THE CITY OF SEDRO-WOOLLEY

COUNCIL & STAFF RETREAT
12 June 2008

Purpose of the Retreat:

To continue the process of developing a 5-year plan for the City.

Council Retreat
June 12, 2008
AGENDA

Municipal Building Training Room 202

		Page Nos.
2:00 P.M. – 2:15 P.M.	**Introductions**	
	-- *Bio of Sue Carlson*	*... 2-4*
	-- *Bio of Chuck Goll*	*... 5*
2:15 P.M. – 2:30 P.M.	**Meeting goals (Mayor Anderson)**	
2:30 P.M. – 3:00 P.M.	**Current economic conditions + past & future trends (Patsy Nelson)**	
	-- *Revenue options for Wa. Cities*	*... 6-14*
	-- *C-T article re: SWSD*	*... 15-17*
3:00 P.M. – 4:00 P.M.	**The Renton story (Sue Carlson)**	
	-- *Articles on Renton's success*	*... 18-22*
	-- *State case study on reg reform*	*... 23-26*
4:00 P.M. – 6:15 P.M.	**Defining Goals, Objectives & Action Plans (Chuck Goll)**	
	-- *Discussion outline*	*... 27*
6:15 P.M. – 7:00 P.M.	**Dinner (provided by Coconut Kenny's)**	
7:00 P.M. – 9:00 P.M.	**Development of a Business Plan (Sue Carlson)**	
	-- *Renton Business Plan*	*... 28*
	-- *Renton promotional materials*	*... 29-30*
	Other materials provided for your information:	
	-- *Growth costs myths & facts*	*... 31-41*
	-- *Market Analysis/Zoning*	*... 32-37*

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SUMMARY OF SKILLS

Results oriented leader with a broad range of experience in economic development, strategic planning, marketing, project management and implementation. Creative problem solver with proven organizational skills. Extensive knowledge of municipal codes and permitting processes, financial analysis of commercial real estate opportunities, downtown redevelopment, small business issues, brownfield reclamation and economic development incentives. Demonstrated ability to motivate volunteers and employees.

ACCOMPLISHMENTS

Public Sector - Economic Development

- Developed the City of Renton's Economic Development Program. Identified specific types of businesses to target for recruitment; inventoried available property to market; made recommendations to the City Council for changes to the City's development standards and land use /permitting process. Analyzed the existing vacant land base and made changes to the City's Comprehensive Plan and land use districts to better reflect the City economic development goals. Outcomes: From 1994- 2001 Renton's assessed valuation grew 62% to $5.5 billion, sales tax collections grew 113% to $15.3 million, general fund revenues grew by 122% to $62 million.
- Project Manager for the proposed remediation and redevelopment of the 68 acre Port Quendall property. Responsible for development and negotiation of clean-up action plan, prospective purchasers agreement and consent decree; identified and lobbied for public funding sources to pay for the clean-up and transportation costs; negotiated the purchase and sale agreement of remediated property to a developer; worked with State and Federal agencies on shoreline and wetland mitigation package for development. Project is on hold.
- Redeveloped Renton's downtown by negotiating the purchase of 5 acres of downtown property by the City, preparing a market and financial feasibility analysis and marketing the property to potential developers. 258 new apartments have been built, $40 million in new private investment, region's first TOD project completed.
- Streamlined the City of Renton's land use and building permit processes. Reduced the average land use review time of large projects to 10 - 12 weeks.
- Results of economic development program: office vacancies have been reduced from 40%; over 1 million square feet of office space has been leased; over 4 million square of new industrial space has been developed and occupied; 8,000 new jobs have been added to the City's workforce. The City is collecting $7 million annually in additional sales tax revenue from new retail stores that have been recruited.
- Responsible for organizing, coordinating and leading the City's legislative lobbying efforts.
- Knowledge of permitting and environmental review process, condemnation actions, surplusing of city property, neighborhood planning, contracting for professional services and urban design issues.
- Created "Ahead of the Curve" marketing campaign, a collaborative effort with the Renton School District, Chamber of Commerce, Hospital District and Renton Technical College to change the perception of Renton in the region.
- Developed and implemented the City of Renton's Neighborhood Program.

Non-Profit - Downtown Association

- Developed the Redmond Downtown Association from initial concept; gained support from the business community; developed goals and objectives; raised start-up funds; recruited Board of Directors; established committee structure, work programs, budget, and financial controls; implemented Business Improvement District.
- Worked extensively with the Winmar Company on the design of Redmond Town Center and its integration with downtown Redmond.
- Extensive experience in working with volunteer boards in a staff leadership role.
- Created and implemented a strategic downtown marketing program that brought 35,000 people to downtown Redmond each year and increased retail sales by 15%. The State Department of Community Development named the RDA's marketing program the best in the state in 1989.
- Leveraged $450,000 in BIA assessments into $700,000 through public and private grants, corporate sponsorships, and City funding.
- Reduced commercial vacancies in downtown Redmond from 33% in 1986 to 8% in 1988 by creating and implementing a marketing Program aimed at recruiting new businesses into downtown
- Initiated and supervised the development of Redmond's Strategic Design Program, which applies leading-edge urban design principles to the City's Community Development Guide, creating a detailed action plan for a vital, financially strong downtown.

Retail/Marketing

- Founded and developed a retail bookstore, building annual sales to over $700,000. Supervised a staff of 25 employees. Responsible for all aspects of running a small business.

EXPERIENCE

DIRECTOR OF DEVELOPMENT & MARKETING– Segale Properties 2002 – 2007

Responsible for developing the master plan and negotiating all permits and entitlements for 500 acre mixed use master planned community in South King County consisting of 10 million square feet of residential, office and retail uses. Permits were required from Federal, State, County and City agencies and included a 404 permit from ACOE to fill 8.29 acres of wetlands, a development agreement with the City of Tukwila, the annexation of 257 acres to the City of Tukwila, a 401 Water Quality permit from DOE, an HPA permit from WSDFW, development of a new comprehensive plan designation for the property, and new zoning designation, design standards and development regulations for the master planned area from the City. Also responsible for marketing the property to potential users for lease or purchase.

ADMINISTRATOR, ECONOMIC DEVELOPMENT, NEIGHBORHOODS & 1997 - 2002 STRATEGIC PLANNING - City of Renton

Responsible for comprehensive planning and sub area plan development; all changes to zoning, development and environmental ordinances; SEPA review of legislative actions, revitalization of neighborhood business districts; implementation of the Downtown Plan, including coordination of capital facilities projects; expansion of the City's Neighborhood program; processing of annexation proposals; analysis and staffing of regional policy issues; responsible for all economic development activities including marketing plan.

DIRECTOR, ECONOMIC DEVELOPMENT - City of Renton
1993 - 1997
Responsible for planning, organizing, directing and evaluating all economic development activities for the City. Perform property management duties for land leases and operating agreements for property owned by City. Prepare financial analysis for City-owned property as needed. Prepare, monitor and control annual and capital budgets. Facilitate and resolve conflicts between development community and City staff. Coordinate the City's legislative lobbying activities with state and federal legislators. Supervise the staff of the Mayor's office.

EXECUTIVE DIRECTOR Redmond Downtown Association
1986 to 1993
Responsible for implementation of the work programs of the board and eight committees; liaison with City and State officials and the press; creation and administration of budget; coordination of 612 active volunteer RDA members; grant writing; lobbying; community relations; marketing; business recruitment; organizational development; program manager; financial management.

OWNER Cascade Book Company
1975 - 1986
Retail bookstore. Opened in 1975 with sales of $25,000. Built the company to sales of over $700,000. Was responsible for all aspects of running a small business including: financial reports, staff management and training, marketing, sales, inventory control, purchasing decisions, lease negotiations, etc.

EDUCATION
Bachelor of Arts, University of Washington

LEADERSHIP
Public Official of the Year - 2000, Municipal League of King County
Public Official of the Year - 1998, National Association of Office and Industrial Parks
Secretary, Economic Development Council of Seattle and King County 1997 - 2006
Volunteer of the Year for Arts - City of Redmond 1992
President, Washington State Downtown Association 1990 - 1992
Director, American Booksellers Association 1982 - 1986
President, Pacific NW Booksellers Association 1978 - 1981
Member, Rotary International
Board of Directors, Renton Chamber of Commerce - 2002

BIOGRAPHICAL SKETCH

Charles E. (Chuck) Goll

<u>1983 – Present</u> Owner of "Executive Dynamics", a Washington based firm. The company is a business consulting and training firm specializing in organizational performance improvement as well as leadership and management skills development. Consulting assignments ranged from organizational change, team development, strategic planning, meeting design and leadership as well as organizational "turnarounds" in both the United States and Canada. Experience also includes teaching at the College level.

Business Consulting clients range from small companies to firms such as The Boeing Company and Weyerhaeuser Company. Consulting assignments also include Cities such as Seattle and Renton, Washington.

<u>1980 – 1983</u> Vice President and Director, Simons Energy Consultants, Vancouver, British Columbia. Responsible for forming and implementing Simons Energy Consultants, a new Division of the largest pulp and paper consulting engineering firm in North America. Assignments included developing consulting work in traditional and non-traditional energy markets such as alternate sources of energy, determining client needs, working with people in manufacturing organizations on projects that would enable them to become more energy efficient.

Clients ranged from small to large manufacturing firms as well as the Canadian Government, Division of Energy Mines & Resources.

<u>1955 – 1980</u> Began employment with Weyerhaeuser Company in the Coos Bay, Oregon operations. Worked in different hourly and managerial mill assignments throughout the United States. In 1974, appointed to Vice President of Manufacturing for the Composite Panel Division. Responsible for planning and implementing improvements and changes to manufacturing processes that resulted in higher productivity. Worked with people to determine organizational structures that could most effectively meet the changing needs of the business.

<u>Education</u> Graduated from Colorado State University with a Bachelor Of Science Degree in Forestry & Wood Conversion Manufacturing.

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Summary of Revenue Options for Cities in Washington State

Retail sales tax.

This is a major revenue source that is the easiest to tap and should be implemented as a matter of course. RCW 82.14.030 authorizes a city to impose a retail sales and use tax of up to 1.0 percent, comprised of two separate .5 percent options. (The second .5 percent tax is subject to a referendum, if one is initiated within seven days of the passage of the ordinance imposing the additional tax. RCW 82.14.036.) However, since the county receives 15 percent of each .5 percent tax option imposed by a city, the effective rate is .85 percent. It is important to note that the imposition of this tax by the city will not, except in a few counties, result in increased taxes for city residents, because this tax is already imposed by the county; only the recipient of the tax revenues is changed.[43]

> There are important timing issues with respect to this tax. Under RCW 82.14.055, enacted in 2000, a sales tax rate change, such as occurs when an interim city council first adopts a local tax, can take effect only on January 1, April 1, July 1, or October 1. Also, a local government must notify the Department of Revenue at least 75 days before the change can take place. This law may have an effect on the timing of a new city's incorporation date. See the discussion on pages 65-68 on "Choosing the Official Incorporation Date."
>
> Of course, the new city will not begin receiving sales tax revenue on one of the dates identified in RCW 82.14.055, but it will receive the taxes that the Department of Revenue will collect beginning that month. Although the department now distributes local sales tax revenues on a monthly basis, there is a lag in the distribution of local tax revenues of at least two months while tax returns are submitted and processed.

Property tax. [44]

This is also a major source of revenue available to a city. Consequently, the timing of the official incorporation date with respect to the levying of this tax may be critical to an effective start-up of city government if, as explained below, that date is likely to fall somewhere in the second half of the calendar year.

Property taxes are levied by action of the council, up to the statutory maximum rate and subject to the 101 percent lid on property tax increases.[45] Increases beyond the statutory maximum and the 101 percent lid (special levies) require voter approval. (Special levy ballot propositions may be submitted to the voters during the interim period, although collection could not occur until after the official incorporation date. However, it is unlikely for political and practical reasons that an interim council would submit an excess levy to the voters during the interim period.)

Since the property tax is collected at the county level and the property assessment function is the responsibility of the county assessor, state law imposes certain notification requirements and timetables upon cities with respect to city-levied property taxes. The city must set its property tax levy and certify it to the county by November 15 (RCW

35A.33.135; 84.52.020). Where the incorporation date is likely to fall in the second half of the calendar year (because of the timing of the incorporation election), that date should be selected so as to allow sufficient time to meet these deadlines.

At least one-half of the property tax is due from taxpayers on April 30 and the remainder is due on October 31. RCW 84.56.020. Thus, a city will receive the bulk of its property tax distributions in May and June and in November and December. The county treasurer must, on or before the 10th of the month, transfer to cities their respective shares of taxes collected the previous month. RCW 84.56.230. Some counties, however, transfer to cities their shares on a daily basis rather than pay the interest charges they are obligated to pay cities for the time the revenues are held prior to distribution. Cities in these counties receive most of their revenues in April and May and in October and November.

County road tax.
This tax is a part of the county property tax that is distributed to newly incorporated cities based on the amount of tax collected from within the area incorporated from the date of incorporation to the end of the calendar year.[46] RCW 35.02.140. This is an important initial source of revenue and its receipt may be a very significant factor in choosing the official incorporation date.

Counties are required by statute to levy a property tax for county road purposes, in addition to a property tax for general county purposes. RCW 36.82.040. It is assessed only in unincorporated areas of the county and is based on the assessed value of taxable property and is governed by the provisions of Title 84 RCW. As with all property taxes, the road taxes become due on April 30 and October 31. The road taxes received by a new city are required to be deposited in the city street fund, and the use of this tax revenue is accordingly restricted. RCW 35.02.140. However, the new city can access these revenues for other municipal purposes by means of an interfund loan from the street fund to the general fund. The loan must be paid back with interest. According to the BARS manual, a loan that is not paid back in three years will be scrutinized to see if there has been a "permanent diversion" of funds.

Since these taxes are "diverted" to newly incorporated cities on a tax-received basis, it would be advisable for the interim council to choose an incorporation date that takes advantage of the prime time for receiving these road taxes: before April if the incorporation date is in the first half of the calendar year, and before October if the date is in the second half. See "Choosing the Official Incorporation Date," at pages 65-68.

Nevertheless, although the road taxes may be "diverted" to the newly incorporated city on a tax-received basis, the actual transfer of these revenues to a new city may not necessarily occur as they are received by the county. A county may not have the resources and facilities to first identify which properties are within the new city and then to process and distribute these road taxes to the new city as soon as they are received by the county. Also, a daily distribution may be too costly for a particular county. The interim council (or, earlier in the process, the incorporation initiators) should contact the county to determine how the county will be distributing these diverted road taxes.

Advance notice is helpful because a county may have never before had to consider this procedure.

