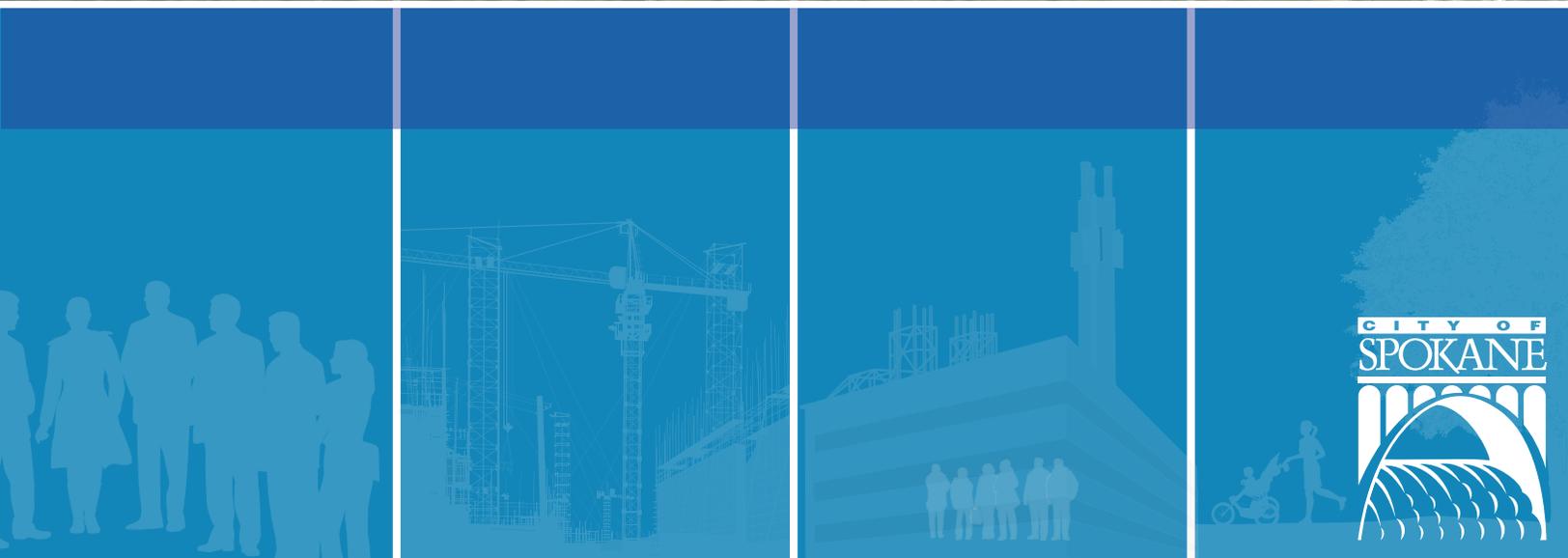


# Public Development Authority's Action Strategy for Northeast Spokane

JUNE 2012





## Northeast Advisory Board & Stakeholder Leaders

# TRANSITION LETTER

The Northeast Development Advisory Board (NEDAB) and Stakeholder Leaders are pleased to present these action strategies for the Northeast Public Development Authority (NEPDA). This strategy document was created with guidance and assistance from the greater Hillyard community and builds upon their foundational work - including the award winning Greater Hillyard Northeast Planning Alliance (GHNEPA) Neighborhood Plan completed in 2010.

In December 2011, we requested that the City of Spokane create by ordinance (C-34813) the Northeast Public Development Authority. Passed by Spokane City Council on December 12, 2011, the ordinance states:

*“The creation of the Northeast Public Development Authority will assist in providing economic development to the northeast portion of the City, which will provide economic stimulus and benefit to the entire City. . .”*

Now that the NEPDA board members have been appointed, we are entrusting you with this strategy document, which maps out how you can build upon the past foundational work; contributing your expertise to the future development, redevelopment and job creation in the Northeast Development target area. We remain committed to assisting and supporting you as you move forward in implementing the priorities and strategies identified.

