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 **STOWE**
DEVELOPMENT & STRATEGIES
A Real Estate and Community Development
Strategy and Execution Company

CITY OF MOUNT VERNON

Downtown Development Strategy

OCTOBER 2017



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Cover photo by Joe Mabel

BACKGROUND & OVERVIEW

Project Team

Our Project Team consisted of:

- THG, LLC – real estate development advisors
- CollinsWoerman – collaborative architecture, planning, and design firm
- Stowe Development and Strategies - strategic consultant services to cities, higher educational institutions, and development clients

Additional information on the Project Team can be found in the Appendix.

Project Overview

The City of Mount Vernon, Washington, is in the final phase of its Downtown Flood Protection and Revitalization Project, which will serve to protect the historic downtown from flooding with FEMA-certified flood protection and to help revitalize the area. This project will remove Downtown from FEMA's 100-year base flood elevation maps and will increase connectivity to the Skagit River. As part of this project, a 30,000 square foot Riverfront Park plaza and a half-mile Riverwalk Promenade have already been built.

To leverage the investments from the Flood Protection Project and to continue work from prior plans and studies, our Project Team was engaged by the City of Mount Vernon to assess development opportunities in downtown, identify key catalyst sites, and craft a strategy and implementation plan to jumpstart development. In September 2017 our Project Team completed the Development Strategy for Downtown Mount Vernon. This report and concurrent presentation were a culmination of many months of work which included the following scope of work:

- I. Review of relevant prior studies and documents. These included:**
 - Downtown and Waterfront Master Plan July 2008
 - Mount Vernon Comprehensive Plan Updates September 2016
 - Implementation Analysis for Downtown Redevelopment February 2010
 - Downtown Parking Garage Feasibility Study August 2008 (and prior report from October 2005)
 - Historic Building Inventory Report August 2008
 - Downtown Environmental Impact Statement July 2007
 - Mount Vernon Shoreline Master Program August 2012
 - Downtown Design Recommendations December 2009
 - Mount Vernon Park, Recreation, and Open Space Plan July 2008
 - LIFT Small Business and Low Income Housing Assessment April 2008

- II. Two community listening sessions (one with key stakeholders and one with the general public) regarding downtown development, and an in-person meeting with the City Council and Mayor to report back the findings from these sessions**
- III. Meetings and conversations with key stakeholders, including:**
 - City of Mount Vernon
 - Skagit County
 - Mount Vernon City Library
 - Private landowners
 - Local and regional developers
 - Coordination with subarea planning south of Kincaid
- IV. Market analysis to determine historic trends for residential and commercial land uses and their future potential in downtown**
- V. Site analysis, including site visits, of downtown Mount Vernon and the opportunity parcels identified by City staff and Project Team**
- VI. Identification of three catalyst sites and development strategies for each site**
- VII. Preliminary financial analysis for various land use scenarios at the catalyst sites to determine feasibility from standpoint of private developer**
- VIII. Based on the criteria identified above, detailed implementation strategy for the City**

EXECUTIVE SUMMARY

Key Findings

- 1. There is strong community support for downtown development, including residential and commercial uses**
 - Our community listening sessions and conversations with key stakeholders revealed support for a variety of uses in downtown, especially for restaurants, hotels, and residential units (both apartments and condominiums)
- 2. There are regional and local trends that are supportive of development in Mount Vernon and downtown:**
 - Very strong employment growth in Seattle metropolitan area and increasing commutership from Skagit County
 - Local/regional employment growth, back to pre-Recession levels
 - Growing food manufacturing economy, bolstered by IPZ
 - Generally high occupancy rates across all land uses with positive trends past three years
 - Relative value of rents and sales prices compared to neighboring counties, may encourage demand from residents, businesses, and travelers seeking better value from higher-cost areas (i.e. Seattle)
 - Housing market recovery over past 5 years
- 3. There is a strong emerging story around food in the region that could be attractive to potential residents, business, developers, and investors**
 - Includes agriculture, value-add food manufacturing, research (i.e. WSU's Bread Lab), restaurants, and food-related retail (i.e. Skagit Valley Co-Op)
- 4. Downtown Mount Vernon has many assets that are attractive from a development standpoint, including:**
 - Skagit River and the recently built Riverwalk
 - Skagit Valley Food Co-Op (13,000 member-owners)
 - Lincoln Theatre (hosts concerts, films, and community events)
 - A historic main street
 - Pedestrian-friendly, walk-able layout
 - Pine Square and various alleys that provide connections and gathering points
 - Amtrak station and service to points north and south
 - Edgewater Park
 - Planned LIFT-funded parking garage
 - Available City land for surplus
- 5. Lower rents and prices put limits on development feasibility in Skagit County and Mount Vernon**
 - Since 2009 there has been minimal development in the region despite improving market fundamentals and relatively high occupancy rates for most land uses
 - This may be due in part to residential and commercial rents that are not high enough for moderate- and high-density construction costs
 - There is also little in the planning pipeline throughout the County aside from single family homes and two hotels in Burlington, although longer-term there could be a significant amount of office space developed at the planned SWIFT Center in Sedro-Woolley

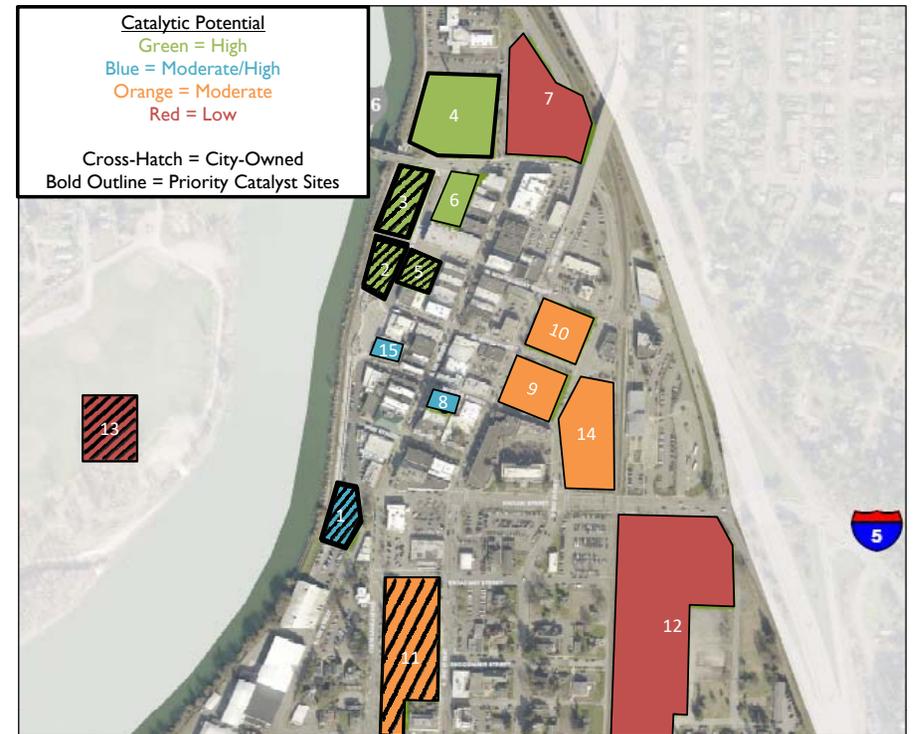
Recommendations

6. Our Project Team's development strategy for downtown Mount Vernon includes the following:

- Lead with the vision and the story around downtown Mount Vernon and the surrounding region
- Concentrate early-stage investments and development sites
- Plan for land uses and development scale in-line with results of market and site analyses
- Identify catalyst sites that can serve as early-phase successes and help lead to development on adjacent/nearby sites
- Identify and work with partners and tenants that can help to anchor early-phase developments (library would be a good example)
- Utilize existing surface parking and leverage LIFT-funded structured parking to help defray developer's parking costs and incentivize development
- Aside from parking, incentivize development as needed through discounts on land in exchange for public benefits, reduction in impact fees, and any other methods the City can reasonably justify
- Have room for flexibility to allow for changes in plans
- Ensure that the first project is a success

7. Our team assessed 15 opportunity sites in downtown Mount Vernon to identify the sites with the highest catalytic potential based on:

- Riverfront or river-adjacent
- Walkable to key nodes
- Developable scale
- Option of surface parking
- City-owned
- Adjacent to other opportunity sites
- Accessible and visible



8. Based on the criteria above, we identified the top three sites that could have the most catalytic impact on development in the near-term:

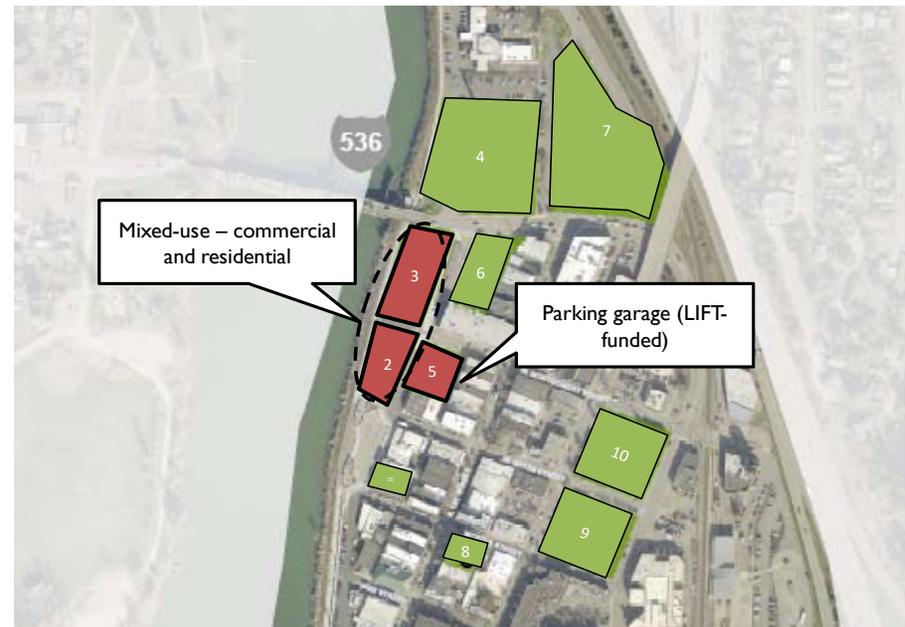
DT CLUSTER	SOUTH ANCHOR	MULTI-NODAL
<ul style="list-style-type: none"> • Parcels 2,3 and 5 • City-owned parking lots in downtown core • Riverfront and near Co-op • 1.7 acres • Potential for surface or LIFT-funded garage • Multiple adjacent and nearby opportunity sites 	<ul style="list-style-type: none"> • Parcel 1 • City-owned parking lots, former Moose Lodge site south of Kincaid • Riverfront and near Lincoln Theater • 23,000 sf site (“bite-sized”) • Good access via Kincaid • Nearby opportunity sites • Potential bridge from downtown core to South of Kincaid 	<ul style="list-style-type: none"> • Parcel 4 • Privately owned (multiple owners) north of Division, includes existing Carnation Building • Riverfront and near Co-op • 2.2 acres • Potential for surface parking strategy • Multiple adjacent and nearby opportunity sites

9. For each of the catalytic sites, we analyzed 2-3 potential development concepts based on the following criteria:

- City goals (per Chapter 2 of the 2008 Downtown and Waterfront Master Plan, see Appendix)
- Market-based demand (both current and future) for various land uses
- Site constraints and strengths
- Parking options
- Phasing and timing of development
- Early phase successes

10. Catalyst Site #1: Downtown Cluster

- Mixed-use development on Parcels 2 and 3, parking on Parcel 5 (either surface parking or LIFT-funded garage)
- Parcel 5 could be expanded by acquiring parcel to the south or by a partial vacation of Main Street
- Ground-floor commercial space, up to 30,000 s.f. (assuming there will be at least some at-grade parking as well on ground floors)
- Assuming a garage on Parcel 5 with shared or dedicated parking for private development uses, development of 4-5 story projects on Parcels 2 and 3 could yield between 40 and 100 residential units (depending on unit sizes and efficiencies) or up to 160,000 s.f. of commercial space



Catalyst Site #1

11. Catalyst Site #2: South Anchor

- Residential or boutique hotel, on-site parking
- Given site and parking constraints, between 6 and 35 residential units (depending on unit sizes) and up to 40 hotel rooms
- Parking at-grade on ground level

12. Catalyst Site #3: North Anchor

- Potential redevelopment of 40,000 s.f. Carnation Building
- Various land use scenarios on western portion of site (vacant parking lot) that could utilize existing surface parking and yield up to 32 residential units, 48 hotel rooms or 19,000 s.f. of commercial office space
- Development yields could be higher if combined with structured or shared parking (i.e. from Carnation Building portion) or if different parking ratios assumed

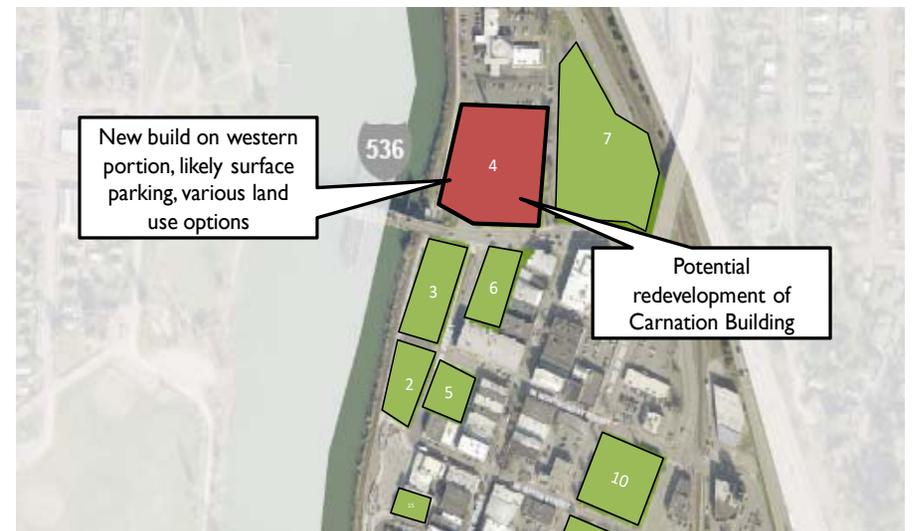
13. Our Project Team identified 15 implementation steps that are critical to accomplishing development plan:

1. Create “buzz” and compelling story
2. Launch downtown website
3. Hold developer’s forum
4. Conduct community forums
5. Identify catalyst sites
6. Determine value of surplus properties
7. Develop RFQ/RFP and seek out end users/tenants
8. Leverage LIFT funds
9. Implement beautification and connection improvements
10. Prioritize other needed infrastructure
11. Evaluate and improve approval process
12. Ensure there are adequate support and resources for master developer role
13. Focus on first project success
14. Coordinate with efforts south of Kincaid
15. Evaluate other potential incentives

The following report provides detailed support for the above-mentioned summary points.



Catalyst Site #2



Catalyst Site #3

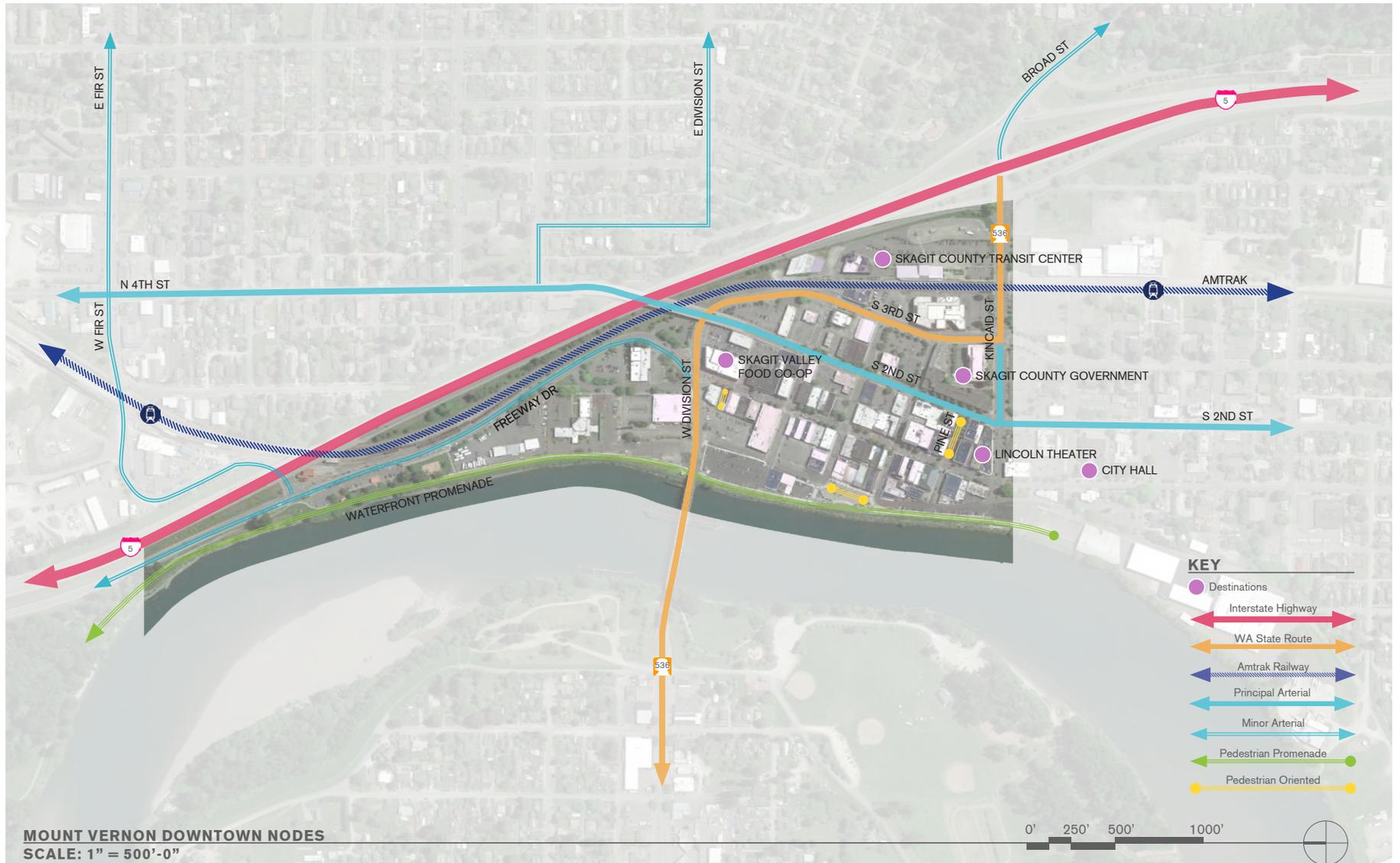
OVERVIEW / CONTEXT

Location

Mount Vernon is located in Skagit County, approximately 60 miles north of Seattle and 80 miles south of Vancouver, BC. It is situated nearly halfway between the cities of Everett and Bellingham (approximately 30 miles to each) and 17 miles east of Anacortes:



Downtown Mount Vernon is generally defined as north of Kincaid Street, east of the Skagit River, south of Freeway Drive, and west of the I-5 freeway:





As can be seen in the map to the right, downtown Mount Vernon includes a significant amount of publicly owned parcels (green shading). The City of Mount Vernon's holdings include mostly vacant surface parking lots along the Skagit River and buildings and surface parking lots in and around City Hall.