Despite the beginning of this diversion as of the incorporation date, road maintenance by a county must continue in the new city for a period not to exceed 60 days from the official date of incorporation or until 40 percent of the anticipated annual tax distribution from the road tax levy is made to the city, whichever occurs first.[47] RCW 35.02.220(2).

Real estate excise tax.
This tax is levied on all sales of real estate, based on the full selling price. The state levies this tax, and a locally-imposed tax is authorized. RCW 82.45.035; ch. 82.46 RCW. The local tax may be imposed in two .25 percent increments, the second increment available only to cities within counties that are planning under the Growth Management Act (GMA). The tax is collected by the county and is remitted monthly to cities that have levied the tax.

Cities that are not planning under the GMA and cities under 5,000 population that are planning under the GMA must spend the first .25 percent "for any capital purpose identified in a capital improvements plan and local capital improvements, including those listed in RCW 35.43.040." RCW 82.46.010(2). RCW 35.43.040 lists improvements that can be funded through a local improvement district (LID), such as streets, parks, sewers, water mains, etc.

Cities with a population of 5,000 or more that are planning under the GMA must spend the first .25 percent of this tax solely on capital projects[48] that are listed in the capital facilities plan element of their comprehensive plan. Obviously, a new city must have in place an adopted comprehensive plan that complies with GMA, including the requirement of having a capital facilities plan element, before it may spend the revenues this tax will generate. Nevertheless, the new city may impose this tax before compliance with the GMA planning requirements is achieved.

The second .25 percent real estate excise tax, which may be imposed only by cities planning under the GMA, may be spent only on capital projects as defined in RCW 82.46.035(6). In those cities located in counties that are voluntarily planning under the GMA, the second .25 percent may be imposed only if approved by a majority of the voters at a general or special election. RCW 82.46.035(1). A proposition to impose this second .25 percent tax may be submitted to the voters during the interim period. RCW 35.02.130. In other cities planning under the GMA, the second .25 percent tax may be imposed by council vote, without reference to the voters.

Leasehold excise tax.
This tax should be authorized by a new city because it will result in the city receiving a share of this tax that is already imposed and collected by the state. Those who may be subject to this tax will not incur any additional burden. This tax applies to most leases of publicly-owned real and personal property, in lieu of a property tax that may not be imposed upon such exempt property. Of the state rate of 12.84 percent (of the rent), a city

may levy and receive a 4 percent tax. RCW 82.29A.040. The tax is collected by the state and is remitted bi-monthly in even numbered months.

Gross receipts business and occupation tax.
This is an often unpopular type of tax, but it is a major revenue option.[49] This tax is levied at a percentage rate on the gross receipts (not profits) of a business that does business within the city. The imposition of this tax by a new city is, however, subject to a referendum procedure. RCW 35.21.706. A city may levy this tax at a rate not to exceed .2 percent, although a higher rate may be imposed if approved by the voters. RCW 35.21.710, .711.

Business licenses.
Cities impose business license requirements primarily as a means of regulating businesses but sometimes also as a means of raising revenue. A regulatory business license program requires businesses to register with and obtain a license from the city, subject to a flat fee designed to cover the costs of implementing the program. A revenue-raising business license scheme generally involves different fees for different classes of businesses. Such fees may be based, for example, on the type of business, on the number of employees, or on the square footage of the business facility.

Utility business and occupation taxes.
Utility taxes are levied on the gross operating revenues that public and private utilities earn from operations within a city. Utilities on which these taxes may be levied include electric, water, sewer, solid waste, stormwater, gas, telephone, cable TV, and steam. Taxes on some of these types of utilities are subject to a statutory maximum 6 percent rate, unless a higher rate is approved by the voters. Taxes on electric, gas, and telephone utilities cannot take effect until at least 60 days after the ordinance is passed. The imposition of this tax for the first time may be subject to a referendum procedure.

Lodging (hotel-motel) tax.
Most cities may impose a "basic" 2 percent tax on all charges for furnishing lodging at hotels, motels, and similar establishments for a continuous period of less than one month. RCW 67.28.180(1). When this tax is imposed, the state sales tax decreases by a like amount, so tourists and other lodgers experience no increase as a result of this tax. Most cities may also impose an additional 2 percent for a total of 4 percent, though this additional tax is not credited against the state sales tax. RCW 67.28.181(1).

Before a city with a population over 5,000 may impose a lodging tax, it must establish a "lodging tax advisory committee." RCW 67.28.1817. A proposal to impose a new lodging tax must be submitted to the lodging tax advisory committee for review and comment at least 45 days before it is to become effective. Presumably, an interim council may establish a committee prior to the official incorporation date, so that the tax can be made to go into effect upon the official incorporation date.

Revenues from this tax may be used only to pay for tourist promotion and the acquisition and/or operation of "tourism-related facilities." RCW 67.28.1815. See *A Revenue Guide* *for Washington Cities and Towns*, MRSC Report No. 45 (August 1999), at pages 18-22, for a detailed discussion of the lodging tax, the lodging tax advisory committee, and the permissible uses for the revenues from this tax.

This tax is remitted to the city by the state on a monthly basis. The Department of Revenue needs at least 45 days to notify taxpayers of a new tax, rate change, or change in recipient of the tax, and such a change must be effective the first day of a month. Therefore, if the council passes an ordinance effective the first of the month after incorporation, the first revenue will be received five months later. For example, if a city incorporates on August 31 and passes a lodging tax ordinance effective September 1, the DOR will begin collecting on November 1. Taxes collected during November are remitted to DOR on December 25 and paid to cities at the end of January.

Gambling tax.
A city that decides to allow gambling activities within its borders may impose a tax on gambling revenues. The maximum tax for amusement games is 2 percent of gross receipts less the amount awarded as prizes. For bingo and raffles, it is 5 percent less the amount awarded as cash or merchandise prizes. For punch boards and pull-tabs, the maximum rate is, if based on gross receipts less the amount awarded as prizes, 10 percent, and, if based only on gross receipts, 5 percent. A tax of 20 percent may be levied on gross receipts from card games. There are different tax rules that apply to gambling activities conducted by bona fide charitable or nonprofit organizations. RCW 9.46.110.

Gambling tax revenues must be spent primarily for gambling law enforcement purposes. RCW 9.46.113. Funds remaining after necessary expenditures for such enforcement purposes may be used for any general government purpose.[50]

Admission tax.
All cities may levy an admission tax in an amount no greater than 5 percent of admission charges to theaters, stadiums, dance clubs, private clubs, swimming pools, amusement parks, rides, and any other activity in which an admission charge is collected at the door. RCW 35.21.280. This tax also applies to season tickets, cover charges, and to the rental of facilities and equipment for recreational purposes. Revenues from this tax will, for most cities, be minimal.

Other taxes.
Other taxes that a city may impose include an additional property tax to support emergency medical services, ambulance taxes, and a use tax on brokered natural gas.

State-shared revenues.
State-collected revenues that are shared with all cites and towns are derived from two main sources: liquor receipts and gasoline taxes.[51] Cities and towns as a group receive a fixed percentage of each of these sources, and the funds are allocated to individual jurisdictions on a per capita basis. Groups contemplating incorporation should note that as more cities incorporate, the per capita distributions will grow more slowly than they

have in the past, or actually decline, depending on the relation between the growth in the funding source and the growth in population in incorporated areas.

Since the distributions to cities of these state-shared revenues are based on population, state agencies that make the distributions must have population figures for a new city before they can make the distributions authorized. RCW 43.62.030 provides that the state Office of Financial Management (OFM) shall determine annually, as of April 1, the populations of all cities and towns. This statute also provides that when a city becomes incorporated after this annual determination, the population "as shown in the records of incorporation filed with the secretary of state" are to be used in determining the per capita distributions.

Unfortunately, there is no statutory or other requirement that anything be filed with the secretary of state that shows the population of a newly incorporated city. The only required filing with the secretary of state is made by the county in which the new city or a majority of the new city is located. RCW 35.02.130 provides that the interim council, after specifying the official incorporation date in a resolution, must file a copy of the resolution with the county legislative authority. The county legislative authority must "file a notice with the secretary of state that the city or town is incorporated as of the official date of incorporation." Because there is no requirement that any population information be filed with the secretary of state, OFM recommends that the city ensure that the county file with the secretary of state the necessary population information, along with the required notice. A copy of the incorporation petition, which must contain a population estimate, should suffice for this purpose.

State-shared revenues are distributed on a quarterly basis, although not all revenues are distributed in the same month of the quarter. A new city can "join" the state-shared revenue "pool" only on the first day of the months of either January, April, July, or October. In order to allow sufficient time to process and transmit population figures to state agencies, OFM requires that the incorporation be effective (that the incorporation date occur) more than 30 days in advance of a particular quarterly period in order to participate in the revenue-sharing distributions for that period.[52] Thus, for example, it will be necessary for a new city to incorporate by February28 to receive state-shared revenues for the period beginning on April1 and ending on June30. A new city should therefore notify OFM of its chosen incorporation date as soon as possible after choosing it. This 30-plus day period is an important consideration for purpose of deciding on a particular incorporation date.

The state-shared revenues that a city will receive are the following:

- *Liquor receipts.* Cities receive a share of both Liquor Board profits and liquor excise tax receipts.[53] RCW 66.08.180, 66.08.190, 82.08.160. The former are distributed on the last day of March, June, September, and December, and the latter are distributed on the last day of January, April, July, and October. To be eligible to receive these revenues, a city must devote at least two percent of the distribution to support an approved alcoholism or drug addiction program. RCW 70.96A.087.

- *Motor vehicle fuel excise tax (gas tax).* There are two separate distributions to cities from revenues from this tax. For cities with a population of 15,000 or more, 31.86 percent of the funds received must be deposited in an arterial street fund for the construction, improvement, chip sealing, seal-coating, and repair of arterial highways and city streets. The remainder is deposited in a street fund to be used for street maintenance. RCW 46.68.090, 46.68.110. Cities under 15,000 population may combine the two funds and use all their tax money for maintenance if desired. RCW 46.68.110(4).

An understanding of the timing of the receipt of these revenues is important for revenue flow considerations for the initial operation of a city and for the selection of the official date of incorporation.

Criminal justice revenues.
Funding for criminal justice purposes is from two annual state general fund allocations of $4.6 million for fiscal year 2000, increasing each year by the fiscal growth factor. There are many different bases for the distribution of these funds. A small portion of the funds are distributed on the basis of population only.[54] Other moneys are given to cities that qualify as "high crime" and "high violent crime" cities. Cities that contract for law enforcement services qualify to receive some funding. Finally, cities that initiate innovative law enforcement programs, domestic violence reduction programs, or programs for at-risk youth and child abuse prevention may apply to receive funding for these programs. See RCW 82.14.300, .320, .330.

The county legislative body may vote to impose a .1 percent countywide sales tax for criminal justice purposes. The county gets 10 percent of the revenue from this .1 percent tax off the top, with the remaining 90 percent being shared by the county and the cities within it on the basis of population. RCW 82.14.340.

Transportation revenues.
Recognizing that the state-shared revenue from the gas tax was insufficient for the needs of local jurisdictions, the 1990 legislature provided them with a number of local option revenue sources to be used for highway and transportation purposes. These local options include a gas tax that can be levied countywide, a vehicle license fee on certain trucks of up to $15 per vehicle, a commercial parking tax, and creation of a street utility (later found by the state supreme court to be unconstitutional).[55] See chapter 82.80 RCW.

Fees, charges, and fines.

- *Franchise fees.* These fees are charges levied on private utilities for the right to use city streets, alleys, and other public properties. Franchise fees levied against light, natural gas, and telephone utilities are, however, limited by statute to the actual administrative costs incurred by the city relating to the permitting or franchising process. RCW 35.21.860. Cable TV franchise fees, governed by federal law, may be levied at a rate of up to 5 percent of gross revenues, regardless of the costs of managing the franchise process. 47 U.S.C. § 542 (part of the "Cable Communications Policy Act of 1984").[56]

- *Other fees and charges.* State law provides authority for cities to levy fees and charges to cover the costs of providing services or programs and regulatory activities. A familiar example is the fees that are charged for building permit application and processing, including inspections.[57] However, fees may and should be charged for all permitting activities of a local jurisdiction for cost recovery purposes. The guiding principle in fee imposition is that fees may be set at a level no higher than that necessary to recover direct and indirect costs associated with the activity, including administrative overhead.

  A city will be involved in processing and issuing permits (and collecting fees) for numerous activities, some of which involve discretionary approval authority. For example, permits or applications and approvals are necessary for short plats and subdivisions, zoning matters (e.g., rezones, conditional uses, variances, and shoreline substantial development permits), SEPA review, activities requiring use of public streets (street use permits), and fireworks stand permits. Fee schedules for these and other activities requiring permits should be established along with the creation of the permitting mechanisms.

  If the new city is within a county that is required to or that has chosen to plan under the Growth Management Act (GMA), it has specific authority to enact an impact fee ordinance that imposes fees on new development to help finance the public facilities and improvements that are reasonably related to such new development. Among the public facilities for which such fees can be assessed are streets, parks and recreation facilities, open space, schools, and fire protection facilities. See RCW 82.02.050-.090.[58]

  Fees may also charged for the various licensing activities that a city will conduct. For example, a city may require licensing of businesses, dogs and cats, and bicycles.

  There are numerous other types of fees that municipalities charge for purposes of cost recovery. Other common fees include copying charges, returned check charges, charges for false home security alarms, fees for participation in municipal parks and recreation programs, and charges for use of municipal ambulance services.

  All such fees and charges should be imposed by the council by ordinance or resolution.

- *Traffic and parking fines.* Although the state supreme court establishes the schedule for fines for traffic infractions, cities share in the revenue from infractions committed within their boundaries. However, it is necessary for a city to have established a municipal court or a municipal department of a district court

> or to have contracted with a district court for municipal court services in order to enact and enforce a traffic infraction ordinance.[59] After fines are collected by the municipal or district court, 32 percent is sent to the state and, of the remainder, 1.75 percent is sent to the county treasurer for a crime victims and witnesses program. RCW 3.50.100; 3.62.040; 7.68.035(7). The funds retained by the city may be deposited in any city fund.

A city has complete control over setting fines for violation of its parking ordinances. Justice Court Traffic Infraction Rule 6.2(c). It may also charge a penalty of up to $25 for failure to pay a parking ticket fine in the time prescribed by law. RCW 46.63.110(3).

A city may also install and collect revenues from parking meters. Such revenue is to be used to cover the costs of installing and maintaining the meters, for collecting meter fees, and for enforcement of parking meter zone requirements. Revenue collected in excess of such costs may be used for parking studies and for establishing and operating public off-street parking facilities. RCW 46.90.650.

