

**City of Mount Vernon  
Local Infrastructure Financing Tool**

**Addendum to April 2007 RCW 39.102.080 (Section 206) Requirements  
for Identification of Small Business and Low Income Housing Impacts,  
Employment Growth, and Housing Price Impacts**

**Prepared by:  
City of Mount Vernon Finance Department  
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**INTRODUCTION**

The City of Mount Vernon intends to re-establish a Revenue Development Area (RDA) in its downtown to fund investment in infrastructure improvements. The City intends to fund improvements using the Local Infrastructure Financing Tool (LIFT). LIFT allows increased tax revenues in an RDA to be used to fund debt service. RCW 39.102.080 of the authorizing LIFT legislation requires the local government to estimate the impact of RDA formation and associated investment on small businesses and low income housing, and to identify mitigation plans. In addition, the local government must estimate net job growth and the impact of housing growth on housing price mix. The original section 206 (RCW 39.102.080) report was issued in April 2007. The boundaries of the proposed RDA remain the same as in the original report. This report addresses changes as of April 2008 in inventories, estimated impacts, mitigation plans, projected employment and projected impact on housing price mix.

**SMALL BUSINESS IMPACTS**

**INVENTORY**

An inventory of all businesses in the RDA was updated from City business license records. According to these records as of April 2008, there are 261 businesses in the RDA with 1,274 employees. These figures do not include government offices and government employees. The figures can be summarized by land use category as follows:

**Summary of RDA Businesses**

	<b>Number</b>	<b>Employees</b>
<b>Retail and Related</b>	108	493
<b>Office Uses</b>	139	597
<b>Other Uses</b>	14	184
<b>Total</b>	<u>261</u>	<u>1,274</u>

The number and employment of small businesses as of April 2008 is summarized as follows:

**Summary of RDA Small Businesses**

	<b>Number</b>	<b>Employees</b>
<b>Retail and Related</b>	107	393
<b>Office Uses</b>	137	401
<b>Other Uses</b>	12	29
<b>Total</b>	<u>256</u>	<u>823</u>

Only five of the 261 businesses in the proposed RDA have more than 50 employees. These businesses have 451 employees in total. The 256 small businesses have 823 employees. The average size of the small businesses is 3.2 employees.

#### **ESTIMATED IMPACTS**

As of April 2008, the parcels the City anticipates acquiring for the improvement project now include 21 businesses with approximately 48 employees. The City will assist these businesses in finding new locations, and moving.

Projected impacts of planned infrastructure improvements in the RDA on small businesses remain the same as in the April 2007 Section 206 report.

#### **MITIGATION PLAN**

The actions that the City is committed to take to lessen the impacts on small businesses remain the same as in the April 2007 Section 206 report.

### **LOW INCOME HOUSING**

#### **INVENTORY**

The low income housing unit inventory as of April 2008 remains the same as April 2007.

#### **PROJECTED IMPACTS**

Projected impacts of planned infrastructure improvements in the RDA on low income housing units remain the same as in the April 2007 Section 206 report.

#### **MITIGATION PLAN**

The actions that the City can take to lessen the impacts on low income housing remain the same as in the April 2007 Section 206 report.

#### **PROJECTED EMPLOYMENT**

The range of potential demand estimated for planning purposes within ten years of completion of improvements as shown in the April 2007 Section 206 report remains the same with the exception of "Office" space. The projected demand for office space has been reduced to 50,000 to 60,000 square feet of professional offices. The estimate of new office jobs is correspondingly reduced to 200 - 240.

#### **IMPACT ON HOUSING PRICE MIX**

Projected impacts on the housing price mix in the RDA remain the same as in the April 2007 Section 206 report.

## **City of Mount Vernon Local Infrastructure Financing Tool**

### **RCW 39.102.080 (Section 206) Requirements for Identification of Small Business and Low Income Housing Impacts, Employment Growth, and Housing Price Impacts**

#### **INTRODUCTION**

The City of Mount Vernon intends to form a Revenue Development Area (RDA) in its downtown to fund investment in infrastructure improvements. The City intends to fund improvements using the Local Infrastructure Financing Tool (LIFT). LIFT allows increased tax revenues in an RDA to be used to fund debt service. The boundaries of the proposed RDA are shown in Figure 1. The authorizing legislation for LIFT includes a section (206) that requires the local government to estimate the impact of RDA formation and associated investment on small businesses and low income housing, and to identify mitigation plans. In addition, the local government must estimate net job growth and the impact of housing growth on housing price mix. This report addresses these issues for the Downtown Mount Vernon RDA., hereafter referred to as the district.

#### **SMALL BUSINESS IMPACTS**

The analysis of small business impacts includes an inventory of small businesses, an estimate of the number of jobs likely to be affected, and a mitigation plan. The State of Washington defines a small business as one with 50 or fewer employees.