Skagit County is another significant land owner in downtown. The County owns approximately 180,000 square feet of building space and surface parking lots north and south of Kincaid Street.

Downtown includes two buildings on the National Register of Historic Places: the Lincoln Theatre and Commercial Block and the President Hotel. A number of other properties, mostly along South 1st Street, are identified as eligible historic properties.

Market Areas

For our analyses, we analyzed regional and local trends in order to better understand the potential for the development sites under consideration. At the regional level, we assessed trends for Skagit, Whatcom, Snohomish, San Juan, and Island Counties, as well as for the Seattle and Vancouver, BC metropolitan areas.

At the local level, we assessed trends for the largest incorporated areas in Skagit County, including the Cities of Mount Vernon, Burlington, Anacortes, and Sedro-Woolley. In addition, where applicable we analyzed data for Downtown Mount Vernon.

KEY DEMAND DRIVERS

Residential Nodes

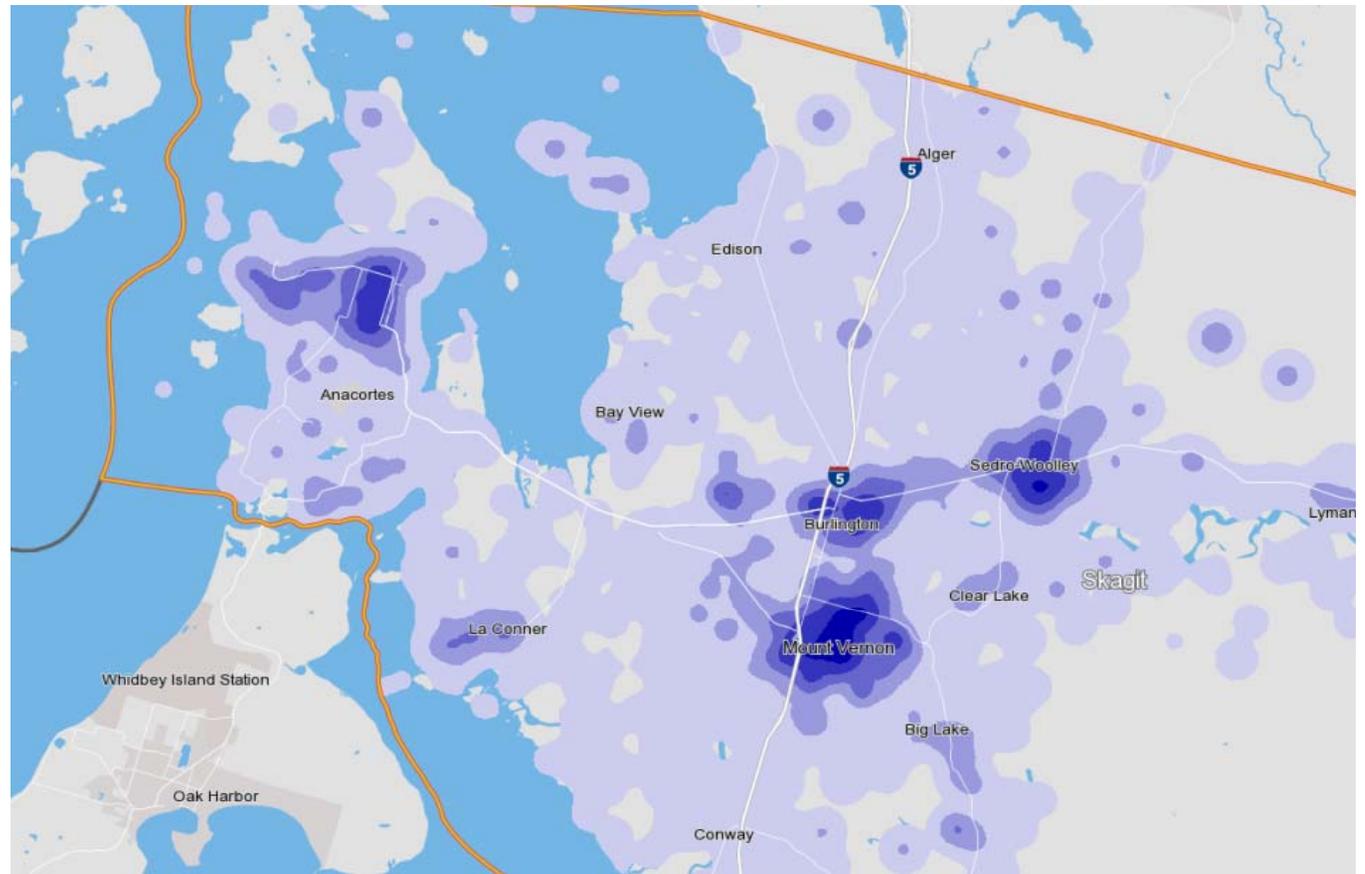
Within Skagit County, housing is currently clustered in the four major urbanized areas in and around the Cities of Mount Vernon, Burlington, Anacortes, and Sedro-Woolley, as can be seen in the map to the right.

Demographics

According to Claritas, Skagit County's estimated population total in 2017 is 124,000 (in 49,000 households), up from 117,000 (in 39,000 households) in 2000. Nearly 35,000 people, or 28% of the County's population, live in Mount Vernon, making it the most populous city in the County. The next most populous cities are Anacortes (16,000), Sedro-Woolley (10,800), and Burlington (8,500).

The Skagit Council of Governments projects population totals of nearly 162,000 in Skagit County and 50,000 for Mount Vernon by 2040, representing 37% and 46% growth, respectively, on their 2012 estimates. Compared to Skagit County as a whole, households in Mount Vernon are less wealthy, significantly younger, and larger (in terms of number of household members).

According to Claritas, the median household income in 2017 is nearly \$50,000 in Mount Vernon, \$56,700 for Skagit County, \$56,500 for Whatcom County, and \$76,000 for Snohomish County.



Source: OnTheMap (Census)

28% of Mount Vernon's households earn between \$50,000 and \$100,000, and 22% earn over \$100,000. Countywide, 31% earn between \$50,000 and \$100,000, and 24% earn over \$100,000. Whatcom County has similar ranges, but Snohomish County has a significantly higher share that earn over \$100,000 (36% of households).

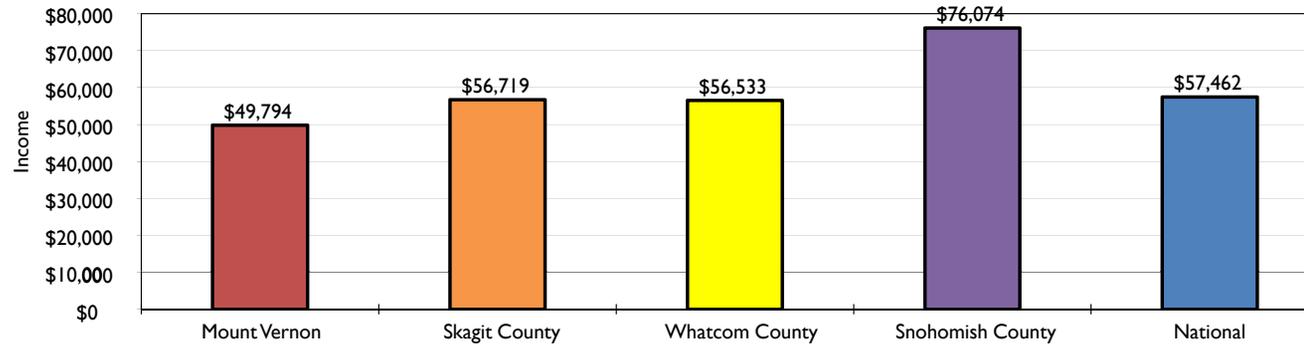
The income differential may in part be due to the younger age of households in Mount Vernon, whose median age (for head of household) is 34.5 in 2017, compared to 41.4 for Skagit County.

The median household size in Mount Vernon is 2.8 in 2017, which is larger than that of Skagit County (2.5).

35% of Mount Vernon's population is classified as Hispanic or Latino, compared to 18% in Skagit County and 10% each in Whatcom and Snohomish Counties.

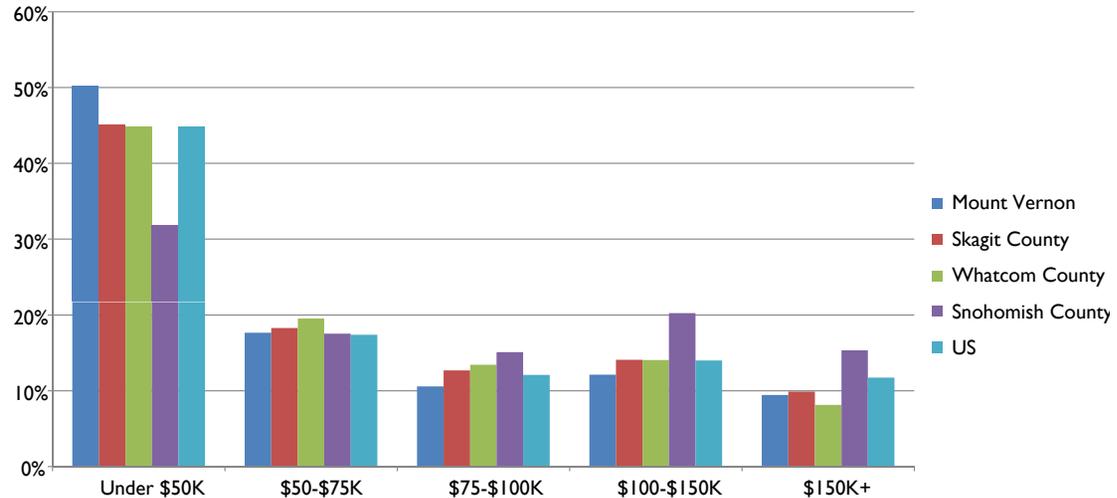
MEDIAN HH INCOME

Source: Claritas



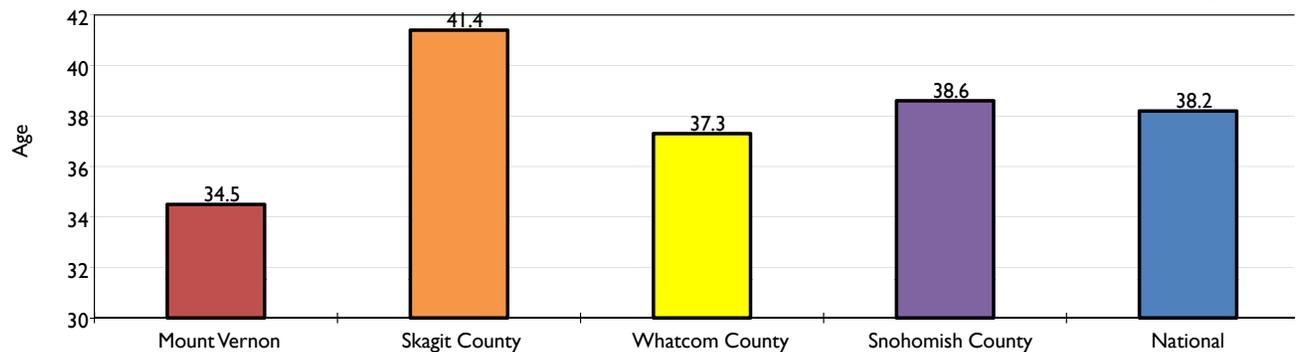
INCOME DISTRIBUTION

Source: Claritas

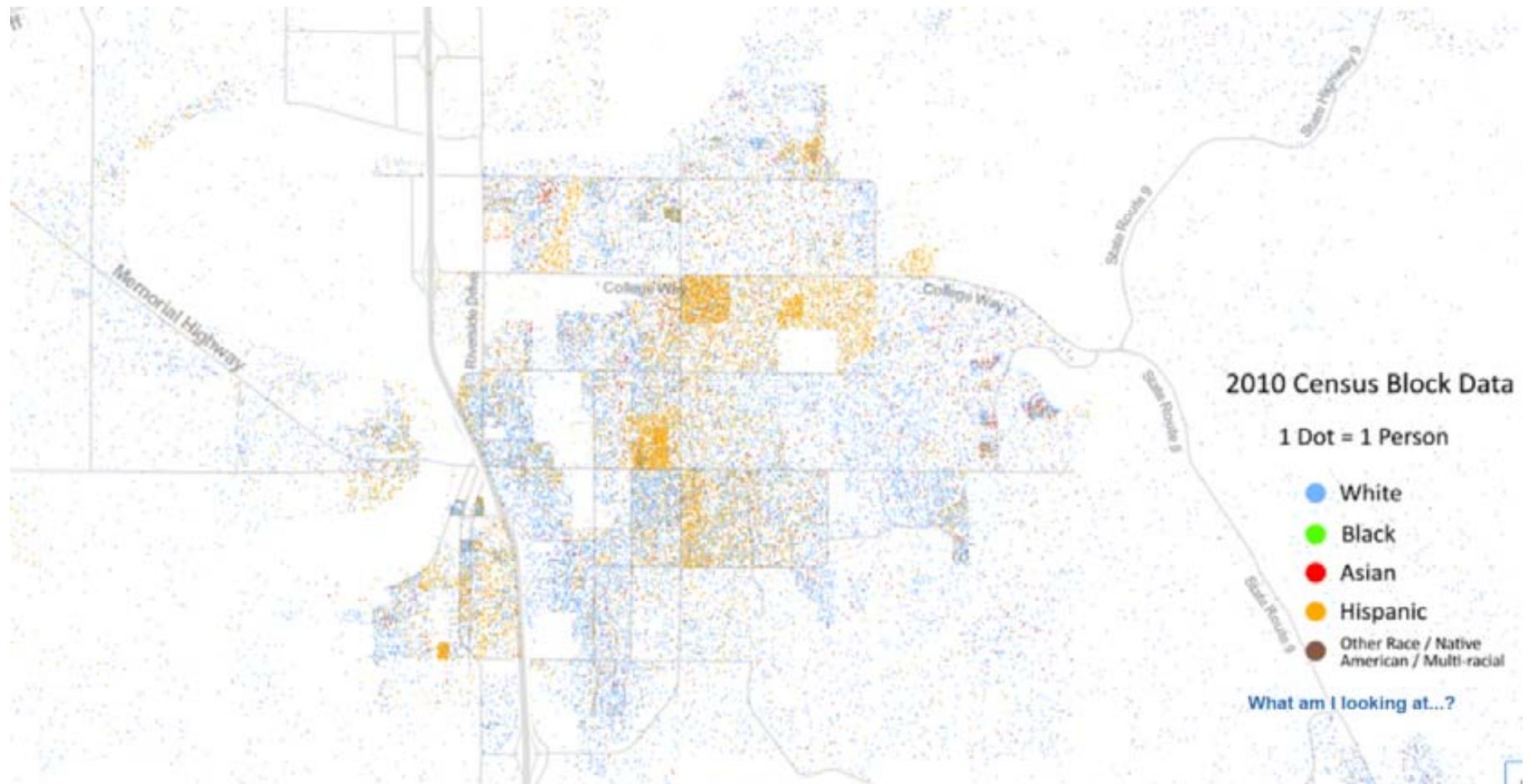


MEDIAN AGE

Source: Claritas



POPULATION DENSITY BY RACE MOUNT VERNON



Employment

Employment nodes in Skagit County are predominantly clustered along the I-5 corridor in and around Mount Vernon and Burlington as well as in Anacortes as seen in the map to the right.

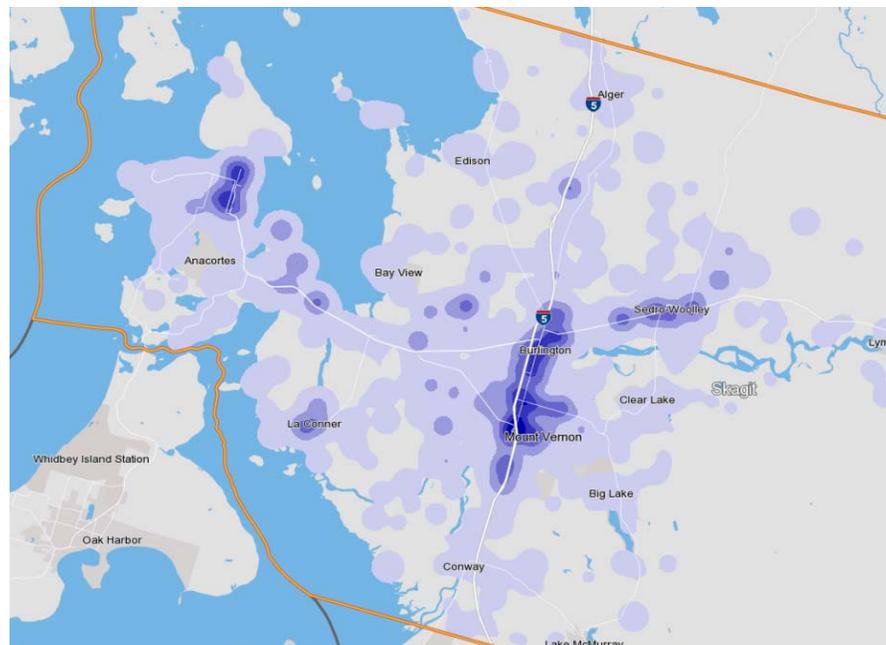
According to the Bureau of Labor Services (BLS), Skagit County lost 3,500 jobs between 2008 and 2011 as the national and regional economy faltered. However, since 2011, over 4,100 jobs have been added in the County, bringing total employment to nearly 50,000. Approximately 15,000 jobs, or 30% of the County total, are located in Mount Vernon.

Annual employment growth since 2011 has been 1.8%, in-line with the national average but below the growth rates seen during the same time period in Whatcom (2.1%), Snohomish (2.7%) and King (2.9%) Counties.

As of May 2017, unemployment in Skagit County stands at 5.2%, down from 6.6% in May 2016 and 6.8% in May 2015. Regionally, Skagit County has the highest unemployment rate, with all surrounding counties reporting rates at or under 5%.

