



ULI TECHNICAL ASSISTANCE PANEL REPORT

JAMES CENTER NORTH TACOMA HOUSING AUTHORITY

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- Encourage the collaboration among all domains—public and private—of the real estate industry.
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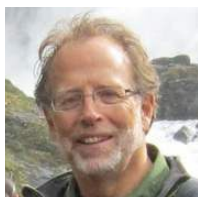
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Executive Summary

The Tacoma Housing Authority (THA) is to be commended for seizing the opportunity to oversee growth of a high-quality mixed income community directly across from Tacoma Community College, and within easy walking distance of present and future regional transportation. THA has earned a reputation for well-planned and well-managed communities, and should be welcomed as a partner in transformative neighborhood development.

The nearly seven-acre James Center North site, located in West Tacoma, is now a combination of 1980s retail and office structures and paved parking. This area is well positioned to become a vibrant mixed-use neighborhood. In addition to affordable housing for families, seniors, and students, the site can support amenities and community resources that bring value to neighboring parcels. All of this should be based on planning for change, forming partnerships, developing a long-term strategy, and supporting long-term goals with a short-term strategy.

Investment in the James Center North site will be enhanced through a long-term approach to development, and through planning for a sustainable, walkable community that is oriented toward the future and not bound by the past.

Planning for change. The type of housing construction that is desirable, marketable, and even permissible—especially in an urban environment—is changing. Staged development and flexible planning will allow THA and its planning partners to take advantage of important trends.

Forming partnerships. With its positive track record and long-term investment, THA has a tremendous opportunity to position itself as a reliable partner in the development of a vibrant urban neighborhood. New leaders at Tacoma Community College (TCC) and owners of James Center are potential partners, and THA should familiarize itself with their long-range goals and aspirations as soon as possible. The involvement of the city of Tacoma in the master plan will be essential, and the city should be contacted at the outset of the process. A partnership between THA and James Center, with involvement of TCC, could spur more support from the city in the form of facilitated planning, permitting, and infrastructure investment. THA's challenge is to create and sell a vision and its value to adjacent property owners.

Developing a long-term strategy. Realizing the full potential of the James Center North site means raising expectations and adapting short-term plans to support long-term development. A 20-year horizon allows time for a collaborative planning process coupling quality design with pedestrian infrastructure. The highest and best use for the site will include corridors for people to safely walk and bike and supports sustainable drainage systems and attractive landscaping. It would be appropriate to produce a master plan within the next three years. While the plan should include a timeline for phased development, it should also be flexible and adaptable. Criteria and standards, agreed between owner and developer partners, could be included.

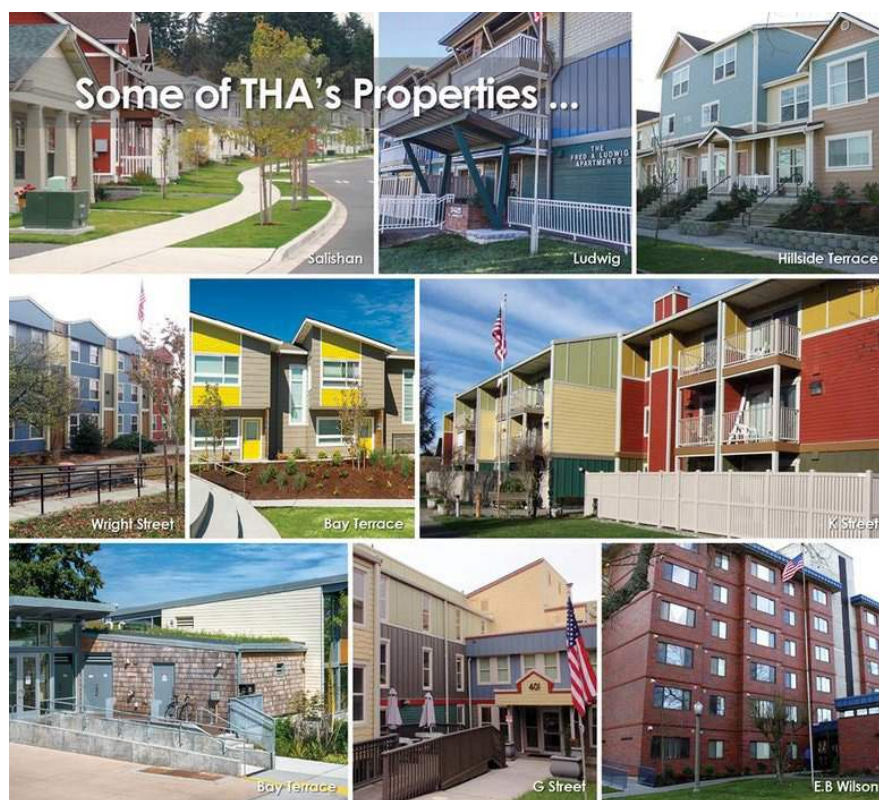
Supporting long-term goals with a short-term strategy. In the short term, THA should make modest upgrades to generate reliable, adequate income for planning costs and debt service. This is likely to include tenant improvements for flexible office space or workforce development, with limited investment and possibly build-to-suit partnership. The master plan should include some short-term steps, including construction of affordable housing in a multi-family project on all or part of the former C&D Lounge footprint.