S-WSD tightens belt on funds

Codi Hamblin

Skagit Valley Herald

May 24, 2008 - 09:00 AM

The Sedro-Woolley School District will have to tighten its belt for the 2008-2009 school year budget.

During a Sedro-Woolley School Board meeting last week, school district superintendent Mark Venn announced the district is facing a $955,050 budget shortfall.

District officials have scrutinized the budget looking for ways to efficiently utilize their dollars and maintain student education, district officials said.

An increase in unfunded, state-mandated retirement funds and cost-of-living adjustments make up $560,657 of the budget.

In addition, school districts statewide are not receiving funding from the state's Promote Academic Success program, where school districts received funding to help students pass the Washington Assessment of Student Learning. The dollar amount depended on the total number of 10th graders who failed the test.

The Legislature felt they weren't seeing results out of the program, and decided to not fund it, said Stewart Mhyre, school district executive director of business and operations, in an interview. Therefore, Sedro-Woolley School District will not receive $161,584 from the program.

Rising transportation costs is another chunk of the budget as it will take up $354,158. In September 2007 the district paid $2.62 per gallon of diesel fuel, Mhyre said. By April, the price rose to $4.02 per gallon.

The school district drives about 500,000 miles each year using 92,000 gallons of fuel, Venn said.

The school district is budgeting for $5 per gallon next school year.

State revenue is not keeping up with the cost of salaries, benefits and transportation operations, district officials said.

To make up for the budget's shortfall, district officials have examined areas within the school district to scale back on.

District officials have reduced five classroom teaching positions through retirements and resignations, and 2.3 part-time specialists that will save $525,600, said Darrell Heisler, school district executive director of human resources, in an interview. Those positions will be reduced in elementary physical education, music, art and technology.

In outlying school libraries, district officials will replace certified staff with para-professionals, Heisler said. Three certified librarians from in-town schools and school principals will provide assistance as well.

The school district is not doing away with libraries or the amount of service students receive from them, Venn said at the meeting.

Officials are also looking to make some reductions in the district administration sector.

Heisler said district officials are looking to reduce some of the school district's contracting services and possibly some staffing, but that decision was not yet made at the time of printing. That reduction will save an additional $67,450.

Reducing textbook spending, increasing efficiency of bus routes and reducing funding for school athletics are other ways the district is hoping to save about $207,000, officials said.

The Sedro-Woolley School District is not alone as school districts statewide are having to make cuts as well, Venn said. Some schools are having to cut as many as 13 teachers and up to $1 million depending on the size of the school district and number of employees, he said.

"It's not good, but we're not alone," Venn said.

He said he thinks it's not the last time the district will see budget cuts unless there's a change in funding methods for school districts.

School Board President Jim Kallio said the school district has had to make budget cuts each of the 10 years he's been a school board member.

The Legislature doesn't pay for what they're giving out when they pass to increase the cost of living adjustments, he said. The district has had make cuts the past 10 years and it's starting to affect programs from the inside, he said.

Venn reminded community members of the importance of maintaining school programs and services by voicing their concerns of school district funding to the Legislature, in addition to what school board members and district officials have already done.

"Right now, we want to keep those programs and keep it going," he said.

Renton shapes own destiny with vision, follow-through

In the past decade, cities throughout Washington grappled with implementing the Growth Management Act. At the same time they were trying to address a host of other pressing issues: the need for economic development, environmental protection, infrastructure and additional revenue.

Some cities, such as Renton, saw these challenges as opportunities to shape their destiny. Renton needed to diversify its employment base, begin to redevelop its downtown core, revitalize its real estate assets and tackle some significant environmental issues.

The leaders of the city dug in and the results have been positive. In the past 10 years, Renton's population grew by about 20 percent to more than 51,000 residents, the sales tax revenue increased from $7.2 million to $17 million (a rate almost twice as fast as that of the Puget Sound economy), the revenue from building permits rose from $800,000 to $2.8 million and the real estate excise tax collected jumped from $600,000 to $3 million.

Also in that time, the employment base was diversified (Boeing now accounts for about of a third of Renton's jobs, down from nearly 60 percent in 1990), the number of employers rose 47 percent and the number of jobs grew by nearly 10 percent.

While this was happening, Renton revitalized neighborhoods, redeveloped downtown, acquired hundreds of acres for parks and open spaces, tackled significant environmental issues and decreased the tax levy rate on property.

The process is far from finished. But we can still offer some lessons learned:

• **Vision backed by commitment**

Renton's elected leaders made a conscious decision in 1996 to remake Renton in the image of a world-class city. At the basis of that decision was the recognition that business pays the majority of taxes that the city depends on for revenue. The leaders decided not only to grow the economic base of Renton, but also to diversify it.

COMMUNITY COMMITMENT
Susan Carlson

One of the initial steps was to draft a formal business plan that spelled out the vision, mission and goals of the city of Renton. The business plan had to consider all important stakeholders, be realistic and serve as a management tool. It also had to be short and to the point — one page long.

That plan still determines the annual budgetary priorities and programs for the mayor and City Council. For six years, economic development, downtown redevelopment, city image and neighborhood revitalization have been the highest priorities. Progress has been made on all of them because the elected leadership has "stayed the course" when making tough decisions.

It is also important that the city's leaders have used every opportunity to explain the vision and business plan to all constituencies, and over the years that has resulted in tremendous support throughout the city.

• **Tangible return on investment**

The approach taken by the city is to leverage investments by seeking a return on investment through one-time capital expenditures. Investments must have a tangible benefit to citizens. The business plan's priorities require us to concentrate growth in urban areas, invest in those areas with one-time revenues and protect the livability of single-family neighborhoods.

Our neighborhood revitalization program and redevelopment of downtown with a strong emphasis on housing are examples of how those priorities have been translated into action.

Plus, the city has been able to acquire hundreds of acres of open space, parks and sensitive areas to protect the quality of life, all without asking citizens to increase taxes through bond issues. The increased revenues from economic development have permitted those wonderful acquisitions.

• **Meaningful partnerships**

Partnerships must be a two-way street. Each party must place something on the table.

The recently announced Downtown Renton For-sale Housing Initiative is one example. Owner-occupied housing is an important element in continuing to redevelop downtown Renton. We recognized that developing and then marketing owner-occupied housing in the downtown carries a risk greater than developing the customary residential plat. Recently, the city adopted an ordinance waiving permit and mitigation fees for developers building owner-occupied housing in the downtown area.

Centex Homes responded with a proposal to build 37 condominiums in downtown. We estimate that while we will not collect $98,569 in fees from this development, we will gain $110,343 in additional tax revenue in the first two years, for a net gain of $11,774 — as well as achieving a key redevelopment goal.

Renton also built broad partnerships that launched strong programs. This community recognizes that a strong school system, from pre-school through college, is critical for a strong, vibrant and growing community.

Similarly, city and school officials realize that a strong and vibrant business community provides the tax base that pays for the high-quality services that Renton residents have come to expect.

And finally, the business community realizes that it must actively work with the city to create and maintain predictable, efficient and regulatory functions that preserve our environment while allowing responsible development.

Perhaps nowhere is this more visible than when the business community, our school district and the city banded together to develop a comprehensive marketing effort. Our successful marketing campaign, "Renton — Ahead of the Curve" — is just one example of the community's working together for a common goal.

• **Be innovative — developers are customers, too**

City professional staffs are not always known for taking risks, proposing innovative approaches to problems or having strong customer service practices. That changed in Renton due to the strong encouragement and leadership of our elected officials.

Early on we recognized that we needed to infuse city employees with a customer service attitude toward all of our customers, including developers and businesses. One of the biggest stumbling blocks to economic development was the length of time to process permits.

Through a concentrated effort, we made dramatic reductions in the length of the entitlement process. Approving a land use permit used to take at least 26 weeks. Now it takes six to 12 weeks. Approving a full subdivision, from submission of plans to recording the final plat, formerly averaged 80 weeks. Now it averages 34 weeks.

Progress has been made. But the journey is far from finished. The city of Renton's business plan calls for us to remain on track for the next five years as we continue to focus on our goals.

Renton has been able to balance economic development, concern for the environment and quality of life by encouraging communication, innovation and cooperation. We are dedicated to making our city competitive for businesses and a great place to live and raise a family.

We believe that we are just beginning to see the benefits.

SUSAN CARLSON *is administrator of the Department of Economic Development, Neighborhoods and Strategic Planning for the city of Renton.*

Renton, Redmond have different ideas on growth

One city actively courts economic development, while the other remains wary

By SEAN ROBINSON
CONTRIBUTING WRITER

Perhaps it is neither the best of times in Renton, nor the worst of times in Redmond, but the divergent attitudes toward growth in the two cities present a contrast Charles Dickens might have appreciated.

In Renton, growth sits on the front burner. The city's Web site giddily touts downtown improvements and new developments in Renton Highlands, and economic development manager Sue Carlson is aggressively pursuing new projects.

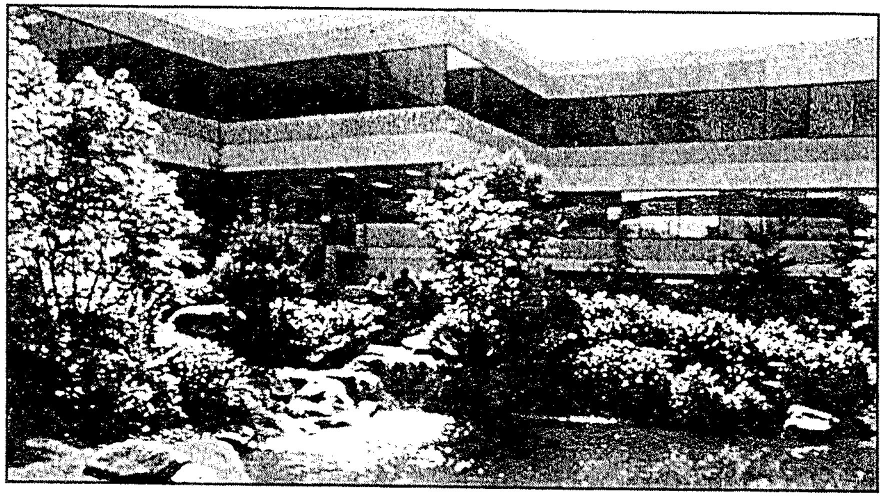
In Redmond, where the motto is, "Together we create a community of good neighbors," a moratorium on new development applications was lifted in the middle of last year, after 18 months. Mayor Rosemary Ives would have preferred to extend the moratorium another six months, but members of the city council could not be persuaded.

In Renton, city officials have given their blessing to combined efforts in the public and private sector to revitalize downtown and diversify the traditionally Boeing-dependent economy.

In Redmond, where Microsoft and smaller high-tech companies have contributed to the creation of one of the more affluent communities in Puget Sound, city officials are struggling to cope with triple and quadruple-digit growth in population, housing and jobs, and the accompanying pressure on local infrastructure.

Between 1995 and 1997, Redmond added 9.8 million square feet of new commercial development — almost the entire projected amount of growth the city had targeted to occur by 2012. Then the moratorium went into effect.

"Redmond isn't willing to have everything paved over for the sake of commercial activity," said Ives, who was re-elected last year in part because of her willingness



BUSINESS JOURNAL PHOTO

Despite Redmond's concerns over growth, Microsoft Corp. — based in the city — was involved in two of the three largest office lease transactions in the latter half of 1999.

much on one employer became apparent in the early 1990s, when Boeing transferred 10,000 workers from Renton to Everett.

"We were left with 1.2 million square feet of vacant office space in Renton," Carlson said. "It was huge. Retailers, auto dealers, everybody suffered. Forty percent of our work force went almost overnight."

In response, Carlson, Mayor Jesse Tanner and members of the city council embarked on an aggressive downtown revitalization strategy.

The first phase involved persuading auto dealers in the city to relocate to property along Grady Way and sell their downtown parcels to the city. The next step combined an ambitious scheme to build park-like amenities downtown with an effort to attract mixed-used residential/retail development to the area.

Enter Don Dally, a local developer who accepted the city's challenge. His first project, which offers retail, residential services and secure parking, is 59 percent full after only 10 weeks.

The combination of easy transportation access and a residential market attractive to young professionals who couldn't afford Seattle prices gave Dally all the motivation he needed.

"Renton has streamlined the process," he said. "They want people living in Renton. They want nice projects and they're gonna do everything possible. If you're willing to build a quality-type project they're willing to help you get it through the process."

Two more projects lie ahead for Dally: a 58-unit mixed-use complex and a 90-unit development that will combine private residences with a Metro Park and Ride facility near a planned transit center. The city is also working on new developments along the Lake Washington waterfront and in the Renton Highlands.

Boeing represented roughly 68 percent of Renton's employment base in 1992. That number has since dropped to 38 percent. Auto sales in the dealers' new digs on Grady Way have risen by 30 percent, and the city's budget is climbing.

In Redmond, it's not that growth is frowned upon. Far from it: Microsoft continues to lead the leasing pack in the entire Puget Sound region. Two of the three largest office lease transactions in the last half of 1999 involved Microsoft and Redmond, according to statistics from Norris, Beggs and Simpson. The software giant secured almost 900,000 square feet of space in the Redmond area.

James Roberts, Redmond's assistant planning manager, points to recent applications submitted by Home Depot and Fred Meyer as evidence that the city is not casting a cold eye toward all growth, though he acknowledges that the volume of projects is not what it was before the moratorium was enacted.

Part of the reason for that, he said, was the rush of applications that hit the city as developers tried to beat the moratorium deadline.

Ives said the city doesn't have a shut-the-door mentality. The moratorium was a means to catch up on infrastructure improvements, and those efforts have been successful, she said.

When asked about the contrast between Redmond and Renton, she did not criticize the southern neighbor's efforts, but she did offer a veiled warning about the consequences of too much prosperity.

"I am troubled today that with so many individuals in so many communities that economic development seems to be the end rather than a tool," she said. "I think we need to think critically about economic development. If we can demonstrate that it's doing something good for our community then I applaud it. If it's threatening the

The Seattle Times

Editorials & Opinion

Monday, July 17, 2000, 12:00 a.m. Pacific
James Vesely / Times Staff Columnist

From used-car mosh pit to Eastside urban center

Jim Vesely

Pretend it's a few years ago. In the dark of night, I'm standing under the outdoor lights of Good Chevrolet in Renton and reaching into my bank account to buy a 1992 Chevy Cavalier. It's a grayish-silver, little two-door coupe and a creampuff if you ever saw one. In the glove compartment was paperwork from the Portland airport where the car once served as a rental.

That car served me as well, until last year. Little did I know that the used-car mosh pit that once gave people like me an extra set of wheels has become something of an urban Renaissance. The lot that once was legend for dealing cars is now ground zero to downtown Renton's new look, new aspirations and new identity. The used car lot is now the plaza that forms the urban center of Renton, a downtown that wants to be something more than scenery for a movie set in 1954.