### Advisory Board Members

Anthony Carollo, Stewart Title of Spokane  
Bryan Reilly, BNSF Railway Company  
Charlene Kay, Washington State  
Department of Transportation  
Dave Griswold, Guardian Self Storage  
Elizabeth A. Tellessen, Winston & Cashatt,  
Lawyers  
Jon Whipple, Baldwin Signs  
Ken Garceau, Windermere North Spokane,  
LLC. Real Estate  
Lorie Stephenson, Camtek, Inc.  
Mike George, Food Services of America  
(FSA)  
Mike Winger, URM Stores, Inc.  
Pete Rayner, Beacon Hill Events  
Roed Freeland, North Central High School  
Stan Key, Greater Spokane Incorporated  
Steve Trabun, Avista Corporation  
Tom Reese, Lydig Construction, Inc.

### Stakeholder Leaders

Luke Tolley  
JR Sloan  
Richard Burris  
Robert Lawrence

### City of Spokane, Council Members

Amber Waldref  
Mike Fagan

Funding for the creation of these Action Strategies for the Northeast Public Development Authority was set aside by the Greater Hillyard Northeast Planning Alliance and the Hillyard Community Development Steering Committee, representing the Hillyard, Bemiss and Whitman neighborhoods. Those funds are HUD Community Development Block Grant dollars and City of Spokane general fund dollars intended for community and economic development and neighborhood planning.

# INTRODUCTION

Northeast Development's (NED) identification in the City of Spokane's Comprehensive Plan and the Greater Hillyard Northeast Planning Alliance's Neighborhood Plan, created by the Whitman, Hillyard and Bemiss neighborhoods for industrial and manufacturing development/redevelopment and job creation, coupled with its potential for public-private partnership and the opportunity to leverage infrastructure investments make it ideal for targeted area development strategy implementation.

While the full market demand for the NED industrial target area is unknown, we know this site of 507 acres of industrial and 329 acres of residential land has tremendous potential. It is one of only three industrial areas within the state's second largest city and one of only two sites within the city with access to the US 395 North American Free Trade Agreement (NAFTA) corridor, BNSF rail, and an existing T-1 freight route.

**Northeast Development (NED) Advisory Board and the Northeast Stakeholder Group** were established by Mayor and City Council in October 2010 to assist the City in implementing its target area development strategies. Fourteen board members were appointed soon after.

Throughout 2011, the Advisory Board engaged in an educational process to learn about available economic development tools and formed work groups to explore potential strategies around infrastructure, community outreach, recruitment, and retention.

An ordinance (C-34813) creating the Northeast Public Development Authority, recommended by the Advisory Board was passed by City Council December 12, 2011.

**Northeast Public Development Authority (NEPDA)** is an instrument of the City that is designed to carry out specific land and economic development activities. As a municipal corporation, the NEPDA is best understood as a "civic entrepreneur" that can help facilitate public private partnerships and financing for economic development activities in pursuit of broader community goals.

The City, by way of its broad land use and economic development responsibilities, creates the policy and regulatory environments within which NEPDA operates.

**Public Development Authority's Action Strategy for Northeast** maps out the role for NEPDA as it enters the start-up phase (6-9 months) and in the near-term (10-24 months).

A Public Development Authority (PDA) acts as a market catalyst, creating and enhancing development opportunities. Actions included in this Strategy address two main objectives:

- Building organizational capacity
- Setting the stage for area economic development

## North Spokane Corridor

The freight mobility project connecting routes in Canada to Mexico has made great progress. Half of the length of the corridor is now open and the funding is in place to bring other segments online soon. The project remains one of the highest funding priorities for the region. The proximity of the corridor to the Hillyard neighborhood and target area will create new economic development opportunities.

## Questions for the PDA to Answer in Collaboration with the City

- What is the City's long-term vision for land use in the NED target area with US 395 improvements?
- What should be the role of the PDA in executing that vision?
- What is the City's role in funding infrastructure investment in the area?
- What are the City's planned infrastructure improvements?
- What should the PDA or other parties be expected to fund?
- What sources of funding are available for infrastructure investments?
- How can the PDA achieve financial sustainability?
- Are there potential partners that should be approached?
- Between the PDA and the City, which entity would be in a better position to respond to requests from businesses serious about locating in the area?