Bay Terrace is a Tacoma Housing Authority multi-family project that houses families

Background

Tacoma Housing Authority develops and manages high-quality mixed-income communities that include low-income families, seniors and people with disabilities. THA owns or holds interest in seven family properties, eight senior/disabled properties, and three commercial properties in Tacoma; this does not include properties that are under development or in the pipeline. Most of the properties are self-managed. All but one property, Salishan, have been added to the THA portfolio since its founding in 1940. Salishan was part of a \$225 million HOPE VI redevelopment.



Examples of different types of THA properties

According to the agency's mission statement, THA's goal is to help people succeed, as tenants and as parents, students, wage earners, and builders

of assets. To that end, the agency couples housing with supportive services. THA currently manages communities in nine distinct neighborhoods. Until recent acquisitions such as James Center North, West Tacoma was under-represented in the THA portfolio.

“ THA has a really good reputation in town. ”

THA purchased James Center North in October 2017 for slightly under \$6 million. The 6.92-acre commercial site includes over 62,000 square feet of building space in total, most built in 1985. Four commercial structures currently occupy the site, including restaurant, medical and retail buildings.



Aerial of James Center
North facing southwest

Short-term financing for the purchase is a \$4 million REDI Loan from Enterprise Community Loan Fund. The terms are that THA will repay \$1 million by 2021 and an additional \$3 million by 2023. Mid-term financing includes a \$2 million LAP Loan from Washington State Housing Finance Commission. It obligates THA to place affordable units in service by 2025, at which time the loan balance is due.

James Center North is across from Tacoma Community College (TCC), a commuter college offering 46 professional and technical degree programs. The student population of TCC, one of 34 community colleges in the state of Washington, exceeds 14,000. Enrollment tends to rise and fall in inverse relationship to employment trends. Since employment is currently rising, TCC is likely to see an increase in the proportion of foreign students, along with increased need for nearby student housing.

Adjacent to James Center North, between the site and the future Sound Transit station, is James Center, a 128,000-square-foot retail center anchored by a full-service grocery store, Fred Meyer. Other tenants include Rite Aid, Fed EX, Chase Bank, Starbucks, and IHOP.

Across from James Center and adjacent to TCC is Pierce Transit's TCC Transit Center, a city-wide hub serving nine bus routes with about 2,000 people boarding each weekday. Living within a three-mile radius is a population of more than 100,000, many in single-family homes. The average household income in the area is over \$76,000.

The site is roughly square, at up to 600 feet on each side. It slopes from west to east, toward South Mildred Street and TCC, making it very visible from the college campus.

The zoning designation for the site is Community Commercial Mixed-Use Development. The most prominent street frontage of the site is along South Mildred Street, a thoroughfare that passes between James Center North and Tacoma Community College. It has been designated by the city of Tacoma for enhancements as a pedestrian-friendly multi-modal corridor. A private street lying along the north side of the parcel and perpendicular to South Mildred Street is planted with mature trees. Rockeries of up to four feet high lie along the east and south property lines.

“ We want to make it ‘lovely.’ ”

Recommendations

With the James Center North site, Tacoma Housing Authority has a golden opportunity to help shape a West Tacoma future that is safe, vibrant, prosperous, attractive and equitable.

