

# Vision, Leadership, Commitment, Flexibility and Experience — A Model Public-Private-Partnership

*Bothell, Washington is applying private-sector approaches and principles to shape its destiny and achieve its goals*

DAVID G. WALLACE\*

**Abstract:** *Public-Private-Partnerships (PPP) do not make bad projects good, but they do make good projects develop faster, easier and to a greater scope than would otherwise be possible. PPP success is not simply about sound economics, but also about the quality, character, commitment, flexibility and creativity of its partners. This article focuses on Bothell, Washington, a community that demonstrates how a clear vision, creative economic development tools and compelling project economics, combined with sophisticated and experienced public-sector involvement, are essential in executing a private-sector approach to public-sector goals.*

Whether you live in Cincinnati, Amarillo, Texas, or almost any community in the United States, downtown business districts have changed and evolved over the years. Bothell, Washington, a Seattle suburb, was no different. Its history dates back to the 1880s, and its downtown was founded on a small block grid in the early 1900s. The city's growth was relatively steady and slow until after World War II, whereupon expansion accelerated, followed by a decline in the downtown area which began in the late 1970s.

In 2005, city leaders asked, "What do we want the future of Bothell to be?" To answer the question, the city took a private-sector approach to address a public-sector initiative: i.e., it defined the needs of their shareholders, the residents, assessed the marketplace, crafted a strategic plan and then implemented it to achieve a determined return on investment (ROI).

That methodical approach makes sense to a private-sector, for-profit business, but it is not always common in government.

Businesses are organized to meet the needs of shareholders. Leadership defines a strategic vision, then crafts an implementation plan that addresses customer needs and provides an appropriate ROI. The plan aligns different departments to achieve corporate goals.

However, as odd as it may seem, governmental entities sometimes do not operate with the same clarity of

purpose or alignment of operations. Cities have departments that provide sewer, water, trash services, infrastructure construction and maintenance, public safety, parks and recreation departments, etc. Even though these departments interact daily with residents and the business community, they frequently focus only on delivery of service, not on a bottom-line ROI. Often they do not see how their efforts relate to the total success of the community. Additionally, local politics may play a part in capital decisions, thereby misaligning decisions and processes.

Therein lies the opportunity for applying simple private-sector approaches to public-sector problems. Communities employ business principles when they:

- Recognize that its residents are both its shareholders and its customers;
- Understand the elected leadership can function much like a board of directors, creating policy and setting the strategic direction of the community;
- Define ROI in terms of direct and indirect benefits with both tangible and intangible elements;
- Have elected and administrative leadership that remains focused on goals;
- Understand that returns can be enhanced with the application of sound business principles and then employ tactics which focus departments on organizational goals and the impact of their efforts

\* CEO, Wallace-Bajjali Development Partners L.P.; ICSC Research Scholar Emeritus for Economic Development

## FEATURES

on the targeted ROI; and

- Observe that politics can be mitigated through sound planning and commitment.

Bothell's leaders recognized these principles from the start. Their first task focused on the requirements of their shareholders when they set about a well-structured process that reflected the wants, needs and aspirations of the community as determined through extensive public input. Recognizing the significance of its central business district, the City Council appointed a Downtown Stakeholders Resource Group and a Downtown Visionary Committee which was comprised of a cross-section of the community, including:

- Nearby residents and businesses;
- Downtown property owners;
- Institutional representatives; and
- Developers.

The city further expanded input by involving a number of city boards and commissions in development, including the:

- Planning Commission;
- Landmark Preservation Board;
- Parks and Recreational Board;
- Shoreline Hearings Board; and
- Library Board.

Over four years, with the assistance of key staff, departments and consultants, the city held numerous public meetings, workshops and roundtable discussions to create a clear vision and road map.

### Creating a "Place to Go" in the Heart of the City

In 2009, the city adopted a vision statement<sup>1</sup> that said:

"It is the intention of the City of Bothell and the purpose of this Plan to provide a policy framework to positively affect the evolution of the downtown and its environments, to reverse the forces of disinvestment in its historic center, to fully restore and heighten the vitality, character and civic beauty of the district, thereby reviving and enhancing its iconic image and function as the real heart of the city. More specifically, it is the community's intention to:

- 1) Give the community 'A Place to Go' in the heart of the city—one that is meaningful to community members, provides for daily needs as well as special events and appeals to families and Bothell citizens of all ages.
- 2) Enhance the essential 'publicness' of downtown—its wide range of public places, civic buildings and community services. Make downtown the welcoming

place to go to meet, be at the center, and feel a sense of shared common ground in Bothell.

