

Business and Commerce Committee

Meeting Minutes

March 26, 2019, 12-130pm

Port of Bellingham

Voting members present: Clark Campbell, Vice Chair; Casey Diggs, Ryan Allsop, Troy Muljat, Paul Burrill

Voting member calling in: Doug Thomas and Pete Dawson

Non-voting members present: Mayor Kelli Linville

Members of the public present: Paul Schlisser, Jennifer Noveck, Gina Stark, Don Goldberg, Guy Occhiogrosso, April Barker, Jacqueline Stryna

Clark motioned to call the meeting to order at 12:04pm.

Allsop moved.

Motion seconded by Troy.

Clark - Motion to pass the minutes from last meeting in February 2019.

Troy seconded passing the minutes.

Minutes passed.

Vote on Troy representing BCC on the Whatcom Housing Alliance

Gina - Housing is a very important issue and we will discuss more, it is on the agenda. Whatcom Housing Alliance has a lot of representatives, including me, to discuss issues related to housing and the affordable housing crises. We thought it'd be important for someone to be a member of WHA. We asked Troy because he is a member and on the committee already.

Troy - Not there on behalf of the committee but as a liaison, Troy is a member but they are unsure what that entails so far.

Gina - A good time to get involved in the group, Rose Lathrop and Derek Long presented to the B&C committee on WHA a while back. It is a good opportunity to have someone at the table from the beginning to see what the community needs.

Casey - They are going to start having dues. Possibly in early May? If Troy isn't directly representing us, who is going to pay the dues? Do we have any money for this committee to pay dues when they do come up?

Guy - The county, which is the umbrella entity, is already a member. We may not have to pay any dues because the county already is/will.

Troy - His company will be there, paying dues, will be as informal or formal as we want.

Clark motioned to appoint Troy to WHA.

Motion seconded by Allsop.

Ryan - only concerned if there is a conflict of interest, we do not want to make it uncomfortable

April - on the steering committee, bringing the social services and developers together, to come together and find points of agreement. Sometimes at the policy part the room is divided. What are you seeing? What are up and coming things that everyone can get on board with? The things we do not agree on fall off. She doesn't see a conflict and would love to have Troy at the table.

Troy - I am going to be there anyway, happy to do it.

Clark - We all have businesses to run, one of the factors that is effecting us is affordable housing, but we are not experts on the subject. Being able to have other groups who can feed into this group, keep everyone updated, would be great. Supportive of Troy to represent us.

Further discuss or move to a vote? Vote.

All voting members voted yes in favor unanimous, including Troy and two phone participants.

Proceeding to the rest of the agenda, starting with the housing discussion

Clark - The three things that this group is focusing on with regards to housing - affordability, livability, economic development. Taking bigger goals and break it down to policy. How is it working with regard to zoning? Permitting? Financial incentives? How to use these to get what the city and county want. I will open it to discussion. Permitting - the need for a fast track option, general commentary on the impact of development given the time to get the permit approved. What is the recommendation?

Ryan - We have talked about a list of ideas. How do we deliver that message? When do we actually take these recommendations?

Gina - Maybe frame it in term of a narrative or call to action. This is impacting our business, our way to expand and grow, to get a workforce and retain, these are the items that need to be addressed at the county and city level, so that they are aware of your concerns. If it is permitting, permitting needs to be fast tracked. More investment in infrastructure, regardless of what it is. We are not here to solve it. But it is our job to highlight what the problems are and these are our concerns.

Clark - From a business perspective, we are the best served to speak to the problem. What is the obstacle to development and affordable housing? Until the last meeting was not aware of the legal issues around condos. Zoning, permitting fees and times, and economic growth. Rob reached out to Harcourt to see about status on waterfront approval, it seems it is tied up on permitting approval. Maybe use that as a case study - that is a lot of housing that would be central.

Troy - It is a unique property though. Past Mayor did not get along with the port. The Mayor now does. Now it is a perfect storm.

Mayor - It depends on if sq ft or if you are building up. I was just meeting with Commissioner Michael Shepard, we want to build up and not out so that real estate isn't taken up. I would like permitting to go smoother, we are doing a huge number of permits. I am happy to have Harcourt on the waterfront and support them being down there. They have been red tagged multiple times. Maybe the developer isn't used to developing in the US. You can only do so much. There is a pre-app, there is a project manager who is walking through with waterfront permits for various types of businesses. Hopefully it is on track now.