A couple of years ago, I wrote that of two Eastside cities - Kirkland and Renton - the one with more going for it in the long haul was Renton. That was a surprising choice given the zip of Kirkland's waterfront. But taking nothing away from Kirkland's ambience, Renton offers a solution to the conflict of growth and density that doesn't mean million-dollar condos.

All over the Eastside, downtowns are accepting the results of growth and the growth-management dynamic. It's not accidental, it's mathematical. As growth is hemmed into the existing boundaries, once-suburban downtowns become regional centers, and places where urban life takes over. That's occurring in Renton with the construction of new apartment buildings--and the county's first park-and-ride lot with apartments above the cars. In Redmond, the idea of a park-and-ride apartment is still kicking around, but Renton is going ahead.

Next week, they'll break ground on Metropolitan Place, once the home of Good Chevrolet, where new retail space and 90

'We're headed in the right direction'

Goal of revitalizing Renton proves to be a success, but it's not over yet

By **BARRY ROCHFORD**
Managing Editor

The promise has been kept.

It's there, apparent to everyone who can see it.

The concrete fruition of an abstract idea: Let's make Renton a better place to live, work and play.

It's taken almost a decade of labor, of envisioning new ideas, of following through on commitments. It's required a level of collaboration between city officials, business leaders and community supporters that hasn't been seen before.

Based on that effort, the physical fabric of the city is changing; areas of Renton are shedding their once blighted image. But at the same time, relationships between people, between neighborhoods, are strengthening — and that may be the most important development of all.

"It's so much easier to do things in this community because people know each other and they communicate — and they trust," said Suzette Cooke, president of the Greater Renton Chamber of Commerce.

It didn't happen overnight, and despite the good feelings that exist now, it was borne out of frustration.

In the early 1990s, downtown Renton was an unappealing place for residents to spend their money. Developers were unhappy with an onerous permitting process. There were also concerns about Renton's reliance on the Boeing Co. and the need to diversify the local economy.

The Chamber created its Blue Ribbon Committee made up of representatives from across the city. Working together, they streamlined city permits and laid the groundwork to the changes taking place today.

The city hired its first economic development director, Sue Carlson, who helped orchestrate moving car dealerships in downtown Renton to an auto mall along Grady Way and began marketing the city to developers and retailers.

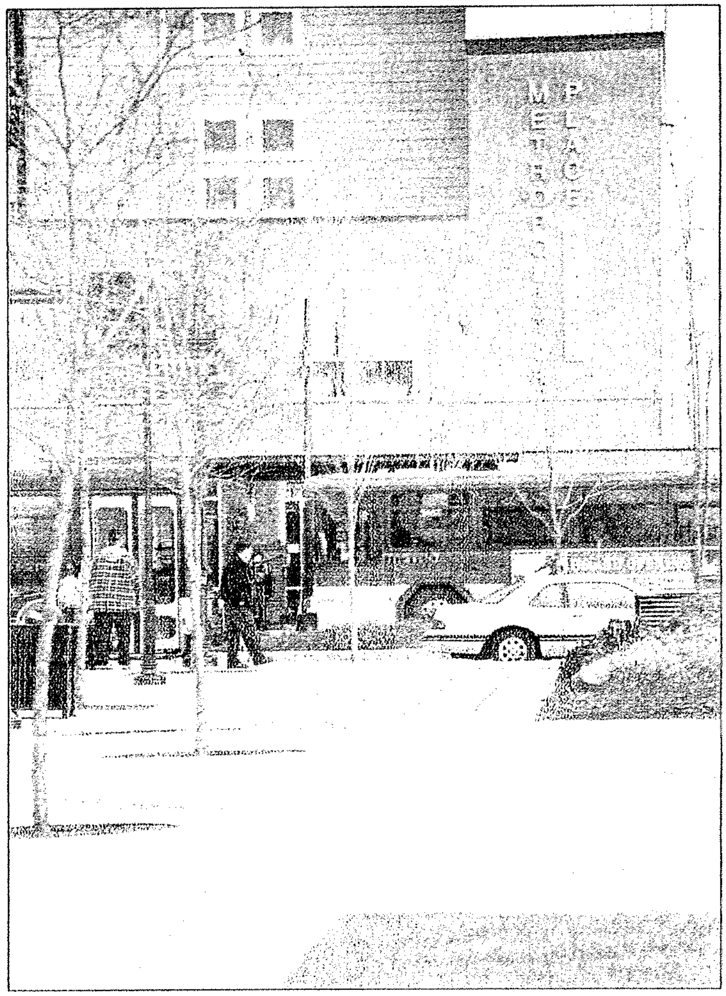
In 1997, the city teamed with the Chamber, Renton Technical College, Valley Medical Center, Renton School District and the Renton Lodging Association to launch a marketing campaign. Its slogan: "Renton. Ahead of the Curve."

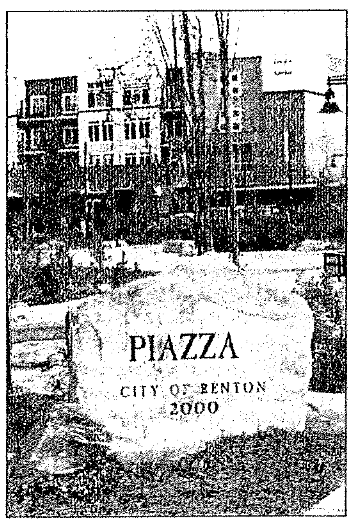
Development poured into the city. New businesses, such as IKEA, Wizards of the Coast and Classmates.com, set up shop. The Renton Community Foundation was established to encourage charitable giving.

"Pretty soon, Renton people who lived here and worked here began to show their pride in their community," Cooke said.

In 2003, Renton looks a lot different than what it did 10 years ago. Dally Homes invested millions of dollars in the downtown area, attracting residents to the core of the city. The picturesque Piazza will host the second annual Farmer's Market this summer. Veterans Memorial Park in downtown Renton will be completed by Memorial Day.

A new municipal parking garage will open this year in conjunction with the IKEA Performing Arts Center at Renton High School. The Pavilion Building will be renovated into a sleek expanse of glass, while the city's new Aquatic Center will give young and old alike a place to swim and play.





Denis Law / Renton Reporter

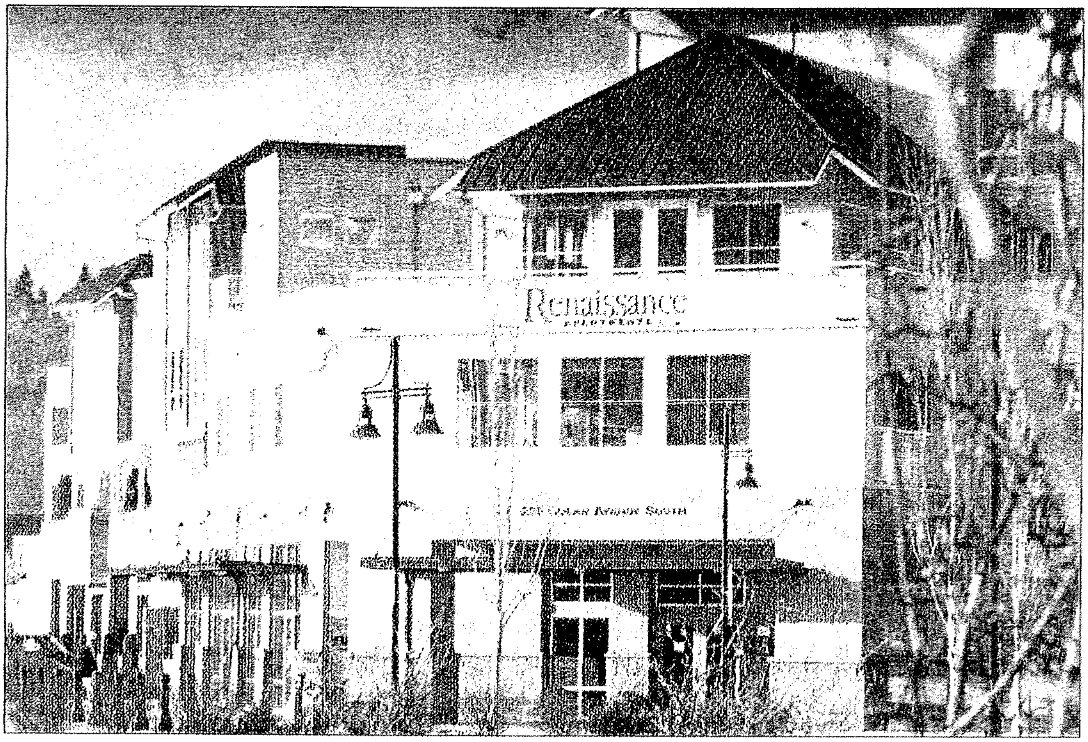
New development, such as Metropolitan Place (above) has brought residents to the downtown area. Piazza Renton (left) was dedicated in 2000, and has since become home to the annual Farmer's Market.

A huge redevelopment plan for the Highlands, centered along Sunset Boulevard Northeast, is on the drawing board. The area will be home to a new Fire Station 12, also slated to be completed this year. Southport will see a mixture of new residences and office space, with continued development planned for the site. Centex Homes is building a 37-condominium complex along the Cedar River.

Renton School District Superintendent Dolores Gibbons said the success with implementing changes in Renton is a one-of-a-kind occurrence. Her district is asking voters to approve a $150 million construction bond, the third phase of a 20-year plan to improve all of its schools.

"Renton is in a unique position to be actually nestled in a very metropolitan

See **REVITALIZATION** - *page 4*



Denis Law / Renton Reporter

Renaissance Apartments is one of three new apartment complexes in downtown Renton.

Revitalization

continued from page 3

area and yet still have a sense of value fo the citizens, for the schools and for th community."

Alex Pietsch, the city's acting admin istrator for economic developmen neighborhoods and strategic planning said because prices for land in Rento are cheaper than in other cities such a Bellevue, the city is more attractive fo single- and multi-family developers.

"The housing market has explode based on the fact that Renton has unde veloped land and more affordable shore line views," he said.

"Renton is growing very fast. Thing are happening here, and it's a sign we'r headed in the right direction."

The city is not resting on its laurels Accomplishments have emboldene leaders to dream bigger dreams.

"All of those things that you can poin to as successes are steppingstones to th bigger ideas," Gibbons said.

To accomplish them will require eve more teamwork from people across th city. But as this year will prove, it is pos sible.

Renton can once again deliver on th promise.

Renton delivers award-winning marketing campaign

Who would have imagined four years ago that everyone today would be saying Renton is ahead of the curve? Or that communities stretching from Washington state to Florida are busy copying Renton's community marketing campaign?

That's the payoff of four years of dedicated work by the Greater Renton Chamber of Commerce, the Renton School District, Valley Medical Center, Renton Technical College, the city of Renton and the Renton Lodging Association.

Thanks to their leadership, the Renton Community Marketing Campaign has won numerous national awards, attracted international media attention and brought new businesses and attractions, such as Cirque du Soleil, to Renton.

"The campaign has been a tremendous investment and returned outstanding direct benefits to our community," commented Suzette Cooke, Chamber president. "It's helped to enhance Renton's image as a place to work, learn and live."

Michael Hamilton and Ken Saunderson

Four years ago, Renton became the first community in the Puget Sound region to bring together all its key community organizations to launch a proactive comprehensive marketing campaign to help guide its economic future. The advertising and marketing agency Hamilton/Saunderson manages the campaign.

Advertising highlights have included extensive campaigns with KIRO, KBSG, KING-FM and KLSY radio stations, Northwest Cable News, Puget Sound Business Journal, Renton Reporter, South County Journal and more.

In addition, the Renton Lodging Association advertised in publications such as Alaska Airlines and Horizon Air magazines, AAA of Washington, Washington State Travel Guide and completed extensive radio campaigns in Eastern Washington and Portland.

The campaign also produced an award-winning community calendar, placed stories about Renton in numerous publications, developed the dynamic rentonmarket.com Web site, and partnered with organizations including Cirque du Soleil, Seattle Sounders and IKEA to shine the spotlight on Renton.

The Renton campaign has won national honors at the City-County Communications and Marketing Association annual conference as the top campaign of its kind in the country. More than 678 entries competed for the prestigious Savvy awards, and Renton walked away with the Savvy, Silver Circle and special President's Award for its "innovative and creative approaches in communicating and marketing issues to citizens."

"We've had some real results," noted Cooke. "Take a look at the new energy in downtown — fine dining, housing, Farmer's Market, Transit Center, Pavilion and new parking garage. It's really happening!"

The coming year of the campaign will build on this success and Renton's momentum. In June, the community will celebrate the opening of the IKEA Performing Arts Center, the new downtown parking garage and the extensive renovation of the Pavilion. The popular Farmer's Market will return for its second year. Also planned are a series of special events and on-going advertising promoting Renton as ahead of the curve.

"In 2003, we will celebrate Renton's success in delivering on the promise," said Ken Saunderson. "It's been a remarkable run and it's only just beginning."

RENTON: A CASE STUDY IN REGULATORY REFORM

In Renton, the call to change came from complaints from the business community and the Chamber of Commerce, who were (rightfully) upset with the slow, unpredictable and costly permitting process in Renton, and the mounting backlogs of permit applications. The Mayor at the time told the managers, including me, that we needed to correct this situation, in an initiative that he termed "getting to yes".

I should also say at the outset that our permitting regulatory reform process in Renton took about two years (with continual progress and improvements being made during that time period). A couple of outcomes I can report to you: Renton's site plan approval process, including environmental review and site plan determination, formerly took at least 26 weeks. Now we take 10 to 12 weeks. Full subdivisions, including environmental review, preliminary plat approval, construction permit issuance for streets and utilities, construction and inspection of these facilities, and approval and recording of the final plat so that lots could be sold, formerly averaged about 80 weeks. Now it averages 34 weeks. In two years we reduced our turnaround time by over 50% without changing or adding to staff, and without negatively impacting residents or the environment. The reason: we found in the review and permitting process numerous inefficiencies, duplications, stops and starts, moving targets, lack of individual accountability, and most important, lack of clear direction from management on such critical issues as permit turnaround time goals and customer service expectations.

RENTON'S REGULATORY REFORM – WHAT WE DID

1. **RECOGNITION OF PROBLEM AT THE TOP:** The Mayor at the time was hearing significant complaints from the business and development community about Renton's flawed regulatory and permitting process. He also recognized that sustainable economic development was essential to Renton's vitality and financial future, and that the flawed regulatory process was interfering with that essential need. After investigating the situation, he determined that there was a real problem, and that changes needed to be made.