Period	Skagit County			Whatcom County			Snohomish County			King County			United States		
	000s	Growth/Year		000s	Growth/Year		000s	Growth/Year		000s	Growth/Year		000s	Growth/Year	
		Num.	Perc.		Num.	Perc.		Num.	Perc.		Num.	Perc.		Num.	Perc.
Annual															
2001	43,964			68,842			209,657			1,146,191			132,087		
2002	43,662	(302)	-0.7%	70,306	1,464	2.1%	205,354	(4,303)	-2.1%	1,102,664	(43,527)	-3.8%	130,649	(1,438)	-1.1%
2003	44,505	843	1.9%	72,369	2,063	2.9%	206,733	1,379	0.7%	1,087,269	(15,395)	-1.4%	130,347	(302)	-0.2%
2004	45,353	848	1.9%	75,036	2,667	3.7%	210,680	3,947	1.9%	1,093,780	6,511	0.6%	131,787	1,439	1.1%
2005	46,751	1,398	3.1%	78,663	3,627	4.8%	221,050	10,370	4.9%	1,116,311	22,531	2.1%	134,051	2,264	1.7%
2006	47,851	1,100	2.4%	80,144	1,481	1.9%	233,248	12,198	5.5%	1,149,862	33,551	3.0%	136,453	2,402	1.8%
2007	48,964	1,113	2.3%	82,538	2,394	3.0%	252,743	19,495	8.4%	1,173,346	23,484	2.0%	137,999	1,547	1.1%
2008	48,695	(269)	-0.5%	83,184	646	0.8%	253,491	748	0.3%	1,189,512	16,166	1.4%	137,242	(758)	-0.5%
2009	45,908	(2,787)	-5.7%	79,174	(4,010)	-4.8%	241,782	(11,709)	-4.6%	1,130,629	(58,883)	-5.0%	131,313	(5,929)	-4.3%
2010	45,502	(406)	-0.9%	77,810	(1,364)	-1.7%	239,005	(2,777)	-1.1%	1,116,634	(13,995)	-1.2%	130,361	(952)	-0.7%
2011	45,395	(107)	-0.2%	79,286	1,476	1.9%	246,831	7,826	3.3%	1,137,421	20,787	1.9%	131,932	1,571	1.2%
2012	45,803	408	0.9%	80,419	1,133	1.4%	257,099	10,268	4.2%	1,163,222	25,801	2.3%	134,175	2,243	1.7%
2013	47,272	1,469	3.2%	82,316	1,897	2.4%	263,543	6,444	2.5%	1,198,816	35,594	3.1%	136,381	2,207	1.6%
2014	48,300	1,028	2.2%	83,696	1,380	1.7%	267,792	4,249	1.6%	1,237,586	38,770	3.2%	138,958	2,577	1.9%
2015	48,582	282	0.6%	85,721	2,025	2.4%	275,565	7,773	2.9%	1,274,203	36,617	3.0%	141,843	2,885	2.1%
2016	49,515	933	1.9%	87,965	2,244	2.6%	282,603	7,038	2.6%	1,310,027	35,824	2.8%	144,307	2,464	1.7%

Source: BLS



Source: OnTheMap (Census)

	2006		2016		2006-2016 Change	
	Totals	Share	Totals	Share	Totals	% Growth
Agriculture, forestry, fishing and hunting	2,999	6%	2,671	5%	-328	-10.9%
Mining	48	0%	29	0%	-19	-39.6%
Utilities	177	0%	203	0%	26	14.7%
Construction	3,793	8%	3,310	7%	-483	-12.7%
Manufacturing	5,248	11%	5,684	11%	436	8.3%
Wholesale trade	971	2%	1,190	2%	219	22.6%
Retail trade	7,508	16%	6,946	14%	-562	-7.5%
Transportation and warehousing	1,070	2%	1,320	3%	250	23.4%
Information	485	1%	345	1%	-140	-28.9%
Finance and insurance	1,411	3%	1,533	3%	122	8.6%
Real estate and rental and leasing	525	1%	469	1%	-56	-10.7%
Professional and technical services	1,170	2%	1,588	3%	418	35.7%
Management of companies and enterprises	127	0%	131	0%	4	3.1%
Administrative and waste services	973	2%	1,300	3%	327	33.6%
Educational services	279	1%	371	1%	92	33.0%
Health care and social assistance	4,394	9%	5,027	10%	633	14.4%
Arts, entertainment, and recreation	557	1%	655	1%	98	17.6%
Accommodation and food services	4,116	9%	4,351	9%	235	5.7%
Other services, except public administration	1,887	4%	1,365	3%	-522	-27.7%
Government	10,146	21%	11,090	22%	944	9.3%
	47,884	100%	49,578	100%	1,694	3.5%

Source: ESD

According to Washington State's Employment Security Department (ESD), the majority of jobs created in Skagit County since 2006 have been concentrated in five sectors: Government (+944, includes casino employment), Health Care and Social Assistance (+633), Manufacturing (+436), Professional and Technical Services (+418), and Administrative and Waste Services (+327). In the same time period, job losses have been concentrated in the following sectors: Retail Trade (-562), Other Services (-522), Construction (-483), Agriculture (-328), and Information (-140).

As of 2016, Skagit County's largest employment sectors are: Government (21%, includes casino employment), Retail Trade (14%), Manufacturing (11%), Health Care and Social Assistance (10%), and Accommodation and Food Services (9%).

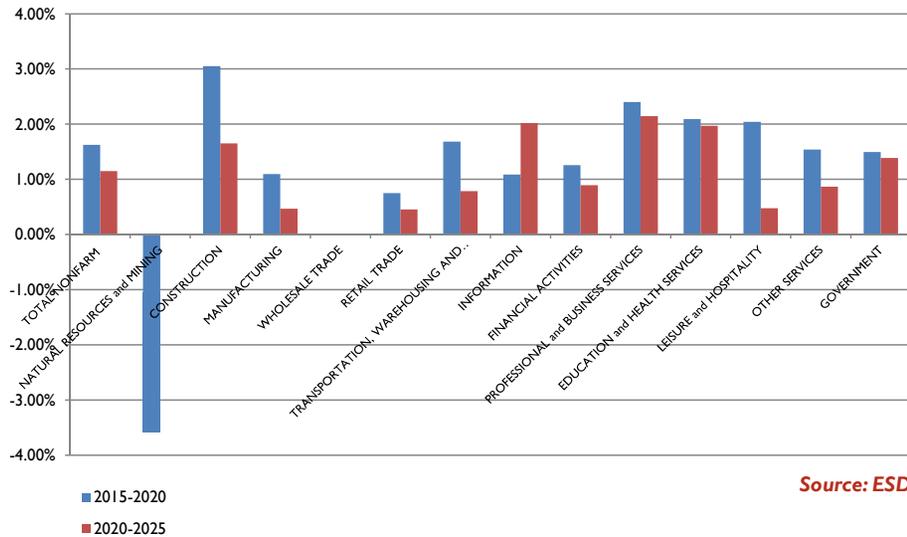
Washington State's Employment Security Department (ESD) projects that the Northwest submarket, which includes Skagit, Whatcom, San Juan, and Island Counties, will add 13,300 net new nonfarm jobs between 2015 and 2020 and 10,100 net new jobs between 2020 and 2025. Projected annual job growth through 2025 is 1.4%.

The majority of job growth for the Northwest submarket, in absolute numbers, is projected to come from five industry sectors: Government, Leisure and Hospitality, Education and Health Services, Professional and Business Services, and Construction. These sectors account for 80% of projected growth through 2025.

Government and Education and Health Services are heavily represented in Skagit County's top employers, which include hospitals, school districts, and casinos (which as tribal properties are counted as government employment). Other top employers in the County are predominantly in Manufacturing (which includes refineries) and Retail.

According to ESD, King County is projected to add 240,000 jobs through 2025, and Snohomish County is projected to add 35,000 jobs in the same time frame.

PROJECTED EMPLOYMENT GROWTH NORTHWEST SUBMARKET



SKAGIT COUNTY TOP EMPLOYERS

2016 Rank	2015 Rank	Company Name	Number of Employees	Notes
1	1	Skagit Regional Health	1802	Estimated based on prior years
2	2	Island Hospital	785	
3	3	Janicki Industries	706	
4	4	Skagit County Government	649	
5	5	Sedro Woolley School District	507	
6	6	Skagit Valley Casino Resort	500	
7	19	Mount Vernon School District	480	
8	13	Shell Puget Sound Refinery	470	
9	7	Swinomish Casino	409	
10	8	Peace Health United General Medical Center	400	
11	9	Tesoro Refinery	394	
12	11	Burlington Edison School District	390	FTE
13	12	PACCAR Technical Center	340	Estimated based on prior years, FTE
14	10	Dakota Creek Industries Inc	321	
15	14	Hexcel	290	FTE
16	17	Skagit Bank	199	
17	15	Walmart	190	
18		Truss Company	166	
19	16	Costco	160	Estimated based on prior years
20	18	Skagit Gardens Inc	142	Estimated based on prior years
21	20	Home Depot	125	Estimated based on prior years
22	21	Karmart Chrysler Dodge	115	
23		Team industrial	91	
24		Mavrik Marine	90	
25	22	Fred Meyer	45	Estimated based on prior years

Source: Western Washington University CEBR

Commuting Patterns

Understanding the Seattle metropolitan economy is especially important given trends over the past 12 years. In 2002, 64% of all employed residents in Skagit County worked in Skagit County. In 2014 (the most recent year of available Census commuting data), Skagit County's share of employed residents was down to just over 50%, meaning that an increasing number of residents are commuting out of the County for work.

In the same time period, there was a significant rise in the share of residents living in Skagit County who commuted to King County – from 12% in 2002 to 18% in 2014. These commuters to King County accounted for 50% of all of the growth of employed residents in Skagit County from 2002-2014.

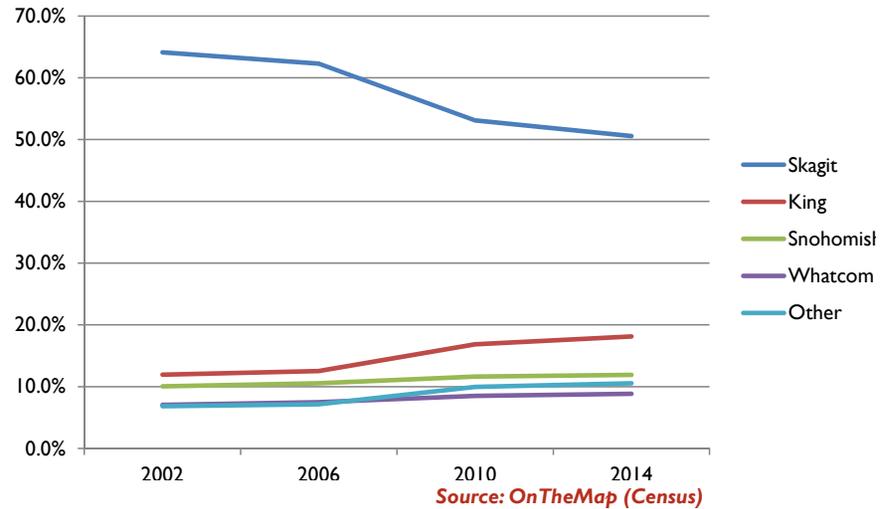
Similar trends are seen when analyzing commuting trends from residents in Mount Vernon. The map to the right highlights the top commuting destinations (by zip code) for employed residents of Mount Vernon. The commuting shed is relatively disbursed along the I-5 corridor with a heavy concentration in and around Mount Vernon.

While more Skagit County residents are commuting out of the county for work, the reverse is also true – over the past 12 years more out-of-county workers are commuting into Skagit County for work. From 2002-2014, the share of Skagit County employees who live in Skagit County dropped from 70% to 58%, while the share for neighboring counties (Snohomish, Whatcom, Island, and San Juan) increased from 20% to 27%.

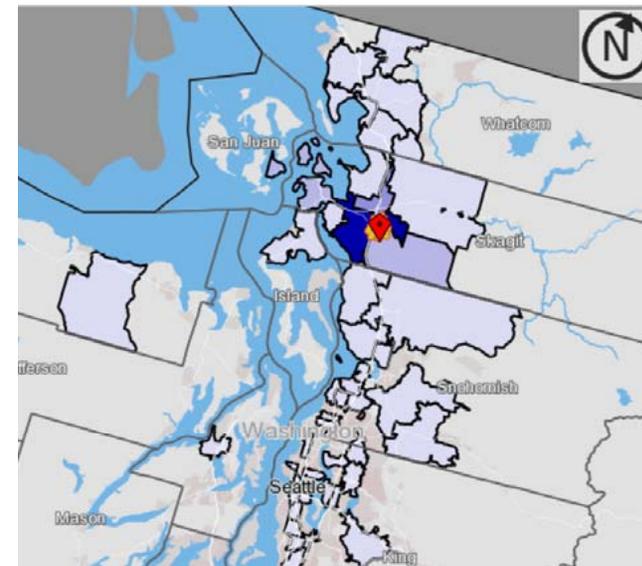
Similar trends are seen when analyzing commuting trends for employees in Mount Vernon. The map to the right highlights the top residence locations (by zip code) for employees working in Mount Vernon. As previously seen with the commuting destination data, the commuting shed is relatively disbursed along the I-5 corridor with a heavy concentration in and around Mount Vernon.

The commuting data points to an increasingly mobile workforce willing to commute over increasing distances, signifying that future commercial and residential developments in Mount Vernon should plan for demand from within and outside of Skagit County.

SHARE OF SKAGIT COUNTY RESIDENTS COMMUTING TO:



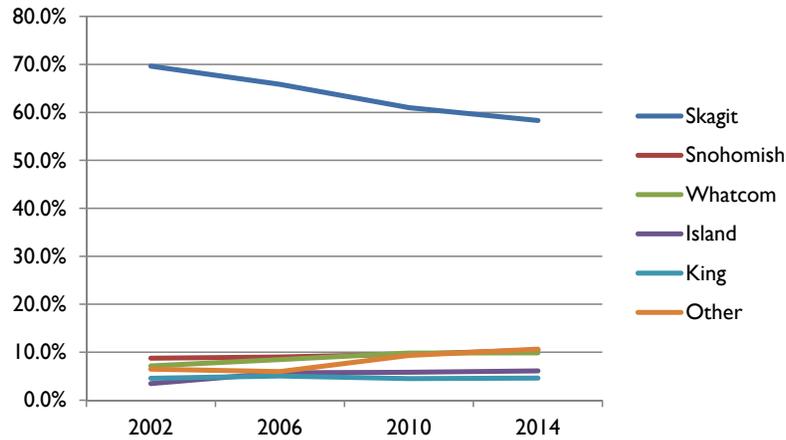
COMMUTING DESTINATIONS FOR MOUNT VERNON RESIDENTS



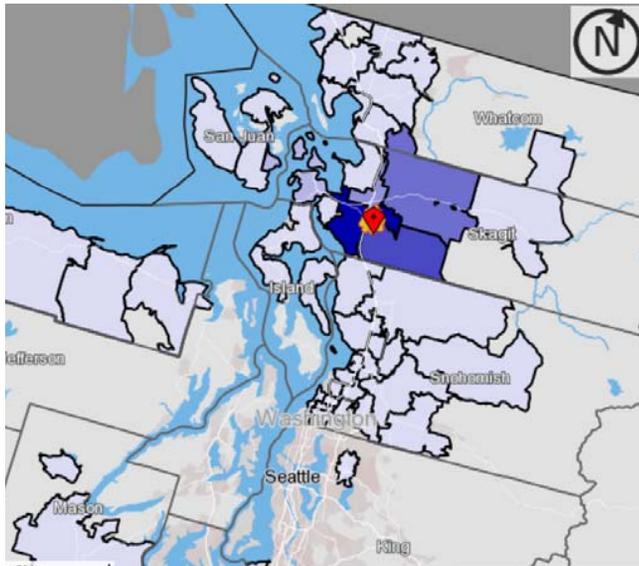
Darker blue = highest share

Source: OnTheMap (Census)

SHARE OF SKAGIT COUNTY RESIDENTS COMMUTING FROM:



RESIDENCE LOCATIONS FOR MOUNT VERNON EMPLOYEES



Source: OnTheMap (Census)

Migration Patterns

Inter-county commuting patterns may also be impacting migration trends, as employees look to settle closer to job centers or conversely look for less expensive housing choices. From 2010-2014, the top sources of in-migration and the top destinations from Skagit County were Snohomish, Whatcom, King, and Island Counties:

Top In-Migration Sources

County	State	Total
Snohomish County	Washington	915
Whatcom County	Washington	889
King County	Washington	571
Island County	Washington	456
Pierce County	Washington	316

Top Out-Migration Destinations

County	State	Total
Los Angeles County	California	111
Sacramento County	California	102
Kitsap County	Washington	102
Utah County	Utah	91
Clark County	Washington	89

Source: Census Flows Mapper 2010-2014

Food Manufacturing

Aside from Government employment (which also includes casino jobs), Manufacturing saw some of the strongest gains between 2006-2016 in Skagit County. One subsector of Manufacturing which saw strong growth was Food Manufacturing, which grew 21% over this time period to add 233 jobs. Food Manufacturing includes value-add companies which take livestock and agricultural products and turn them into products for intermediate or final consumption.

This subsector was given a boost when the Skagit Valley Value-Added Innovation Partnership Zone (IPZ) was designated in 2013 to promote research, partnerships,

and employment. Partners include Mount Vernon, Skagit County, The Port of Skagit, local farmers and entrepreneurs, Washington State University, Skagit Valley College, Northwest Agriculture Business Center, and The Economic Development Association of Skagit County.

The IPZ is centered around the Port of Skagit airport and business park facilities, with tenants mostly located at the Bayview Business Park. Business include Skagit Valley Malting, Chuckanut Brewery, Gielow Pickles, and From the Farm Treats. Research institutions include Washington State University's Bread Lab and Mount Vernon Research Station and Skagit Valley College's Craft Brew Academy.

Tourism

According to Dean Runyan Associates, there were 1.6 million overnight visitor trips to Skagit County in 2014, leading to travel spending of \$201 million. Day travelers (not stopping for overnight accommodations) accounted for an additional \$92 million in travel spending, bringing the total estimated spend to \$293 million for the year. Travel spending in the county has grown just over 3% per year between 2006 and 2014, and 4% per year since 2010.

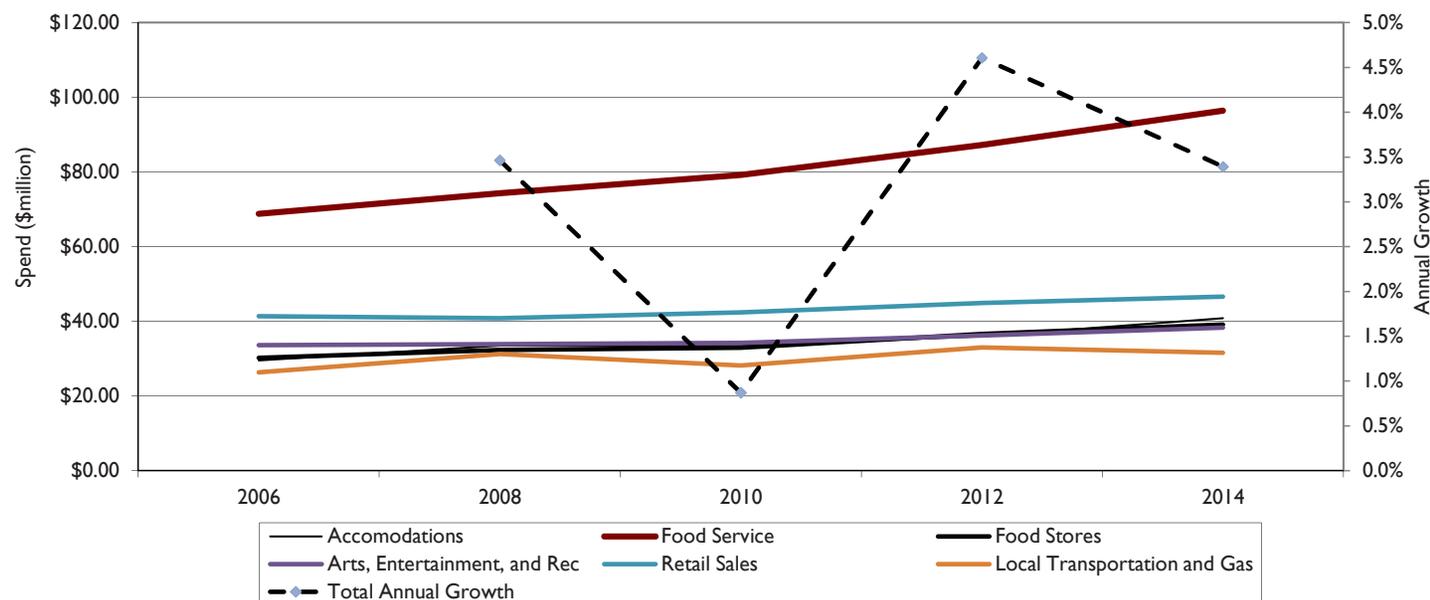
The County's biggest tourist draw is the Skagit Valley Tulip Festival, held annually during the month of April. The main draws of the festival are the fields of blooming tulips, located west of Mount Vernon. In addition, there are numerous arts and entertainment events planned during the festival. Officials estimate visitor attendance of between 300,000 and 500,000 people per year for the festival. According to IFEA, attendees spend approximately \$58 per person, which includes all visitors (local daytime visitors, overnight visitors, etc.). Applying these spending estimates to the attendance estimates yields visitor spending of approximately \$17 million to \$30 million. IFEA estimates that 25% of festival attendees are from Skagit County, 58% are from other Washington cities (including 12% from Seattle), 9% are from other states, and 8% are international. 8% of visitors are estimated to stay in hotels or motels in the local area.