- 3) Revitalize the economic fortunes and visual character of downtown, and particularly of the city's historic Main Street.
- 4) Maintain downtown's distinctive regional character as a town center set amidst forested hills.
- 5) Link the downtown core to the Sammamish River and the Park at Bothell Landing.
- 6) Link the downtown core to the University of Washington Bothell/Cascadia Community College campus (UWB/CCC).
- 7) Enhance mobility and connectivity to and through the district via automobile, transit, bicycle and pedestrian travel.
- 8) Protect the character and quality of life of residential neighborhoods at the edges of downtown.
- 9) Support sustainable, environmentally responsible development."

In pursuit of the achievement of that stated vision, the city established a revitalization strategy with five major priorities:

- 1) Reposition downtown to tap into pent-up demand for downtown lifestyle and "convenience living";
- 2) Foster development of a strong retail, services and entertainment core;
- 3) Build a captive audience;
- 4) Make downtown look and feel like the heart of the city; and
- 5) Enhance downtown's visibility and access.

Part of the vision for downtown involves The Junction. As seen in Figure 5-1, this new alignment of Main Street and two state routes created three new blocks for redevelopment.

The leadership then took proactive and direct steps to create policies, apply city resources and undertake specific municipal efforts to promote and guide new investment to accomplish these goals.

A public-private-partnership will not make a bad project a good project, but it can make a good project possible. The reality of this is that even if the economics of a project are positive, a partnership alone will not make it a success. Success is only achieved when a community is engaged, understands the project, knows its limitations, agrees with the need for the project and is committed to move forward despite ups and downs. Said another way, in the vernacular of the unofficial mantra of the U.S. Marine Corps, focus on the objective, then "improvise, adapt and overcome!"

<sup>1</sup> Freedman, Tung & Bottomley, "City of Bothell, Washington: Downtown Subarea Plan and Regulations,"

[http://www.ci.bothell.wa.us/Site/Content/Planning%20and%20Development/Downtown%20Revitalization/Web\\_revised\\_Part1.pdf](http://www.ci.bothell.wa.us/Site/Content/Planning%20and%20Development/Downtown%20Revitalization/Web_revised_Part1.pdf), retrieved Feb. 23, 2011.

**Figure 5-1**  
The Junction, A New Alignment of Main Street



Source: City of Bothell, Washington

Bothell city leaders began correctly from the start with a private-sector approach to solving public-sector problems, fostering growth and shaping redevelopment of their downtown. They involved community customers in crafting a vision that resulted in “buy-in” from all stakeholders. This approach allowed the Bothell leadership to proceed with a framework for measuring success and a solid backbone as they took limited political risk.

**Market and Economic Considerations**

In proceeding with the project, Bothell’s leaders undertook market assessments that determined that there was an opportunity to attract the type of development to the downtown area that was anticipated in the visioning efforts. Among the elements identified in the market assessment were the needs for:

- More than 2,700 new residential units;
- Approximately 250,000 square feet (sf) of new office space; and
- Nearly 400,000 sf of retail space.

A 2007 economic-impact assessment, conducted by a third-party consultant, presented favorable results. It estimated new capital investment as more than \$668 million, which would create over 8,000 temporary and 1,600 new permanent positions during the next 25 years. As seen in Table 5-1, the estimated direct economic impact of this employment is over \$220 million to the state and local entities.

After the most recent recession began, the city updated its economic assessment to ensure that it was

not proceeding under a false premise. It recognized that, more than likely, they were proceeding at the most opportune time, because given development time horizons, it would be starting at a low point in the economic cycle before catching the upswing.

That said, the change in the economy also presented problems for the development community and thus problems for the city’s efforts. Always flexible and always focused, the city moved from soliciting a developer to becoming the master developer for the project.

As the city examined the economics further, it realized that changes in lifestyle would drive the development, but certain issues in the project needed to be addressed. This “gap” was in two areas. The first shortfall was found in Bothell Crossroads, a project that will provide a four-lane road with dedicated turn lanes and sidewalks separated from traffic by tree-lined medians. This involved purchasing land and realigning State Route 522. The second issue dealt with the development of structured parking that was essential to achieving the urban vision of increased density.

The problem with the parking, in turn, was twofold. First, like so many communities, Bothell does not have a “pay-for-parking” marketplace; second, the parking patterns and the current economic crunch posed issues for the budget. To make the development work required increased density, and this density drove the need for a different approach to parking. However, the development costs and revenues would not provide for the structured parking to be funded by the projects.