“ People in Tacoma get that density is needed. ”

As it adds housing choices, the agency has a unique opportunity to support the development of a walkable and sustainable neighborhood, all near transit and education. Such a plan is likely to win city support because it would leverage other public investments in the neighborhood. With a rapidly changing regional real estate environment and local leasing markets, THA should invest in a flexible, long-term plan and two-stage strategy for development of the site. The best plan will support long-term goals as well as short-term leasing and management. This type of plan supports private developers who are responding to an evolving market. It includes some detailed decisions (mostly involving infrastructure) that are to be implemented first, and leaves many others (such as program and architecture) for later.

“ What do we want to be when we grow up? ”

Plan for change

The purchase of James Center North comes at a time when residential, retail, and office markets are undergoing rapid change, especially in urban areas. A master plan will allow THA and partners to take advantage of some or all the following trends:

Housing. Now and in the years ahead, increases in shared housing and multi-generational living are expected. THA should be on the watch for design and development experiments involving shared amenities and interactive spaces. These could inform the design of affordable housing. Housing for seniors is also changing to become more integrated with urban communities and younger generations.

Retail. Traditional retail is in decline, partially displaced, in some sectors, by online buying. Malls are being mothballed, replaced, or reinvented to be more open and more traditionally urban in form and function. These trends are likely to affect the future of the neighborhood as it redevelops.

Office. Work patterns and relationships are changing rapidly as office workers become less attached to personal workspace and more flexible in hours and location of work. Demand is likely to increase for flexible co-working spaces with shared amenities that can serve businesses of different sizes.

Pearl Street in Boulder serves as an example of placemaking



Transportation. Along with changing households, shifting work patterns, and new ways of shopping, modes of transportation continue to change, especially for commuting workers. West Tacoma will see increased options for public transportation. TCC has documented more applications for transit passes among its students than it had projected. Bike share services are spreading, and could reach West Tacoma. Even vehicle transportation is likely to be different in the future, with an increase in both ridesharing (e.g. Uber, Lyft, Car2Go, Zipcar) and traditional carpooling. Additionally, autonomous vehicles continue to evolve. This means that vehicle ownership will be less necessary in many urban areas, including West Tacoma—especially in neighborhoods where retail and services are within walking and biking distances.

Seek partnerships

THA is well-positioned to be a reliable partner in the development of a vibrant urban neighborhood over the long term. Neighboring landowners, both across South Mildred Street and adjacent to the property, have much to gain by coordinating development plans with THA in ways that benefit an emerging

neighborhood. THA should familiarize itself with their long-range goals as soon as possible.

“ How do we maximize developer interest in the site? ”

Smart, sustainable planning will maximize land values and create better return-on-investment (ROI) for every owner and developer involved. However, it will be up to THA to facilitate the development of a shared vision by reaching out and selling the advantages of collaboration in achieving a sustainable and walkable neighborhood.

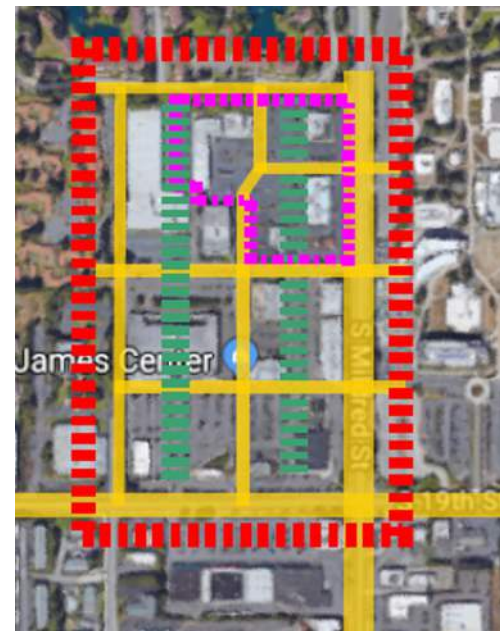
Tacoma Community College (TCC). There are some clear tie-ins between the missions of TCC and THA, including housing, workforce development, and social services that link with curriculum. The development of James Center North is likely to be of interest to TCC. THA should convene a meeting with the new leadership as soon as possible to explore topics of mutual interest. These are likely to include shared parking, temporary space leases, and programs such as health care education options that might serve THA resident needs. Such a meeting could lay the groundwork for future discussions of development plans.