Although the Tulip Festival's main draws and events happen outside of Mount Vernon, the organization's office is located in downtown Mount Vernon and is the address that shows up from a Google search for the festival. In addition, many visitors come through downtown Mount Vernon on the way to the festival's events.

Other festivals in the county include the Daffodil Festival held in March in La Conner, the two-day Skagit Valley Highland Games held in July in Mount Vernon's Edgewater Park, and the two-day Festival of Family Farms held in October throughout the county.

COMMUTING DESTINATIONS FOR MOUNT VERNON RESIDENTS

Source: Dean Runyan Associates



LAND USE ANALYSIS

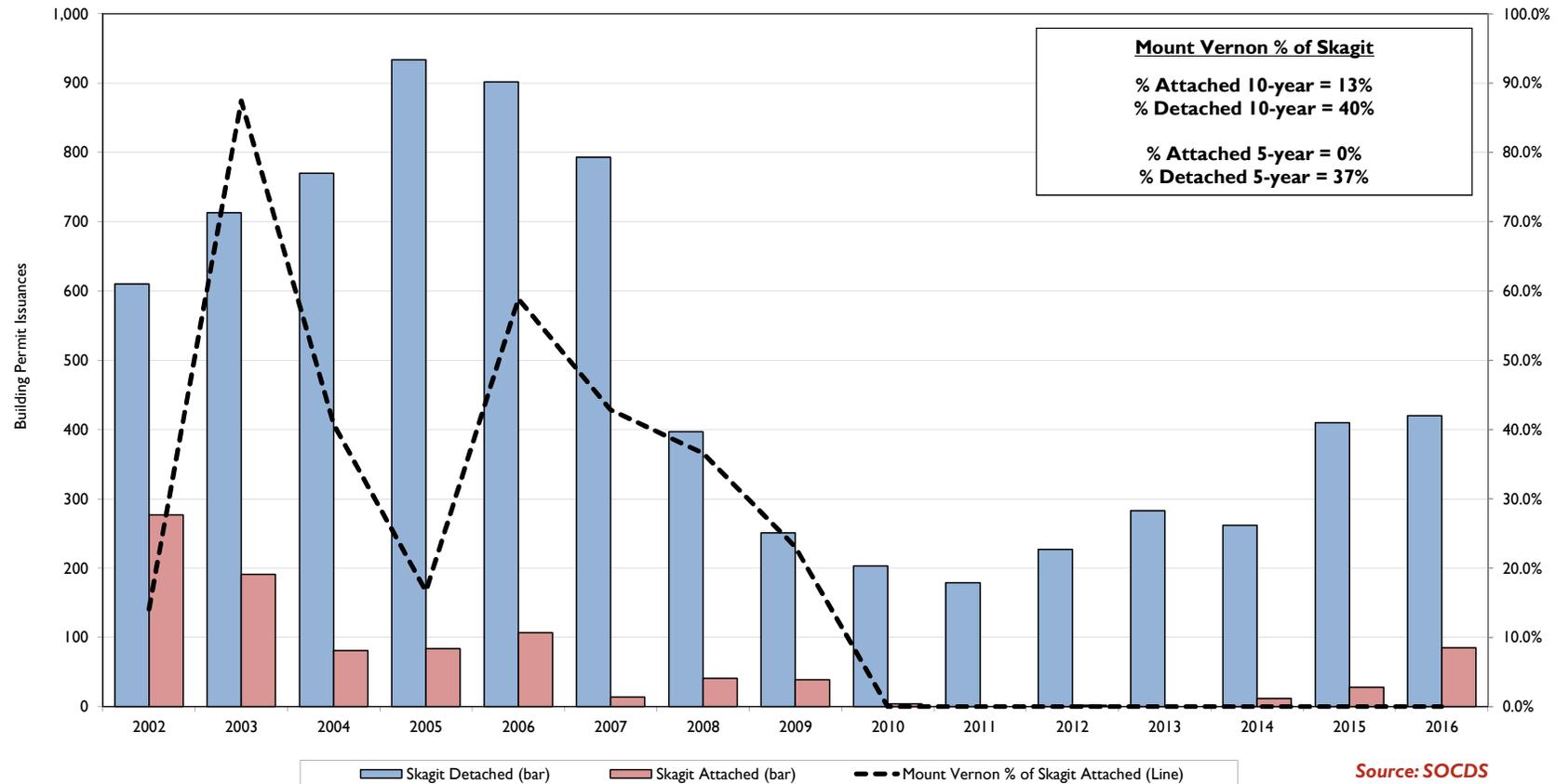
Residential Trends

The Residential Market Area (RMA), which is the area represented in the macro trends and which is closely aligned with the likely competitive zone for potential development in downtown Mount Vernon, includes the major cities in Skagit County (Mount Vernon, Burlington, Anacortes, and Sedro-Woolley).

After bottoming out in 2011 during the Great Recession, building permits in Skagit County have generally increased every year for detached and attached housing. In 2016, 420 building permits were issued for detached homes and 85 for attached

homes in Skagit County, reaching 10-year highs. In comparison, in Whatcom County there were 718 permits for detached and 465 for attached housing issued in 2016. Mount Vernon has seen a similar trend as Skagit County for detached housing, with 144 permits issued in 2016 (29% of County totals). However, there were no building permits issued in 2016 for attached housing, and in fact there have not been any permits issued for multifamily housing in the city since 2009.

SKAGIT COUNTY



Apartment Analysis

According to the Washington Center for Real Estate Research (WCRER), there are approximately 5,000 apartment units in Mount Vernon and Anacortes, the two largest markets in Skagit County. This includes both market-rate and subsidized housing, so the total universe of market-rate apartments is likely significantly smaller.

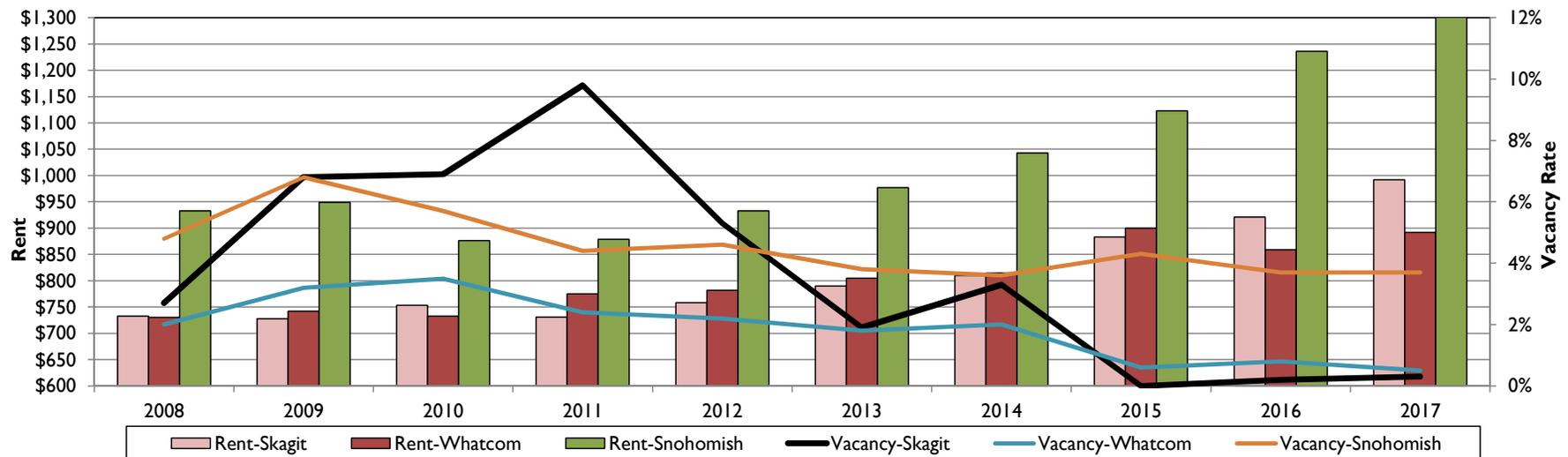
WCRER's Apartment Market Report, which utilizes research from WCRER and from Dupre+Scott, shows that apartment vacancy rates in Skagit County have been on a downward trend since hitting 10% in 2011, and as of 2017 there is essentially no vacancy. According to the report, in 2017 Whatcom County had virtually no vacancies and Snohomish had a vacancy rate of 3.7%, well below the accepted stabilized rate of 5%. The report only surveys a portion of each county's apartment stock, with a focus on larger market-rate projects.

WCRER reports that rents in Skagit County grew nearly 6% per year from 2013-2017, with the average monthly rental rate in 2017 just under \$1,000, or \$1.28 per square foot (psf). In comparison, average monthly rents in 2017 in Whatcom County are \$892 (\$1.14 psf) and in Snohomish County are \$1,325 (\$1.50 psf).

Our survey of apartments in Mount Vernon revealed almost no availabilities, supporting the very low vacancy rate reported by WCRER. Apartment product in Mount Vernon is relatively dated, with most projects of 20+ units dating from the 1980s and 1990s. The only apartment projects that we found built after 2000 were age restricted (i.e. 55+). The surveyed properties are between 2 and 3 stories tall, and unit sizes range from 500 to 1,100 square feet. Outside of Skagit County, we surveyed apartment properties in Whatcom and Snohomish Counties built after 2000. Rents at projects located in the urban cores of Bellingham and Everett typically range from \$1.50-\$2.00 per square foot.

There are few apartment projects currently in planning in Mount Vernon and Skagit County.

Listings for apartment buildings for sale in Mount Vernon and Burlington through the second quarter of 2017 range from \$78,000 to \$200,000 per unit, with cap rates between 5.75% and 6.75%. These listings are all small projects with under 8 units.

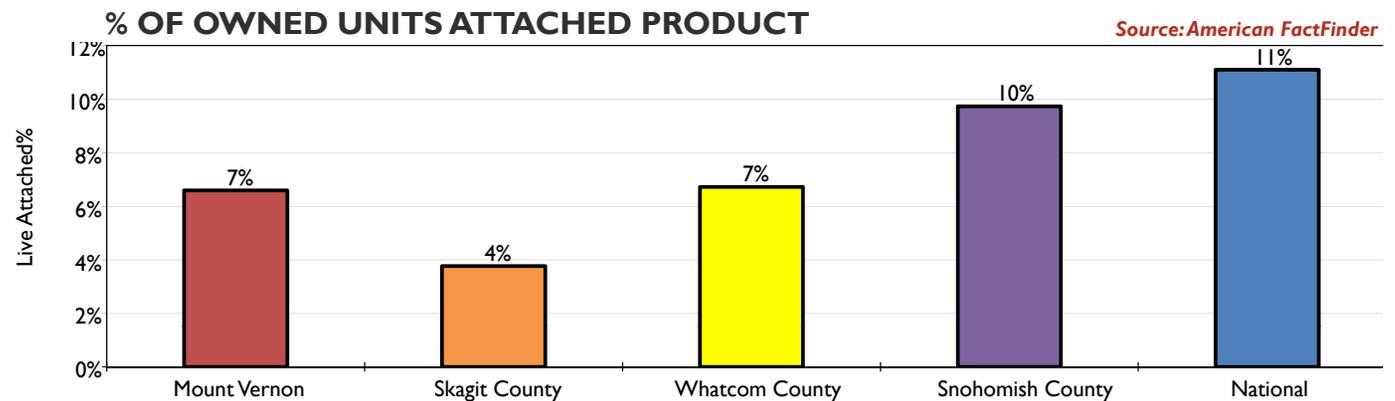
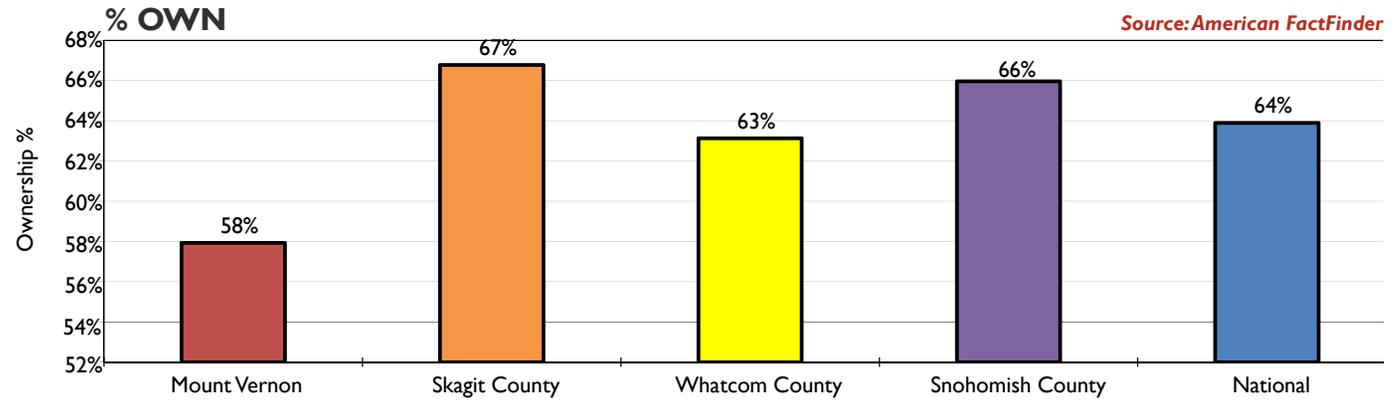


For-Sale Analysis

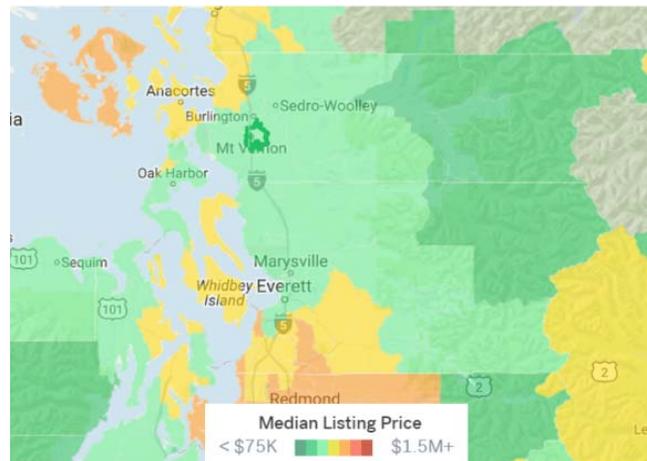
The 5-year average homeownership rate in Skagit County stands at 67%, higher than in surrounding counties. Mount Vernon's ownership rate is notably lower at 58%. Homeownership rates have trended slightly downward regionally and nationally over the past 5 years.

86% of all owned housing in Skagit County is detached single family product, and only 4% is attached product (including attached single family homes). Surrounding counties have a higher rate of attached ownership products. Mount Vernon's 7% rate is above that of Skagit County and in-line with the Whatcom County rate, but about half of the 14% rate seen in Bellingham, Whatcom County's urban center.

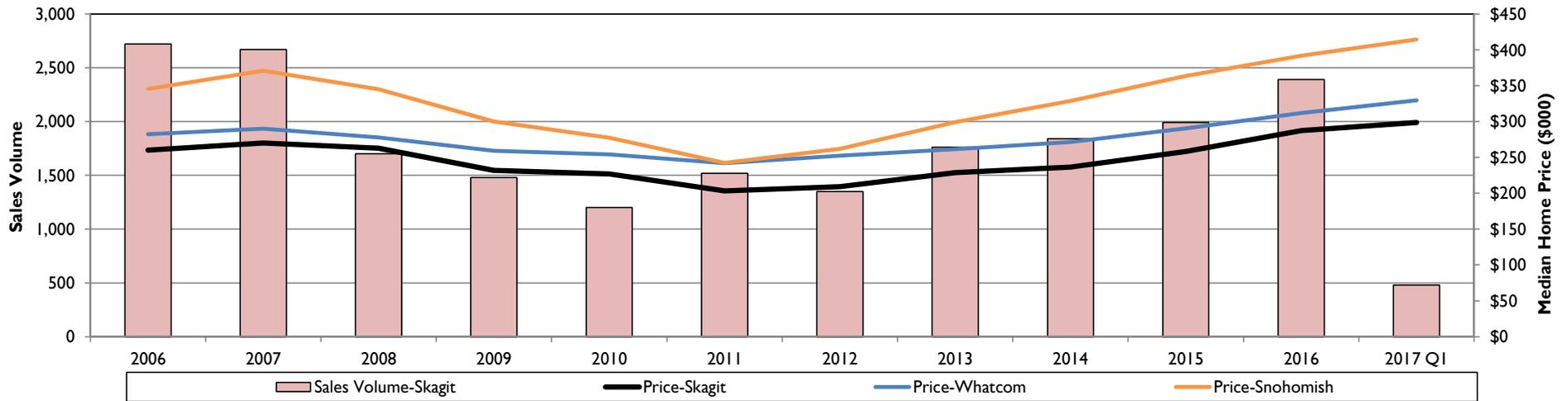
Mount Vernon and most of Skagit County can be seen as relative values for home prices compared to the greater Seattle metro to the south and the Bellingham area (and the Vancouver market) to the north. The heat map of median listing prices in the region as of mid-July 2017 graphically displays the relative values (green = least expensive, red = most expensive):



MEDIAN HOME PRICE HEAT MAP



Source: Trulia



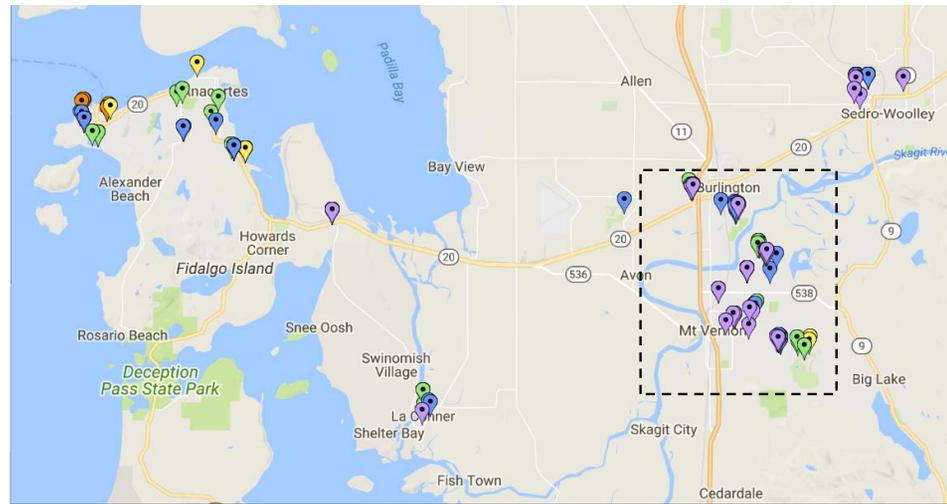
Source: WCRER

After reaching a pre-Recession median price peak of \$270,000, single family home prices in Skagit County dropped 25% to just over \$200,000 in 2011. Since 2011, home prices have risen 6.6% per year and as of the first quarter in 2017 stand at \$299,000. In comparison, median home prices are \$330,000 in Whatcom County and \$415,000 in Snohomish County. Despite rising every year since 2012, sales volumes in Skagit County remain below pre-Recession levels.