Gina - That being said, does the group want to deliver a message to the county? What is that message? They are going to listen. Your voices are very strong. Gina is working on Health Housing project on the Waterfront as well

Allsop - Finding employees has been really difficult. Same for Pete. The school districts are trying to identify students who are not good students. Here are some great job opportunities, here are some employees that will be ready in a few years. I think it is important to have the overarching view. Real estate and housing is important. How do we create retention and growth internally? What is the plan for recruitment? Feels like recruitment got pushed.

Troy - This is still our intention. But the deliverable is affordable housing. Are you suggesting we start a document?

Allsop - Maybe we can break out our overarching goals as a group, task force it a bit.

Casey - Is Pete still on the phone? He talked about doing a one pager?

Pete - Forgot about the one pager. It's been on the list. We can do a high level comment on that. One thing to add, it seems that the public is driving the policies we have in office and the regulations we have. There is a disconnect between what the public thinks they want and the cost of housing. When you make it difficult to build housing, cost goes up. That's fine if it is a conscious decision, but those actions are often de-coupled. As a committee, we could educate and get the public on board to help reduce the cost of housing.

Clark - A brief problem statement that identifies a couple opportunities. What is the opportunity if we could fix some of these items? Actually having a numerical goal you can measure against is helpful? Have been pouring through city and county master plans, great nerdy reading, permits and housing starts have never returned to the pre recession levels. There are two numbers - we were doing a lot of building, came to a standstill, slowly built its way back up to about half that level. If our goal is housing at least matches the net inflow of residents, that's an option. Do we not want people to move here? Is that a conscious decision to keep people out? What is the right number? IS it 70% of new inflow? Is it 1-1?

Mayor - It is a good time to talk. We are looking at revamping the metric system. What the hits on the website. No one wants to look at metrics. A lot is work based not performance based. That would give us something to measure against. The boom, bust, the slow reset and she believes the Council are not of the mind that we do not places for people who want to be here to live here. I do not see an attitude to the contrary anymore. The community survey illustrated that housing and homeless were the top issues. The message about needing housing is important, no one is surprised. You can bring specific info based on your workforce, your business, to relate a number on the page to an actual person and what is happening to them or your business. Tell us what that means. The first person she heard it from was Bob Pritchett.

He said he has people, pays them okay wage, in Tempe they can find somewhere to live, here they cannot. That's scary. Personal stories will be helpful. The number has to be realistic or the public won't think we are trying.

Paul - What about the willingness of the community to grow? Vertical or horizontal? What about taking acreage?

Mayor - We are going to get the infill going up, we are not going to go out because that reduces our food security. Worked hard to make sure that acreage using. Building out in rural areas is the most expensive way to build due to lack of infrastructure and services. There are fees to put it in because it is so expensive. We like to give incentives to build up or within the UGA or city limits, where we already have infrastructure. Now looking at annexation areas, where there is some infrastructure. Should we annex because it would cheaper for builders to build there? There are some places in N Bellingham, maybe something on U Street with more expensive housing, and then some that are easier to serve like Cordata. We are looking at taking some areas out of the UGA, like potentially Geneva, doing community service to see how willing people are to move into the city.

Clark – What is the benefit of not being part of the city?

Mayor - Taxes. They do not pay B&O. You are making a tradeoff. In general, it is hard to get people who already have a home and utilities, maybe the only reason they want to is because they want a vote on city politics. We are trying to plan it so there are expectations among developers so they have better information and do not need special briefing and info seeking every time something comes up.

Allsop - Is there a permit process improvement? How many to get through in a day, week, month? IS there any visibility on this?

Mayor - 4 years ago COB did a lean process. If you have a complicated project and you get appeals or resistance. But the permitting process itself, would be happy to have Kurt come and talk to us to show where we were and where we are. There used to not be a scoping meeting. Developer was not always included in that meeting. Developer needs everyone on the same page. If an architect only comes in, maybe it takes longer because there is no developer there saying why is this taking so long. We can turn around single family houses in a day. Happy to hear the concerns. And have Kurt in, you can tell them your experiences because their goal is to do it faster. They still have to meet certain criteria. No personal reasons.

Don - A lot of the properties are more difficult to develop, easy ones happen first. There is a gap between staff and building community. Pete has mentioned it, Troy has. When he sits down with Rick and his team, they are doing the best they can. There is a gap between what the planners believe is going on and the private sector thinks is happening. Is there a way to bring those together?