# SITUATION ASSESSMENT

The focus area of NEPDA is the Northeast Development target area, which is generally bound by the city limits to the north and east, the Market/Haven couplet to the west, and Garland Avenue to the south. At around 800 acres, the target area presents a tremendous opportunity for change through industrial and manufacturing development and the accompanying job creation.

However, a lot needs to happen to facilitate this transformation; strengths should be built upon and challenges addressed so that a way forward can be planned. This section summarizes the key challenges and opportunities that inform this Strategy from the perspective of the incoming PDA Board.

## Challenges

- **No source of income.** While the City will provide staffing support, NEPDA was established without an identified source of revenue. PDAs are often set up following the transfer of city-owned (or other entity) properties with existing uses that generate rent or other fees or with the idea that the properties will be sold. Without an income source, NEPDA will be severely limited in what it can do in the early stages. The immediate priority must be to secure funding.
- **Lack of near-term and mature economic development opportunities.** Without ownership control of properties to sell or redevelop, NEPDA will need to focus on setting the stage for future development, in coordination with the City. The City, by way of its broad land use and economic development responsibilities, must create some level of certainty and direction. While this work is critical, results may not be seen on the ground for some time.
- **Current market demand.** Industrial vacancy rates have improved slightly from 2006 lows. While industrial leasing may improve, sales are likely to remain flat as buyers wait for greater certainty about the economic recovery. Speculative development is unlikely to return until such time when buying or leasing existing properties meets or exceeds construction costs. Thus, new construction is likely to happen only in cases where certain needs cannot be met by the existing stock.
- **Infrastructure.** Basic infrastructure is lacking throughout the area with several unpaved roads, few sidewalks, poor stormwater drainage and few connections across the railroad tracks to the Hillyard neighborhood. In addition, while US 395 will create new market opportunities as access and mobility are improved in the area, the timing of the full build-out is uncertain. At this time work is progressing.



## A DRIVER OF ECONOMIC ACTIVITY

The Northeast Development target area covers about 800 acres in northeast Spokane. The area is already home to many businesses, but much of the target area is either undeveloped or could be redeveloped.

The buildout of the area could be an economic engine for the neighborhood, city, and region. The area has the potential to host businesses that:

- **Employ over 10,000 employees**
- **Support over 9,000 construction jobs in the building of facilities**
- **Contribute over \$40 million in City and County tax revenues (in 2012 dollars)**

## Opportunities

- **Strong community support and NED target area champions.** There is strong community focus on job creation in the area. The NED Advisory Board and Stakeholders have offered a vision for what the area could become and will continue to serve as champions for the area and its potential. Further, the local support for NEPDA provides built-in resources for assistance around developing partnerships, applying for funds, and/or recruiting new businesses.
- **Large tracts of vacant land and numerous smaller sites (0.5 to 2 acres), developed and underdeveloped, already zoned to accommodate a range of industrial uses.** This zoning is in line with broad “job creation” activities that the NED Advisory Board has identified as desirable and consistent with the existing character of the area.
- **Access.** The proximity of US 395, Highway 2, Interstate 90, and the rail corridor make the area well suited to distribution centers and others that need trucking or rail access. Increasing oil prices could make rail access more desirable in the future. Across the tracks, the Hillyard, Whitman, and Bemiss neighborhoods provide access to affordable housing and a ready workforce. Housing and workforce availability can be barriers to entry for new businesses looking to relocate, so these amenities should be emphasized in recruiting efforts.



## AMENITIES & ACCESS

- **US 395 NAFTA corridor - 4,200 feet**
- **Adjacent to BNSF rail**
- **Adjacent to T-1 freight route**
- **Interstate 90 access – 3.5 miles**
- **International Airport – 10 miles**
- **Abundant development/redevelopment opportunities**

# VISION & MISSION

This Strategy builds on past work by community leaders, stakeholders, and the NED Advisory Board, including neighborhood planning efforts; the most recent of which was the Greater Hillyard Northeast Planning Alliance’s work outlined in their neighborhood plan.