Over the last 12 months (through July 2017), there were 137 attached sales (condo or townhome) in Skagit County, 54 of which were in Mount Vernon. Countywide, the median price for attached product was \$230,000, or \$170 per square foot. The median price was lower in Mount Vernon - \$209,000, or \$153 per square foot. For both Mount Vernon and Skagit County, the median year built for sold product was 2002.

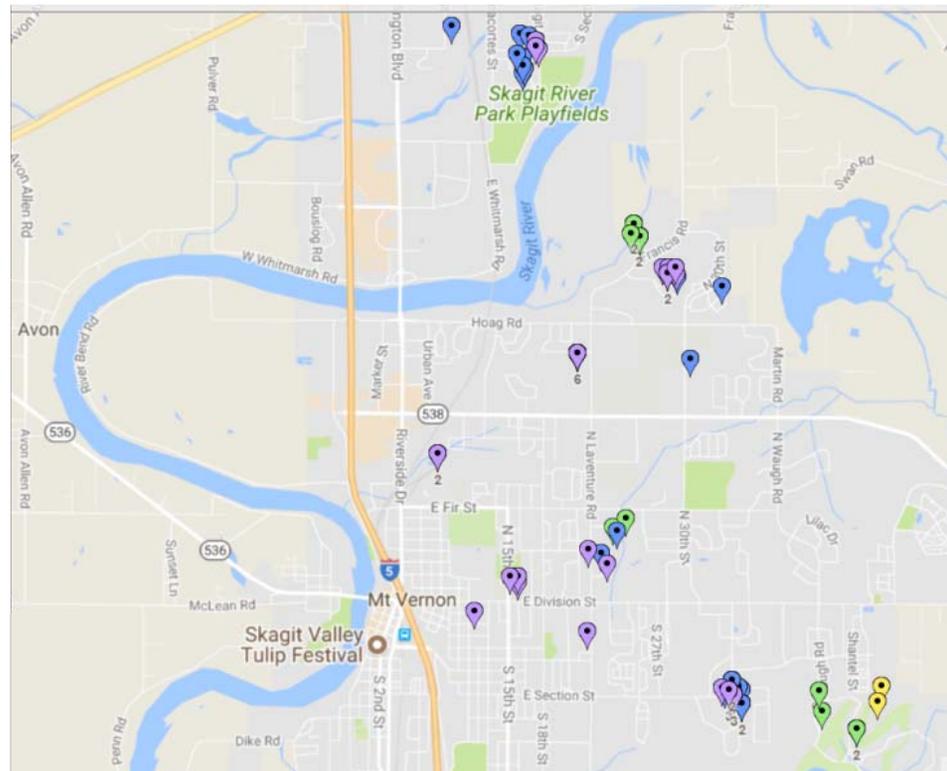
As can be seen in the maps to the right, attached for-sale product priced over \$300,000 tends to be clustered around the Eaglemont Golf Course in Mount Vernon and near the water in Anacortes.

There have been few attached residential developments in Skagit County since 2008, aside from some small condo and townhome projects. There are few for-sale attached projects currently in planning in Mount Vernon and Skagit County.



< \$200,000	Purple
\$200,000 - \$300,000	Blue
\$300,000 - \$400,000	Green
\$400,000 - \$500,000	Yellow
\$500,000 +	Orange

Source: Redfin



Retail

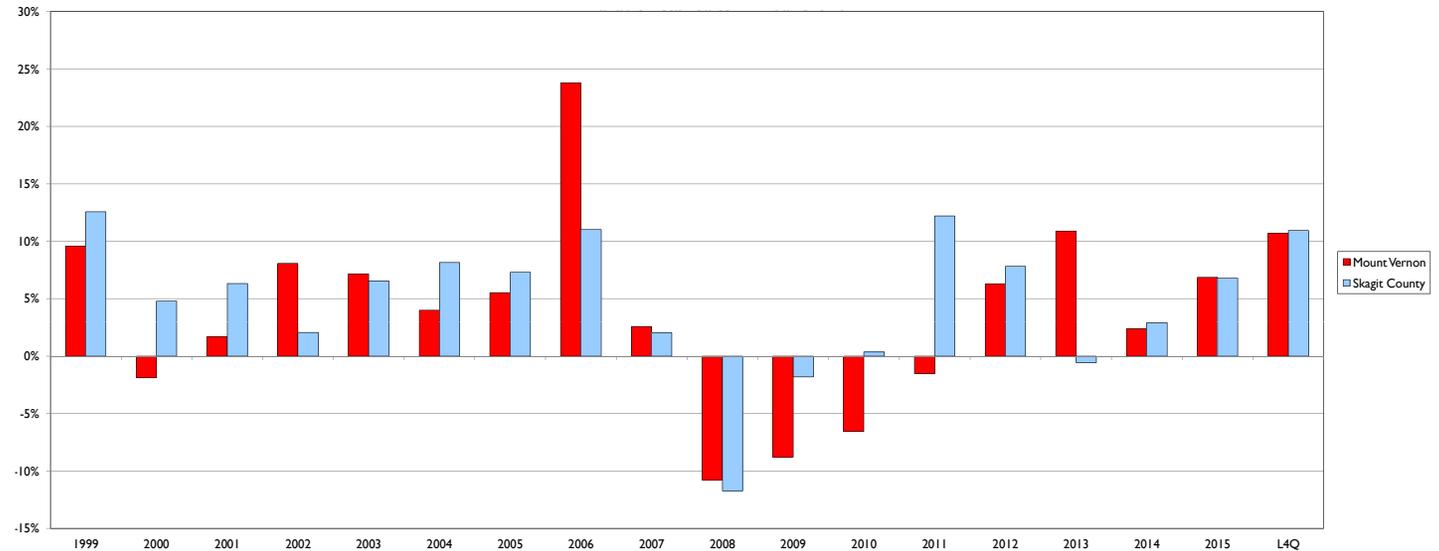
The Retail Market Area (RMA), which is the area represented in the macro trends and which is closely aligned with the likely competitive zone, includes Mount Vernon and Skagit County.

Over the past 5 years, taxable retail sales have grown 7.4% per year in Mount Vernon and 5.5% per year in the County. Over the last 4 quarters, taxable sales in Mount Vernon totaled \$750 million. In comparison, taxable sales in Burlington and Anacortes totaled \$916 million and \$429 million, respectively, over the same time period.

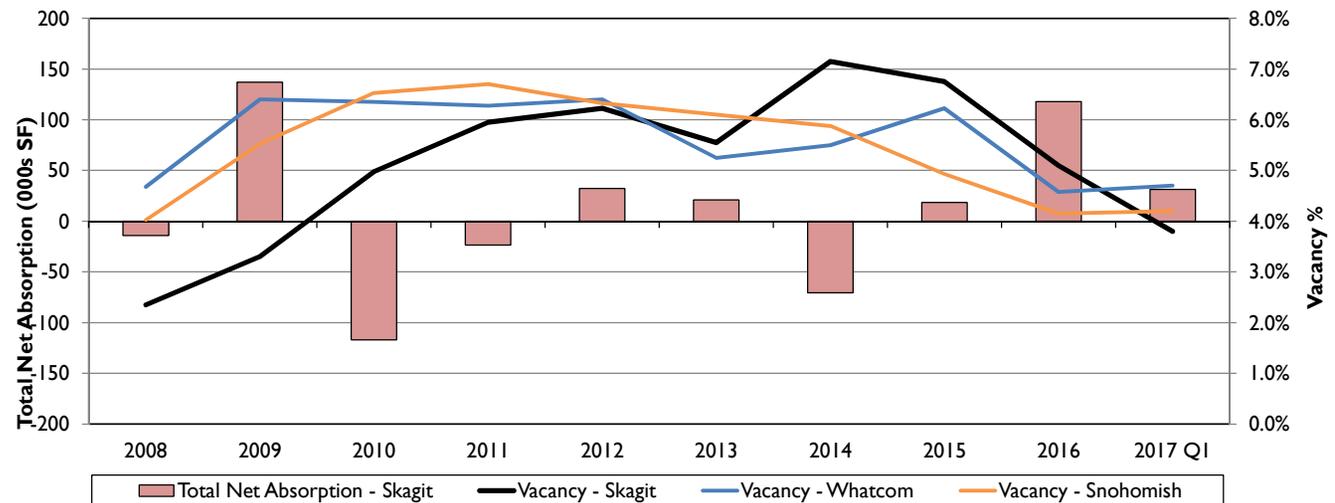
According to CoStar, there are approximately 2.4 million square feet of retail space in Mount Vernon and 6.0 million square feet in Skagit County. After rising during and after the Great Recession, vacancy rates have rapidly decreased in Mount Vernon and Skagit County since 2014, and as of the first quarter of 2017 stand at 2.4% and 3.8%, respectively. Rental rates have also improved over the same time period, with typical rents in Mount Vernon and the County between \$12.00-\$18.00 per square foot, triple net, up to \$28.00 per square foot for premium locations (i.e. in anchored centers with lots of traffic).

There have been no significant retail deliveries in Mount Vernon or Skagit County since 2009, and there are few retail projects in the pipeline.

TAXABLE RETAIL SALES ANNUAL GROWN

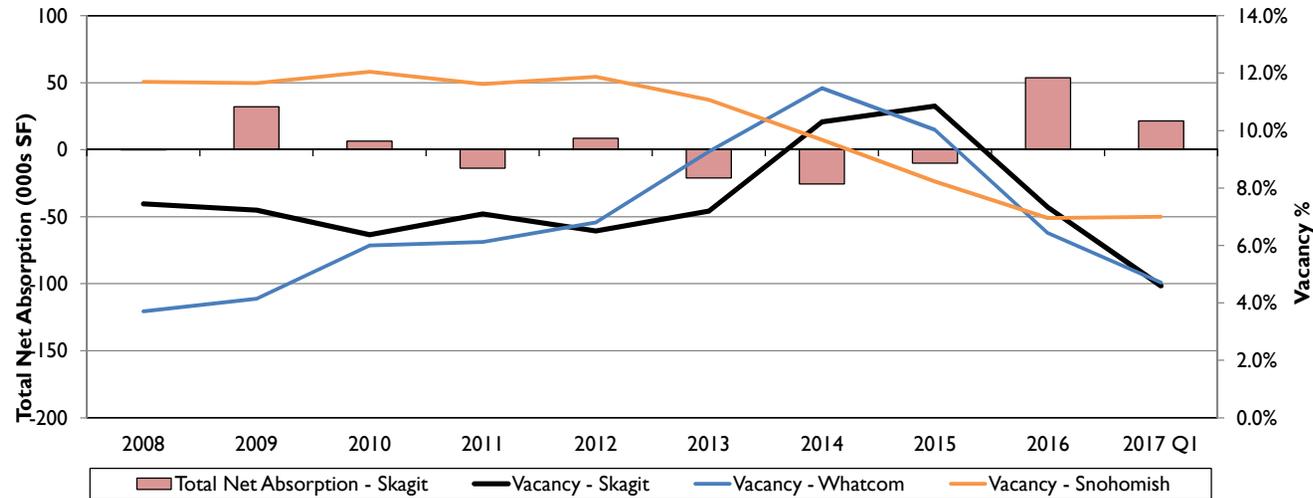


Source: Washington State Department of Revenue



Source: Washington State Department of Revenue

Retail and commercial land listings in Mount Vernon and Burlington through the second quarter of 2017 range between \$12 and \$14 per land square foot, and listings for built buildings range from \$98 to \$220 per building square foot (not including the listed Burger King). The cap rate for the listed Dick's and Party City building is 6.65%.



Source: CoStar

Office

The Office Market Area (OMA), which is the area represented in the macro trends and which is closely aligned with the likely competitive zone, includes Mount Vernon and Skagit County.

According to CoStar, there are approximately 615,000 square feet of office space in Mount Vernon and 1.1 million square feet in Skagit County. After rising during and after the Great Recession, vacancy rates have rapidly decreased in Mount Vernon and Skagit County since 2015, and as of the first quarter of 2017 stand at 6.0% and 4.6%, respectively. Rental rates have also improved over the same time period, with typical rents in Mount Vernon and the County between \$13.00-\$18.00 per square foot, modified gross or triple net, up to \$24.00 per square foot for the few Class A office buildings.

Although much of the OMA's office space has been built since 2000, there have been no significant office deliveries in Mount Vernon or Skagit County over the past 10 years, and there are few office projects in the pipeline. The planned SWIFT Center in Sedro-Woolley, a long-term plan for an innovation and clean tech campus, will likely include a significant amount of office and flex space.

Office and commercial land listings in Mount Vernon and Burlington through the second quarter of 2017 range between \$12 and \$14 per land square foot, and listings for built buildings range from \$75 to \$163 per building square foot (with cap rates between 7.5% and 8.0%).

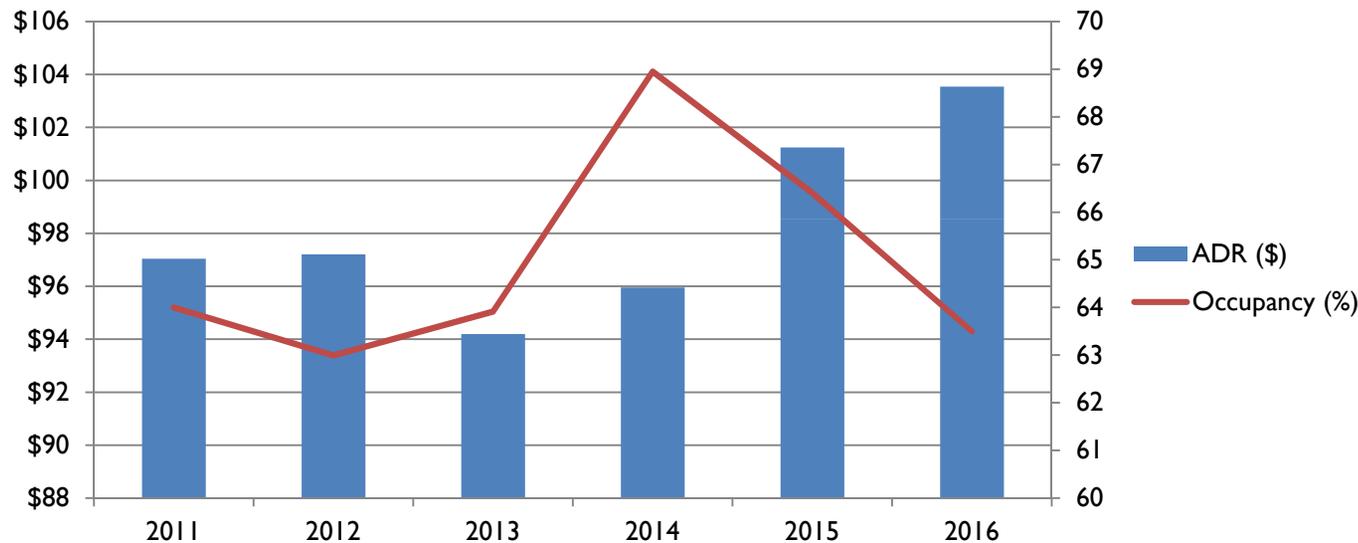
Hotel

The Hotel Market Area (HMA), which is the area represented in the macro trends and which is closely aligned with the likely competitive zone, includes Mount Vernon and Skagit County.

According to STR, there are 28 hotels and motels in Skagit County, representing nearly 1,540 guestrooms. In Mount Vernon there are 6 hotels with nearly 400 guestrooms, and nearby in Burlington there are another 6 hotels with 385 guestrooms. The properties in Mount Vernon and Burlington are clustered around and oriented to the I-5 freeway and are predominantly midscale or upper midscale in class.

Looking at a likely competitive subset of six midscale and upper miscale hotels in Mount Vernon and Burlington, occupancy rates reached a six-year peak in 2014 of 69%, but have since fallen to 63.5% in 2016. This drop was somewhat offset by an 8% rise in ADR over this same time period, reaching \$103.50 in 2016. Year-to-date figures for 2017 show the competitive set's occupancy rates up significantly over the same time period in 2016.

There are two hotels in the pipeline in Skagit County, both in Burlington. The La Quinta Hotel is planned as 4 stories and 104 rooms, and the Choice Comfort Suites is planned as 3 stories and 80 rooms. According to public records, the nearly 2-acre site for the La Quinta Hotel was purchased in April 2017 for \$1.8 million, yielding a land value of \$21 per land square foot or \$17,300 per key.



Source: STR

Market Analysis Conclusions

Our analysis of regional and local demand drivers and of the five land uses under consideration revealed some trends that should support development in Mount Vernon and in downtown:

- Very strong employment growth in Seattle metropolitan area and increasing commutering from Skagit County
- Local/regional employment growth, back to pre-Recession levels
- Growing food manufacturing economy, bolstered by IPZ
- Generally high occupancy rates across all land uses with positive trends past three years
- Relative value of rents and sales prices compared to neighboring counties, may encourage demand from residents, businesses, and travelers seeking better value
- Housing market recovery over past 5 years

MARKET ANALYSIS SUMMARY

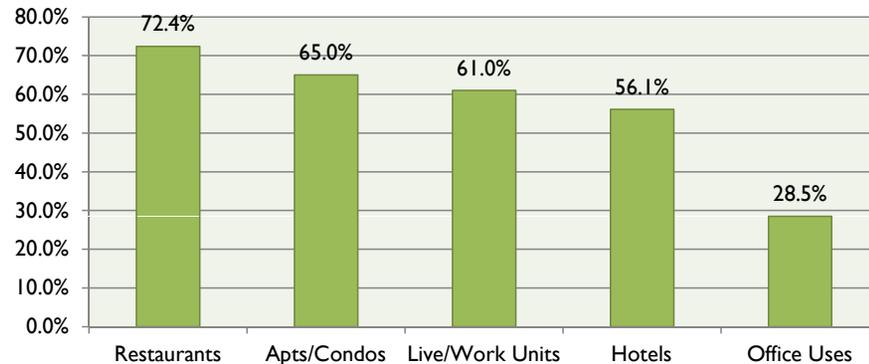
	Residential (Attached)		Commercial (Lease)		
	Rental	For-Sale	Retail	Office	Hotel
Regional Trends (last 5 years)	Strong rent growth Declining vacancies	Strong price growth Increasing sales volume but still below pre-recession levels	Strong taxable sales growth Declining vacancies	Moderate employment growth Declining vacancies	Moderate ADR growth Mixed occupancy trends
Mount Vernon Market (current supply)	Dated product, mostly 1980s/1990s vintage	Few projects, mostly 1990s/2000s vintage	Small centers and shops	Government and small tenants, much built early 2000s	Mix of chains and independents, most under 100 rooms
Key Demand Drivers	Regional employment growth; Millennial and empty nester preferences; amenities (project and neighborhood)	Pent-up demand, especially from move-down/empty nesters; downtown living and amenities	Household and income growth; consumer preferences; tourism	Office-using employment growth; executive preferences	Tourism growth and trends; employment growth; visibility
Pipeline - Supply Forecast (future supply)	Minimal supply	Minimal supply	Minimal supply	Minimal supply, large conceptual project at SWIFT	Two hotels planned in Burlington (80-100 rooms each)

COMMUNITY INPUT

Community Listening Session and Survey

In March 2017 we helped facilitate a community listening session to gather input from citizens and key stakeholders on their vision for downtown’s future. In April 2017 the City of Mount Vernon sent out a survey to citizens that had not been able to attend the March session. Overall, the feedback from the community was strongly supportive of development in downtown. Notable, there is interest in both residential and commercial uses, as can be seen in the survey feedback below from 123 respondents:

What type of project would you like to see built in downtown Mount Vernon? A few examples of types of projects are listed below.