2. **THE MAYOR ISSUES STATEMENT OF PROBLEM, AND ORDER TO CORRECT:** The Mayor met with the Department Administrators, including myself, and clearly stated the problem. He tasked the Department Administrators to investigate the problem, establish improvements to the regulatory and permitting process, and to implement the improvements. He made it clear that he would rely on the expertise of his management staff to resolve the problem, but made it equally clear that we would be held accountable for our success or failure. He requested regular progress reports, and directed us to get to work immediately. He gave a name to the initiative, "Get to Yes", meaning proactively finding a way to accommodate the city's needs to encourage sustainable economic development. Naming the initiative turned out to be very important – it gave the initiative an easily recognizable identity in the minds of all employees.

3. **ADMINISTRATOR EVALUATES PROBLEM WITH DEPARTMENT MANAGERS:** I discussed the problem with the Development Services Director who is in charge of the division that performs land use review and permitting. We agreed on several things. First, the mission had changed: previously the City had not much cared if developers received their permits or not, and so the emphasis on permit review was intense scrutiny by staff to assure that we achieved "the perfect project". We had established an elaborate, duplicative, and unclear review process to assure that every element of a project was evaluated and then reevaluated. Our reviewers had no hesitance in continually requesting new information from the applicant, or moving the target or changing the requirements based on a sudden "new opinion". There were numerous starts and stops, and staff did not place much priority on the amount of time the process took. We realized, with some chagrin, that this convoluted process was the result of our own management. We had not established permit turn around time goals or customer service as a priority. Left pretty much to themselves, our staff did what they did best (and liked most): evaluate, scrutinize, implement their training, call for modifications and changes to achieve perceived improvements. Permitting time became interminable, and all the while permit applications backed up. We determined pretty quickly that the problem was not insufficient staff resources. Rather, we would have to change the mission, establish new priorities, educate the staff on these new priorities, simplify the process, and instill an improved and better defined customer service ethic in the staff, and make the individual staff members accountable for achieving these new directives.

4. **MESSAGE TO STAFF:** Management told the staff that the mission would be changing, and that the directive had come from the top. The "get to yes" initiative was explained, and staff was told that we would be relying on their expertise to help us bring about the needed changes. We took great pains to let them know that the changes were necessary but would be participatory, and that they would be key players and change agents. We also tried to let them know that the changes were due to a new direction, not because they were doing a bad job. We encouraged their suggestions. To achieve results, we identified that we needed to expedite the process, provide more proactive management so that the staff would get the message, improve customer service, set goals and timelines, and demand accountability from the staff members.

5. **STREAMLINING THE PROCESS:** Two elements had to be addressed: assessment of local laws established by the City Code to determine whether code changes would be needed to implement streamlining of the permit review process, and review of our internal administrative process. The most productive part of our process streamlining efforts was the work we did with our internal administrative process. We first charted our administrative process for several of the most prevalent types of land use permit. We did this by drawing process flow charts. We made sure that every step was reflected in the flow charts. The results were somewhat horrifying. There were so many nodes and loops in the flow charts, and so many series rather than parallel reviews, that the flow charts could only be fit on poster boards! Our processes were replete with duplications, with start and stop points, with assembly line type approaches where one piece of review was done at a time, in series, and which allowed the whole review process to come to a screeching halt if there was a problem with one small element of the review. We immediately set to work chopping out redundancies (actually did away with a whole staff-composed review panel that did not add much value but slowed the process down),

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changing series steps to parallel steps so the process would not be halted due to minor issues, and took a rigorous "value engineering" approach in which steps were removed which did not add sufficient value to the process to justify the time and staff resources they consumed. We involved staff in this effort, but it was the managers who made the decisions. Very quickly we arrived at streamlined processes that in themselves not only sped up the permitting process, but freed up staff resources to tackle the growing backlog of permit applications. We were also prepared to make adjustments as needed if the revised processes had unforeseen negative consequences, but found this was rarely the case. This step solved part of the problem, but there was still work to do.

6. **PROACTIVE MANAGEMENT:** We worked hard to make it clear to the employees that the mission was changing and why, explained the "get to yes" initiative from our leader, and worked with them constantly to familiarize them with the new streamlined processes. We also worked to instill an improved customer service ethic. We made sure they knew that the goals of professional permit review, protection of the environment, protection of the neighborhoods, proper public notification were as strong as ever, but we were overlaying on top of that an improved process to accomplish those goals. And we were adding new goals to the others: established permit turnaround times, and superior customer service requirements. We found that many of our employees did not view permit applicants as "customers" at all, but rather as "the enemy" who wished to encroach on neighborhoods and pillage the environment. We identified quickly that permit applicants had to be perceived as customers by staff if we were going to accomplish our mission, and we worked hard at this (this requires a continuing effort). We had continued resistance (of the passive/aggressive type) from a couple of employees, and they ultimately had to be told that the mission had changed and they had a choice to make: accept and participate in the revised mission, or find work in a place more congenial to their philosophies. No one ultimately lost their job.

7. **SUPERIOR CUSTOMER SERVICE:** This was one of the most important features of our regulatory reform effort. None of the other steps would yield success if we would not be able to instill an improved customer service ethic in our staff members. This effort had several elements:

- Identify permit applicants as customers rather than "the enemy". Permit applicants must be treated just like businesses must treat their customers. Because government has the power to operate like a monopoly is not an excuse for poor customer service.

- Superior customer service involves prompt communication and response to questions. Set a goal of responding to all customer questions within 24 hours.

- Establish turnaround times, and make individual staff members responsible and accountable for maintaining the permit application turnaround times for their assigned projects.

- Establish a work ethic in which delays are considered just as unacceptable to staff as they are to the permit applicants, and in which the customer concerns and needs actually matter.

- Establish guidelines as to when enough review is enough review. In Renton this took the form of what we called "the 80% rule". We came to recognize that 80% of the time and effort was being dedicated to the last 20% of improvements in a project. Very often, this last 20% was subjective – improvements in the eye of the reviewer. We determined that expending 80% of the time and effort on the final 20% of the improvements was placing us in a situation in which the ends did not justify the means, both in terms of invested staff resources and actual value added to the project. We therefore established rules governing at what point in the review process new review comments would no longer be accepted or new information requested (unless there was a demonstrated major unforeseen need, and in these cases the reviewer would be taken to task for not foreseeing this need earlier in the review process).

- Establish staff accountability: meeting turnaround targets is an important element of the staff member's annual performance review. Continued failure to meet these targets could subject the staff member to corrective actions.

- Establish a sense of staff advocacy for the permit they are reviewing. Create an approach in which staff utilizes their skills to resolve problems rather than to set up roadblocks.

These were the steps that Renton took in our regulatory reform process, and we have achieved an absolute turnaround. Our regulatory staff processes permits and other land use actions in less than half the time that they did five years ago. In addition to helping to achieve the City's larger goals of promoting sustainable economic development and improving City revenues due to the more vibrant economy in the City, expanding the job base, and improving the standard of living, we also have achieved a good reputation with the development community. The customers are pleased with the changes, and our staff can handle a much bigger work load since they are spending less time with each individual permit application. We have really freed up our work force, and they are achieving much higher levels of productivity. Protection of the environment and the neighborhoods from impacts of development have remained high priorities, and have not suffered. In short, every interest has been a winner.

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Formulating & Describing A "Preferred Future"
For The City Of Sedro-Woolley
The Basis For
Defining Goals, Objectives & Action Plans

Discussion Outline:

I. The Change Model & The Strategic Planning Process.
(4:00 p.m. –4:15 p.m.) (15)

Purpose: To build a stronger understanding of how change happens and the nature of the planning process.

II. Building A Common Picture Of A Preferred Future.
(4:15 p.m. – 6:00 p.m.) (105)

Purpose: To develop a picture of how the City looks at present and how it will look in the year 2013 in terms of meeting its internal and external needs.

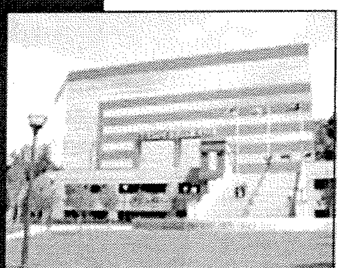
III. Summary, Conclusion & Next Steps
(6:00 p.m. – 6:15 p.m.) (15)

Purpose: To review key points, reach a conclusion as to what has been accomplished and identify next steps in the planning process.

CITY OF RENTON

VISION

Renton: A world-class city where people choose to live, work, and play



MISSION

The City of Renton, in partnership with residents, businesses, and schools is dedicated to:

- Providing a healthy atmosphere to live and raise families
- Encouraging responsible growth and promoting economic vitality
- Creating a positive community work environment
- Meeting service demands through innovation and commitment to excellence

2004-2009 BUSINESS PLAN GOALS

Promote citywide economic development

- Continue aggressive redevelopment efforts downtown
- Facilitate quality development of waterfront land
- Recruit and retain businesses to ensure a diversified employment base
- Transition surplus industrial properties to their highest and best use

Promote neighborhood revitalization

- Create a more viable business district in the Highlands
- Support the vitality of neighborhoods through community involvement and improved infrastructure
- Ensure quality development in South Renton

Promote the City's image in the community and region

- Broaden the City's marketing efforts through expanded partnerships
- Encourage all City employees to promote Renton's image through service delivery
- Build physical amenities that enhance quality of life

Meet the service demands that contribute to the livability of the community

- Maintain quality City infrastructure, amenities, and services
- Provide services more efficiently through partnering, innovation, and outcome management and communicate those efficiencies to the public
- Support productivity through training, tools, and technology

Influence regional decisions that impact the City

- Aggressively pursue transportation and other regional improvements and services that benefit Renton
- Respond to transfer of service responsibilities, annexation requests, and other agreements in ways that benefit Renton
- Actively oppose unfunded mandates and other proposals that negatively impact Renton

RENTON
AHEAD OF THE CURVE

RENTON. THE RIGHT INVESTMENT.

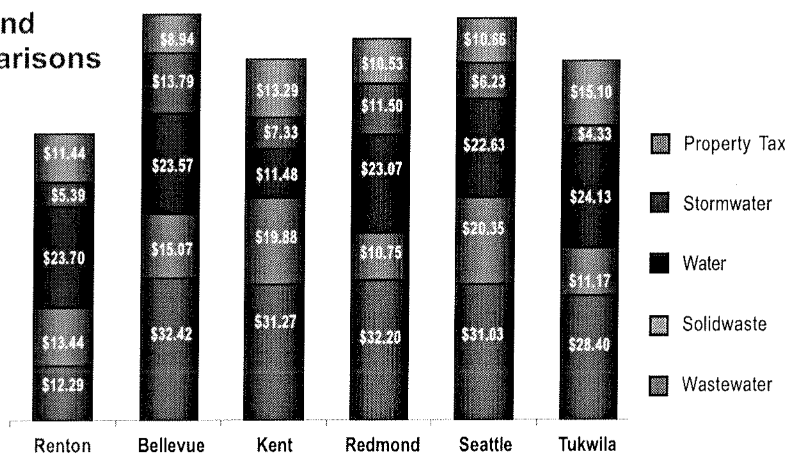
Economic Development is the key to prosperity.

Renton understands the importance of a growing business community when it comes to sustaining a healthy community. That's why supporting business and encouraging new development is the number one goal of the Mayor and City Council.

Renton's businesses are involved in the community and they are included in policy decisions at City Hall. In Renton, the door to the Mayor's office is always open to a business person with a concern.

This focus on economic development has resulted in great successes for Renton. And, it has allowed the City to maintain lower tax and fee rates than many neighboring communities.

2002 Tax and Fee Comparisons

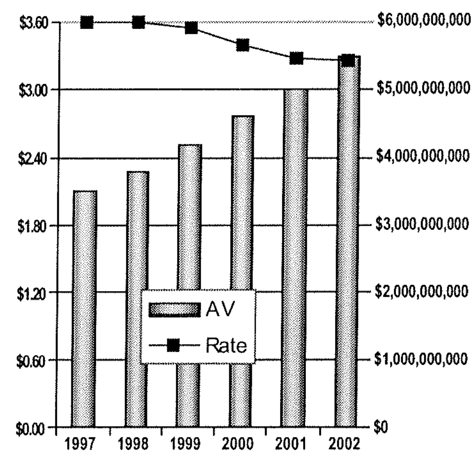


	Renton	Bellevue	Kent	Redmond	Seattle	Tukwila
2001 Population	**51,140**	111,500	82,782	46,259	563,400	17,230
Tax Rates:						
Avg. Prop Tax/$1,000 AV	**$11.442**	$8.940	$13.290	$10.533	$10.660	$15.100
Electric Utility	**6.0%**	4.5%	4.8%	5.5%	6.0%	N/A
Cable TV[1]	**6.0%**	4.8%	5.0%	5.0%	10.0%	5.0%
Admissions	**5.0%**	3.0%	N/A	5.0%	5.0%	5.0%
Licenses & Fees:						
Golf (18 holes)[2]	**$28**	$21	$35	N/A	$22	$25
Dog License[3]	**$20**	$55	$55	$55	$33	$55
Utility Rates:						
Water (750 CF)[4]	**$23.70**	$23.57	$11.48	$23.07	$22.63	$24.13
Wastewater	**$12.29**	$32.42	$31.27	$32.20	$31.03	$28.40
Stormwater[5]	**$5.39**	$13.79	$7.33	$11.50	$8.23	$4.33
Solid Waste[6]	**$13.44**	$15.07	$19.88	$10.75	$20.35	$11.17

Notes: [1]Redmond collects a franchise fee instead of a utility tax. [2]Kent, Auburn, Tukwila and Renton fees differ for weekday/weekend. Based on summer weekend rates when applicable. [3]With the exception of Renton and Seattle, all cities surveyed use King County Animal Control. Fees are for unaltered animals for one year. Renton has a $20 two year license. [4]Based on summer residential rates when applicable. Kent rate based on 700 CF. [5]Storm water rates are based on average single family residence. Kent rates are based on drainage basins located in the lower Mill Creek and Valley areas. [6]Recycle and yard waste collections are included when available. Service for Bellevue, Kent, Redmond and Tukwila provided and billed by an outside contractor. Kent Solid Waste increased by $3.00, but yard waste decreased by $4.00 for 2002.
Source: City of Renton

Property Tax vs. Assessed Valuation

Renton's strategy is to grow its tax base so the burden is less for the individual taxpayer. Growth in assessed valuation, through an increase in property values and an average $124 million in new construction over the past five years has allowed the City Countil to lower its property tax levy rate.



Business & Occupation Tax

Unlike other major Puget Sound cities, Renton does not levy a local B&O Tax. This allows companies to keep more of the money they earn.