The vision, mission, guiding principles, goals and actions outlined here fit within the City’s broader framework of land use planning, economic development, and financial investment. A partnership between NEPDA and the City to develop a land use direction and infrastructure strategy for the area is essential.

## Vision Statement

**The Northeast Development target area is home to an array of commercial and industrial businesses that provide quality employment and economic opportunity to residents in the region, and quality housing for area workers.**

## Mission Statement

**NEPDA invests in community outreach, infrastructure, economic development partnerships, and land development to create business and job opportunities within the Northeast Development target area.**

# GUIDING PRINCIPLES

## Guiding Principles

- Undertake critical projects that would not occur without NEPDA's involvement
- Build on past work to integrate the area with the Hillyard Neighborhood and improve economic opportunity for residents
- Allow markets to work, whenever possible
- Replace blight with sustainable jobs
- Promote public participation
- Minimize impacts on taxing entities



## **ORGANIZATIONAL CAPACITY: Board, Staff & Funding**

A self-sustaining NEPDA will take time to realize and will require the commitment of Board members who can support City staff in pursuing funding, identify and secure partners for development, and work on the longer-term vision and framework for continued development of the NED target area.

## **Partners, Community Support & Past Planning:**

Northeast Development Advisory Board

Northeast Development Stakeholders

Greater Hillyard Northeast Planning Alliance

GHNEPA's Neighborhood Plan

Greater Hillyard Business Association

Hillyard Neighborhood Council

Bemiss Neighborhood Council

Whitman Neighborhood Council

Hillyard Community Development (CDBG) Steering Committee

Greater Spokane Incorporated

Avista Utilities

WSDOT

Washington State University's Design Institute

Eastern Washington University Business & Public Administration

City Council Resolution 2010-0049  
Adopted the TAD Strategies

City Council Ordinance (C-34813)  
Creating the NEPDA



**Select a Board of Directors with the Capacity to Undertake NEPDA Charter and Implement the Action Strategy**



**Establish a Memorandum of Understanding with the City that is Revisited on an Annual Basis**

## HERE & NOW (6-9 MONTHS)

**This goal is directed at the City as it is charged with selecting the NEPDA Board.** The Board should be selected to handle the immediate challenges and priorities. The nature of the tasks before NEPDA will evolve as the area and economic development opportunities mature. Board members need to be clear on the vision, mission, guiding principles, goals and actions, along with the near-term organizational goals in order to understand what initial action steps they can take toward fulfilling the mission. At a minimum, Board Members should:

- Support and build on the work done to date by community leaders, stakeholders, and the NED Advisory Board
- Understand the financial responsibilities and accountability that come with the PDA structure, including open public meetings and audits
- Have some fluency with the City land use and infrastructure policies and processes
- Have some understanding of commercial and industrial real estate and/or development
- Be prepared to act as public advocates and champions for NEPDA and the NED target area

Depending on when NEPDA is in a financial position to hire an executive director, it will be necessary to have Board members with knowledge of infrastructure, land use, funding, and finance.

## HERE & NOW (6-9 MONTHS)

**A Memorandum of Understanding (MOU) should be established that clearly spells out the roles of the City and NEPDA with respect to the NED target area along with the resource (financial and staff) contributions of each party.**

At a minimum, the MOU should address the following:

- NEPDA role
- NEPDA staffing and administration
- NEPDA budget and financing strategy
- Self-sustainability goal
- Amount of City staff time and scope of work
- Use of funds
- Use of City space for board meetings
- Target area responsibilities
- Reporting requirements: annual reports and City audits
- Indemnities and insurance
- Compliance with laws
- Default and termination