James Center. Owners of the shopping area could become important partners because of the shopping area's adjacency and the potential for linking the two developments through currently paved areas, and leveraging investments in the pedestrian environment. The development of James Center North will determine much of the neighborhood context of the James Center shopping area. Therefore, THA and the owners of James Center have an opportunity to optimize investments by sharing plans and working with the city of Tacoma to make the most of public investments. Together, the two owners can focus on design, permitting and financing for a safe and inviting pedestrian corridor that connects residents, retail and transit. A well-designed pedestrian street landscape would bring value and identity to the whole neighborhood.

City of Tacoma. The involvement of the city of Tacoma in the master plan will be essential, and the city should be contacted at the outset of the process. Partnership between THA, James Center, and TCC could spur more city support in the form of coordinated planning, permitting, and infrastructure investment, leveraging city resources and private investment.

Develop a long-term strategy

These ongoing changes call for a long-range plan based on proven urban design elements, one that is flexible enough to accommodate changing housing needs and priorities.



James Center North and South are superblocks that could be divided into seven or eight blocks of a walkable scale, allowing private streets and green pedestrian paths to interconnect the two developments

To best serve the mission of Tacoma Housing Authority and future tenants while realizing the highest and best use of the site, THA should prepare for full redevelopment over two decades, a period which includes the completion of Sound Transit's Link light rail transit to Tacoma Community College. To this end, THA should begin seeking partnerships immediately.

An example of a common area that accommodates multiple ages and abilities



Neighboring landholders, including Tacoma Community College and James Center, are likely to share a long-term perspective, an understanding of phased development, and an interest in adding value to the neighborhood through quality planning and design. With this in mind, an agreement on connected bicycle and pedestrian infrastructure should be outlined. Once these partnerships are forged, landowners are more likely to win the support and cooperation of the city of Tacoma in designing and permitting infrastructure elements that span boundaries. It will be advantageous to coordinate with Sound Transit on connections with boarding areas as plans for the buildout of the Sound Transit Link light rail to TCC are finalized.

TAP panel facing James Center North from TCC on the east side of Mildred



A safe, vibrant, and walkable community begins with pedestrian infrastructure, a framework of streets and open space. Regardless of ultimate partnerships, good planning will recognize two overall scales—first, the James Center North area, and second, the larger circumference of the walkable station area. At the scale of the station area, the most important element is an accessible, inviting and safe path for residents to walk or bike to retail at James Center, and for transit riders to access retail.

Key elements of a long-term strategy are likely to include:

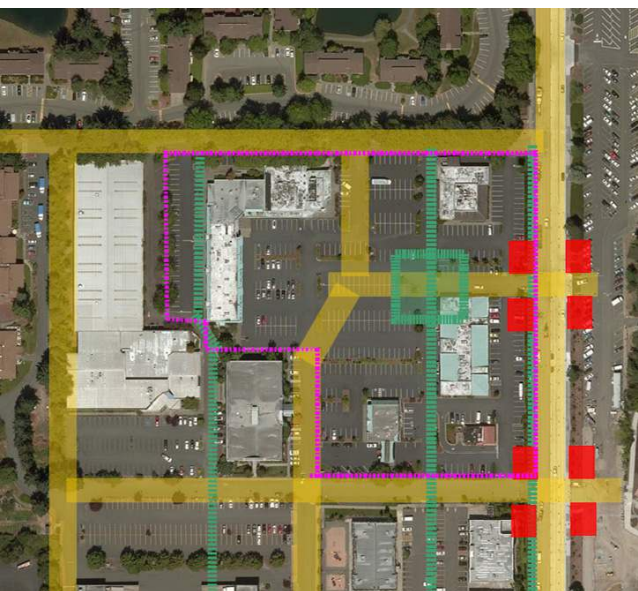
- community assets, including a select menu of amenities and activity generators;
- open space, including streets;
- sustainable systems (stormwater biofiltration and energy measures including heat sharing and district energy); and
- adaptive reuse of some existing structures.



TAP panel on a field visit of the site

The approach to planning should begin with a grid of private streets that effectively divide James Center North into three smaller parcels, as shown in Sketch B on page 14. A complete plan could include provisions for woonerf-style bicycle and pedestrian “streets” that further divide the parcel and complete the new neighborhood. The purpose of the division would be:

- To create a framework for phasing and staging of development for THA and future developer partners.