Source: City of Mount Vernon

In addition to the broad land use categories listed above, many in the community expressed support for a parking garage, boutique retail shops and cafés, trails and connections, mixed-use developments, and community centers (including a new library). Although not universally so, many in the community expressed reservations about affordable/low-income housing and “big-box” and chain commercial uses.

Stakeholder Input

Our team has had meetings and conversations with stakeholders in both the public and private sectors to better understand their visions and goals for downtown. This has included representatives from the City of Mount Vernon, Skagit County, Mount Vernon City Library, private landowners, and local and regional developers. This input has helped to shape our team’s recommendations.

SITE ANALYSIS

SWOT Assessment

The following represents a summary of our team's analysis of key strengths and challenges for downtown Mount Vernon. This analysis helped to inform our development scenarios.

Strengths/Opportunities

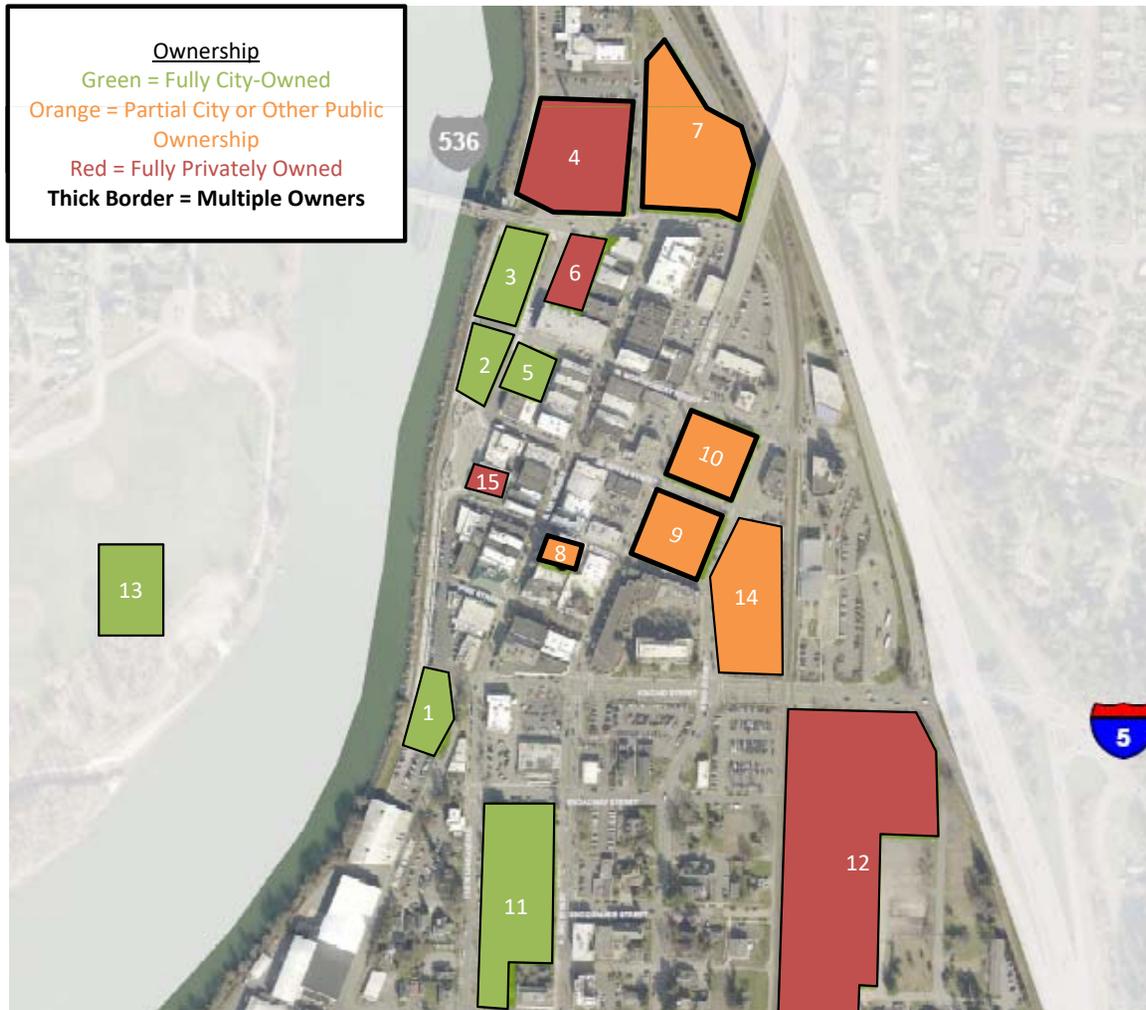
- River-adjacent/Riverwalk
- Pedestrian-friendly layout, easy walking distance to Co-op, Lincoln Theater
- Connectivity via alleys, squares, short blocks
- Historic Main Street
- Existing surface parking - potential for shared parking strategy
- LIFT award to enable funding of parking garage
- Riverfront activities including including farmers market, events
- Proximity to Edgewater Park
- Regional access via I-5 and Amtrak
- Limited new local development to compete against
- City ownership (for some parcels) - City can help incentivize development
- Relatively flat sites

Weaknesses/Threats

- Relatively small downtown core
- Few new developments may dissuade developers, investors, and lenders from being first-in
- Current rental rates unlikely to support structured parking
- Existing floodplain - FEMA designation will help
- Shoreline Management Area may add restrictions to certain parcels
- Limited walkability and bike-ability to surrounding neighborhoods, including across bridge
- Division Street and I-5 as pedestrian barriers
- Perception that downtown is unsafe, partly due to transient population

Our team visited downtown Mount Vernon and the parcels on numerous occasions, and assessed the sites on a variety of measures. We reviewed and assessed 12 opportunity sites identified by City staff and key stakeholders. In addition, we included 3 additional potential sites in our review. Six of the opportunity sites are fully owned by the City of Mount Vernon, four are fully owned by private entities, and five are either partially owned by the City or fully or partially owned by other public agencies (Skagit County, Housing Authority, and Skagit Valley College):

We assessed locational and site characteristics of each parcel under consideration, and identified target land uses for each site. Our team’s goal was to identify parcels that would have the highest likelihood of catalyzing early-phase development in downtown. Below is a summary of our findings, followed by a more in-depth discussion of the best candidate sites for catalytic development. Additional information for each parcel can be found in the Appendix.



PARCEL ANALYSIS SUMMARY

Please refer to the Appendix for a Zoning Summary for the C-I Central Business District.

Map #	Site Name	Location	Land Size		Current Use	City Owned?	Other Public Own?	Riverfront?	Shoreline	Adjacent	Multiple
			S.F.	Acres					Overlay?	Opp Sites?	Owners?
<i>Identified Opportunity Sites:</i>											
1	Old Moose Lodge	South of Kincaid	22,919	0.53	Vacant - surface parking	Yes	-	Yes	Yes	No	No
2	Revetment South	Downtown Core	21,224	0.49	Vacant - surface parking	Yes	-	Yes	Yes	Yes	No
3	Revetment North	Downtown Core	35,948	0.83	Vacant - surface parking	Yes	-	Yes	Yes	Yes	No
4	Carnation Building	North of Division	95,527	2.19	39,000 s.f. office/retail bldg	No	-	Partial	Partial	Yes	Yes
5	City Parking Lot	Downtown Core	17,126	0.39	Vacant - surface parking	Yes	-	No	Partial	Yes	No
6	Lyon's Parking Lot	Downtown Core	25,898	0.59	Vacant - surface parking	No	-	No	Partial	Yes	Yes
7	Calico Cupboard	North of Division	113,331	2.60	13,000 s.f. retail bldgs	Partial	-	No	No	Yes	Yes
8	President Apartments	Downtown Core	6,666	0.15	Low-income housing bldg (38 units)	No	Housing Authority	No	No	No	Yes
9	Telephone Bldg	East of 2nd	40,466	0.93	8,300 s.f. office bldg, surface parking	No	County	No	No	Yes	Yes
10	Post Office Bldg	East of 2nd	44,563	1.02	Various bldgs	No	Skagit Valley College	No	No	Yes	Yes
11	City Hall/Library	South of Kincaid	110,680	2.54	City hall, library, fire station	Yes	-	No	No	No	No
12	Christianson Seed	South of Kincaid	361,507	8.30	Vacant	No	-	No	No	No	No
<i>Other Potential Sites:</i>											
13	Edgewater Park	Westside	2,352,240	54.00	City park	Yes	-	Partial	Yes	No	No
14	County Jail	East of 2nd	77,537	1.78	Skagit County Jail (44,000 s.f.)	No	County	No	No	Yes	No
15	520 Main St	Downtown Core	5,800	0.13	5,600 s.f. building	No	-	No	Yes	No	No

Map #	Site Name	Current Zoning	Walkscore	Size/Shape Assessment	Target Land Use	Catalyst Potential
<i>Identified Opportunity Sites:</i>						
1	Old Moose Lodge	C-1	82	Size may limit parking and uses	Residential or boutique hotel	Moderate/High
2	Revetment South	C-1	86	Size may limit parking and uses	All, assuming combined or offsite pkg	High (with adjacent parcels)
3	Revetment North	C-1	86	Size may limit parking and uses	All, assuming combined or offsite pkg	High (with adjacent parcels)
4	Carnation Building	C-1	86	Could accommodate parking/most uses	All	High
5	City Parking Lot	C-1	86	Size may limit parking and uses	All, assuming combined or offsite pkg	High (with adjacent parcels)
6	Lyon's Parking Lot	C-1	86	Size may limit parking and uses	All, assuming combined or offsite pkg	High (with adjacent parcels)
7	Calico Cupboard	C-1/M-1	86	Split by road, buildable size smaller	Commercial	Low
8	President Apartments	C-1	86	Size may limit parking and uses	Residential or hotel, assuming offsite parking	Moderate/High
9	Telephone Bldg	C-1/P	86	Could accommodate parking/most uses	All	Moderate
10	Post Office Bldg	C-1	86	Could accommodate parking/most uses	All	Moderate
11	City Hall/Library	P	81	Could accommodate parking/most uses	All, assuming zoning change	Moderate
12	Christianson Seed	C-2/M-1	78	Large parcel, likely multiple uses/phases	All, assuming zoning change	Low
<i>Other Potential Sites:</i>						
13	Edgewater Park	P	56	Depends on potential carve-out	Residential, assuming zoning change	Low
14	County Jail	P/C-1	86	Could accommodate parking/most uses	All, assuming zoning change	Moderate
15	520 Main St	C-1	86	Size may limit parking	All, assuming offsite parking	Moderate/High

DEVELOPMENT STRATEGY

Our team’s development strategy includes the following:

- Lead with the vision and the story around downtown Mount Vernon and the surrounding region
- Concentrate early-stage investments and development sites
- Plan for land uses and development scale in-line with results of market and site analyses
- Identify catalyst sites that can serve as early-phase successes and help lead to development on adjacent/nearby sites
- Identify and work with partners and tenants that can help to anchor early-phase developments (library would be a good example)
- Utilize existing surface parking and leverage LIFT-funded structured parking to help defray developer’s parking costs and incentivize development
- Aside from parking, incentivize development as needed through discounts on land in exchange for public benefits, reduction in impact fees, and any other methods the City can impact
- Have room for flexibility to allow for changes in plans
- Ensure that the first project is a success

Land Uses

The location of the sites in downtown and near the Skagit River makes them appealing for development of a variety of land uses. Based on our market and site analyses, the following summarizes our team’s assessment of each land use under consideration:

COMPETITIVE POSITIONING

In general, for the land uses under consideration Mount Vernon and the entire Skagit County submarket are value alternatives to prices and rents to the south in the Everett and Seattle markets as well as to the north in the Bellingham and Vancouver BC markets. We would expect that any development at the sites under consideration would be positioned at a relative discount to the Seattle and Vancouver markets but potentially in-line with new developments in the Everett and Bellingham submarkets. This competitive positioning offers both an opportunity and a challenge. The lower values can act as a driver of demand for renting or purchasing at the site. On the other hand, these values may not be sufficient to cover total development costs (including land purchase and/or ground lease) and provide the developer with an adequate return.

	Residential (Attached)		Commercial (Lease)		
	Rental	For-Sale	Office	Retail	Hotel
Site Potential	Moderate/Strong	Moderate/Strong	Moderate	Moderate	Moderate
Likely Type	Flats Mixed-Use	Condo (flats) Townhome (2-3 story) Live/Work	FIRE Professional services Medical	Restaurant Coffee Destination retail	Extended stay Boutique
Rent/Sales Range	\$1.50-\$2.00/s.f. (mo.)	\$300-\$400/s.f.	\$18-\$22/s.f. MG (ann)	\$18-\$22/s.f. NNN (ann)	\$120-\$160/night (ADR)

Given the location of the sites in downtown Mount Vernon and near the Skagit River, coupled with the relative lack of new product in Mount Vernon and Skagit County, we would expect that development at the sites would be positioned at or above the higher end of the submarket’s price ranges for the various land uses under consideration. The ranges summarized above reflect our high-level assessments of likely positioning, and are used for our preliminary financial analyses.

FINANCIAL ANALYSIS

To assess the viability of the land uses under consideration for the various scenarios, we ran preliminary financial analyses. The goal of these was not to determine specific land values, but rather to see if subsidies would be likely given our current assumptions on rents/values, occupancy rates, cap rates, construction costs, and developer return thresholds. Given the assumptions below, we calculated negative residual land values for development of rental residential, retail, and office uses, suggesting that these uses may need incentives beyond land write-downs. Given our assumptions, for-sale residential and hotel uses do not appear to require subsidies beyond land write-downs/discounts.

Land values are extremely sensitive to inputs and assumptions. If we were to assume structured parking costs or extraordinary construction costs, it is likely that none of the uses would be viable given the above assumptions.

The City can help to financially incentivize development by impacting hard costs (i.e. helping defray parking construction costs by providing usable parking stalls), soft costs (i.e. reduction of impact fees), and land costs (i.e. surplus land discount in exchange for public benefit).

	Residential (Attached)		Commercial (Lease)		
	Rental	For-Sale	Office	Retail	Hotel
Financial Model - Key Assumptions					
Avg Rent/Price	\$1.75/s.f. (mo.)	\$375/s.f.	\$20.00/s.f. MG (ann)	\$20.00/s.f. NNN (ann)	\$140/night (ADR)
Avg Occupancy (stabilized)	95%	n/a	90%	90%	70%
Cap Rate	5.50%	n/a	7.25%	7.00%	8.00%
Total Construction Cost per Net S.F. (Hard, Soft, Finance)	\$260	\$287	\$233	\$207	\$296
Analysis					
Land Residual to Hit					
Acceptable Developer Return?	Negative	Positive	Negative	Negative	Positive

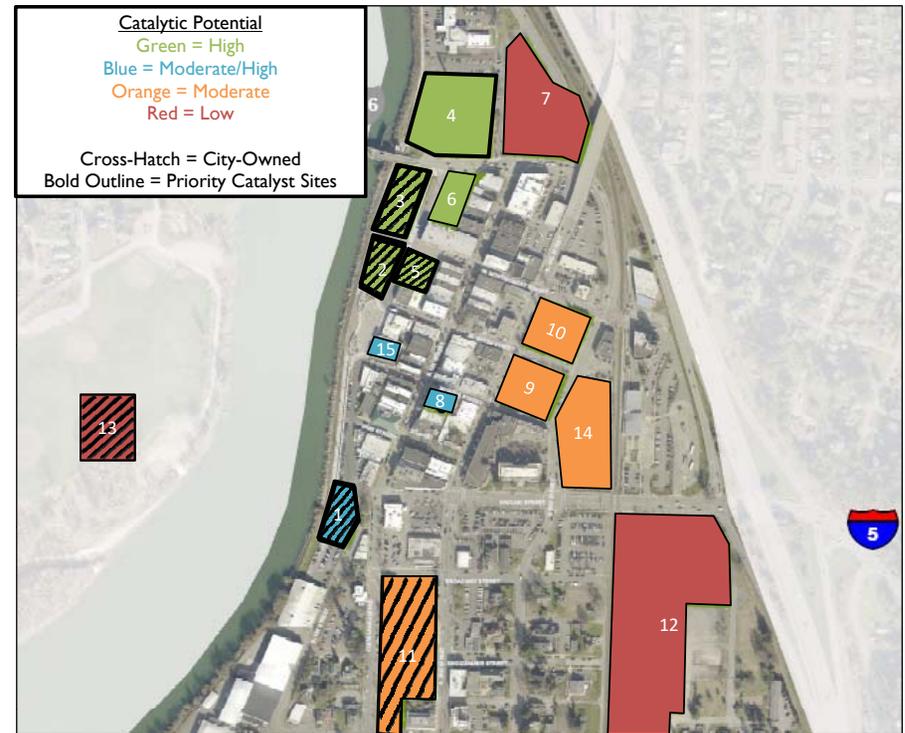
Catalyst Sites and Development Scenarios

Based on the results of the site and market analyses, we identified 3 catalyst sites, and analyzed 2-3 potential development scenarios for each site (which are detailed at the end of this section). These are not meant to be finalized scenarios, but rather should serve as starting points to help solidify the vision that will be marketed to private developers and to identify the initial catalyst public and private projects.

Our team started by analyzing the catalytic potential of all of the sites under consideration. We looked for sites that have a combination of elements, including:

- Riverfront or river-adjacent
- Walkable to key nodes
- Developable scale
- Option of surface parking
- City-owned
- Adjacent to other opportunity sites
- Accessible and visible
- The following map highlights the results of this analysis:

Based on our team’s criteria, our analysis identified five parcels with high catalytic potential and three more with moderate to high potential. We grouped three of the parcels together into one site to come up with the following three highest-priority catalytic sites. Our team recommends assessing developer interest for these sites and concentrating City resources on one initial project to ensure success.



