, but they do not know when that time will be. Even if they are able to obtain the needed entitlements in the near future, he observed that the market is not ready for the Port to move the project forward. In fact, the project may not be moved forward for several years, but now is the time to do this important planning work.

Mr. McChesney said that more work could and should be done relative to view corridors, and this will be accomplished in partnership with the City and the community as they move forward into the next round of entitlement discussions. Some work was done previously when the last waterfront redevelopment effort took place. View corridors were identified and the Port is operating under the assumption that any development at Harbor Square would not interrupt the existing view corridors. The impact to view would be relatively benign, even if the Port were able to achieve a greater building height.

Commissioner Orvis recalled that over the years, a tremendous amount of money has been spent hiring consultants to do studies that end up on the shelf after they have been presented to the City Council. The Port wants to avoid a repeat of past experience. They plan to talk to members of the community and groups within the community about what they think is feasible and acceptable before they hire a consultant. The consultant could then use the public comments as a starting point.

Commissioner Block said that as the Port's planning process gets further along, they would be pleased if Mr. Lovell could provide them with the name of the University of Washington group they should contact for the view study.

Barbara Tipton, Edmonds, thanked the Commission for inviting the public to share their ideas. She said she supports Commissioner Faires' earlier suggestion about the need to attract a younger crowd. She asked if the Port has considered utilizing the Harbor Square site for start up light industrial technology and environmental firms, which tend to attract the younger workers. She suggested they consider these types of uses as an alternative.

Ms. Tipton said she would support a height limit of greater than 35 feet because she believes it is more important from an environmental point of view to have less lot coverage. She would rather have taller buildings with more open space. She asked if the Port has considered this alternative. Commissioner Zagorski recalled that several years ago she participated on the Board of the Snohomish County Economic Development Council, and attended a meeting at Canyon Park where representatives from start up technology companies were present. She raised the question of whether or not Harbor Square would be a good place for this type of activity, and their response was not encouraging. It was noted that these types of companies like to be located near other similar companies, and there is not a lot of space available at Harbor Square.

Commissioner Gouge recalled a Washington Public Ports Association Meeting he attended in Spokane in 2000. The meeting featured a start up incubation program that was partially funded by the State. He said he has been trying to think of how the Port could attract a similar program to the Harbor Square site. He said the Port has partnered with Edmonds Community College and the Edmonds Homeschool Resource Center to come up with more ideas. He

agreed with Commissioner Faires and Ms. Tipton that the community needs the brain thrust of the younger generation to forge the future for Edmonds.

Commissioner Faires pointed out that history can be a great teacher if you allow it to be. He recalled that Harbor Square was constructed in 1983 and was originally envisioned for industrial commercial uses. Diverse kinds of industrial commercial businesses have tried Harbor Square but were not successful. He said it is his opinion, based on history, that industrial commercial uses do not seem to work well at Harbor Square. In addition to past history, a preliminary market study indicates that this particular site could best be used for residential and retail/office uses. He encouraged the community to pay attention to the 25-year history, recognizing that in the final analysis, the ultimate development will be based on what a developer decides he/she can sell based on the constraints of the property.

Commissioner Block recalled that when Harbor Square was first developed, it was intended to be light industrial, and there were a number of industrial operations located on the site. However, they moved out fairly quickly. They indicated they were moving further north where land was less costly and more plentiful. She referred to the incubator program that is sponsored by the Port of Walla Walla. They currently have several small wine manufacturing businesses operating within their program. She summarized there are a wide variety of incubator types to consider, but the current market study does not paint a rosy picture for opportunities at this time.

Mr. McChesney agreed with Ms. Tipton that there is a direct relationship between bulk/mass and open space, and the Port anticipates addressing this concept in the future design by engaging the community in coming up with the right scale. He expressed his belief that the project could be designed to become a wonderful asset to the community. Commissioner Block noted that at least one of the alternatives in the storyboard display includes a fairly large amount of open space area. He said that Ms. Tipton's point is well taken that if lot coverage is reduced by allowing taller buildings, there will be more opportunity for public open space.