Local B&O Assessments

(For a company generating $100M annual gross revenue)

	% Rate	Assessed Tax
Renton	**0**	**$0**
Everett	.1	$100,000
Bellevue	.15	$150,000
Seattle	.215	$215,000
Seattle (service-related)	.415	$415,000

RENTON
AHEAD OF THE CURVE

Land Use & Development. The City of Renton knows that time and predictability are key ingredients for business success. Renton has established a reputation in the region as a jurisdiction that is responsive in processing building permits and land use applications in a fast and efficient manner. In fact, the Governor's Competitiveness Council recently pointed to Renton as the State model for regulatory reform.

The City offers free preliminary project review upon written request. Applications are routed to all major departments for comments and a meeting is set-up with the applicant to discuss the project as proposed and review specific requirements, needs or constraints associated with the site. This review allows the applicant to receive vital information prior to formal site plan submittal.

City of Renton Administrative and Environmental Review Process
Total Processing Time

Receipt of Application → (Approx. 7-14 Days) → Determination of Complete Application & Notice of Application and Optional DNS* Date Mailed and Posted → (14 Days) → Public Comment Period Ends → (7 Days Before Environmental Determination: Staff Report Due) → Threshold Environmental Determination → (7 Days) → Administrative and Environmental Decisions Published, Mailed and Posted → (14 Days**: Appeal Period**) → Appeal Period Ends

Note: City staff and/or other agencies may request additional information during the review and decision-making process. Applicants should submit requested material quickly to avoid delays. Any time spent gathering data and/or additional required City review is not included in the above chart and will increase process time.
* For projects not requiring an Environmental Impact Statement
** If the Threshold Environmental Determination contains different mitigation conditions than those included in the optional DNS notice, this time is increased to 29 days to accommodate an additional 15-day window in advance of the appeal period.

From the time the City receives a completed application, simple land use decisions are completed in six to eight weeks; new commercial construction permit processing typically takes eight to 12 weeks. Additional time is necessary for projects requiring hearing examiner review or when decisions are appealed to the City Council.

Renton's free pre-application process and its aggressive permitting timelines ensure predictability, eliminate risk and save time and money.

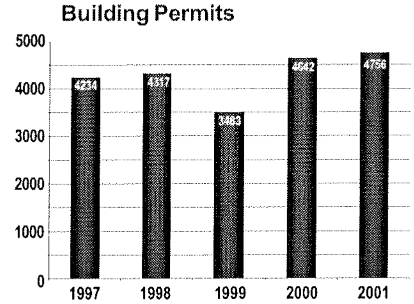
"No other city in the region could compete with Renton in speed of issuing permits and responding to our problems. We chose to locate in Renton because of the outstanding cooperation of city officials."

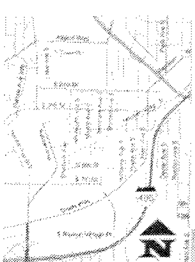
Bjorn Bayley,
co-owner of IKEA

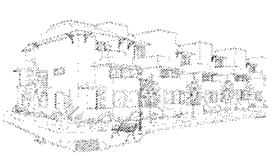
Streamlined Permitting

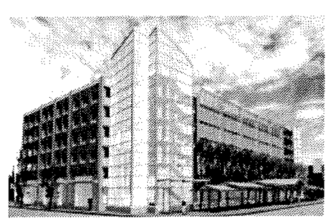
Renton's Development Services Division maintains an extremely high level of service with minimum staff. Six inspectors and four office staff manage a large volume of permits and more than 19,000 inspections annually. Permit review times have remained constant at two weeks for new residence and six weeks for new commercial development.

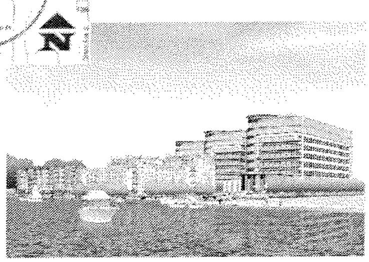
Building Permits

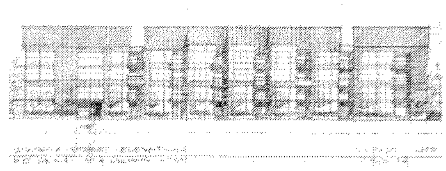












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Myths and Facts Regarding the Costs of Growth in Washington

Background

"No-growth" advocates have fixed on the notion that "growth does not pay for itself." Their contention widely misses the mark. Growth, obviously, does pay for itself. As Dr. Richard Morrill so succinctly put it, "if urban development did not pay for itself eventually, we would not have 200 million people thriving in our cities."[1] Over time, growth generates economic activity, reflected in increased employment, investment, retail sales, government revenues, and charitable giving, creating the types of communities people want to live in. In short, the cumulative, long-term effects of sustained growth are seen in thriving metropolitan communities – the kind of communities that define the Puget Sound region today.

The opponents of growth erect arbitrary boundaries of time and space, when they try to measure the benefits of growth. Residential growth, they will contend, contributes little but cost to a community, selectively ignoring the fact that the economic contributions of commercial and industrial businesses rely on an adequate labor force and willing consumers. A proper consideration of the costs of growth must reflect the substantial contributions of growth, widely distributed.

And when they attempt to quantify the cost of growth, the opponents frequently distort data to buttress their arguments. Such has been the case with a recent study prepared for a group called the Columbia Public Interest Policy Institute and conducted by Fodor and Associates. The research was partially funded by a grant through the offices of former King County Councilmember Brian Derdowski.

According to the Fodor report, *The Cost of Growth in Washington State*, a new single-family house in Washington, in the year 2000, created capital costs totaling $83,216. (Actually, Fodor suggests the number understates the full cost.)

Ridiculous.

As we demonstrate in the following pages, even using the standards Fodor sets for himself, a more realistic estimate would be in the $17,000 – 20,000 range for the gamut of services affected by residential growth (transportation, schools, sewer and water, library). These one-time costs are more than offset by the revenues generated from the construction and sale of a typical residential home in the Central Puget Sound region.

Washington Research Council ♦ 108 S Washington St, Suite 406 ♦ Seattle, Washington ♦ 98104-3408 ♦ (206) 467-7088 ♦ FAX (206) 467-6957 ♦ www.researchcouncil.org

The Washington Research Council has calculated that the construction and sale of an actual – and representative – house in Kirkland, which sold for $250,000, resulted in tax and fee collections of nearly $25,000. The revenues flow to both state and local government through sales taxes, real estate excise taxes, building permits, property taxes, impact fees, and business taxes.

Although the sale by a builder of a completed house to a consumer is not subject to the sales tax, the builder's purchase of construction materials and payments to contractors are taxed. In all, these taxes amounted to $10,391.

In addition, when the property is sold, the seller pays $4,865 in real estate taxes. As well, the business and occupations tax paid by the contractor adds, in this case, $555.

In the 18 months the builder held the lot, he paid $430 in property taxes. The builder also paid a series of impact fees: $966 for roads, $612 for parks, and $3,861 for water/sewer connection charges. Finally, building permits added $3,150.

In all, then, the total paid in taxes and fees amounted to $24,830.

It could have been higher. Kirkland does not charge a school impact fee, as do some communities. These fees can impose substantial additional costs on new housing, reaching as high as $6,131 in one King County community.

The $24,830 in taxes and fees generated by the construction and sale of the Kirkland example flowed to various levels of government. The state collected $11,844, primarily from the sales tax, and the city of Kirkland, $7,875, primarily through property taxes, the real estate excise tax, and impact fees. The balance was distributed to Metro Transit, Sound Transit, the school district, and the county.

So, taxes and fees amounted to about ten percent of the sale price.

Of course, the $25,000 collected at the down-stroke represents just the beginning of the tax-and-fee revenue stream generated by new residential development. The new homeowner will pay annual property taxes of about $2,700. When the home is resold, typically in about seven years, there will be additional transactional taxes and fees.

The family purchasing the new home will be economically involved in a variety of activities, shopping, working, and perhaps operating a business. As contributing members of the community, the new homeowners support local retailers, sustain local service businesses and, of course, pay taxes and fees.

An average King County family earning $100,000 pays sales, utility and excise taxes of about $3,920 annually, in addition to the property tax.

All of this more than offsets the "cost" of residential housing, even accepting the dubious argument that housing must directly pay for itself.

Beyond that, the definition of "growth-related" costs used by Fodor is arbitrary, including factors unrelated to growth, such as improvements to recreational facilities and roadways that provide substantial benefit to existing residents. In many cases, these improvements could not have been made without the increased revenues generated by population growth and economic development.

Transportation

myth:

Each new single-family house imposes a cost to the community of $56,000.

FACT:

The estimate is drawn from a single suburban community in King County. It is unrepresentative of the state. And, in fact, the estimate represents a serious distortion of the planning document from which it is drawn. A more careful reading of the report might have justified a cost impact of about $7,700, but even that figure – an 85 percent reduction from Fodor's estimate – most likely overstates the transportation impact of new residential construction.

For the "no growth" contingent, much rides on the exaggerated figure. The $56,000 estimate represents two-thirds of the total cost of growth estimated by Fodor. And, more than any other factor, the selection of this estimate compels any fair-minded reader to recognize *The Cost of Growth in Washington State* for what it is: an irresponsible, inaccurate analysis designed to exaggerate of the cost of growth.

A more careful reading of the report might have justified a cost impact of about $7,700, but even that figure – an 85 percent reduction from Fodor's estimate – most likely overstates the transportation impact of new residential construction.

Calculating the transportation impacts attributable to a new single-family house (as he attempts to do) is, to be sure, exceedingly difficult. Any responsible calculation would have to take into account regional factors, including the physical condition of existing roadways, commute patterns, transit alternatives, and congestion levels.

He had two estimates to work with: One, from the new city of Sammamish, for $56,000, and a second from Spokane, for $5,200. He chose the Sammamish figure, dismissively stating that the difference between the two estimates "warrants further study which is beyond the scope of this project."

It would also have been inconvenient.

The City of Sammamish incorporated in 1999 in an area that had seen tremendous population growth in the 1980s and 1990s without adequate upgrades to its roadways. Widespread dissatisfaction with the road network was a major factor in the decision to incorporate.

One of the new city's first acts was to commission a transportation plan. The vast majority of the costs identified in this plan relate to bringing the existing rural roadways up to urban standards, improvements that would have been necessary regardless of additional population growth. Fodor, however, treats most of these improvements as mitigation for future development. In short, the costs of transportation improvement used by Fodor extend well beyond anything that can be reasonably attributed solely (or even primarily) to upcoming residential growth in Sammamish.

If new residents are charged simply for their proportionate share of the new lane miles – essentially, just the capacity additions necessitated by growth – the cost would be about $7,700, close to the Spokane estimate.

As the Spokane example demonstrates, the costs will vary greatly. But in no way does the Fodor report come close to justifying the outrageously exaggerated cost of $56,000 per single-family house.

School Facilities

myth:

Each single-family residence generates an additional school capital cost of $9,815.

FACT:

As Fodor concedes, "School facility costs can vary widely from one area to the next depending on factors such as local land costs, and design and construction standards of the local school district." In other words, if you build extravagant schools on expensive land, the "cost" of growth will be much higher than if you opt for less lavish facilities on land purchased long ago. He might also acknowledge that many schools have capacity that is underutilized. On its face, the attempt to create a capital cost estimate for single-family homes is fraught with challenges.

In Washington, education is constitutionally the "paramount duty of the state," and state government contributes funds for school construction. That is consistent with a policy consensus that finds that "the benefits of educational services are presumed to accrue not just to those receiving the services, but to everyone." [2] Therefore, policy makers should distribute the costs of education community-wide, rather than rely on selective taxes and fees (e.g., impact fees) to pay for a collective good.

If you build extravagant schools on expensive land, the "cost" of growth will be much higher than if you opt for less lavish facilities on land purchased long ago.

In recent years, the legislature and the voters have acted to increase state funding for school construction, again recognizing the general responsibility for the provision of adequate facilities. As well, much school construction in recent years has involved replacement of inadequate facilities, not the provision of new buildings as a result of enrollment growth (in fact, for most of the state, enrollment has reached a plateau). Enrollment shifts within communities, as a result of changing residential patterns – often unrelated to absolute population growth or in migration – may also increase the pressure to build new schools.

Clearly, the $9,815 estimate is arbitrary, unrepresentative, and an improper attribution of school capital costs to single-family residential housing.

Electric Power Generation

myth:

Each new single-family house adds $8,127 in capital costs for electric power generation and distribution

FACT:

Including this estimate further indicates the lengths to which the author and sponsor of this research will go to exaggerate the costs of growth. Although many Washingtonians receive their power from municipal utilities and PUDs, these costs are properly considered as private sector responsibilities. (Oddly, Fodor seems unaware of Washington's unusual reliance on public power. He writes, "energy facilities are ... typically owned and operated by a private utility company." True in Oregon, where his firm is based; substantially less so in Washington.)

Utility expenses, however, should not be incorporated as a cost of growth. This makes as much sense of saying the price of groceries will increase because a new store is built to serve new residents.

This makes as much sense of saying the price of groceries will increase because a new store is built to serve new residents.

Despite the fact that these figures have no bearing on the cost of growth as typically understood, they should be examined. The estimates are particularly shaky, as they are based primarily on Oregon data and reflecting the marketplace as it existed before the recent crisis. In particular, the costs of new generation should drop as regulatory pressures ease.

Further, with regard to regulated utilities, the costs of expansion are not immediately passed on to consumers. Rather, they are added to the utility's capital base and any rate effect is spread over a considerable length of time.

Parks & Recreation

myth:

Each new single-family residence generates a capital impact of $6,000 for parks and recreation facilities.

FACT:

At best, the actual cost is about half that, and is highly influenced by community preferences and land costs.

Fodor bases his estimate on just six communities, and his result is driven by just one of these: Bellingham.

In the last decade Bellingham has made a strong commitment to expand its parks and recreational facilities, holding two special elections to fund the purchase of open space lands. Among the new facilities is an aquatic center featuring an eight-lane pool, described as one of the fastest in the state, and the state's first indoor water slide. The city has also rebuilt its golf course. The magnitude of these investments goes well beyond simply accommodating growth. Indeed, the new parklands and recreational facilities represent enhancements to the community that were affordable, in part, because of growth.

Fodor bases his estimate on just six communities, and his result is driven by just one of these: Bellingham.

Looking to the other 5 cities (Bellevue, Kennewick, Kirkland, Spokane, and Yakima) Fodor's data indicate an average cost of $2,992 to meet city standards of parkland per house. Fodor reports that park facilities cost $490 per new house in Kirkland, but provides no estimate of facilities costs for the other four cities. Combining the five-city land cost and the Kirkland facility cost provides an estimate of $3,482 to provide parks and recreational facilities for a new house.