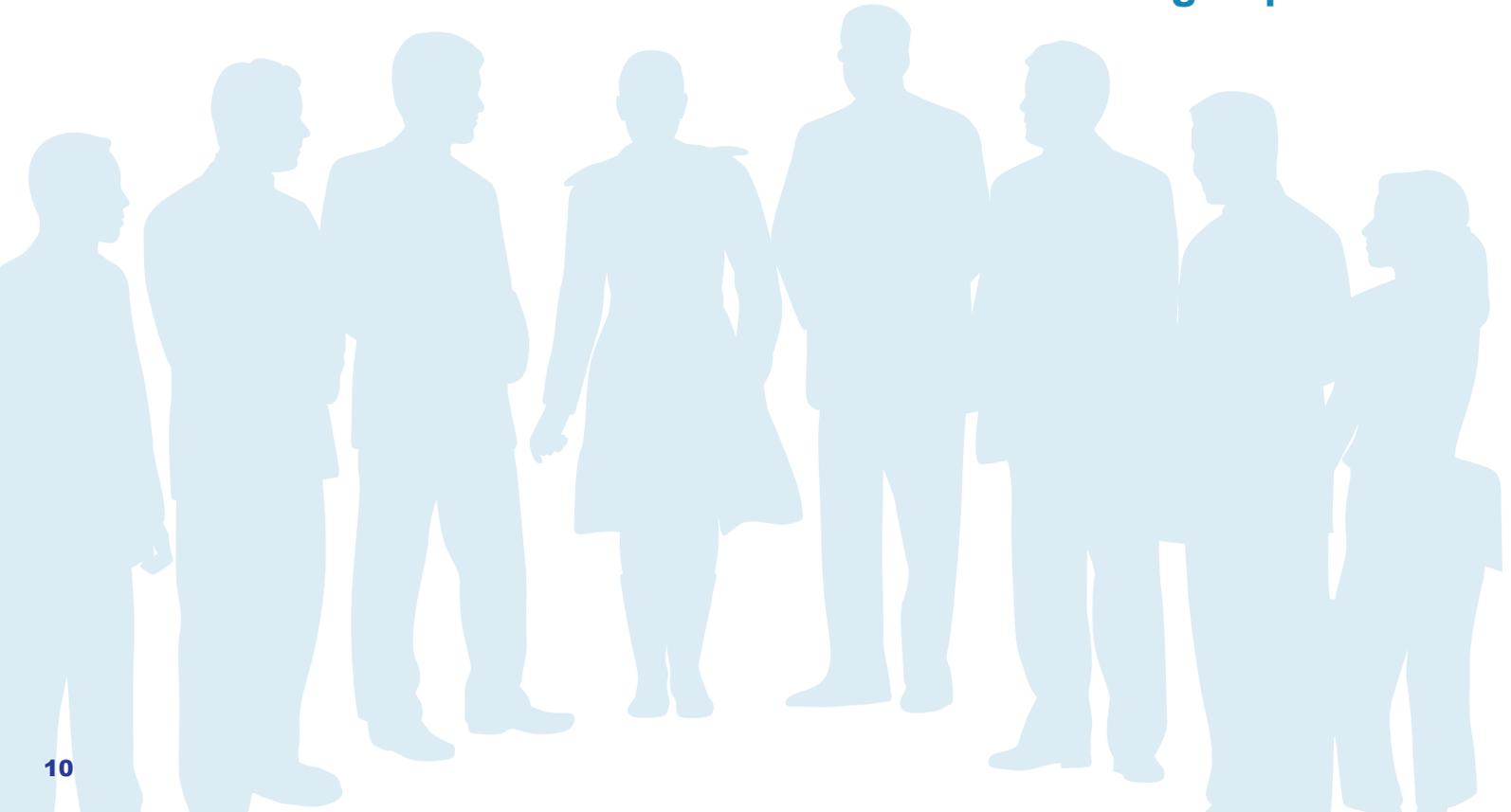
The MOU should also identify evaluation tools and performance measures to track programmatic implementation and the PDA's success with infrastructure financing. These can be used in future funding pursuits to show a return-on-investment of public improvements and funding as well as to help inform the City in its larger PDA discussions.