Ms. Tipton said she is a volunteer for People for Puget Sound. She said it is very difficult, at this time, to find a way for people to access the Marsh. She questioned if it would be possible for the Port's design to provide a better access to the Marsh, along with good signage. Commissioner Zagorski said the Commission has talked about the need to provide good access to the Marsh. Mr. McChesney said access to the Marsh would be part of the design objectives and the Port looks forward to working with Friends of the Marsh to enhance the buffer and be good neighbors.

Roger Hertrich, Edmonds, said that according to the storyboard information, the Port's income and costs for Harbor Square are near break even. He questioned how much more occupancy the Port could expect based on the present configuration if they were to advertise for more tenants. He also asked how much it would cost to improve the facility based on the present code and how much the Port would gain from the improvements. He has heard from the Commission that if they keep the property the same, it is doomed to failure. He suggested this is a bad way to look at the situation. If the Port can pay off their debt overtime and increase occupancy, the property would not be deemed a failure. However, he recognized it would not provide the higher level of return associated with new development at a greater height.

Mr. Hertrich referred to Commissioner Gouge's comment that if nothing is done to the property, it would become a slum over time. He objected to the use of the word "slum." A slum is created when someone does not take care of a property. Commissioner Gouge explained that if the Port does not have sufficient revenue to continue to maintain and repair the buildings, they will fall apart. He suggested this is not intended to be a negative comment, but a fact. The Port cannot keep putting money into buildings that are in such poor condition.

Mr. Hertrich said that if he were in business, he would maintain what he has or get out of the business and perhaps tear the buildings down to create a park. He noted that none of the Commission's discussion has included the concept of tourism, yet he feels tourism is important to the future of Edmonds. They need to attract people into the City to spend their money and then leave.

Mr. Hertrich asked how many public meetings the Port expects to hold throughout the City and how much time will they spend educating the public. Mr. McChesney answered that the Port would have as many meetings as necessary to solicit adequate public comment. He summarized that the Port does not have a formula that will get them to the final set of entitlements at this time. He recognized that it could take months or years to reach that point.

Mr. McChesney referred to Mr. Hertrich's comments about the current performance of the Harbor Square asset. He explained that Harbor Square is at about 70% occupancy, and the near term perspective could include an additional 30% occupancy. However, it is important to keep in mind that they are talking about 5 to 20 years from now. The 30% occupancy in the near term is not reflective of what the Port wants to achieve over the long term. It is obvious that redevelopment in the long-term must occur. Mr. Hertrich pointed out that filling the remaining vacancies would provide enough money to keep the buildings standing so Commissioner Gouge would not get his "slum." Mr. McChesney explained that when an asset does not generate enough surplus revenue to put back into it, a cycle of deterioration results.

Mr. Hertrich asked if the proposed 1,000 square foot condominiums would be considered affordable. Commissioner Zagorski said that a 980 square foot condominium is considered an average, modest, two-bedroom unit. Therefore, 980 square feet was considered an appropriate average size for data collection purposes. Mr. Hertrich observed that "affordable housing" is a goal the Commission has discussed on numerous occasions. Mr. McChesney said part of the process will include coming up with common vocabulary. He explained that "affordable" can be taken to mean low income, but it does not necessarily mean low-income. Part of the Port's on-going program will be to get people comfortable with the idea of reaching commonality with terms.

Mr. Hertrich said he keeps hearing that economic development in the mid waterfront area means higher buildings. He asked how the Port would define economic development. Mr. McChesney replied that there are many different paths to economic development, and there is no one definition. The Port's jumping off point was to describe a process for looking to the future. The Port believes that economic development will require long-range planning and investment that results in value-adding features that benefit the community. A whole list of elements can go into the term "economic development." As a Port Authority, their legislative mandate is economic development and they have a pretty good idea of how to engage this conversation and implement economic development ideas and proposals. However, economic development, as a term, can mean different things to different people.

Commissioner Zagorski said the State of Washington defines economic development as providing more jobs. Based on the study, it does not appear the Harbor Square property is a great place to generate a lot more jobs. If she were going to dream about economic development for Edmonds, it would be lovely if the entire City of Edmonds decided to join the Port District, which would enable the Port to look elsewhere in the City (Perrinville, Five Corners, Highway 99, etc.) for economic development opportunities that produce more jobs. She encouraged the residents of the Port District who live within the City of Edmonds to talk to their neighbors about the possibility of joining the Port District.