Sewage Treatment

myth:

A single-family residence generates a capital cost of $1,930 for sewage treatment.

FACT:

The real cost is likely to be about half that.

Fodor looked at seven recently completed plants, and calculated the cost of serving the residential capacity required by a single-family home. The estimates span a wide range. Even in calculating the average cost, Fodor adopts a measure that overweights the higher cost, low capacity systems. The actual average cost per house served for the seven systems analyzed is $1,252.

Even in calculating the average cost, Fodor adopts a measure that overweights the higher cost, low capacity systems.

The Fodor sample of cities consists primarily of smaller communities. The greatest growth is in the urban area, and by looking at plans for King County's proposed North treatment plant a more reliable estimate of about $960 can be derived.

Library Facilitites

myth:

Each new single-family residence creates a capital cost of $665 for libraries.

FACT:

The estimate is arbitrary, and again repeats the pattern of erring on the side of cost magnification. Fodor looks exclusively at two libraries built by King County in recent years, in Issaquah and Sammamish.

As with parks facilities, there is no clear service standard for local libraries, and the choice of amenities and building design can significantly affect costs. Setting those considerations aside and working entirely with the Fodor assumptions, simple calculation errors are found to inflate the cost impacts of a residential unit.

Fodor assumes that the service area for the two libraries matches the boundaries of the Issaquah school district. While Fodor properly allocates to the area a share of the King County library service center, he fails to recognize that the school district serves only about half of Sammamish's residences. Correcting for this error results in a cost per current residence of just $504. In addition, allowing that these libraries were sized to accommodate foreseeable population growth, the cost per residence over time will drop to about $400.

Arguably, growth allowed library service to be extended to the plateau, a benefit to existing residents made possible by increased population and economic development.

Finally, had there not been significant growth in the Sammamish plateau, the library would not have been built in the first place. Arguably, growth allowed library service to be extended to the plateau, a benefit to existing residents made possible by increased population and economic development.

Water Systems

myth:

A single-family house adds capital costs of $348 for water services.

FACT:

Actual costs, using the latest information, are likely to be about one-third as high as Fodor claims.

His estimate is based on three disparate data points, so different as to make constructing an average cost a meaningless exercise. Unfortunately, Fodor chose to go ahead and do it anyway. The communities are Seattle ($288 per house), Kalama ($276 per house) and South Bend ($482 per house).

Fodor then compounds the error by greatly overstating the costs in two of the three cases.

The actual cost for Kalama turns out to be $184, which Fodor inflated by fifty percent because the city is using an unconventional technology and "city officials estimated that a conventional filtration plant would cost 50 percent more." Once again, given a choice, Fodor opts for the most expensive option.

> Their estimate is based on three disparate data points, so different as to make constructing an average cost a meaningless exercise.

Fodor overstated the cost for Seattle by more than 200 percent. He based his calculation on Seattle Public Utilities' new water filtration plant on the Tolt River. This plant has the capacity to treat 120 million gallons of water per day. However, Fodor assumed that the plant would treat only 45 million gallons. Accounting for the actual capacity (and some plant costs that Fodor omitted) the actual cost for Seattle is $123.

The Tolt plant serves a number of King County's growing suburbs as well as residents of the city of Seattle. It is more representative of the cost of serving urban growth than either the Kalama or South Bend plants. Further, water consumption has been decreasing for more than a decade, likely resulting in further cost reductions and the ability to serve growth with less expansion in treatment capacity.

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1 Dr. Richard Morrill, Professor Emeritus, *"The Economics of Growth Management,"* address to the Seattle Economists Club, October 11, 2000.

2 Rethinking School Impact Fees, Washington Research Council, February 1995

Market Analysis: A Zoning Necessity

By Tony Smith, AICP, and Steve Friedman, AICP

Market and economic feasibility analysis are not traditionally associated with the development of zoning regulations.

However, these techniques have much to offer to the zoning discussion, particularly as it and related regulatory tools become increasingly associated with efforts to define community aspirations. The growing popularity of design guidelines, form-based codes, and extensive discretionary design review processes suggests an increased interest by communities in carefully controlling development to achieve specific goals. As this focus on guiding and harnessing market and economic forces becomes more prevalent and fine-grained, it is increasingly important that regulators consider these underlying forces and their potential interactions with regulations.

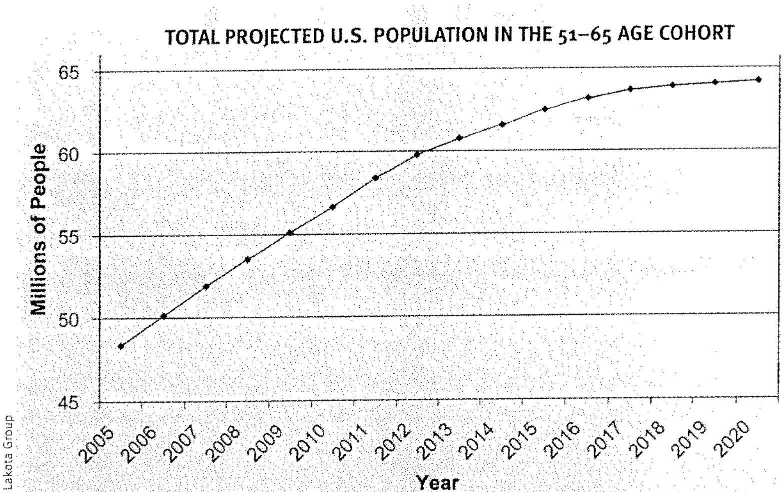
To illustrate how market and economic feasibility analysis techniques can inform zoning efforts, this issue of *Zoning Practice* discusses several major demographic and preference trends currently affecting housing markets, and considers how they play out within the delicate economic parameters of downtown and town center redevelopment.

MARKET DEMAND AND ZONING FOR RESIDENTIAL

A core principle of sound zoning for residential is that it should allow for a housing stock that will accommodate the changing population of a community. This requires a basic understanding of the demographic and buyer preference trends that are the fundamental drivers of residential building activity, and attention to the product types offered by the real estate industry to address these trends.

DEMOGRAPHIC AND BUYER PREFERENCE TRENDS

In recent years, three national demographic trends made significant impacts on housing markets. Collectively, the trends suggest that demand for the conventional single-family detached house that has dominated residential markets for decades may decrease relative to multifamily and single-family attached products. The trends are summarized thusly:



The Lakota Group

Projected growth in the 51-65 empty nester age cohort is likely to result in strong long-term demand for condominiums.

The aging of America. In the 1990s, the cohorts (a group of individuals having a statistical factor in common in a demographic study) between the ages of 45 and 54—largely the baby boomers—were the fastest growing. As "boomers" pass into and beyond these cohorts they join the ranks of the empty nesters—households with adult children living away from home.

Decrease in household size. Average household size declined steadily from about 3.6 persons per household in 1961 to about 2.6 in 2004. This trend is linked to an increasing diversity of household types and configurations. In 2004, about 23 percent of households contained a two-parent family, with one or more children under the age of 18 living at home. This proportion has declined steadily from about 45 percent in 1961.

Enter the boom echo generation. These are the young adult children of the baby boomers, ranging in age from 18 to 27. The cohort between ages 20 and 24 is predicted to grow faster than any other over the next 10 years, creating demand for rental apartments in particular.

REAL ESTATE PRODUCT RESPONSE

Collectively, the trends suggest that the archetypal suburban community with predominantly single-family detached housing is becoming less reflective of the national population and housing demand patterns. The real estate industry responded by increasing the supply and variety of multifamily and attached housing products, including:

Condominiums. In many regions around the country, demand for condominiums is driven largely by the aging baby boomers, some of whom want housing units that are smaller, amenity-rich, and without the maintenance responsibilities of single-family detached houses. Some cohorts favor condominium living because of busy lifestyles or rising housing prices in metropolitan areas. Consequently, the share of total home sales accounted for by condominiums has doubled since the 1980s. Similarly, median prices for condominiums grew significantly faster than

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About the Author
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single-family detached homes. Mid- and high-rise condominiums are generally found in larger metropolitan areas. Suburban mid-rise units often appeal to empty nesters while high rises tend to attract a younger demographic in some markets.

Town houses. Generally, town houses appeal to some empty nesters and single or married young professionals with no school-age children. The units typically offer more space than condominiums, with limited maintenance responsibilities (an association does the work) and little or no private yard space.

Villas. Villas are single-story, single-family attached units that serve as an alternative to multistory condominiums in smaller markets. Villas are frequently attached in pairs, allowing for small side yards that are maintained by associations. The one-story configuration eliminates the need for stairs, which appeals to empty nesters.

Rental apartments. Although apartment vacancy rates remained fairly high over the last several years, the movement of the boom echo cohort into the prime age range for renting is causing competition among real estate investors to purchase apartment complexes in anticipation of future demand. One indicator of this trend is that apartment properties are currently being sold at cap rates (the ratio between a single year's net operating income and the sale price of the property) of around six percent, a fairly aggressive benchmark. This suggests that over the long term the investor market expects much healthier occupancy levels as the boom echo cohort matures.

A critical selling point for many multi and single-family attached projects is proximity and connectivity to:

- neighborhood, convenience, and specialty shopping;
- recreational and entertainment amenities;
- mass transit (particularly rail transit);
- civic and educational institutions;
- employment centers; and
- places for social interaction.

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Changing American lifestyles are one reason for increased sales of town houses (top) and condominiums.

The focus on amenity, convenience, and being close to the action is one driver of the widely documented downtown housing boom of the late 1990s and early millennium in both metropolitan markets and suburban business districts. These themes appeal to almost every multifamily and attached single-family demographic. Empty nesters now have condominium choices in amenity-rich locations close to home as an attractive alternative to retiring to the expected places such as Florida; young apartment dwellers have stimulation and opportunities for social interaction; and professional couples without children can leave the car in the garage and walk to a restaurant after a long day at the office.

ZONING IMPLICATIONS

Zoning professionals should recognize and respond to these trends, because without a range of attractive options for all segments of the housing market, a community will likely get bypassed by key demographics, weakening its competitive position over time.

Under one scenario, a community with an entirely single-family detached housing stock will lose empty nesters when a lack of appropriate housing in town forces them to look beyond community (or state) borders. Empty nesters are relatively wealthy and without school-age children, making them an important ingredient in a community's fiscal stability. Worsening the scenario is that the community also lacks a built-in group of young households living in apartments and town houses looking to trade up. Consequently, the community has an oversupply of single-family detached units on the resale market, causing home prices to stagnate. In addition, the backfill of young families with children into the newly vacated single-family detached units creates greater fiscal demands on school and park systems.

Irrespective of competition, planners and elected officials agree that life-cycle housing is good for communities because it allows residents to age in place while moving through segments of the housing market. Thus, a mix of housing types within neighborhoods and districts offers many potential benefits, including:

- greater neighborhood adaptability to changing demographics and housing market preferences;
- age diversity at the neighborhood scale and a greater opportunity for interaction between generations; and
- increased marketability to populations that want this type of interaction, particularly empty nesters and seniors.

ZONING RESPONSE

The following approaches are recommended to encourage a housing mix that meets the needs of an ever-changing market:

- Study local housing markets to understand what products are targeted at various demographic segments of the population. The style, configuration, and availability of these products can vary widely between regions, often with less differentiation in smaller markets.
- Zone for a diverse range of housing types in the local market, and for options that accommodate the full life cycle.
- Encourage a relatively fine-grained housing mix within individual neighborhoods and districts by promoting connectivity between projects, adding flexibility for secondary rear units such as granny flats or coach houses on single-family lots, and limiting the size of single-use, single-density districts.
- Carefully consider the location of multifamily products to encourage connectivity and proximity to amenities and destinations.

AN ADDED WRINKLE: ZONING FOR DOWNTOWN AND TOWN CENTER REDEVELOPMENT

The frequency of market feasibility references in requests for proposals (RFPs) for planning studies suggests a growing acceptance of it within mainstream planning practice. Still, a demonstrated market demand for a use does not guarantee private sector investment. For example, if there is community demand for a specific type of town house at the $200,000 price point, the market will supply the product if development costs allow for a reasonable level of profit. A typical market analysis will include disclaimers stating that, while it considers the supply and demand characteristics of a product, it does not consider the logistics or cost of producing it.

Economic feasibility analysis goes one step further than market analysis by examining the balance between development costs and the revenue associated with undertaking a specific type of project in a specific location. The results help determine the market feasibility of a development concept. This type of analysis is particularly important in downtowns and town centers where redevelopment costs are significantly affected by existing uses and buildings.

The resurgence of downtown housing is part of a broader movement to strengthen and enhance traditional downtowns as retail, leisure, and civic focal points through strategic redevelopment initiatives. In addition to the direct benefits created by these investments, anecdotal evidence from realtors in the Chicago metropolitan market suggests that communities with thriving downtowns are more attractive to a broad range of residential buyers, even those looking in single-family detached neighborhoods. Downtown improvement could, therefore, be viewed as an important part of a community's overall strategy to improve competitiveness and quality of life.

The Lakota Group

Market analysis is particularly important in downtowns where redevelopment costs are affected by existing buildings.

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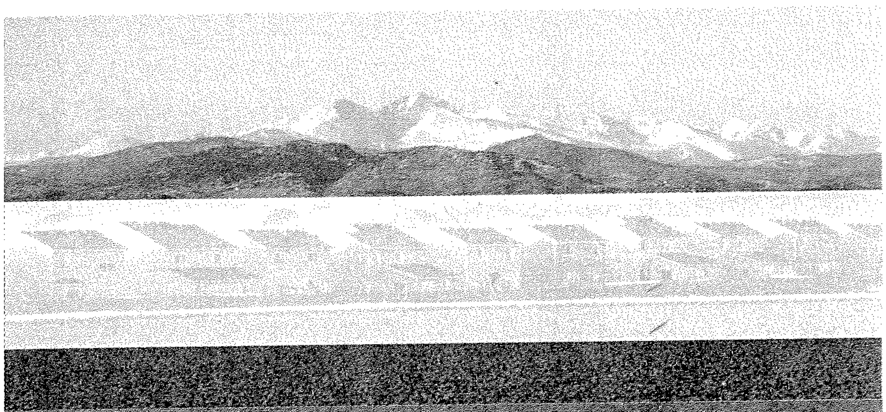
While many downtown revitalization efforts are primarily driven by a desire to improve the retail climate, downtown housing can be a critical part of strategies to create an environment with activity throughout much of the day. Less widely discussed is the role of multifamily and attached residential in making the economics of downtown revitalization work. While street-level retail is a critical element of a successful downtown, it rarely creates enough value to facilitate redevelopment on its own. Within mixed use redevelopment projects it is the upper-story residential that almost always drives economic feasibility. Understanding this relationship is an important ingredient in successful downtown zoning efforts, and it requires an understanding of the economic differences between greenfield development and redevelopment.