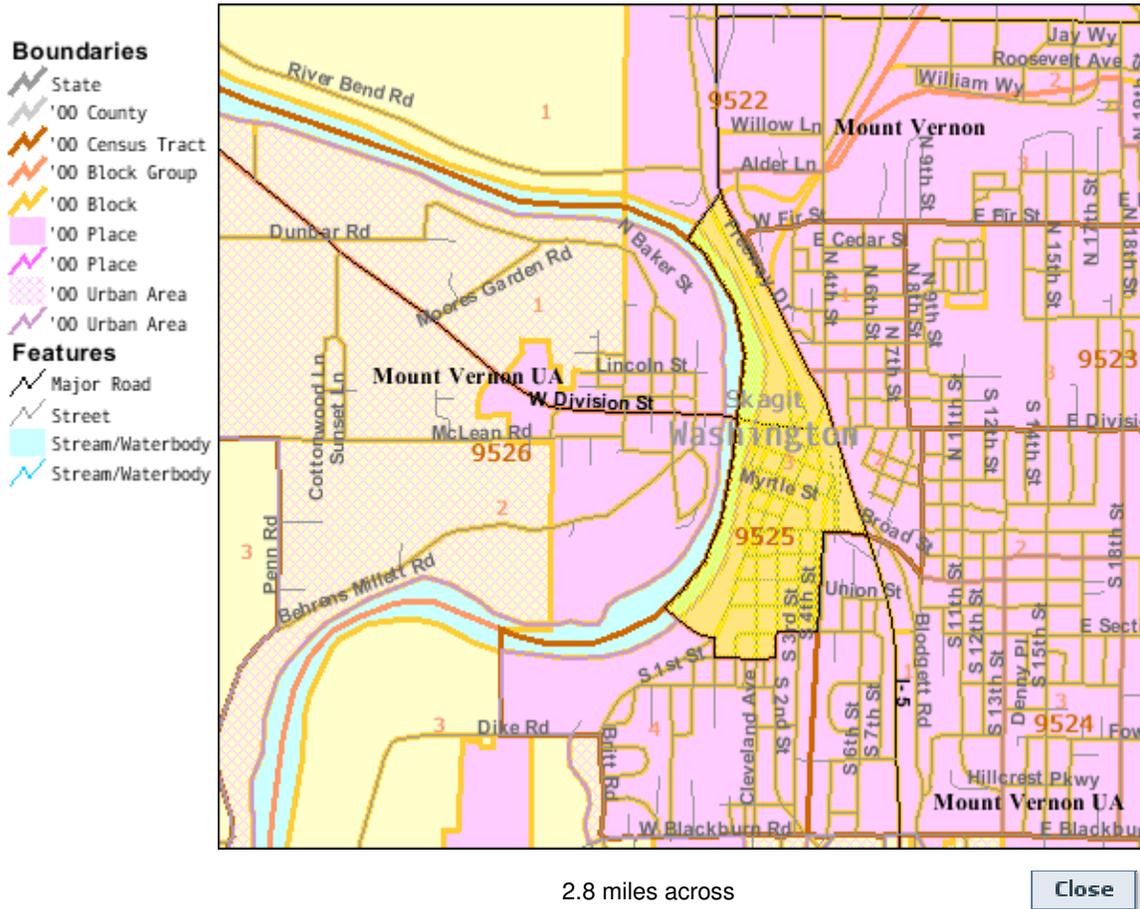
#### **INVENTORY**

An inventory of all businesses in the RDA was prepared from City business license records. According to these records, there are 280 businesses in the RDA with 1,324 employees. These figures do not include government offices and government employees. The figures can be summarized by land use category as follows:

**Table 1  
Summary of RDA Businesses**

	<b>Number</b>	<b>Employees</b>
<b>Retail and Related</b>	116	520
<b>Office Uses</b>	146	604
<b>Other Uses</b>	18	200
<b>Total</b>	280	1,324

**Figure 1**  
**Revenue Development Area**  
**(Block Group 3, Census Tract 9525)**



The retail category includes North American Industrial Classification System (NAICS) codes for retail trade, food services, entertainment and recreation services, and personal services. The office category includes finance, insurance, and real estate; professional technical and scientific services; health care and social services; and other services except repair. The other uses include construction, manufacturing, and transportation.

As shown in the table, office uses are the largest sector in terms of both number of businesses and jobs, followed by retail. The average number of employees is 4.7 per business.

The number and employment of small businesses is summarized in the following table:

**Table 2**  
**Summary of RDA Small Businesses**

	Number	Employees
<b>Retail and Related</b>	115	420
<b>Office Uses</b>	144	408
<b>Other Uses</b>	16	45
<b>Total</b>	275	873

Only five of the 280 businesses in the proposed RDA have more than 50 employees. These businesses have 451 employees in total. The 275 small businesses have 873 employees. The average size of the small businesses is 3.2 employees.

#### **ESTIMATED IMPACTS**

Several businesses may be affected directly as the City purchases riverfront properties for flood control, recreation, and traffic/utility improvements. The City anticipates acquiring six parcels for the improvement project, which include 27 businesses with approximately 52 employees. All of the directly affected businesses are small businesses. These businesses are identified by NAICS code and include restaurants, office uses, personal care, retail, and a fraternal organization. The City will assist these businesses in finding new locations, and moving.

