



Land Use & Economic Development Committee

Wednesday, July 7, 2021
5:30 PM - 7:00 PM

(MEETING HELD VIA ZOOM)

Meeting Notes

Land Use & Economic Development Committee Attendees

Present: Councilmember Emery
Councilmember Harris
Absent: Councilmember Marine

Other Attendees

Mayor Gregerson
City Administrator Powers
Community Development Director Osaki
Planning Manager Balisky
Senior Planner Ritter
Associate Planner Jensen

CALL TO ORDER - 5:30 PM

1. Sector 3 Development Agreement (Harbour Pointe Townhomes)

Planning Manager Balisky provided background on the Sector 3 Development Agreement (“Development Agreement”) for properties generally located along Harbour Place and Mukilteo Speedway. The Development Agreement was initially approved in 2002, and then subsequently amended in 2007 to add alternative primary land uses for certain lots.

The Development Agreement “Vision” was to create a “Mukilteo Town Square” anchored by a major tenant such as a grocery store along with other retailers and services (e.g. service station) typically found in a neighborhood shopping center. Building design, site design and infrastructure standards intended to create a Town Square look and feel are included in the Development Agreement.

During the 2002 to 2007 period, the only new development in the Development Agreement area was the Harbour Pointe Montessori School (2006). Since the 2007 Development Agreement amendment, the only new development in the Development Agreement area was the Staybridge Suites Hotel (2009).

The LU&ED Committee was informed about a formal proposal and informal discussions with developers/owners for the three remaining vacant parcels in the Development Agreement area including:

- A proposal to amend the Development Agreement that would allow a townhome development proposal on the vacant lot south of the Montessori School (Formal Development Agreement amendment application submitted).

- A proposal for either a hotel or senior/retirement housing on a vacant lot south of the Staybridge Suites Hotel (Pre-application and other discussions, but no formal application submitted).

For the two proposals identified above, major amendments to the existing Development Agreement, or termination of that existing Development Agreement and approval of a new development agreement, would be required. Townhomes and senior/retirement housing are currently not allowed on any lot under the existing Development Agreement. The hotel proposal discussed to date exceeds the maximum number of units allowed under the existing Development Agreement.

The LU&ED Committee expressed a desire to achieve the 2007 Development Agreement Vision, but also discussed why the three remaining vacant lots have not developed over time consistent with the Vision.

Among factors discussed were the lack of sufficient dwelling units in the market area to support a grocery store, that the parcels fronting SR 525 may look bigger than what they actually are and that their size may limit development opportunities, online shopping growth has lessened demand for brick and mortar commercial stores, and that the vacant lot on the west side of Harbour Place lacks visibility to SR 525 for commercial uses, especially if the vacant lot(s) on SR 525 were to eventually develop.

Because the existing Development Agreement and its standards envision a commercial oriented Town Square development and not residential uses, processing a Development Agreement amendment to allow residential uses has become quite cumbersome and time consuming. Extensive staff and attorney time and resources is taking place.

Three (3) options to address future development in Sector 3 were presented to the LU&ED Committee. The three options included:

Option 1. Terminate the 2007 Development Agreement

City Council could, following a public hearing, terminate the existing Development Agreement. All parcels previously subject to the Development Agreement would be subject to the underlying (i.e. standard) zoning and development regulations that apply to their properties.

The current Development Agreement amendment application for townhome development would be processed as a new Development Agreement. The underlying zoning for that parcel is Planned Community Business - South (PCB-S). The PCB-S zoning district only allows townhouses if a development agreement is approved by the City Council.

Option 2. Partial Termination of 2007 Development Agreement

City Council could, following a public hearing, terminate the existing Development Agreement for some or all of the three vacant properties.

As with Option 1, the vacant lots would be subject to the underlying zoning and current development regulations. Other previously developed lots would remain subject to the 2007 Development Agreement use restrictions and development standards.

Option 3. Retain Existing Development Agreement as is (Status Quo)

This option keeps the 2007 Development Agreement in place.

Properties would still be subject to the Development Agreement standards that established the Town Center Vision. Development Agreement amendment applications would require approval from all property owners subject to the Development Agreement. The City Council would consider amendments for approval or denial. As such, the current proposal to amend the Development

Agreement to allow a townhouse development would be processed and eventually brought to the City Council for approval or denial.

There was discussion about whether the vacant parcels immediately south of the Staybridge Suites Hotel could be developed as a Park and Ride Lot. Staff responded that a Park and Ride Facility would be require a conditional use, if the underlying zoning was applicable to the property.

In discussing the three options, the LU&ED Committee found terminating the Development Agreement for the property involving vacant lots would be appropriate and that consideration should be given to terminating the agreement in its entirety.

2. Economic Recovery

A. RCO Conversion Process - Diamond Knot Outdoor Seating

Community Development Director Osaki mentioned that the Washington State Recreation and Conservation Office (“RCO”) requires that projects built with State RCO funding be maintained for public use. No exclusive private use of park funded lands is allowed. However, the RCO does allow for “conversion” of grant funded projects if the project sponsor provides for adequate substitution or replacement of the converted property.

“Conversion” was explored by the City in 2014 for certain Lighthouse Park sidewalk space next to Diamond Knot to allow that area to be leased to Diamond Knot for outdoor seating. At that time the RCO seemed receptive to the idea were the City to make such an application.

“Conversions” of grant funded projects are allowed if certain RCO requirements are met. This includes, but is not limited to, documenting that practical alternatives, including avoidance, have been considered and rejected. Public comment is part of this process. Conversion also requires that facilities of an equivalent or greater usefulness and location than the converted property be provided. The latter would require an appraisal of the converted property and the substituted property.

In 2014, costs of pursuing the conversion were estimated at \$24,000 with the expectation that Diamond Knot would defray the costs. Diamond Knot choose not to move forward with the conversion process as there was no guarantee of what the RCO final decision might be or on future (City) lease rates.

Community Development Director Osaki asked the LU&ED Committee if exploring conversion again would be an item that staff should pursue. He mentioned that staff could look into use of American Rescue Plan funds to offset costs.

The LU&ED Committee direction was that it was appropriate for Staff to explore the conversion process more.

B. Economic Alliance Snohomish County (EASC) Outreach Effort

Community Development Director Osaki mentioned that the Economic Alliance Snohomish County (“EASC”) is planning to meet with staff of each of the county cities and towns to better understand important economic development initiatives, opportunities, and challenges within each local jurisdiction. The information will be used to understand unique needs for each jurisdiction and to identify possible avenues of EASC support.

The LU&ED Committee mentioned the following economic development issues for staff to pass on to the EASC:

- Marketing
- Branding
- Making Mukilteo distinctive and compatible with regional marketing
- Opportunities for developing the job base:
 - Take advantage of engineering expertise in the area and explore other industries such as biotech and artificial intelligence
- Opportunities associated with the green economy
- Green focused businesses given that there is a greater need for reduced emissions
- Implement items Gary Clarke talked about at the May 2021 LU&ED Committee meeting such as:
 - City wide economic development visioning process
 - Preparation of an Economic Development Plan

ADJOURNMENT - 7:00 PM

Next Meeting Date/Time: TBD, next meeting likely to be rescheduled from Tuesday, August 3, 2021 to another date due to National Night Out.