THE ECONOMICS OF GREENFIELD DEVELOPMENT

Downtown and town center redevelopment projects face a different set of economic parameters than greenfield projects. For example, when agricultural land gives way to the construction of a residential subdivision the developer must cover the costs of site preparation and home construction in order to have a product to sell. The residential units must generate sufficient sales revenue to cover the costs, earn enough profit to justify the developer's effort and risk, plus some amount of land value. To determine the land purchase price they can pay the owner, developers often use a sophisticated financial model called a residual land value analysis.

In the greenfield example, it is, theoretically, worthwhile for the farmer to sell to the developer if the residual land value from the proposed residential project exceeds the agricultural value of the site. Therefore, the basic economic requirements for development to occur are met if 1) market potential exists for enough units at a high enough price point and 2) the zoning allows enough units to create a residual land value that exceeds the agricultural value.

Redevelopment in town centers and downtowns differs in a number of ways. Most critically, redevelopment sites frequently contain existing buildings or other improvements that generate significant value in their current use. This value is analogous to the agricultural value of the greenfield site described above—it represents a basic hurdle that the residual value of a proposed redevelopment project must overcome to achieve economic feasibility.



Shawn Talbot

➔ The basic requirements for developing on former agricultural property are met if market potential exists for enough units at a high enough price point, and the zoning allows enough units to create a residual land value that exceeds the agricultural value. The unfortunate result on many greenfield sites: sprawl. This example is in Utah.

THE ECONOMICS OF REDEVELOPMENT

As a counterexample to the greenfield project, consider a hypothetical downtown redevelopment site with one-story storefront space currently occupied by service commercial. As is common in many older downtowns, this storefront space has 40 percent lot coverage—more than would typically be found in a modern shopping center given today's preferred retail store depths and parking requirements. Because of the physical condition, obsolete fixtures, and inefficient layout of the space, the fetching price is $12 per square foot in net rent. Factoring in the owner's costs of maintaining, insuring, and managing the building, the net operating income is $10 per square foot. When this annual net operating income is converted to a building value using a cap rate of 10 percent, this translates into $100 per square foot of building value ($10 ÷ .10)—equivalent to $40 per square foot of land ($100 per building square foot multiplied by 40 percent lot coverage). Using these parameters, a redevelopment project must generate at least $40 per square foot in residual land value to justify acquisition of the underlying site.

In another scenario a developer considers a condominium project on the same redevelopment site. Her building design also covers 40 percent of the site (leaving space for off-street parking), and the market analysis indicates that the project will achieve sales prices of $225 per net saleable square foot or $175 per square foot of gross building area. Although residual land value is really a function of the relationship between sales prices and development costs, for this simplified example assume the proposed project generates residual land value equal to 10 percent of the total sale value of the residential units, an observed rule of thumb in some markets. With these economic parameters, every gross square foot of building the developer constructs creates $17.50 in residual land value. With 40 percent lot coverage this translates into $7 per square foot of site for every floor of residential space built. Therefore, the developer must build a six-story building to generate enough residual land value to pay the property owner enough for the site to justify ceasing its current use as a one-story storefront (six stories multiplied by $7 per site square foot per residential floor equals $42 per square foot in residual land value, exceeding the $40 currently generated by the site).

A further economic hurdle faced by many redevelopment projects is that the proposed sites have issues such as real or perceived environmental contamination or polluted soil, or need extensive demolition. These costs are often not fully reflected as reductions in the acquisition price of the underlying land and must also be overcome by developing a project that generates enough revenue to offset them.

ZONING IMPLICATIONS

As illustrated by the examples, redevelopment projects can face significant economic challenges independent of existing land-use regulations. However, the regulatory framework governing the project—particularly zoning—is another critical factor affecting project feasibility. Zoning and related regulations can significantly hinder development efforts in downtowns, frequently by failing to recognize the unique characteristics of downtown environments, including:

- setback requirements that fail to recognize zero lot line development as a common, often desirable, style in downtowns;
- FAR or units-per-acre-based bulk and density regulations that do not allow enough upper-floor residential development to achieve economic feasibility and do not provide flexibility for mitigating factors such as quality architecture, upper-floor stepbacks to hide bulk, building facade articulation, etc.;
- minimum parking ratios that do not recognize the reduced off-street parking need in downtowns because of on-street parking availability, potential for shared parking between complementary uses, and (if applicable) public transit availability; and
- on-site stormwater detention requirements for redevelopment—even though redevelopment generally does not increase the amount of impervious surface on the site.

As a result, many downtown redevelopment projects enter planned unit development or other discretionary review processes that allow communities a great deal of leverage to impose changes. The high-profile nature of downtown projects motivates communities to regulate design more carefully and can politicize the review process. Under the scenario provided earlier, the site needs a roughly six-fold in-crease in building height to achieve an economically feasible redevelopment concept. In many communities, such an increase in density is highly controversial. The lack of certainty afforded to the developer in a discretionary review process could create a significant disincentive to undertake the project in the first place even if community plans for the area encourage redevelopment in this location.

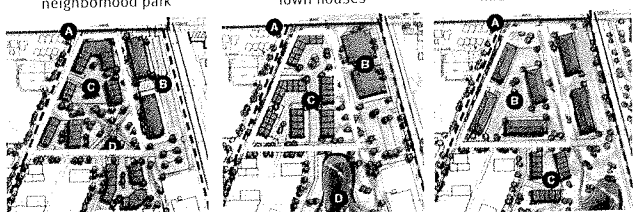
Appropriate zoning for redevelopment should seek to balance the goals of 1) regulating design to achieve a high quality environment, and 2) allowing enough development opportunity to encourage private investment.

Balancing these goals is tricky. As illustrated by our example, a substantial increase in height and density is sometimes required to achieve the economic tipping point where redevelopment makes economic sense. One way of addressing these economic challenges is through public financial assistance, which is frequently provided to downtown redevelopment projects in the form of tax increment financing (TIF), tax abatements, public land write-downs, and other tools. By providing these subsidies, municipalities can effectively increase the residual land value of a project, thus improving its feasibility without allowing additional density. However, the amount of potential residual land value allowed by the underlying zoning plays a major role—one worthy of recognition—in determining the need and amount of financial assistance.

AN ILLUSTRATED EXAMPLE

The table below illustrates an economic feasibility analysis of three alternate plans for the same site. In this hypothetical example, height and density restrictions limit residential development to town houses. Concept 1 includes 23 town houses and a dedicated open space amenity. Concept 2 replaces the open space with six additional town houses for a total of 29 units. Concept 3 opts for a group of four-story, mid-rise condominium buildings containing 120 units. The estimated site acquisition price is $30 per square foot of land for a 4.3-acre site, yielding an acquisition cost of about $5.6 million. Without financial assistance for the developer to facilitate redevelopment, the project will need to generate at least $5.6 million in residual land value to make acquisition worthwhile. Concept 1 is estimated to generate less than half this amount, in part due to the potential revenue of the town houses foregone to provide land for a public amenity. Concept 2 comes closer to economic feasibility but still falls $1.7 million short of the needed land value. Only Concept 3, which uses condos to achieve a residential density of about four times that of Concept 2, provides an economically feasible result.

The zoning implications of this example depend on such factors as community goals for the site and the availability of public funds. If mid-rise condominiums are acceptable at this location, the community can change the zoning to allow this type and scale of development. If concerns over height and mass render them undesirable, the community can assist the project by offsetting some of the costs of redevelopment or accept the fact that privately driven redevelopment is unlikely to occur within the current land-use regulations unless the underlying real estate economics of the project change (i.e., sales prices for town houses increase more rapidly than construction costs, the land acquisition costs decreases, etc.).

Description	CONCEPT 1/MIN Town houses and a one-acre neighborhood park	CONCEPT 2/MID Town houses	CONCEPT 3/MAX Mid-rise condos
Development Concept			
Town house units	23	29	0
Condo units	0	0	120
Total units	23	29	120
Height	30 feet	30 feet	50 feet
Density (du/gross area)	5.3	6.7	27.9
Site assembly	$5,619,240	$5,619,240	$5,619,240
Residual land value	$2,747,036	$3,913,964	$6,237,257
Surplus (shortfall) for land	$(2,872,204)	$(1,705,276)	$618,017
Economically feasible?	No	No	Yes

S. B. Friedman & Company; Site Images courtesy The Lakota Group

An analysis of three development alternatives for the same site. Only Concept 3 produces enough residual land value.

ZONING RESPONSE

The following approaches are recommended for zoning in downtowns:

- Consider the impacts on the economic feasibility of redevelopment, either explicitly or generally, in downtown zoning regulations.
- Supplement and reduce the need for public financial assistance for desirable downtown redevelopment projects by allowing multistory, multifamily residential (assuming that analysis of the local market indicates demand for this type of product).
- Focus regulatory efforts on the form (rather than the bulk and density) of downtown buildings. Units-per-acre regulations can arbitrarily favor larger units that may not fit the local buyer profile. FAR-based regulations are highly unpredictable for the form and design of the buildings they produce.
- Consider a form-based code for the downtown that explicitly lays out the desired height, density, mix of uses, and urban design character for each block. This process creates more predictability for the development industry and can achieve high-quality built results while reducing the need for lengthy discretionary design review processes.

If a form-based code is not desirable or feasible, create one or more special downtown zoning districts that recognize the unique character of downtown development through:

- relaxation/elimination of setback requirements;
- flexible parking requirements that recognize reduced off-street parking needs in a mixed use downtown environment; and
- relaxation/elimination of on-site stormwater requirements.

Strive to create a predictable, streamlined development review process that gives developers a reasonable expectation that they will emerge with a buildable project.

CONCLUSION

Market analysis has much to offer to zoning professionals, particularly as communities become increasingly proactive at encouraging desirable development and redevelopment. Market analysis helps communities identify trends affecting the nature and amount of demand for various land uses and real estate product types. By studying these trends, cities can accommodate residents for the full life cycle and protect the competitive positions of their communities. Economic feasibility analysis is important for setting the regulatory framework for special districts such as downtowns and town centers to balance the tensions between high-quality design and likelihood of implementation.

NEWS BRIEFS

COMPREHENSIVE PLAN OVERRIDES ZONING

By Lora A. Lucero, AICP

The comprehensive plan rules in Minnesota! This is the conclusion of the Minnesota Supreme Court in a decision issued January 10—*Mendota Golf, LLC v. City of Mendota Heights*. Minnesota law requires local governments to reconcile conflicts between comprehensive plans and zoning ordinances. (Minn. Stat. § 473.858.) Every planner can appreciate the importance of ensuring that land-use tools, such as the zoning ordinance, are consistent with the comprehensive plan. But what happens when there is a conflict? Does the regulation govern or the plan govern?

The conflict became apparent in the City of Mendota Heights, a community of less than 12,000 people near Minneapolis-St. Paul. A small golf course on a 17.5-acre site is designated as "Golf Course–GC" in the city's comprehensive plan, while the zoning designation for the property is "R-1 One-Family Residential." The property has been a golf course since the 1960s, with a GC land-use designation since 1979. Although the R-1 zoning district allows golf courses as a conditional use, the GC does not allow residential uses. Therein lays the conundrum.

When Mendota Golf purchased the property in 1995 it thought it could rely on the R-1 zoning designation if the golf course failed to be a "profitable venture." In 2003, it sought approval to dismantle the golf course and build houses on the property, but the city refused. Mendota Golf wanted the city to amend its comprehensive plan to allow residential uses, but the city declined. The comprehensive plan clearly states that open space and recreational uses are important assets to the community. When the community was updating the plan in 2002, it reviewed the property and reconfirmed that the GC land-use designation should stay.

So Mendota Golf asked the trial court to order the city to amend its plan, citing the state law requiring the city to reconcile the conflict. The developer wanted "more flexibility than the designation of 'Golf Course' allows" and also wanted "to restore the rights" it felt it had when it bought the property.

The trial court granted mandamus relief to Mendota Golf and directed the city to amend its comprehensive plan from "GC" to "LR–Low-Density Residential" because the LR land-use designation corresponds to the R-1 zoning district. The court of appeals agreed.

The supreme court's decision, overturning both courts, represents a big win for the supremacy of the community's comprehensive plan. "This opinion reinforces the authority of city councils to establish local land-use policies, and limits the judicial remedies available to applicants who are disappointed with those policies," said Clifford Greene of Greene Espel, representing the city in this case.

Contrary to the city's assertion that there was no conflict, the supreme court decided there was, because the plan prohibits a use which the zoning specifically authorizes for the property. The court noted:

> ". . . [T]he comprehensive plan designation creates a situation where Mendota Golf does not enjoy the same rights to use its property as other property owners within the city's R-1 zoning district. This disparity appears to offend the spirit of the uniformity requirement by denying Mendota Golf a use of its property that is expressly permitted as to other property owners in the zoning district."

However, since there are alternative ways the city might reconcile the conflict, the mandamus action was not appropriate. The city should have been allowed to exercise its legislative discretion, the court said.

> ". . . [T]he nature of the [mandamus] order itself—directing the city to bring its comprehensive plan into conformity with its zoning ordinance—appears to violate the [Metropolitan Land Planning Act] because this approach undermines the supremacy of the comprehensive plan vis-a-vis the zoning ordinance."

The community clearly values its open spaces and recreational activities. The court noted a number of policies which have been in the comprehensive plan since 1979, and reaffirmed again in the update of the plan in 2002:

> "Providing the optimum amount of active and passive open space for the enjoyment of all of the city's residents." "Encouraging the preservation of open space in the community by private property owners in a manner consistent with the comprehensive plan." "Encouraging planned usage of existing private recreational facilities in order to avoid duplication and promote maximum enjoyment of all citizens in the city." "Preserving and enhancing the natural beauty, uniqueness, and attractive appearance of the community."

Can the community force the property owner to maintain the golf course, presumably a less profitable venture than a residential subdivision? The court was not answering that question and perhaps a takings claim is in the city's future. But the city had a rational basis to deny Mendota Golf's proposed plan amendment. The court noted:

> "A municipality has legitimate interests in protecting open and recreational space, as well as reaffirming historical land-use designations."

The court's decision has already had an impact. A neighboring community (Eagan) has torn up a settlement agreement with a developer who also wanted to build houses on a large golf course. In Minnesota, planners, property owners, and the community can rest assured that the comprehensive plan has teeth and is the vehicle that will guide a community's future character and growth.

Lora A. Lucero, AICP, is editor of Planning & Environmental Law.

Cover photo: Mixed use Seattle waterfront. Concept design by Lisa Barton; Seattle-scape image by Dennis Ng.

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