Other businesses may be affected over time as business opportunities expand, sites are developed, buildings are improved or redeveloped, and land and building prices change. The purpose of the public improvements in the district is two-fold: to reduce the threat of flooding and associated penalties and costs to business; and to increase the attractiveness of the area to potential customers and clients. Each of the existing businesses in the district should experience growth in revenue opportunities in response to the second objective.

The only threats to small businesses are the potential for land prices and building rents to rise to levels that are no longer affordable. In theory, this shouldn't occur as both rents and prices will be set by the market according to the ability of businesses in general to pay. However, some businesses may be better able to respond to opportunities than others. The businesses that may be the most vulnerable are the smaller retail businesses and businesses in the "other uses" category. Office uses are related to government activities in many instances, and will continue to prefer downtown locations. In the case of the small retail uses, virtually all of the retail sectors currently represented are sectors that benefit from pedestrian-friendly downtown urban environments such as what is planned here.

### **MITIGATION PLAN**

The actions that the City is committed to take to lessen the impacts on small businesses are the following.

1. Provide relocation assistance to businesses directly affected by riverfront improvements projects.
2. Plan district improvements to make downtown attractive and accessible to potential customers and clients.
3. Assist small businesses in identifying technical assistance and funding to invest to capture growth opportunities.
4. Encourage economic development for community as a whole to maximize the visibility and attractiveness of the area.

### **LOW INCOME HOUSING**

The analysis of low income housing impacts includes an inventory of low income housing units, an estimate of the numbers of units affected, and a mitigation plan. Low income units are defined as those affordable to households with incomes at 80% or below the median level for the County.

### **INVENTORY**

The district shares the boundaries of Block Group 3 of Census Tract 9525. The City reports that there has not been any new housing developed in the district since 2000. Accordingly, the housing statistics from the 2000 Census reflect the current inventory.

**Table 2**  
**District Housing Inventory**  
**All Units**

Single Family	52
Duplex	13
Five to nine units	26
Ten to nineteen units	17
Twenty or more units	<u>71</u>
Total	179

Source: 2000 Census, Summary Tape 3

Only 146 units were reported as occupied in 2000. Of those, only 24 were owner occupied. Only six of the 179 units were built since 1970.

Of the 127 multi-family units, 93 or 73% are identified by the City of Mount Vernon as low income.

**PROJECTED IMPACTS**

Low income housing units are vulnerable due either to demolition or replacement of the units or to increases in rents or prices to levels that exceed income-based limits. None of the identified low income units would be directly affected by the planned infrastructure improvements in the district. Over time, economic pressures will affect the properties differently.

- Thirty-eight multi-family units are owned by the Skagit County Housing Authority, and are likely to continue as low income units.
- Forty-eight multi-family units are located south of Snoqualmie Street. These areas are predominately residential and somewhat isolated from the primary project improvements. They are not likely to be affected in the foreseeable future.
- Seven multi-family units located in the downtown are vulnerable to loss or conversion. These apartments are on the upper floor of a commercial building.

In summary, seven of the 93 identified low income multi-family units are likely to be impacted by projects within the district.

The single family homes in the district are all located south of Kincaid Street. It is unlikely that any of these homes would be converted to other uses. It is possible that

general improvements in the downtown will make this close-in neighborhood more attractive. Single family homes currently for rent may become owner-occupied.

**MITIGATION PLAN**

The actions that the City can take to lessen the impacts on low income housing are the following.

1. Allocate city housing funds to projects within the district.
2. Encourage other agencies to allocate their housing funds to the district.

**PROJECTED EMPLOYMENT**

Employment is expected to increase in the district as business opportunities increase. A report, *City of Mount Vernon Waterfront Area and Downtown Master Plan, Summary of Market Opportunities*, prepared in November 2005, provided an initial quantification of the potential new development that could occur with a master plan and public improvements. Four uses considered in the analysis showed strong potential demand. The following range of potential demand was estimated for planning purposes within ten years of completion of improvements.

Residential	100 – 200 units upper-end apartments and condos
Retail	100,000 to 150,000 square feet of convenience and specialty
Office	100,000 to 150,000 square feet of professional offices
Lodging	75 to 150 rooms with national affiliation

Using typical employment density factors, these development ranges can be translated into an estimate on new jobs over the initial ten year period.

Retail	200 to 300 jobs
Office	400 to 600 jobs
Lodging	<u>50 to 100</u> jobs
Total	650 to 1,000 jobs

Additional development in subsequent ten year periods should meet or exceed these estimates.

## **IMPACT ON HOUSING PRICE MIX**

The November 2005 market analysis identified an initial demand for 100 to 200 upper end apartments and condominiums in the first ten years after completion of the improvements. Prices and rents on these units will exceed existing levels by a factor of 50% or more. Toward the latter part of the period there will be opportunities for a wider range of housing products with differing rent levels and price points. While the mitigation plan identifies actions that can preserve and expand the low income housing inventory in the district, the amount of market rate multi-family housing in the district will increase by a greater percentage amount.