

November 8, 2019

Dear Planning Commission members and Planning Director Bennett,

Thank you for the opportunity to provide input as you consider revisions to City code that will have an impact on the shopping center we own at 17171 Bothell Way NE in Lake Forest Park. We recognize the importance of the Town Center to the Lake Forest Park community and that a considerable amount of City resources have been directed towards this effort to date.

When buying the property in 2014, we had no intention of making changes as the Town Center was (and still is) a well-performing grocery- and drug-anchored retail center. In 2017, Sound Transit announced plans to build a commuter parking garage on the site. In response to these plans from Sound Transit and based on our experience working with them on other properties, we began studying the impacts that such a parking facility might have on our property and how we could best respond to the changes that will inevitably come as a result.

Concurrently with that effort, we reviewed the studies and plans previously adopted by the City reflecting their desires for change at the Town Center. We also committed to engaging in the City's process of updating their Vision for the Town Center. We also conducted our own online survey and met with our retail and restaurant business partners at the Town Center to better understand desires and concerns. We met in homes with community members and with numerous community organizations also with the goal of understanding sentiments and objectives from a broad group of the Lake Forest Park Community.

Our experience managing more than 27 million square feet of retail properties over our 26 years in business provides us with a unique perspective. We have worked with hundreds of municipalities over the years and each one is different. There are, however, certain best practices that are common among many of these jurisdictions as it relates to land use planning.

In the case of Lake Forest Park, we recognize that a very small portion of the city is comprised of commercial uses – our property being the largest contiguous commercial parcel. This also means that our parcel is the largest single contributor to sales tax and property tax revenues that benefit the City of Lake Forest Park.

Due to this limited quantity of commercial uses in your city, it is understandable that your planning staff is not of the same scale that we are used to dealing with for a planning exercise of this nature. It only makes sense that consultants be relied upon, to a certain extent, to supplement technical expertise and to provide additional project management oversight capacity.

This of course presents its own challenges since, as we all know, a consultant has less of a vested interest in outcomes than a City employee, community task force member or an appointed/elected official. What we

have seen in larger jurisdictions is a process that is led by full-time staff to prepare code amendments where Planning Commission and City Council (along with the public) are involved in a review capacity once a plan has been developed.

To the extent that the Planning Commission has been tasked with the role of replacing full-time staff or a trained consultant to prepare industry standard and market-based planning documents, we are concerned that this process may not be set up to succeed.

If this is indeed your task, it would be our recommendation that to increase the likelihood of success the Planning Commission and City Council focus on simple modifications to the existing municipal code and create a process, whereby the City can respond to an applicant's plans. It is much easier to edit a plan that is reflective of property- and market-specific realities rather than come up with a plan or "one size fits all" set of development standards on your own. This is even more so the case given the fact that this planning exercise is primarily related to a single property owned by a single owner (recognizing that the other owners within the Town Center Planning Area have constraints and are unlikely to redevelop.) This is where the Development Agreement process will serve the City well.

As we've noted throughout this process, we're concerned that making changes intended to reflect the best interests of the community by applying overly specific regulations could result in requirements or processes that have unintended consequences for our property. As with any complex project, "You do not know, what you do not know." With this in mind, we are grateful for the opportunity to speak with you and answer questions on November 18. I will be in attendance along with my colleague Glenn Goodman representing Design and Construction, as well as our team of architects.

We know that amid the Seattle region's rapid growth, change can feel alarming and difficult. We also know from our experience, overly prescriptive code is likely to result in regulations for the Town Center that does not properly function and is unable to adapt to change. Our intent is to provide this letter and meet with you on the 18th and then allow you to carry out the planning work that you have been tasked with. The outcome of that work and the extent to which our comments are taken into consideration, will be an indication for us of whether the City is willing to consider us as a partner in this effort moving forward.

To advance that conversation, and at your request, we have provided below responses to the specific topics that you have made clear are your priorities.

SITING/DESIGN GUIDELINES FOR A PARKING FACILITY

As a starting place, we suggest you consider parking structure development standards from neighboring jurisdictions to understand the level of specificity that others have used for parking structure design and planning guidelines. If you have not already done so, we suggest the Planning Commission talk with other

jurisdictions where Sound Transit is permitting garages. These conversations could help the City navigate how to create policy that could assist the planning efforts related to Sound Transit.

We also recommend you focus on high level planning elements for the parking structure rather than dictating components like where parking structures can be located, number of stalls that can be allowed, construction type, ramping, level vs sloped floors, required non-leaseable or non-useable areas, parking operations logistics, etc.