# ORGANIZATIONAL CAPACITY

✓ Identify and Secure Funding for  
Ongoing NEPDA Operations



✓ Coordinate on Capital  
Funding Expectations



## HERE & NOW (6-9 MONTHS)

**The City is providing staff support to NEPDA for Board selection and the start-up period.** Securing funding for ongoing operations should take the place of an executive director search during this time.

Partner with the City to look at all relevant sources of funding, including:

- Direct City support
- Tax Increment Financing (TIF) district established by the City
- Disposition of real property to NEPDA
- Contribution of Community Development Block Grant funds
- Other opportunities, such as Community Development Financial Institutions, Community Economic Revitalization Board, Economic Development Administration, Local Improvement Districts, brownfield redevelopment/revolving loans, etc. funding

A TIF district could raise approximately \$10 million in City funds. If the County were to partner, an additional \$5 million could be raised.

## NEAR TERM (10-24 MONTHS)

**Near-term funding pursuits should be targeted at hiring at least a part-time executive director or experienced economic development professional.** Securing funding for ongoing operations should be timed to coincide with the City phasing out staff support.

## NEAR TERM (10-24 MONTHS)

**NEPDA will need to engage and coordinate on the availability of public funds for use by PDAs.** Specifically, it will need to better understand the City's desire and capacity for creating and designating capital funds (or funding tools) for operation and implementation. This understanding will be crucial to moving forward on infrastructure funding and land development.

Options include:

- Tax Increment Financing (TIF) district established by the City
- Dedication of portions of current City capital funding tools

# INFRASTRUCTURE, LAND USE & DEVELOPMENT

The cost of upgrading the infrastructure across the entire target area is prohibitive in the start-up and near term phases. However, infrastructure investments will influence land use patterns, so an intentional and incremental investment strategy to deploy funds should be created.

Where possible, it will be crucial to leverage the investment of known upcoming public and private projects, such as the US 395 interchange at Francis Ave. and the three Local Improvement District (LID) projects on Dalke Ave, and Julia, and Florida streets.

✓ Partner with the City on the Creation of a Comprehensive Land Development Strategy

✓ Develop a NED Target Area Infrastructure Improvement Project List



✓ Develop Dedicated Capital Funding Sources

## NEAR TERM (10-24 MONTHS)

**Partner with the City to pursue a comprehensive land use strategy that uses incentives, certified sites, a sub area plan and planned action.** Moving forward with this goal will complement other land development and infrastructure planning efforts.

## NEAR TERM (10-24 MONTHS)

**Meet with the City to develop a NED target area Infrastructure Improvement Project List.** The Infrastructure Committee's prioritized project list can guide and inform this process.

- Work with the City to identify priority infrastructure projects (streets, water, sewer, stormwater, and sidewalks) for the 6-year Capital Improvement Plan. This should include, but not be limited to, making certain the street classifications align with current and future desired transportation uses and needs while providing for connectivity and non-motorized access.
  - » Build agreement on the proper prioritization, coordination, and sequencing of projects with the City, while leaving some flexibility to respond to other private or public investments.
- Once a Project List is in place and projects have been prioritized, collaborate with the City on implementation investments and on funding applications. Leverage TIF revenues and upcoming public and private improvement investments from grant sources such as the, Public Works Board, the Transportation Improvement Board (TIB), and the Freight Mobility Improvement Strategic Board (FMSIB), to name a few.
  - » Meet with funders to learn about program priorities and how to prepare a competitive application package.
  - » Meet with members of the state and national delegation on behalf of the US 395 project and other projects of regional significance that would have a positive impact within the target area.
  - » Evaluate how NEPDA can help direct the infrastructure funding and public improvements to directly enhance the marketability of sites within the target area.

## NEAR TERM (10-24 MONTHS)

**NEPDA should request that the City quickly establish a Tax Increment Financing district (while property values are at an all-time low, setting a low base) that returns incremental tax revenues to the area for the purpose of public infrastructure investment.** This would help to close the funding gap for those business ventures (job creating) with a strong development prospectus that still need a small amount of financing assistance to bring their project to fruition.