Commissioner Orvis agreed that, at this time, there is a 30% vacancy at Harbor Square, and the Port is working hard to fill the space. All of the revenue that comes into Harbor Square is being used to repair the buildings. They have already spent several hundred thousand dollars to restore them. Unfortunately, the buildings were not built to last, and the Port can only sink so much money into them before they need to be replaced. If the Port is required to maintain the buildings long term, it will require additional tax revenue to do so.

Commissioner Faires explained that if the Port, the City and the community cannot reach some kind of consensus regarding the property, the Port would do its best to continue to keep Harbor Square viable and contribute to the community as much as possible. However, the buildings are in poor condition. It is important to keep in mind that the Port is talking about a long-range plan. They need to entice the community into helping them sort out what the property can be in the hope of sense rather than a sense of fear. He agreed with Commissioner Orvis that it costs a lot of money to maintain the buildings, but if they cannot find a way to move forward, the Port will continue to do their best. However, he stressed that this would not be in the best interest of the community.

Craig Stewart, Edmonds, observed that Edmonds is one of the most unique communities in the Northwest. They have an opportunity to do something of dynamic proportions both economically and environmentally, and it is important to accomplishing this planning during the down time. He said he is also aware that they are in the early stages of one of the largest inter-generational transfers of wealth in the nation's history. At this time, a lot of the young wealth happens to be in Bellevue, but if they had a choice, they would likely move to Edmonds. Edmonds will miss the boat if they do not figure out how to work together to address issues for all areas of the City including Five Corners, Perrinville, Highway 99, and the downtown/waterfront. It is important to understand the signs of communication and community participation and figure out ways to get to those citizens who, for whatever reason, do not have the time to comment on what is going on. He summarized that there are incredible intellectual and financial resources in the community that have not been tapped, and they need to figure out how to get these people involved.

THE MEETING WAS ADJOURNED TO A 20-MINUTE BREAK AT 7:30 P.M. THE PUBLIC WAS INVITED TO VIEW THE STORYBOARDS, ASK QUESTIONS AND PROVIDE ADDITIONAL FEEDBACK TO THE COMMISSION. THE MEETING RECONVENED AT 7:50 P.M.

WRAP UP

Mr. McChesney said he hopes everyone had an opportunity to go through the storyboards and engage in discussions. He invited them to continue to share their thoughts via written comments on the form provided or on the Port's web page. He noted that this would not be the last opportunity for public input.

Barbara Tipton, Edmonds, suggested the Port reach out to the PTA organizations within the area. She noted that many people are busy with their jobs and raising families, so this would be an opportunity to reach the younger members of the community. She also suggested they speak to groups at local churches on Sundays.

Mr. McChesney thanked Steve Johnston and Denny Derickson for taking time from their busy schedules to help frame the discussion.

Commissioner Zagorski announced that the new website blog, myedmondsnews.com is very interesting and allows participants to submit comments and vote their opinions. She said she is hoping the site will provide information about tonight's meeting, as well.

Commissioner Orvis thanked the public for attending the meeting. It was a good, positive meeting, and he hopes they continue.

Commissioner Block encouraged the public to continue to submit their comments and ideas about the future redevelopment of Harbor Square. She said they would also appreciate ideas for improving public outreach. She said she has learned from many of the comments provided during the meeting, and she received some new ideas from listening during the break.

Commissioner Gouge thanked Mr. Johnston, Mr. Derickson, and the public for their comments and input. He also invited the public to attend the Port meetings, which are held on the second and last Mondays of each month at 7:00 p.m. Commissioner Block pointed out that the second meeting in May would actually be on May 24th to accommodate the Memorial Day holiday.

Commissioner Faires said he views the meeting as a near start of a learning process that will allow the Port to present a proposal to the City for what they believe the community wants Harbor Square to be. He said he sees this process evolving in specificity over time. In six months, perhaps they can start talking about something that looks like a plan and proposal that accommodates the vision and desires of the community. He encouraged the public to continue to help the Port through the process so they can come up with the right answer.

ADJOURNMENT

The meeting was adjourned at 7:55 p.m.

Respectfully submitted,

Fred Gouge
Port Commission Secretary