Sketch A. James Center North could be divided into five parcels working around the existing buildings and parking access points. Pedestrian path and parks (shown in green) and active street corners (shown in red) should be part of the development



Sketch B. This illustrates how the site could be positioned within the larger area

- To make the neighborhood more connected, attractive and livable for people.
- To set an urban network of pedestrian circulation that is greater than the sum of its parts. It would link James Center North and neighboring James Center with the future Sound Transit Link light rail. Coordination between THA and James Center, TCC, and the city of Tacoma would be necessary.

New private streets inside the site will divide it into parcels that may align with or complement throughway divisions on the adjacent James Center parcel to the south. The plan should identify locations of special opportunity within the James Center North grid for purely pedestrian open spaces and pathways through the site, and for retail. Any retail or alternative activity centers are likely to be located at intersections along South Mildred Street.

The first phase of development, which includes long-term strategies as well as debt service for financing and short-term leasing, is likely to take three years. This timeline might be a practical one for working with TCC, which has recently welcomed new leadership.

In addition to providing a plan for infrastructure and specific parcels available for construction, a master plan will identify key criteria for construction and phases of implementation, including:

- placement and re-placement of utilities;
- design and construction of streets/landscaping; and
- preparation of final terms for leasing and selling developer partners final construction.

The master plan will specify which existing structures are to be remodeled and remain on site through the first phases of development as well as the uses of those structures and the cash flow they will generate through leases.

Support long-term redevelopment goals with short-term management

Over the next three years, THA should concentrate on building foundational relationships with neighboring landowners and community partners, and further developing their partnership with the city of Tacoma. Common goals between owners should become the catalyst for a master plan. During the same period, it will be important to analyze and improve cash flow from the commercial property in place. During this initial phase, THA should:

- With a consultant, create a master plan as a first step in completing the long-term strategy.
- Work with partners and the city of Tacoma so that framework elements are based on infrastructure for a safe, sustainable and walkable neighborhood.
- Analyze and resolve any easement issues in preparation for redevelopment.
- Increase short-term revenue. Invest in analysis of potential returns on investment, with targeting payoff of the \$1 million land loan by 2021. The partially vacant office building on the northwest corner of the site holds potential for leasing as office space, with limited up-front design and upgrades.
- Explore opportunities for workforce development. Industry-targeted job training has been a successful strategy for reusing existing buildings and meeting community development goals. Obvious partners in workforce development would be TCC and the county. Pierce County currently has a panel focused on workforce development.
- Consider senior market-rate development. This growing market segment will provide synergies for adjacent retail and transit center.
- Keep well-performing retail on site in the short term. For the long term, explore linkages with services or partners in workforce development. Consider a formal retail assistance program for retailers from underrepresented communities.
- Build initial housing. Begin with affordable housing to spur participation from market-rate developers who will want to see quality of development and management before investing. THA should study the feasibility of developing a multi-family project on all or part of the former C&D Lounge footprint. This project should be targeted to produce 75-100 units of affordable housing, with an initial occupancy of up to 60 percent AMI or senior housing rentals. This will satisfy the terms of the LAP loan, due in 2025.
- Plan for meeting immediate parking need and decreasing future need. Explore shared parking opportunities with TCC and Pierce Transit's TCC Transit Center.

Conclusion

Tacoma Housing Authority has embarked on a major initiative with the purchase of James Center North. Because of its advantageous position next to retail, education, and transit, redevelopment of the site can serve the ongoing THA mission well. The effort should be guided by the following three ideas:

1. Act quickly to analyze and improve cash flow from office rental.
2. Engage key neighbors as partners in a long-term vision for redevelopment of James Center North, one that ties in with ongoing plans for adjacent parcels.
3. Create long term value through a smart, flexible, and sustainable master plan.

Along with large neighboring landowners, THA can seize the opportunity to redevelop James Center North in a transformative way that adds value to the entire neighborhood and puts West Tacoma on a solid footing for the future.

Addendum

The following edited notes are from Al Levine, the chair of the Technical Assistance Panel on James Center North.