Jacqueline Stryna (BIAWC rep) - Has been working with planning and public works to identify the disconnects, making codes easier, working on land use disturbance code, we have a project manager on that. Hopefully those gaps will be repaired and amended.

Mayor - Happy that the BWA is coming to the meeting to participate productively.

Allsop - Benchmarking off of other cities in not a bad thing to do. There are a lot more cities that are faster, more affordable.

Troy - permit start to finish - a big part of the story is the preliminary process. Getting to the permit is sometimes the most painful aspect. Pre app meeting you can be told one thing, fire says maybe and come with engineering plans, oh we need to change that because we did not understand. If we brought in architects, they would say it is the pre app part. It isn't always the city, but fire plays a large role. One question is would be to look at urban villages, there is data there, is the process better in those areas? He thinks maybe yes, they have been planned from a macro standpoint, people know the rules. Does the urban village process go faster than non-urban village?

Mayor - Fountain district. There is not a lot of property. There are 4-5 projects in that area, one of the problems, or maybe a strategy, is when there are quite a few large property owners or developers that own land, yet the business model is not to build a bunch of homes at one time. Its expensive, yes, but developers are not going out and doing that. People do not want to sell properties because that's their business model. What would incentivize large land owners to develop, to build more condos, affordable housing?

Troy - the land to lot developer is gone post recession. That's a big piece. The D R Hortons of the world, from a banking and recession standpoint, it is gone. Most control their inventory and build at their own pace.

Allsop - No banks will finance more than 4 houses on spec. He can bundle up to max 10. And he is doing a lot of building. D R Horton was in town, but was driven out.

Troy - Bank went under in Snohomish because of land to lot

Don - Blaine has approved 1200 units, maybe 5 different companies will come in to build those. Don has contacted a large tilt up construction company, they build mega buildings, we do not have a tilt up concrete building company. Metal buildings use to be cheaper even though they don't last as long. Now so expensive, it is now cheaper for concrete. Trying to get some of them interested for a type of product we are doing here. We have concrete players and companies that do concrete work for public projects, but we do not have a company that builds only concrete buildings.

Clark - 40,000 sq ft min to get it to pencil

Don - Steel has increased. This can be done with residential as well, but the lots need to be ready, infrastructure, and so on.

Clark - If we think about this in terms of economic growth, it is not something that any of these business people really know about except the real estate and construction people. Clark is trying to grow revenue to 2x expenses and is figuring out what he needs in order to do that.

Clark - my employees make this much, they need this type of housing. What are the characteristics of the housing they are looking for? 70-80K is the minimum to be able to afford something to buy. Everything is getting more expensive. Manufacturing and customer service roles, you are doing min wage +, that gets into supervisory leads. If we are in a recession that says that you need to grow at 25% per year just to keep up with wage growth. For those people to have real income to buy a house, the houses need to appreciate at a slower rate than the wages. Everything is tied together. More about economic growth of the community, looking at the big obstacle preventing us from hiring people or to pay people more?

Don - Companies from BC have recently approached us and decided not to come to Whatcom County because of the cost of employees, can't find employees, employees cannot find housing, land prices, etc. If we can't get people here who can afford to live here, then that's it.

Paul - Renters and vacationers are occupying a lot of housing up in Blaine. Landlords like them because they aren't there. Bellingham has kind of become a retirement area.

Don - Prices have doubled in six years.

Pete - An example of housing in Fairhaven area. Had a pre app for Feb 2018, they are still trying to get through to get a building permit. 13 months later. It is very complicated. They are limited to 4 stories in Fairhaven, they'd add a 5th but the rules say no. That is 20 units. The rules say commercial at street level. They won't be able to fill it, so we are negotiating how much commercial. They'd put 4 more housing units in. It isn't a city thing, it is just the way the rules are now, which is driven by the public to protect Fairhaven. They would have started construction 6 months ago and now would be lucky to start in 6 months. 24 less units than the market a space would allow due to the rules. The people enforcing are trying to figure out how to work within the rules. Architects are busy. It just takes a lot of time to walk through the process. This is happening throughout the county.

Mayor - Neighbors came forward and said they didn't want 5 stories. It is up to elected officials to decide on best interests. Urban villages are supposed to have the least regulations, fastest turnaround. For the planning department, they have to live with the rules too.

Troy - There is a disconnect between what the market wants and what permits are approved. Commercial on the ground floor, can show multiple places where they are vacant, not used well, bad use of space. Some are good, many are not.

Mayor - How much commercial do we actually need?