DT CLUSTER	SOUTH ANCHOR	MULTI-NODAL
<ul style="list-style-type: none"> • Parcels 2,3 and 5 • City-owned parking lots in downtown core • Riverfront and near Co-op • 1.7 acres • Potential for surface or LIFT-funded garage • Multiple adjacent and nearby opportunity sites 	<ul style="list-style-type: none"> • Parcel 1 • City-owned parking lots, former Moose Lodge site south of Kincaid • Riverfront and near Lincoln Theater • 23,000 sf site (“bite-sized”) • Good access via Kincaid • Nearby opportunity sites • Potential bridge from downtown core to South of Kincaid 	<ul style="list-style-type: none"> • Parcel 4 • Privately owned (multiple owners) north of Division, includes existing Carnation Building • Riverfront and near Co-op • 2.2 acres • Potential for surface parking strategy • Multiple adjacent and nearby opportunity sites

For each of the catalytic sites, we analyzed 2-3 potential development concepts based on the following criteria:

- City goals (per Chapter 2 of the 2008 Downtown and Waterfront Master Plan, see Appendix)
- Market-based demand (both current and future) for various land uses
- Site constraints and strengths
- Parking options
- Phasing and timing of development
- Early phase successes

Potential Tenants and Partners

One potential partner and tenant that was identified in the process of our analysis is the Mount Vernon City Library. Based on conversations with the library director, it is our team's understanding that the library is interested in a new library site to replace the existing building. With a need of approximately 20,000 to 25,000 square feet of space, the library can help to anchor an early-phase development in the downtown core. We analyzed library-anchored, mixed-use developments in other markets, and have seen successful examples of libraries that own their own space (as a condominium unit) and that rent their space on a long-term lease. Identifying a tenant or partner of this size could significantly help a developer to fund an early-phase project. Additional detail on analogue examples of library-anchored developments can be found in the Appendix.

Another potential partner for downtown development is Skagit County. The County owns approximately 180,000 square feet of existing building space in downtown, leases another 5,000 square feet, and owns surface parking lots north and south of Kincaid Street. Based on conversations with the County's facilities manager, we understand that the County is seeking to consolidate its non-"law and justice" services to areas outside of the downtown core, and is seeking to reduce its overall leased space and concentrate uses on properties that it owns. The County owns portions of sites identified as downtown opportunity sites, as well as nearby sites that could be important later-phase development parcels (such as the parking lots south of Kincaid). The County plans to repurpose the old jail site for other uses.

Our team believes that Skagit County and Mount Vernon have a strong story related to food, including agriculture, value-add food manufacturing, research, restaurants, and food-related retail. Identifying potential tenants and partners in this realm could have a tremendous impact for downtown. Potential partners include the Skagit Valley Food Co-Op, Washington State University and its Bread Lab, and the Port of Skagit (to further economic development around the IPZ). In addition, our team has had confidential conversations with potential food and beverage tenants that have expressed interest in learning more about downtown.

Parking Strategy

LIFT-FUNDED PARKING FACILITIES

In 2008, Mount Vernon was awarded \$500,000 per year for up to 25 years by the State Community Economic Revitalization Board (CERB) through its Local Infrastructure Financing Tool (LIFT) program. LIFT is a form of tax increment financing used to pay for a portion of public improvements within a designated zone (RDA), with the goal of encouraging economic development. Mount Vernon's RDA includes all of downtown. The city plans to utilize these funds to repay bonds for constructing parking facilities to hold 350-600 stalls, as well as for riverfront promenade and transportation improvements.

Construction of the parking stalls through the LIFT program can accomplish many important things for downtown Mount Vernon. First, it can help to offset any displacement of existing surface parking spaces during the first phases of development. Second, depending on siting, it can help to provide sufficient supply to offset parking demand during peak times and at congested locations. Third, depending on location and configuration, it can provide dedicated and/or shared parking that could be utilized to offset construction costs for a private developer. Given the cost to construct structured parking (>\$30,000 stall), this can help to make a private development with structured parking feasible.

Our Project Team recommends leveraging the LIFT-funded construction to incentivize private development. This can be accomplished by siting one or multiple garages in locations where private developments, especially those targeted for early-phase development, can utilize and/or share the parking stalls. Our team identified Parcel 5 as a potential high-priority site for a garage, which could be utilized for parking displaced along the river and for early-phase developments on Parcels 2,3, and 6.

Surface Parking

The City and County own various surface parking lots throughout downtown Mount Vernon. These lots can help to provide parking spaces at a minimal cost to developers in the early phases, and could be utilized by the City to incentivize development. For example, if Parcel 5 is not selected for a LIFT-funded garage, it could serve as temporary or permanent surface parking to support development on Parcels 2,3, and 6.

Potential Development Concepts

SCENARIO 1: DOWNTOWN CLUSTER

Parcels 2,3, and 5

Of all of the sites, these parcels rank the highest in terms of early-phase catalytic potential given their strategic location, size, city ownership, and current uses. We have assessed these parcels as one group given their proximity to each other, common ownership, and the potential benefits of developing a shared strategy.

These parcels are all city-owned and clustered together in the north part of the downtown core, directly east of the Skagit River, north of the new flood wall, and west of the Co-op. They are visible and accessible from Division Street. There are adjacent and nearby privately-owned opportunity sites that could be catalyzed by development here, including parcels 4, 6, and 14.

Situated along the riverfront, the Shoreline Management Plan impacts parcels 2 and 3 and a portion of 5. Height restriction for parcels in the Shoreline zone is 55 feet.

All of these parcels are currently vacant, serving as revetments and surface parking. Altogether they include approximately 170 surface parking spaces (Parcel 2 = 40 spaces; Parcel 3 = 101 spaces; Parcel 5 = 28).

Taken together, the three parcels have a combined lot size of 1.7 acres, with the lots separated by Main Street and Montgomery Street. Parcel 2 is 21,000 s.f., Parcel 3 is 36,000 s.f., and Parcel 5 is 17,000 s.f.

Given their location, these parcels would be good candidates for mixed-use development, with ground-floor commercial uses and residential or commercial uses above. Our team suggests that the City consider Parcel 3 for a potential library location, given the parcel's size, accessibility, and visibility. Figuring out a parking strategy for these parcels will be critical to driving development, as they are unlikely to include structured parking for economic and physical constraint reasons.

One potential approach would be to utilize Parcel 5 for surface parking (and potentially re-stripe to gain additional parking spaces) that could accommodate the parking needs for the ground-floor uses of Parcels 2 and 3. Another option, if Parcel 5 can be expanded through additional land acquisition, would be to utilize Parcel 5 for some of the city's planned LIFT-funded structured parking development. This parking could be used for public access to the river as well as for parking for the uses on Parcels 2 and 3. We have laid out two potential development concepts below:



CONCEPT 1:

Library-anchored mixed-use development on Parcel 3, mixed-use development on Parcel 2, parking (surface or structured) on Parcel 5:

- 4-5 story developments on Parcel 2 and 3
- Ground floor: 29,000 s.f. commercial space, including 20,000 s.f. library
- Upper floors: up to 36 units or 17,000 s.f. commercial space if Parcel 5 is surface parking, up to 100 units or 160,000 s.f. commercial space if Parcel 5 is structured parking
- Parking: at-grade for Parcels 2 and 3; surface parking or LIFT-funded structured parking lot on Parcel 5
 - Parcels 2 and 3: ~54 at-grade parking spaces assuming 400 s.f./space:
 - Parcel 5: Surface parking lot with ~40 spaces (plus an additional 18 on-street), or potentially LIFT-funded parking structure
 - Accommodates parking needs for library, ground-floor commercial, and potentially after-hours guest parking (and river/downtown access if structured parking)

CONCEPT 2:

Mixed-use development on Parcels 2 and 3 (3 to 5 stories), single-story development on Parcel 5:

- Ground floor: 18,000 s.f. commercial space
- Upper floors: up to 52 units or 24,000 s.f. commercial space
- Parking: at-grade for Parcels 2 and 3; surface parking on Parcel 5
 - Parcels 2 and 3: ~113 at-grade parking spaces assuming 400 s.f./space:
 - Parcel 5: Surface parking lot with ~25 spaces (plus an additional 18 on-street)

SCENARIO 2: SOUTH ANCHOR

Parcel 1

The former Moose Lodge site offers an opportunity to help “anchor” the southern end of downtown and to act as a bridge to future development south of Kincaid. The site is relatively small but located along the river and with good access via Kincaid, and could therefore be a good candidate for a “bite-sized” early phase development.

The parcel is city-owned, sits along the Skagit River, and is proximate to the southern end of the downtown core. It is located at the western end of Kincaid Street, and as such has good access to areas to the east (via Kincaid) and to the north and south (via I-5 access). The parcel’s visibility is somewhat limited. To the south of the site is a large cold storage facility, and to the north is surface parking and low-rise commercial buildings on Main Street.

The site is situated along the riverfront and is impacted by the Shoreline Management Plan, which restricts building heights to 55 feet. The parcel is approximately 23,000 s.f. in size and is currently vacant, serving as surface parking with 52 stalls.

The City Hall/Library opportunity site (parcel 11) sits one block southeast of the site, and the President’s Apartments opportunity site (parcel 8) is two blocks to the north.

Given its size and location, this parcel would be a good candidate for either residential or hotel development. However, given the likelihood that structured parking will be economically infeasible on the site (unless LIFT funds are utilized at the site), we believe the market will orient towards a residential use or possibly a small non-flag boutique hotel on the site.

We have laid out three potential development concepts below:

CONCEPT 1: Townhome development, between 6-10 units depending on unit sizes and site configuration. These would likely be for-sale units, and parking would be enclosed in the unit garages. Assumed building height of 2-3 stories.

CONCEPT 2: Multifamily development, between 25-35 units depending on unit sizes and parking constraints. These could be for-sale or rental units. Parking would be at-grade but enclosed, and could fit approximately 50 vehicles (assuming 400 s.f./space). Assumed building height of 3-4 stories.

CONCEPT 3: Boutique hotel development, between 30-40 rooms depending on room sizes and parking constraints. Parking would be at-grade but enclosed, and could fit approximately 30 vehicles (assuming 400 s.f./space and 8,000 s.f. for hotel needs at ground level).



SCENARIO 3: NORTH ANCHOR

Parcel 4

Although this parcel is not city-owned, its size, location, large existing building, and iconic smokestack signal this site as a potentially catalytic development that could help “anchor” the northern end of downtown.

The parcel is privately owned, and according to County records there are two ownership groups (not including a small portion owned by City of Mount Vernon). The parcel sits along the Skagit River, and is proximate to the northern end of the downtown core. It is located north of Division Street, and while it has good visibility and access from Division, pedestrian access from the downtown core is currently limited to the Riverwalk trail under the Westside Bridge and the busy auto intersection of Division and 1st Streets.

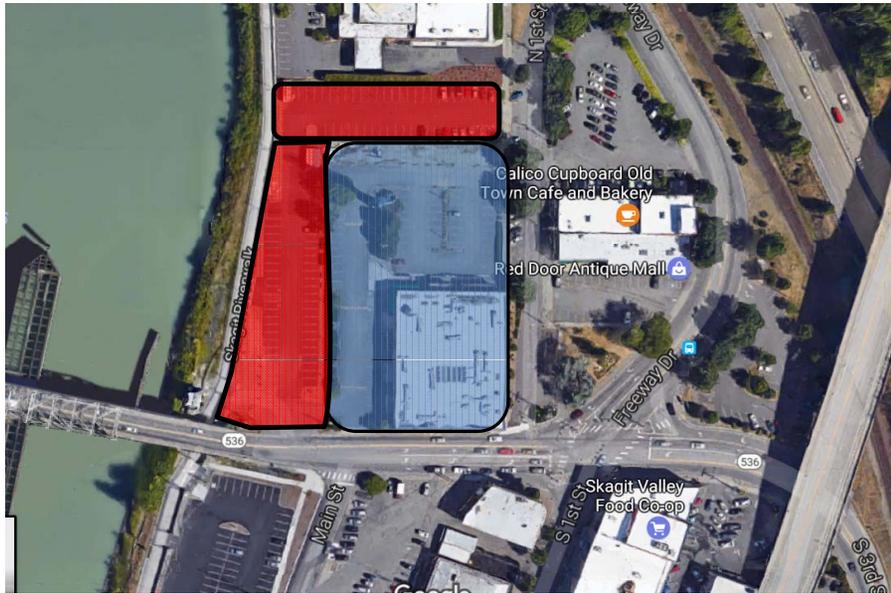
The site is situated along the riverfront and portions of the site are impacted by the Shoreline Management Plan, which restricts building heights to 55 feet. The parcel is approximately 95,000 s.f. in size and is currently occupied by the 39,000 s.f. Carnation Building and approximately 103 surface parking spaces. The Carnation Building, which formerly was the Carnation Milk Company condensing factory, houses professional office tenants and includes the iconic tulip smokestack which is visible from I-5.

The site is adjacent or near many identified opportunity sites, including parcels 2,3,5,6, and 7.

The site’s size, location, and relatively square shape would allow for the development of many uses on the site with surface parking options. It is large enough to accommodate a typical hotel site with surface parking, various densities of residential development, and multiple variations of commercial office space.

Given that there is a relatively large, cash-flowing commercial property on the site, and vacant parcels in and around downtown, we find it unlikely for a developer to purchase the building site in order to tear it down and build another use, as the valuation of the building site will likely make this concept cost-prohibitive. The building could be redeveloped with a more modern open floorplan layout.





The western portion of this parcel, along with the area immediately to the north of the parcel, appears to have the same owner and are currently vacant surface parking lots. Taken together, these parcels are approximately 1.1 acres (about 0.7 acres usable of the western portion and 0.4 acres for the northern portion), but are in an L-shape (see red areas

IMPLEMENTATION STRATEGY

The western portion of this parcel, along with the area immediately to the north of the parcel, appears to have the same owner and are currently vacant surface parking lots. Taken together, these parcels are approximately 1.1 acres (about 0.7 acres usable of the western portion and 0.4 acres for the northern portion), but are in an L-shape (see red areas outlined in map above).

Given the narrow shape of both parcels, it is unclear without further analysis (which is beyond the scope of this report) how much building space could feasibly be built. For the purposes of this analysis, we assume development on the western portion (that fronts the river) and utilization of the northern parcel for surface parking for the development. The northern parcel contains approximately 48 surface parking spaces, which could accommodate development of up to 32 residential units (at 1.5 spaces/unit), 48 hotel rooms (at 1 space/room) or 19,200 s.f. of commercial office space (at 1 space/400 s.f.).

The following outlines our team's recommended near-term and mid-term implementation strategies to attract development to downtown Mount Vernon.

A. Vision/Story:

Market and create a “buzz” about what is happening in Mount Vernon; the opportunities for development; the support by the City and community; and most importantly, tell your compelling story and vision for development.

ACTION 1:

Create a compelling story about what is happening in Mount Vernon, specifically citing the public investments that have been made recently and those that are going to be made in support of the development (floodwall, parking garage, etc.). Don't be shy about the municipality's support for development and the commitment to your vision. Developers want to develop in locations they are welcomed and can readily observe the municipality wanting to be a partner in a development that is larger than a single development.

Include recent and successful private projects that have or are occurring. Engage with a company that has real estate background to develop marketing materials that adequately describe your vision in both words and images. One possible storyline that may have traction and is authentic is that the area is already well established in the growing and distribution of fresh, local and organic foods as well as courses in food and farming appreciation. Local brands include the Skagit Valley Food Co-Op, The Bread Lab (combining science art and innovation to move whole grain baking forward), Patagonia, King Arthur Flour, Skagit Valley College (a craft brewing academy), Cardinal Brewing, Henry Humdinger Honey and Viva Farms that makes it possible for new farmers to launch and grow their businesses. A story that ties all of these together and elevates the concept of a food-utopia with Mount Vernon as its heart is an example that could be used.

ACTION 2:

Develop a website or page on your website devoted to revitalization of Downtown.

ACTION 3:

Hold a developer's forum to introduce Mount Vernon to potential investment taking care to ensure personal invites bring enough people to the forum to generate enthusiasm and excitement. Additionally, the City should seek out 'like minded' developers and meet with them, sell them on the opportunity that Mount Vernon represents.

ACTION 4:

Conduct a community forum to present what the City will be doing to create its community vision and provide regular updates on the progress via City newsletter, public service announcements; meeting with editorial boards of local newspapers, and other medium to communicate your message.

B. Land & Infrastructure:

ACTION 5:

Determine which catalyst sites should be pursued first for development that are owned by the City. Surplus those properties in advance of a Purchase and Sale Agreement (PSA) or simultaneously in accordance with Mount Vernon Chapter 2.95 Real Property Acquisition, Sale, and Leasing. Each PSA should be treated as an opportunity to form a Public-Private Partnership including the following elements in the transaction: 1) Purchase price in terms of cash and quantifiable public benefits; 2) specific land use and end use of the property; 3) date to begin construction; and, 4) date for business to be open.

ACTION 6:

Engage a real estate appraiser to determine the appraised value of surplus properties. Appraisals will provide the land value with which you will compare and quantify PSA's cash proceeds along with any identified public benefit.

Note: Washington state law allows appraisals to be kept confidential until such time as the property in question has sold and (closed). Please check with your legal counsel regarding these matters.

ACTION 7:

Develop a RFQ and RFP to generate interest/proposals from the private sector to purchase and develop the surplus property in accordance with your desired vision. Great care should be taken to individually contact prospective purchasers/developers about this opportunity and, not simply rely on a published RFP or offering announcement. Alternatively, the City could engage a real estate broker team (via RFP or another desired means) to create a competitive offering in the real estate community. Once proposals are solicited (by City staff or by real estate broker), conduct interviews to further evaluate and select desired purchaser/developers in

which to develop Letter of Intent (LOI) and Purchase and Sale Agreement (PSA). A sample Letter of Intent is attached in the Appendix.

ACTION 8:

Leverage the City's planned parking structure to attract a specific type of development. The City might consider multiple parking structures that can be supported by its Local Infrastructure Financing Tool (LIFT) award from the State.

ACTION 9:

Make some "beautification and connection" improvements (signage, building murals, street furniture, flowers, path ways,) that connect downtown to the waterfront, and the proposed developments to current activity (Co-Op).

ACTION 10:

Prioritize other needed infrastructure investments (as determined from the developer forum) and any established Capital Facility needs through a process determined to stimulate private sector investment as well as prepare the organization to carry-out the revitalization of downtown as a top priority.

C. Process, Capacity & Other Incentives

ACTION 11:

Evaluate if any process improvements can be achieved to improve efficiency and predictability for those who choose to invest and develop in the downtown.

ACTION 12:

Support City staff with the necessary resources for the City to serve as the “Master Developer” for the catalyst development sites and the remaining City surplus properties that are designed to stimulate development consistent with the community’s vision for its downtown.

This action is especially important as it is a time-consuming endeavor for a municipality to solicit, market, surplus and sell land, construct needed public infrastructure, and monitor and assist the development from the stages of: 1) LOI; 2) PSA Closing; 3) Building Permit; Construction Start; and 4) Opening. Current staff may not have the necessary expertise in these specialty areas of real estate development

ACTION 13:

Ensure the first development will be successful in the market place to avoid a failed start which will cost significant dollars, erode political capital, and create citizen dissatisfaction. To this end, carefully evaluate developer proposals to ensure they are capable to carry out a “first” project. Devote adequate resources to ensure the City is capable of delivering on its commitments of a predictable, if not expedient and streamlined regulatory entitlement process through construction. The City should work hand in hand with selected developer on identifying its customer, which is particularly important for a first project.

ACTION 14:

Closely coordinate and prioritize the proposed catalyst development (s) with the long-term plan for the area of downtown south of Kincaid. Ensure that redevelopment is focused initially on the catalyst site areas, with a strategy for development to occur in a concentric fashion so that the focus and intensity of the catalyst sites is not diluted and the power and enthusiasm for redevelopment is fully captured.