Undeterred and armed with information provided by

**Table 5-1**  
Anticipated Tax Revenues

	City of Bothell	Washington State
Annual Average		
Sales and Use Tax	\$774,211	\$5,920,435
Property Tax	\$671,069	\$1,392,219
<b>Total</b>	<b>\$1,445,280</b>	<b>\$7,312,654</b>
Total Over Local Infrastructure Financing Tool Authority		
Sales and Use Tax	\$20,129,479	\$153,931,312
Property Tax	\$17,447,807	\$36,197,688
<b>Total</b>	<b>\$37,577,286</b>	<b>\$190,129,000</b>

Source: Calculated by ECONorthwest

independent third parties, the city turned to a parking consultant to look at a combination of solutions including:

- The potential creation of a “Parking District”;
- Changes to parking regulations to provide alternative means of meeting the requirement there by increasing the amount of a lot that may be developed (examples of alternatives include shared parking as well as fees in lieu of providing parking on site);
- Creative funding solutions and partnership with the regional transportation effort for “park and rides” which are used at a different time of day than the entertainment facilities; and
- Potential incentives to developers providing additional dedicated space for shared parking opportunities.

Continuing to work on Bothell Crossroads, a portion of the development staff of the city teamed with the State of Washington to solve the funding gap in the project. Once again, their approach was successful because the state recognized the tax benefits of the project, and was willing to partner with the city by awarding one of a very few Washington State authorizations which allowed for \$25 million from the state Local Infrastructure Financing Tool program. The city then leveraged this with \$7 million from state capital programs, along with other local dollars, to proceed with the project.

The next critical element of success was that the city put competent staff in charge of the project, which helped define “success” for the city and determined what it meant to the internal departments. After all, it is impossible to measure success without benchmarks and goals. The city looked at all elements of the project and what it would take to make it a success. As a part of that effort, the city also looked at what it needed to do to compete in the marketplace.

The impact of this approach was substantial, as the

city:

- Clearly articulated project expectations in documents that can be provided to private-sector partners;
- Engaged proactively to:
  - 1) Achieve unanimity of political and administrative leadership;
  - 2) Utilize staffers experienced in community and economic development;
  - 3) Review city processes for improvement and institute organizational expectations for customer service;
  - 4) Institute a business approach to management which focuses on “profit” for the city in the project and delivery of services (city profit equals direct, indirect, tangible and intangible benefits from a project); and
  - 5) Institute a “commitment to continuous improvement” with department meeting representation by all functional areas of the city with ties to the project and a focus on “points of fright,” i.e., issues impacting multiple areas that keep city staff awake. These meetings provide the opportunity to create a more open organizational culture where information and tough problems are shared, thus encouraging the collaboration, team building and focus which leads to increased success.
- Decided that the city would serve as “master developer” with functions that include:
  - 1) Purchasing significant quantities of land in the targeted area of approximately 25 acres;
  - 2) Focusing on core catalyst projects: over \$150 million of transportation improvements;
  - 3) Defining the city’s role in gathering information, creating development plans and framework;
  - 4) Investing in regional infrastructure;
  - 5) Engaging qualified consultants to assist in planning and development efforts;
  - 6) Listing qualified target industries;
  - 7) Identifying retailer market gaps and a target retailer list;
  - 8) Creating development standards, signage standards, established way finding, landscape guidelines, etc.;
  - 9) Creating predictable development costs and processes;
  - 10) Reducing development costs through regional utility;
  - 11) Investing in such key projects supporting the master development as the new city hall, plaza, parks projects, etc. (See, for instance, Figure 5-2, the design for the new development area that incorporates a local stadium into the downtown core);
  - 12) Conducting an environmental assessment of property and performing mitigation; and
  - 13) Conducting an historic review and mitigating any

**Figure 5-2**  
Downtown, Looking Toward Stadium



Source: City of Bothell, Washington

related issues.

- Bothell committed to all projects in the redevelopment area, including projects on land not owned by the city, thereby supporting private developers in selling and developing land in the area; and
- The city proceeded with a community “green” focus to create sustainable projects over time that are “triple bottom line.” To Bothell, “sustainability” is a three-legged stool where the project is environmentally and financially sound, as well as socially acceptable. Accordingly, if any of these characteristics is not present in a “Bothell-related” project, then it is not sustainable and is nothing more than “green washing.”

### **Recent Successes Validate the City’s Approach**

Bothell’s efforts have generated a number of early successes, including the following:

#### *Anderson School Site Redevelopment*

As a result of the marketing effort, Bothell was able to attract the McMenamins, a local development company which operates brewpubs and hotels throughout Washington and Oregon. A subsequent agreement called for the development team to purchase approximately 5.5 acres from the city containing the Anderson school site including the building’s redevelopment into a 70-room hotel. The anticipated development will also provide a restaurant, pub, movie theater, live music, spa, community garden, community pool and community meeting space by 2013. The project will both preserve

and reuse an existing historic structure, as well as incorporate green building practices.

One of the many noteworthy elements of this complex effort was the public-public-partnership between Bothell and the Northshore School District (NSD). Following three years of negotiations, the city and the district combined their public works and mechanical and bus yard into a joint facility sharing economies of scale for development and operations. This approach is structured to meet the needs of both the city and the NSD for the next 75 years.