General observations:

- THA will need to be a patient developer to achieve its goals and take advantage of continued regional growth and concurrent housing demand, as well as improved transit to Tacoma and the site.
- THA will need to carefully balance desire to maximize return against the competing desire to have high-quality, mixed-use housing.
- Sound Transit's Link light rail construction completed by 2039 will have little impact on financial feasibility or feasible density.

On markets:

- Mixed income housing is desirable, but might have to be attained by mixing affordable buildings and market-rate buildings, not mixing the two within single buildings.
- There are multiple markets that could be pursued for the James Center North site. While home ownership in the form of townhomes is likely to be the easiest to achieve, it probably does not meet long-term criteria of highest and best use, for THA or for the community.
- Rental development oriented toward seniors, students, or small households all appear feasible. Decisions about the ultimate mix will need to be driven by individual developers, land price and market absorption considerations. It makes sense for THA to cast a broad net and allow developers to respond with what they consider feasible. Family rental housing is the most difficult challenge for market rate developers. Serving this market will require significant land discounts to be feasible.
- Senior market-rate development is a market worth exploring, especially given the adjacent retail and transit center. Senior housing is one of the fastest growing market segments.

On construction types:

- Current rents will not support a podium building, but might support four-story wood frame construction, with surface parking or possibly some tuck-under parking.

On development strategies:

- Plan for a phased strategy, starting with a 9% Low Income Housing Tax Credit affordable housing project with surface parking for 50-75 units and no retail on the former C&D Lounge Site..
- Shared amenities on the site will be addressed in a master plan, although some are not directly related to construction. Depending on the mix of uses, opportunities exist for common or shared parking, open space, circulation, carshares (e.g. Zipcar, Car2Go, etc.), and other amenities that would support the ultimate uses on the site.
- It will be important to work with the city to establish environmental reviews, site and development standards before trying to bring market rate developers in, to minimize risk and create as much certainty as possible.
- It is desirable to build affordable housing first, since market rate developers will want to see quality of development and management before investing.
- Retail for the foreseeable future will continue to be immediate convenience based, however retail is in flux and can change rapidly. Consolidate retail as necessary and keep performing retail on site. Consider a formal retail assistance program to take advantage of potential of entrepreneurial ethnic businesses.

On engaging with development partners:

- One important way to interest developers in the site is to include them in the design process. Another is to craft the sale structure of developer parcels in ways that appeal to developer partners, with optimal parcel sizes. Typically, developers will prefer fee simple ownership.
- THA should consider a Planned Action EIS which will relieve developers of doing their own environmental review for their projects. This would include any hazardous mitigation, clarification on easements, as well as any other factors that developers will perceive as adding risk. It might be reasonable to include profit sharing with developers if necessary to encourage developer participation.

- Serious consideration should be given to timing: when to engage private developers and in what role. While outside the scope of this panel, this is a key question for THA to address.
- The optimum size of parcels should be determined by the use. THA should consider re-platting into multiple smaller parcels to provide flexibility through lot boundary adjustments in creating and selling parcels to developers.
- Given the number of moving parts, it makes more sense for THA to focus on involving adjoining property owners in the planning rather than developers, unless a decision is made to secure a master development partner.

On financing:

- Short-term financing on the site will likely need to be restructured. Developing the vacant site will allow THA to offset some of its investment.
- THA will be the keeper of the long-term vision and goals for James Center North. At the same time, market-rate developers only invest based on current market conditions, not potential.
- All private development should require use of Multifamily Tax Exemption for 15-year term and possibility of extended term if THA can make the numbers work. This might require land write down from market.

On timing:

THA should plan for a 15-20-year development timeline. Within this frame, it is likely to involve three distinct phases, outlined below:

- Phase 1 (years 1-5): Develop an affordable project on the vacant site (former C&D Lounge footprint), and reposition and lease the office building currently on site. A 10-year lease would be optimum. Explore shared work spaces such as WeWork, which are among the fastest growing office types in the country. There are several such users in the Tacoma market who could indicate whether the site would lend itself to such a use, and what tenant improvement and terms make sense. Develop a flexible master plan (see recommendations).
- Phase 2 (years 5-10): Build out frontage sites and begin implementation of new site and infrastructure plan.
- Phase 3 (year 10 and on): Redevelop office site and complete integration with existing plan and with adjoining James Center.



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