



City of Seattle
Office of Economic Development

Memo

Date: March 6, 2012

To: Councilmember Sally Clark
Councilmember Tom Rasmussen
Councilmember Richard Conlin
Councilmember Jean Godden

CC: David Yeaworth, Legislative Assistant to Councilmember Sally Clark

From: Steve Johnson, Director, Office of Economic Development

Re: ***Neighborhood Equitable Transit Oriented Development (NET) Initiative – Commercial Stability***

The Neighborhood Equitable Transit Oriented Development (NET) Initiative is a three year effort (2012-2014) to implement priorities identified in the Rainier Valley and Beacon Hill neighborhood plans. The City of Seattle was awarded a \$3 million HUD Community Challenge Grant in November, 2011. Grant funds are being matched by \$5.9 million in public and private funds and in-kind contributions.

The NET Initiative Major Goals

- Implement some of the top priorities identified in the SE Seattle neighborhood plans.
- Ensure that new development benefits rather than displaces the existing diverse communities.
- Plan for and create essential anchors for communities vulnerable to the displacement pressures of escalating land values: affordable housing, commercial, and community space.
- Empower the community, including low-income residents and communities of color, to be active decision makers in implementing the NET Initiative.
- Employ new and innovative tools to ensure equitable development. If successful, these tools can be replicated in other neighborhood business districts and light rail station areas.

Major Activities of the NET Initiative

- Transit Oriented Development Acquisition Loans - Improve the vitality of community by helping housing developers acquire 3-4 vacant parcels near light rail stations for mixed-use projects that include affordable and market rate residential and dedicated small business and community space. Developments will provide approximately 200 units of

affordable housing. Specific sites have not yet been identified and the program will likely begin making loans by 2013.

- Commercial Stability Strategy - Help stabilize commercial businesses around the Othello Station by providing an array of business technical assistance; lease education; and vacant property consulting where property owners could receive technical assistance to create affordable commercial space.
- Planning for a Shared Cultural Center – Strengthen the existing culturally and ethnically diverse community by planning for a shared cultural center. A specific location has yet to be determined. Community meetings will occur throughout 2012, with the goal of engaging 200 participants from traditionally marginalized communities. A feasibility analysis will address programming and finance issues, and by the third year of the program, a governance structure will be identified to lead the development process.

Commercial Stability Strategy

The Rainier Valley is home to many small minority-owned businesses whose rents have risen dramatically. A 2008 survey of local businesses, 87% of which are independently-owned, showed that a majority had seen their rents rise by over 50% in the prior three years. A recent survey of commercial lease rates showed older commercial spaces leasing for \$12-\$15/square foot while newly developed space leases for \$26-\$30/square foot. The Commercial Stability Strategy aims to support economic development around station areas by securing more affordable commercial space, supporting job creation opportunities, and increasing the business performance of existing small businesses. These strategies aim to enhance the economic competitiveness of existing businesses by positioning them to better access new markets now open to them due to their proximity to light rail.

A goal from the 2010 Othello Station Neighborhood Plan is to “value ethnic diversity of neighborhood merchants as a key asset of the neighborhood.” Rapidly rising rents coupled with anemic sales are a threat to these valued community assets. A 2010 survey of the businesses in the Othello station area business district found 42% were paying 30-50% of their revenue for rent. 2010 Business and Occupation tax data shows Othello business district gross aggregate revenue declined by 10% since 2008 and while the gross revenue of the entire Rainier Valley increased by 13% in the same period. The NET Initiative will address these challenges by implementing a three-tiered Commercial Stability Strategy at Othello to support all local businesses; provide business technical assistance, commercial lease services, and marketing and promotion services.

Business Technical Assistance: OED will work with Homesight, a community-based organization with extensive experience in the Othello commercial area to hire a business case manager with expertise in providing business technical support services to existing businesses. Example support services include improving financial systems and reporting and improving merchandizing and product mix to capture new and expanded customer bases, as well as implementation of comprehensive marketing strategies. The business case manager should have strong knowledge of the available business resources as well as experience in delivering direct assistance to business owners.

This work will complement the OED's 2012 Only in Seattle neighborhood business district revitalization investments in Othello as well as OED's support of immigrant-owned business by connecting appropriate businesses owners with Washington CASH's microenterprise business

development training as well as by referring business to our other lending partners Community Capital Development, Rainier Valley Community Development Fund, and Craft3.

Marketing and Promotion Services: OED will also continue its *Only in Seattle* neighborhood business district revitalization program that partnered with HomeSight in 2011. This includes the continuation of 2011's successful "Plate of Nations" event, a branding strategy for restaurants and delis.

Lease Education: As mentioned above, a majority of business owners have seen their rents rise—some as high as 50%. Further compounding the issue is that many tenants either do not fully understand the terms of their lease or in some cases do not even have a lease at all. We will contract with a legal agency to provide lease education to tenants who are most at risk of displacement. We believe that by securing longer and more affordable leases and increasing awareness of the obligations a typical commercial lease carries we can achieve our goal of preserving Othello's culture of independent businesses.

Vacant Property Assistance: A separate Request for Proposals will be issued for a consultant who can work with the Othello and Graham property owners to make currently vacant space in the Othello commercial node more affordable. This menu could include:

- Strengthening connections between existing businesses and property owners
- Working with a broker and with property owners/developers to create new models using shared spaces, or spaces smaller than is typical in the market.
- Establishing a master lease or subletting spaces to appropriate businesses at affordable rates.
- Exploring the possibility of a lease guarantee product with the Rainier Valley Community Development Fund to help mitigate credit risk for existing small businesses interested in leasing newly developed spaces.
- Create and Implement a Rainier Valley Retail attraction plan

Attachments:

NET PowerPoint presentation