Those specifics are not likely to deter Sound Transit's schedule but they may impede MGP's ability to work with Sound Transit in the future on a joint-use parking facility where retail and transit parking may co-exist. Placing hypothetical requirements to allow parking garages to be converted in the future should not be the task of a planning exercise. The group financing a multi-million dollar garage has the greatest incentive to ensure that if automobile parking changes in the future it may be able to adapt and respond so as not to render the investment obsolete.

While we are sure you may be interested in the number of parking stalls that MGP may need in that parking structure, we will not have that information until there is more clarity from the City and the specifics about the garage are provided from Sound Transit.

Again, we suggest you focus on high level planning elements related to bulk, scale, and design treatments for the parking structure as found in relevant neighboring jurisdictions' codes and let the garage developers and operators work out how the parking facility functions. To assist with this conversation when we come on the 18th we will bring several examples of what we see as good and bad examples of parking garage design that you may consider incorporating into your process and we will be prepared to explain the pros and cons of each.

DEVELOPMENT AGREEMENT PROCESS

A Development Agreement (DA) is a planning tool that works well in creating a private/public partnership on a multi-phased project through the establishment of a contract that runs with the land for a defined period of time. As stated in RCW 36.70B.170 a DA must set forth the development standards and other provisions that shall apply to and govern and vest the development, use, and mitigation of the development of the real property for the duration specified in the agreement.

At the start of this letter, we recommended focusing on simple modifications to existing code and analyzing proposed projects based on information presented by the submitting party – the DA is the process through which that analysis would take place.

We suggest you look at how the DA process works in other jurisdictions but in our experience, the typical process is as follows:

1. Applicant submits a project including how the project addresses and meets code and other planning requirements. The applicant requests for a DA through a pre-application and then formal submittal to staff or a technical committee
 - a. If the City does not have a draft DA form that it has used before, the developer can submit a draft of the DA with the submittal
2. Staff/technical committee and the developer negotiate the DA and concept plan in comparison to City code at the time (this usually lasts several months)
 - a. The DA can allow for code amendments to be approved, typically as part of a value-for-value exchange
3. The DA is presented to the Planning Commission at a point where both staff/technical committee and the developer have agreed on the document and associated concept plan
 - a. The Planning Commission asks clarifying questions and can request certain modifications
 - b. There is an opportunity for public comment and associated plan modifications by the Developer
 - c. The Planning Commission votes on and makes a recommendation to City Council
4. The City Council has a work session or two on the topic, followed by a public hearing
 - a. There is another opportunity for public comment
 - b. City Council asks clarifying questions and can request certain modifications
 - c. City Council votes to approve or reject the DA

OPEN SPACE AND THIRD PLACE COMMONS

Open space should primarily be addressed through the DA process rather than code amendments. Again you may consider other jurisdictions and how they apply open space requirements which are typically calculated as follows with the burden placed on the developer of identifying how that requirement is met and where it is located on the site:

xx (50-100sf) square feet of open space per 1,000 sf of commercial space

xx (50-100sf) square feet of open space per residential unit

We believe open spaces increase the vibrancy of a space and have the potential to bring more foot traffic to businesses when balanced with the need for those businesses to have great signage, visibility, and proximity to parking.

On a nearby project, the city code only required us to build 0.6 acres of open space, but we voluntarily committed to more than 2.6 acres through the DA process because it resulted in the best plan for the site.

Simply setting an arbitrary requirement for a large, fixed amount of open space does not consider impacts to retail viability, vehicular circulation, parking requirements, etc.

Any investment in a redevelopment of the site would require open space to appeal to the market in Lake Forest Park. Simply placing a requirement such as 2 acres as previously contemplated or dividing the site into zones with specific open space requirements in each zone, leaving no flexibility and no certainty as to how those amenities would be paid for, is not a useful conversation at this stage and not in line with market standards.

In regards to the Third Place Commons, it is admirable that the Planning Commission wants to protect this important gathering space. Like you, we've heard loud and clear from the community about the importance of this space, but the Development Agreement is the appropriate time for this to be addressed, not in the code amendments. In the meantime, the focus at the Planning Commission and City Council level should be to consider the extent to which in a redevelopment scenario the City can financially support the Third Place Commons space to justify the cost of any change or increase in its size, location or function.