ACTION 15:

Evaluate and consider the following typical development incentive tools to achieve vision:

- Planned Action EIS
- Reduced Fees (mitigation impact fees and construction related)
- New market tax credits, Multi-family tax exemptions, Historic tax credits, LID’s, etc.

APPENDIX

APPENDIX: Project Team



THG

THG provides strategies, global connections and market insights to urban and resort developers, cities, landowners, financial advisors, and family businesses with real estate holdings. THG brings a holistic approach to development, based on the depth and breadth of understanding of a former CEO who has held responsibility for the entire life cycle of a variety of real estate assets. Drawing on real-world experience, THG is able to strategically integrate and mobilize people, ideas and resources at the right time to ensure the success of your project. As a trusted advisor to leadership, THG mitigates the risks inherent in development.



COLLINSWOERMAN

A collaborative architecture, planning and design firm founded on integration, innovation, and a commitment to create extraordinary value for our clients and communities, CollinsWoerman has been a market leader since 1988. Planning and designing about \$1 billion a year in construction value, CollinsWoerman specializes in seven marketplaces: Commercial, Healthcare, Mixed-Use/Residential, Interior Architecture and Design, Science and Technology, Planning, and Sustainability.



STOWE DEVELOPMENT & STRATEGIES

Stowe Development & Strategies, LLC offers strategic consultant services to cities, higher educational institutions, and development clients who desire to expand their economic base, revitalize their downtowns, redevelop or expand their educational campus, and guide communities in developing a sense of place and commons for business to prosper and friends and family to enjoy. No two cities or developments are alike, requiring creative approaches specific to the needs of each. Stowe Development & Strategies, LLC offers a multitude of economic tools and strategies, and provides clients with not only a proven track record but also a variety of options leveraging available resources and capabilities.

APPENDIX: Parcel Analysis

PARCEL 1

LOCATION: Immediately south of Kincaid Street along Skagit River

CURRENT USE: Vacant/surface parking lot. Former site of Old Moose Lodge that had been purchased and demolished by City for flood-control work.

OWNERSHIP: City of Mount Vernon

LAND SIZE: 22,900 square feet

ZONING: C-1; Shoreline Management Area

TEAM ASSESSMENT: The site is relatively small but located along the river with good access via Kincaid. Site's location, size, and City ownership make it a good candidate for a "bite-sized" early phase development.

PARCEL 2

LOCATION: Northwest of intersection of Main Street and West Gates Street along Skagit River

CURRENT USE: Vacant/surface parking lot.

OWNERSHIP: City of Mount Vernon

LAND SIZE: 21,200 square feet

ZONING: C-1; Shoreline Management Area

TEAM ASSESSMENT: The site is relatively small but located along the river and adjacent to other opportunity sites. Site's location, adjacencies, and City ownership make it a good candidate for early phase development along with other parcels (3, 5, and/or 6).



PARCEL 3

LOCATION: Immediately south of West Division Street along Skagit River

CURRENT USE: Vacant/surface parking lot.

OWNERSHIP: City of Mount Vernon

LAND SIZE: 35,900 square feet

ZONING: C-1; Shoreline Management Area

TEAM ASSESSMENT: The site is located along the river and adjacent to other opportunity sites, with high visibility and accessibility off of Division Street and from bridge. Site's location, visibility, adjacencies, and City ownership make it a good candidate for early phase development along with other parcels (2, 5 and/or 6).



PARCEL 4

LOCATION: Immediately north of West Division Street along Skagit River

CURRENT USE: Carnation Building (office uses) vacant/surface parking lots.

OWNERSHIP: Multiple: Macdonald Trust, Riverpick LLC, and City of Mount Vernon

LAND SIZE: 95,500 square feet

ZONING: C-1; Shoreline Management Area (for western portion of site)

TEAM ASSESSMENT: Relatively large site and located along the river and adjacent to other opportunity sites. The site's size, location, and relatively square shape would allow for the development of many uses on the site with surface parking options and make it a good candidate for early phase development and/or redevelopment. Site includes historic Tulip Smoke Stack.



PARCEL 5

LOCATION: Southeast of intersection of Main Street and West Montgomery Street

CURRENT USE: Vacant/surface parking lot.

OWNERSHIP: City of Mount Vernon

LAND SIZE: 17,100 square feet

ZONING: C-1; Shoreline Management Area (for western portion of site)

TEAM ASSESSMENT: The site is relatively small but located near the river and adjacent to other opportunity sites. Site location, adjacencies, and City ownership make it a good candidate for early phase development along with other parcels (2,3, and/or 6).



PARCEL 6

LOCATION: Southeast of intersection of Main Street and West Division Street

CURRENT USE: Vacant/surface parking lot.

OWNERSHIP: Lyon and JKR Collectibles LLC

LAND SIZE: 25,900 square feet

ZONING: C-1; Shoreline Management Area (for western portion of site)

TEAM ASSESSMENT: The site is relatively small but strategically located between the river and co-op (via alley access) and adjacent to other opportunity sites. Site location and adjacencies make it a good candidate for early phase development along with other parcels (2,3 and/or 5).



PARCEL 7

LOCATION: Northeast of intersection of West Division Street and North 1st Street, west of I-5 Freeway

CURRENT USE: Retail uses and vacant/surface parking lots with small City-owned parcels.

OWNERSHIP: Multiple: Jorgensen & Jorgensen Partners, New Grainery LLC, City of Mount Vernon

LAND SIZE: 113,300 square feet

ZONING: C-I; C-I and M-I

TEAM ASSESSMENT: The site is relatively large but includes parcels that are likely not developable (i.e. small City-owned parcels) and is split by a road (Freeway Drive). Has visibility from I-5 freeway and access off of Division Street, but lacks pedestrian orientation or connections to river and downtown core. Likely uses include commercial that benefits from freeway visibility. Site's location and multiple private owners make it a target for later-phase development.



PARCEL 8

LOCATION: Southeast of intersection of South 1st Street and Myrtle Street

CURRENT USE: President Apartments (low-income housing) and ground-floor retail.

OWNERSHIP: Multiple: Housing Authority of Skagit County and Chad Moen

LAND SIZE: 6,700 square feet

ZONING: C-I

TEAM ASSESSMENT: Small site located at southern end of downtown core. Existing structure is old (built 1926) with no parking and would likely require extensive renovations to bring up to market standards (no known cost estimate has been performed to date). Structure is tallest building in downtown. Site's location, condition, and lack of parking make it a target for later-phase development or re-development.



PARCEL 9

LOCATION: Northeast of intersection of South 2nd Street and Myrtle Street

CURRENT USE: Old Telephone Building (office uses) and vacant/surface parking lot.

OWNERSHIP: Multiple: RPI Mt Vernon LLC and Skagit County

LAND SIZE: 40,500 square feet

ZONING: C-I and P (P is eastern half)

TEAM ASSESSMENT: Full-block site with 8,300 square foot historic building, located between downtown core and train station. Site's location and multiple owners make this a target for later-phase development or re-development.



PARCEL 10

LOCATION: Northeast of intersection of South 2nd Street and West Gates Street

CURRENT USE: Mix of retail and office uses, including historic Old Post Office Building (now owned by Skagit Valley College) and a gas station.

OWNERSHIP: Multiple: Q&K LLC, RAP Property Investments LLC, Skagit Valley College, Martin Family LP, George Freeman, Ineke Rouw

LAND SIZE: 44,600 square feet

ZONING: C-I

TEAM ASSESSMENT: Full-block site with 4,300 square foot historic building, located between downtown core and train station. Site's location, multiple private owners, and gas station use (with potential for environmental issues) make this a target for later-phase development or re-development.



PARCEL 11

LOCATION: Multiple blocks southeast of intersection of Cleveland Avenue and West Broadway

CURRENT USE: City Hall, Fire Station, City Library, and vacant/surface parking lot.

OWNERSHIP: City of Mount Vernon

LAND SIZE: 110,700 square feet

ZONING: P

TEAM ASSESSMENT: The site is relatively large but located south of Kincaid and the downtown core and its size includes city functions not expected to move (i.e. City Hall) and functions that may stay or move (Library, Fire Station). Although City-owned, the site's location and existing/future uses make it a target for later-phase development.



PARCEL 12

LOCATION: Multiple blocks southeast of intersection of East Kincaid Street and South 4th Street, west of I-5 Freeway

CURRENT USE: Vacant, former Alf Christianson Seed plant.

OWNERSHIP: Alfco LLC

LAND SIZE: 361,500 square feet

ZONING: C-2 and M-1

TEAM ASSESSMENT: Very large, vacant site located southeast of downtown core and with freeway visibility. The site's size, visibility, vacancy, and single ownership may make it a target for early phase development for various uses, although it is far enough from downtown core and from other adjacent opportunity sites that it may be less catalytic than other sites.



PARCEL 13

LOCATION: Edgewater Park, west of Skagit River
CURRENT USE: Public park.
OWNERSHIP: City of Mount Vernon
LAND SIZE: 54 acres (entire park size)
ZONING: P; Shoreline Management Area
TEAM ASSESSMENT: Large City-owned park adjacent to river could provide opportunities for carve-outs for residential development in later phases.

PARCEL 14

LOCATION: Northeast of intersection of West Kincaid Street and South 3rd Street
CURRENT USE: Old County Jail.
OWNERSHIP: Skagit County
LAND SIZE: 77,500 square feet
ZONING: C-I and P
TEAM ASSESSMENT: The site is relatively large with 44,000 s.f. historic jail site but located east of downtown core. Discussions with County suggest building will be re-purposed for other County uses. Historic building could provide opportunities for later-phase development.



PARCEL 15

LOCATION: 520 South Main Street, immediately east of Skagit Riverwalk Plaza

CURRENT USE: Retail (Movie House Antiques)

OWNERSHIP: Movie House Antiques LLC

LAND SIZE: 5,800 square feet

ZONING: C-1; Shoreline Management Area

TEAM ASSESSMENT: Small parcel that has been marketed as for sale. The site's location near the downtown core, across from the river, and adjacent to the Riverwalk Plaza make it a potential early-phase development or re-development, although its size and lack of parking limit its catalytic potential.



APPENDIX: Zoning Summary

TWO SUBDISTRICTS ARE ESTABLISHED IN THE C-I CENTRAL BUSINESS DISTRICT:

- C-1a subdistrict is that area bounded by Division Street on the north, Kincaid Street on the south, the Skagit River on the west, and Interstate 5 on the east. Emphasizes pedestrian-oriented retail shopping on the ground floor. The area should include a high level of pedestrian amenities, including continuous storefronts with awnings, improved pedestrian sidewalks and crosswalks, benches and street trees.
- C-1b subdistrict are all areas lying outside subdistrict C-1a. Provides for those downtown support services such as banks, offices, motels, gas stations and print shops which are not as pedestrian-oriented but are essential to the life of the downtown businesses.

ZONING REQUIREMENTS SUMMARY: CITY OF MOUNT VERNON C-I CENTRAL BUSINESS DISTRICT ZONE

USE REGULATIONS:

- Both subdistricts permit the following ground-level uses where visible from the street: Retail stores; Personal services; Offices less than 2,000 SF; Banks and financial institutions; Hotels; Eating and drinking establishments; Theaters; Churches, art galleries, clubs or fraternal societies and memorial buildings; Laundry and dry cleaning pickup stations; Adult entertainment establishments (with location restrictions); Day nurseries; Commercial or public parking garages and/or commercial or public surface parking.
- Both subdistricts permit the following uses above ground level or at ground level where not visible from the street: Printing operations; Upholstery shops; Multifamily residential developments of 75 units or less; Private and vocational schools; Commercial or public parking garages and/or commercial or public surface parking; On-site hazardous waste treatment and storage facilities as an accessory use to a permitted use (with restrictions); Emergency shelter for the homeless (with restrictions);
- Subdistrict C-1b permits the following uses above ground level or at ground level where not visible from the street: Laundry and dry cleaning operations; Automobile service and repair; Drive-in banks; Other drive-in retail or service businesses.

- Both subdistricts permit by a conditional use permit multifamily developments of 76 dwelling units or more, provided, such use be permitted only above ground level or at ground level where not visible from the street.
- Subdistrict C-1a permits offices greater than 2,000 SF on the first floor by administrative conditional use permit.
- Both subdistricts prohibit outside sales of vehicles, boats, mobile homes or equipment.
 - a. Lot area and width: There are no limitations on lot area and width.
 - b. Setbacks: There are no minimum setback requirements.
 - c. Building height: Building height in the C-1 district is unrestricted except for fire safety considerations.
 - d. Landscaping: Landscaping shall be required pursuant to the terms of Chapter 17.93 MVMC.
 - e. Parking: Parking shall be provided pursuant to the terms of Chapter 17.84 MVMC.
 - f. Signs: Signs shall meet the requirements as provided in Chapter 17.87 MVMC.
 - g. Site plan review: All developments in the C-1a and C-1b districts shall be subject to site plan review and provided in Chapter 17.90 MVMC.
 - h. Downtown design recommendations: Downtown design recommendations, as adopted by the City of Mount Vernon shall be applicable to new construction and redeveloped buildings within the central business district, subdistrict C-1a.

Please note that within the Shoreline Management Zone, the height limitation within the Urban Mixed-Use Environment is 55 feet. There are additional restrictions regarding uses and setbacks within the Shoreline Management Zone.

APPENDIX: Comparison of Development Fees

	Mount Vernon	City of Bellingham	City of Woodinville
Park Impact Fee			
Single Family	\$855.00	\$4,808.35	\$3,175.00
Multi-Family	\$789.00	\$3,523.53	
School Impact Fee			
Single Family	\$6,658.00	\$2,242.00	
Multi-Family	\$875.00	\$229.00	
Binding Site Plan	\$1,000.00	\$3,188.00	\$8,229.00
Comprehensive Plan Amendment	\$1,000.00	\$1,849.00	\$6,623.00
Conditional Use Permit			
Administrative	\$100.00	\$1,347.00	
Hearing Examiner	\$1,000.00	\$2,166.00	\$6,048.00
Critical Areas Permit / Review	\$500.00	\$1,116.00	\$535.00
Environmental Review (SEPA)	\$600.00	\$319.00	\$1,554.00
Rezone	\$700.00	\$1,902.00	\$5,184.00
Planned Unit Development	\$1,000.00	\$3,241.00	
Variance			
Administrative	\$100.00		
Hearing Examiner	\$500.00	\$1,528.00	\$9,346.00
Home Occupation Permit	\$25.00	\$106.00	\$108.00
Additional Staff Time	\$75.00	\$107.00	\$130.00

APPENDIX: City Vision and Goals (from 2008 Downtown and Waterfront Master Plan)

2. VISION, GOALS, AND OBJECTIVES

2.1. VISION

“Downtown Mount Vernon is the vibrant heart of Skagit County. It is a place where people come to live, work, and play, enjoying the riverfront promenade, boutique shopping, fine dining, and entertainment of all sorts. Its public spaces are enlivened by a farmer’s market and live music. People come for its fairs, festivals, and riverfront setting. They come back for its small town character and the ease with which they can park their car and walk wherever they want to go. Downtown Mount Vernon is thriving because it is where people want to be.” This is the vision proposed by the City staff and consultant team based on discussions with elected officials, members of the CAG, and other citizens and stakeholders. It attempts to capture the spirit and intention that inspired the master planning effort. It is achievable, and with community support, the City is well on its way to making it happen.

Each of downtown Mount Vernon’s stakeholders has his or her own vision for the waterfront and downtown. Although each vision is unique, many of them share common themes that are critical to the success of this master plan and the Community Marketing Plan being developed separately. Based on the initial interviews conducted for the Community Marketing Plan, a common vision for Mount Vernon as it applies to downtown includes the following:

Small city character and attributes Amenities such as:

- Adequate parking
- Streetscape and sidewalk improvements
- Art and water features
- Permanent Farmer’s Market
- Children’s museum
- Art and history museum
- Outdoor cinema
- Public art
- River activities
- Public dock
- Public restrooms
- Economic vitality

Businesses such as:

- Boutique retail
- Professional offices
- Restaurants
- Hotel
- Cinema
- Full store fronts
- Housing

The vision for downtown Mount Vernon should describe what it looks and feels like in twenty years, the planning horizon for this master plan, and it should complement the greater vision for the City.

2.2. GOALS AND OBJECTIVES

The goal of the Master Plan is to guide the investment of public and private resources in the downtown area over the next 20 years. The Master Plan has been developed to guide anticipated redevelopment once the flood protection measures identified in the recent Flood Protection Alternatives Environmental Impact Statement (EIS) are implemented. In general, the goals of the Master Plan and their associated objectives are: Provide permanent certified flood protection for downtown to make investing in downtown Mount Vernon economically viable.

- Build a combination of flood walls and levees per the Mount Vernon Downtown Flood Protection Alternatives FEIS.
- Include design features such as grand stairs, ramps, and removable sections to prevent the flood control measures from creating a barrier between the downtown and the Skagit River. Develop a pedestrian-oriented downtown where people are encouraged to circulate on foot.
- Improve the connection between Skagit Station and downtown.
- Install streetscape improvements, wider sidewalks, and other sidewalk amenities.
- Encourage retail and hospitality businesses at street level and office and residential development above. Encourage a mixture of land uses, including public open space, shoreline recreational, cultural, and institutional uses integrated with revenue producing uses that may include office, retail, restaurant, hotel, entertainment, and residential uses.
- Create public-private partnerships for redevelopment of property acquired for flood control. Provide incentives for commercial redevelopment of underdeveloped properties over time.
- Increase intensity of commercial and retail activity. Accommodate an overall increase in residential density to provide a greater level of around-the-clock activity, support existing businesses, and improve the general economic vitality of downtown.
- Modify zoning codes to allow higher density and encourage mixed-use, market rate and upscale development in the downtown core. Provide sufficient and conveniently located parking without compromising the overall pedestrian-friendly environment. Accommodate vehicular circulation while providing pedestrian-friendly streets.
- Improve the intersection of First Street and Division Street. Preserve and build upon the existing historic character of downtown.
- Adopt design guidelines to ensure redevelopment and new development complement the City's vision for downtown.
- Identify potential locations for historic exhibits. Provide more open space and public amenities downtown.
- Build a pedestrian promenade along the river in conjunction with the new flood control systems. Build a new public plaza for the Farmer's Market, outdoor performances, and other special events.
- Connect First Street to the promenade with streetscape improvements and water features that draw people to the river.
- Install public artwork throughout downtown.
- Pursue state and federal grant opportunities to fund civic improvements. Encourage multi-modal transportation by developing improved connections across the river, to regional trails, and to Skagit Station.
- Construct an improved walkway on the Division Street Bridge.
- Construct a skybridge connection from Skagit Station to the west side of the railroad tracks.
- Construct a waterfront promenade connecting to the regional trail system north and south of downtown. Encourage the use of sustainable design principles in both public and private developments.

APPENDIX: Examples of Library-Anchored Developments



HOLLYWOOD LIBRARY – PORTLAND, OR

- Mixed-use project with 13,000 s.f. library, 47 apartments, and 815 s.f. retail
- Shared parking
- Two-party condo ownership structure, library funded and owns its portion
- Funded by bonds, low-interest loans, LIHTC, property tax exemption, and deferred development fee



SELLWOOD LIBRARY – PORTLAND, OR

- Mixed-use project with 4,400 s.f. library, 16 condos, 4,400 s.f. retail
- Off-street parking for condos only
- Developer owns retail ground floor, library is tenant on 30-year lease with 10-year renewal option