Don - Since the internet has affected retail, the Pearl, all of the towers have big units that price out well when you do modeling, but kill projects. Live work loft space. Office space instead of retail on the 1st floor. Why not just have mitigation? Some cities allow residential in commercial units but they have to have solar or more parking. Build what is needed.

Allsop. Commercial requires more parking

Mayor - We do a lot of parking req reductions. We do not get a positive public response to that

Allsop - Parking is already getting bad in Fairhaven, couldn't find a spot at the parkade!

Mayor - Usually there is a lot of space in the parking area, people rent but don't park there. In parking studies, people want to pull up in front of the business. When they go to the mall, they park far away. If they go downtown, they don't want to park then walk. There is an expectation about parking. Very few times when you really can't find a walking distance parking spot. It is the expectation you need to pull up front.

Pete - There's a rule book in play for good reasons, but it is prohibiting and slowing down housing coming on the market. If we want lower costs, relax the rule book in smart ways, could be less parking, less commercial, increased height limits. Public officials need support of public to do this.

Clark - Is the process for setting the rules always open and requires a vote? Is there latitude within the city to say, this area is commercial, we set a new requirement

Pete - working with 2 developers on Samish Way, city has relaxed height restriction so that they can build 5-6 stories and will work with them in parking and now the projects are penciling out for the developers. That helps housing.

Mayor - Samish is an urban village, which should have looser restrictions. Quite different than Fairhaven.

Troy - There are multiple mini areas and height restrictions

Casey - Are you talking about Aloha?

Pete - A guy in Seattle looking at 170 units

Casey - City voted to raise the height restriction, so there are things the city can vote on

Pete - If there are extra steps, extra approvals required, it really slows stuff.

Doug - When we get at the point in agenda and we get to other business and thoughts, I have some thoughts.

Clark - We will be there shortly. One last question for Pete regarding the 13 month project. If you were to quantify 14 months versus 6 months, what would you say that added for costs?

Pete - By having to provide commercial, they have to separate them. \$200-300k to create commercial that they think they will have problems filling. They can't do a wood frame, introduce concrete, in Fairhaven, ground floor has to be 13-14 feet. We happen to own the property so we can be patient and go through the process. I would not invest in property and know I am going to be tied up just getting a permit for a year and a half.

Don - Especially given we do not know if the economy is going to slow down. The unknown is going to start preventing people from taking projects.

Pete - It narrows the pool of people who can develop. We are fairly experienced, but for an outsider it would be overwhelming. It isn't just the time, but \$50-100,000 to get things until you can get anything approved without any guarantee.

Allsop- Our personal experience, 10+ years ago the power was given to the neighborhoods by the planners (?). But it is always 3-4 people who drive the neighborhood. Has that been reviewed and retracted? This isn't working anymore. We want to make it easier but still safe and quality. Maybe it's a sign off rather than a whole process with the neighborhoods. It is very arduous as a developer. Drives a lot of people out.

Clark - To Doug's point, moving on to the next agenda. Proposal to Pete, with regards to the one pager. Pete is bringing business expo evidence. Here are the key things holding us back. With that particular project, quantifying retail, here is what 7-8months extra cost, here is what other regulations cost. Then we can make a business case, what does that translate to per sq ft? I don't know how hard it is to pull together but that would be a strong case. Here is a business case. Here is the opportunity if we did it differently.

Mayor - giving examples is still significant, even if you do not have more data or details

Don - met with Rick last week, he offered and we weren't sure if appropriate, he offered to come in and explain the process to the group. If the group would like us to invite Rick, Don can. Are we going to

make some kind of formal statement or recommendations or a narrative to the Council? What are we going to do so we can report out?

Casey - Pete is putting the sheet together, then vote on and send to the county.

Allsop - If Rick comes, maybe we can ask the other small cities to come and see how they differ in their process

Pete - Will get Janicki and Troy's thoughts and will put together a high level overview

Clark - As Vice Chair, we are moving on to the next agenda item and give the floor to Doug