- Continue to use and promote the infrastructure implementation tools that have historically been very successful, such as Local Improvement Districts, as a way to fund specific “quick” capital improvement projects.

# INFRASTRUCTURE, LAND USE & DEVELOPMENT



**Evaluate & Create a Land  
Acquisition & Development  
Strategy**



**Pursue Economic Development  
Opportunities that Fit within  
NEPDA's Vision, Mission,  
Guiding Principles & Goals**



## NEAR TERM (10-24 MONTHS)

**Evaluate NEPDA's role in land development.** Given scarce capital dollars, NEPDA should consider how best to leverage its investments.

- Commission a market study to better understand the long-term market potential within the target area. This study could be commissioned as part of sub-area plan specified in Goal 9.
- Meet with WSDOT to discuss their plans for disposition of surplus land following completion of US 395.

## NEAR TERM (10-24 MONTHS)

- Explore the feasibility of certifying the City's 10 acre "ranch" property under the certified sites program developed by the City and Greater Spokane Incorporated along with the feasibility of future development or business location on the site.
- Test the feasibility of a Manufacturers Development Center (incubator space) by identifying potential funders and public and private partners, as well as exploring the concept in terms of space needs and programming.

# COMMUNITY OUTREACH

The support and enthusiasm in the greater community for redevelopment of the Northeast Development target area is an incredible asset.

✓ **Communicate the Potential & Manage Expectations About the PDA**

# RECRUITMENT & RETENTION

Attracting new businesses to the area may prove difficult until further infrastructure investments are made.

In the short-term there are many ways to promote the relatively cheap land costs to businesses that are similar or complementary to existing businesses, which fall primarily into construction trades, food warehousing and distribution, machining, and light manufacturing.

✓ **Promote the Area, Available Sites & Development/Operational Incentives**

## DEVELOPMENT & OPERATIONAL INCENTIVES

- Community Empowerment Zone (CEZ):
  - Sales & Use Tax Deferral/Exemption
  - B & O New Job Tax Credit
  - B & O International Business Tax Credit
  - B & O Training Tax Credit
- City of Spokane Empowerment Zone (SEZ):
  - Waiver of General Facility Charge Fees
- ADA Barrier Removal Tax Deduction & Disabled Access Tax Credit
- Brownfield Redevelopment
- Historically Underutilized Business (HUB) Zone
- Workforce Development's Customized Training Programs

## HERE & NOW (6-9 MONTHS)

**Many in the community are deeply invested in the future of the area and want to be involved as NEPDA moves forward.** Both the current NED Advisory Board and Stakeholder group will need to be included in recommending and promoting the NEPDA activities and providing information to the larger community organizations where they are active volunteers.

- Prepare print and online materials to communicate NEPDA's vision and near-term goals and manage expectations for what NEPDA can be expected to accomplish in the near-term given the financial situation.
- Create a webpage within the City of Spokane website or a separate website to post NEPDA updates and documents.
- Make presentations at standing meetings and events to introduce NEPDA and its role.
- Host periodic "Local Business Roundtable" meetings to gather intelligence and provide NEPDA updates and celebrate success. These roundtables can be casual gatherings to discuss issues in the area and/or to solicit input on NEPDA's long-term goals and priorities.

## NEAR TERM (10-24 MONTHS)

**By promoting a vision of what the NED target area will be once US 395 is complete, NEPDA can begin to generate interest in the district and potentially attract early investors.** Understanding why businesses locate within the target area and what would cause them to stay or go could inform prioritization of future initiatives.

Collaborate with Greater Spokane Incorporated and staff from the City's Planning and Development to identify interested businesses and sectors that will benefit from current price levels in the target area.

- Prepare NED target area marketing materials that highlight inexpensive industrial/commercial land and buildings in addition to available housing, workforce, business operational, development and tax incentives available in the target area.
- Use the Local Business Roundtables, informal visits to existing businesses, or other means to gather information about why businesses are in the area to help inform marketing and recruitment efforts.