PEDESTRIAN ACCESS IN THE TOWN CENTER

The Vision identifies a strong community desire for more pedestrian-friendly spaces at Town Center. One of the prime benefits of redevelopment is multi-modal connectivity and walkability. The Town Center was built around cars. Today's market demands walkable sites with safe, welcoming spaces for pedestrians and bicyclists. At the same time, a balance must be found in allowing vehicles to access and park within the site to allow retail to succeed.

As with the above, details related to pedestrian access would be detailed in a development agreement and subject to City review and design guidelines. We suggest that future redevelopment be encouraged to increase pedestrian accessibility by tying into the plans and objectives identified in the Safe Streets project. That project identified various means for bringing pedestrians to the Town Center. Implementing those conceptual plans will require coordination and planning that can be addressed by an applicant at the appropriate time.

DENSITY

Some of the key factors in considering density include transportation, utilities, environmental impacts, building height, and building design. Typically, data is analyzed in an EIS related to these areas of study. Planning frameworks typically focus on these parameters and then place the burden on the developer to present a project that complies.

The DA process allows for certain parameters to be modified, subject to a prescribed process of submittal and review at the staff, Planning Commission, and City Council levels. There is a risk when a city overregulates any one area related to density to such a degree that there exists an overly expansive gap between code and what ultimately is required for a project to be feasible. It cannot be assumed that a DA can bridge all these gaps.

In regards to feasibility, keep in mind that a simple way of calculating such feasibility is a simple return on cost formula where net revenues are the numerator and net costs are the denominator.

Net Revenues: Rent paid by occupiers of space on the property

Net Costs: Land cost

Hard costs including building construction or renovation, utilities (water, storm, sewer, electrical, low voltage cable), landscaping, hardscape, surface parking, structured parking, on-site circulation, tenant improvements, etc.

Soft costs including architectural design, engineering, legal, taxes, insurance, leasing commissions, financing costs, overhead, etc.

Return on Cost Hurdle: Sufficient return to justify the risk associated with the investment

The following hypothetical numbers illustrate this example:

Net Costs: \$400 per square foot

Return on Cost Hurdle: 10%

Required Revenues: \$40 per square foot

As you can see, to the extent that the net costs of a project increase, the revenues required to offset those rising costs in order to achieve the required return on cost hurdle must correspondingly increase. This is an oversimplified example of just one of the metrics used when analyzing a development project but an important one for all parties to keep in mind.

Some helpful information on the cost of housing and the associated return thresholds that multifamily developers are faced with in the region was recently published as a supplement to the Puget Sound Business Journal titled “The Invisible Crisis: A Call to Action on Middle-Income Housing Affordability.” We would suggest you consider the principles and the insights to underwriting of housing development that were included in that document which was prepared by a broad coalition of public policy makers, urban planners, for profit and non profit developers.

For these reason, subarea plans and zoning regulations typically focus on the objective data analyzed in the EIS with corresponding code regulations that focus on form rather than prescribed densities, while providing enough flexibility for project proposals to be designed to respond to a myriad of constraints and realities that may be apparent only to the developer or emerge after regulations are set. Again, this approach is even more appropriate when there is one main property owner who will be impacted by the plan and the property being considered for redevelopment is a fully functioning shopping center.

In closing, we all know Lake Forest Park residents are well informed, involved, and concerned about change coming to the community. You've heard a lot of feedback, but my team and I at MGP urge you to keep the task at hand as simple as possible and to become comfortable and familiar with the DA process where the additional details will be addressed.

We hope this document is helpful and makes the November 18 Planning Commission meeting as efficient as possible. In the interest of making the best use of your time at that meeting, I would suggest we start by focusing on questions such as the following that my team and I can answer for you:

- What is the real impact of requiring upper building setbacks?
- How has open space been calculated in other jurisdictions?
- What have you seen implemented to design quality parking garages?
- How do you see the parking operations working between you and Sound Transit?

As evidenced by this letter, the written comments we have provided in the past, our attendance at nearly all of your meetings over the past two years on this topic, and other efforts to establish a meaningful dialogue with the community, we want to work with the Planning Commission and the Council to keep the Town Center a functioning place the community deserves and is proud of. However, and as mentioned previously, to the extent that the feedback we have provided is not reflected in your work product going forward, we will take that as an indication that the City of Lake Forest Park is not interested in working with us and we will allocate our development resources to other jurisdictions and projects where we are able to find the clarity of process needed to maintain the fiduciary responsibility that we have to our investors.

Respectfully,



James Gwilliam
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