Doug - I've been thinking for the last 1h 14m that we have been talking about affordable housing and how that relates to getting good workers. If we are to continue to focus on affordable housing, we will still be doing this 12 months from. Another approach that came to mind, because the County Council appointment to the B&C committee is temporary, he doesn't want the role for years. Another way to bridge this gap between what business would like and what the county and/or cities can provide as of now in terms of land, permitting, height restrictions, covenants on commercial, all those things, we could spend the rest of our careers about this. But maybe another way is to start on the other side of the canyon and build the bridge from the other side. Let's imagine as businesses using our various talents, things that would be the best for the community, growth opportunities that could occur, if hypothetically affordable housing and permitting were actually optimized. So, let's let Troy and Pete and everyone else with housing and development expertise still do that. City and County are going to make a good faith effort to modify institutions so businesses can get employees. Let's compartmentalize the swap exercise, what are our strengths? By water, world-class cardiac facility and healthcare, WWU, high tech opps, Mt Baker, lots of things to highlight. What are our strategic advantages? Then, what it could be if we could responsibly grow each industry and then quantify it in a cumulative fashion. What does that demand look like on affordable housing? Then put that to county and cities and say this is what we think housing needs to accommodate over 10-15 years. And if they decide to drag their feet or by doing nothing then they are signaling, we'd prefer you do not grow here anymore. Make investments elsewhere.

He'd like to get to this, rather than months of affordable housing and problems with permits. Let's give them a report on those things that are viable that make sense because of what is already here. Proximity to Seattle and Vancouver. Natural resources. Let's give the report from that side. What business would like to do if they were afforded a healthy playing field? What would good corporate citizens be able to do if allowed? If community says nope or government says nope, then let's bounce. Maybe they need the cumulative information on what our lost opportunities are.

Don - One way to potentially do that, will send out REP's strategic plan. Includes a lot of what Doug was talking about. We need to figure out how to get those numbers. Might be to work with Hart Hodges, small study, asking committee, how many jobs do they have? What do you need? Why not filled? So someone could do a short data report.

Doug - He's talking about development that could occur that require workers. Potential development is simply not occurring because the community can't support it. So do the businesses move their expansion out? Where do we go to find a community that embraces responsible and controlled growth?

Don - The companies here that need hiring. Plus companies choosing not to come because they can't hire people.

Doug - Agreed it is both.

Clark - A lot of discussion about SWAT and so on. Having spent some time looking through the documents, the visioning pages about what are opportunities and advantages are. A lot of good work has already been done. What is missing is the data set and metrics that can say, what is causing underdevelopment? What is causing people to not make investments? What is the solution to this problem? What is the solution to hire and retain workers? Doesn't need to be lengthy. Starting with a one pager with a concrete example that is going to cost us \$500,000 extra time because of x, y, z. How it turns out is that it is not what the business envisioned.

Mayor - We set a jobs goal, a urban growth density goal, population growth. Between those numbers, it would be great to get to metrics. We have estimated how many jobs will be created? We have more jobs than housing. Get our implementation strategies to match up with meeting our goals and sometimes they are disconnected. We have the goal, but maybe we do not look at the goal when making policies.

Don - a what's it gonna take model

Mayor - Yes, what do we need to do to get what we want? I think we are doing a lot better about this. From the outside, we can do better. But the attitude is there to do better.

Pete - One difference he noticed was a culture of No. We are experiencing a culture of Yes in many cases now. How can we make it work and follow the rules? Cultural shift has happened to finding a solution versus a reason to do nothing.

Mayor - I like people to tell me how it can work not that it can't work.

Clark - Sounds like the one concrete item is our one pager that lays out Pete's narrative and will collaborate with Troy. Bring some facts to this discussion. To Doug's comment - to boil that more into a SWAT, could we get from that document, a really succinct problem statement, a succinct what are the opportunities if we remove the obstacles, which will point to a solution, and then maybe we can up with a numerical goal? This many new housing starts or affordable units, but may be above the Vice Chair's pay grade.

Allsop - I like Doug's idea a lot. Let's focus on some of the other stuff. Maybe we do some inverse stuff, 85% on economic growth on side and less time on real estate.

Clark - I didn't think when we started we would be housing focused.

Troy - If staff can put this together, that would be great.

Allsop - No one reads long stuff. Another one page on our strengths.

Paul - Are we going to get to County Council to see if they would entertain what we want to do so we aren't wasting time?

Gina - Ryan brought up the talk about employee retention and recruitment and thinking about training and education in even if we keep talking about housing.

CJ from SBDC gave a presentation before, a lot of questions, very similar to what is going on right now. Last year was about creating the team, partnerships. We are not about the set up. We want to deliver. Last year we dug the foundation. This year is about building the building. We want to be deliverable oriented. Council is expecting that of REP.

Motion to adjourn the meeting by Clark.

So moved by Troy.

Motion seconded by Allsop.

Meeting adjourned at 1:33pm.