#### *City Hall Campus Project*

Bothell is also seeking to support the development with a publicly developed catalyst project of a city hall campus which, when developed, will feature:

- A 60,000-sf Bothell City Hall with at least a gold rating from the Leadership in Energy and Environmental Design (LEED) certification program;
- A grand plaza for community gatherings, concerts and events;
- Development of adequate parking on the property sufficient to support the project;
- Mixed-use retail and commercial office space; and
- A residential housing component.

The vision for the existing city hall site is to accommodate more than just civic facilities. When completed, the \$40-million project is expected to achieve the city’s goal of a dynamic mixed-use civic campus that will energize the economic development of downtown, by creating a strong community core.

#### *Safeway Site Redevelopment*

The city’s efforts have also gone beyond the land it controls directly by setting the stage for private investment in the targeted redevelopment area on privately controlled property. City leaders have worked with industry professionals to create change. An example is the sale and \$50-million redevelopment of a Safeway site to a 250-unit multi-family complex containing 11,000 sf of retail. Bothell leaders met with Safeway officials and then supported the company’s sale and closing to a third-party developer. The project, which is currently called Boulevard Place, is expected to begin almost immediately, and the partnership (Pacific Northern Construction and Senior Housing Assistance Group) credits the city’s involvement with successfully closing the transaction.

The site, which the city calls Bothell Landing, is planned for a major redevelopment. The effort involves two ongoing transportation projects, including one that will turn Bothell Way into a boulevard. (See Figure 5-3, which depicts side-access lanes of the new multi-way

**Figure 5-3**  
Design for the New Multi-Lane Boulevard

Source: City of Bothell, Washington



boulevard.)

### Lessons Learned

As I consider the efforts by Bothell, I am struck by the following:

- 1) The city leadership began by focusing on the needs of “shareholders,” involving the community with a thorough and proactive public input process. Involving the public and stakeholders early on in the process was critical, as it ensured that the project was not just a city project or a developer project, but also the community’s project;
- 2) They defined what they needed in an ROI. The city’s efforts in proceeding were logical, iterative and constrained by financial feasibility and the desires of the customers. This thoughtful approach provided the opportunity to ensure the project under consideration was consistent with the goals, had the opportunity to be successful and described specific and defined expectations. This approach also increased public confidence and minimized political pitfalls.
- 3) The city’s leadership was bold, committed and unwavering in supporting the project that was defined through a public process. Once the vision was defined, the goals set and the framework in place, the leadership took steps to acquire 25 acres in the redevelopment area. This, along with efforts to invest in infrastructure and public facilities, sent strong signals to the citizens and private sector of the city’s commitment, thereby enhancing the opportunities for success.
- 4) The city
  - a) clearly defined the outcomes they sought and then constrained them with sound business principles. This effort is key for all communities as it assists in weeding out projects that are desired, but not feasible. If done correctly, it helps select the good projects from the bad ones.
  - b) put talented teams in place to administer the project and let them do their work.
  - c) identified the benefits of the project, and with the support of qualified consultants, undertook an independent evaluation of the project opportunities to ensure the premise was sound in attracting additional support from the state.
  - d) evaluated costs and other barriers to entry in the market, including existing city processes and other development-related regulations and ordinances.
  - e) remained focused, but flexible. In response to changes in the economy, the city assumed the role of master developer, taking all steps necessary to create value and a framework for success.
  - f) modified procedures to ensure that public processes provided predictability for the development requirements, steps and timeframes (e.g., short

## FEATURES

forms created after environmental analysis suggested their usefulness).

- g) identified opportunities for city-supported catalyst projects such as the new city hall project.

The approach and efforts taken by Bothell are not unique in and of themselves. However, what is unique, or at the very least uncommon, is a holistic approach where the city's "investment" is as a public- and private-sector partner, as well as a master developer, in accomplishing a redevelopment project.

Successful businesses implement strategies and apply

resources appropriate for markets and core competencies. Clarity of purpose, the strong economic foundation of the project, backing of public-sector staff and leadership, commitment and flexibility, as well as the self-awareness of internal capabilities, led Bothell's project participants to assume roles not common for most cities that undertake public-private partnerships.

This private-sector approach for both staff and elected leadership, though seemingly simple and obvious, is truly a "lesson learned" in creating a successful public-private-partnership.



**David G. Wallace** is an ICSC Research Scholar Emeritus for Economic Development and a former three-term mayor of Sugar Land, Texas. He is currently Chief Executive Officer for Wallace Bajjali Development Partners L.P., a real-estate development firm active in the Texas market. He served on the U.S. Department of Homeland Security Advisory Council's State and Local Officials Senior Advisory Committee and on the Board of Directors for the Texas Economic Development Corporation. Most recently, he is the author of *Retail Development Through Public-Private Partnerships* (2011, ICSC). He can be contacted at [dwallace@wallacebajjali.com](mailto:dwallace@wallacebajjali.com).