

Food System Development Program Phase One: Multi-Use Agricultural Facility on San Juan Island

San Juan Island's Agricultural Guild of San Juan Island, WA received \$10,000 to finance the planning and design of a year-round multi-use facility to include a farmers market, food processing area, storage equipment, and space for educational instruction. Funds were used to pay planning and design costs.

[Final Report](#)

San Juan Islands Agricultural Guild
12-25-G-0760
PO Box 1945
Friday Harbor, WA 98250

January 31, 2010

TO: 2008 FMPP Grant Team
Farmers' Market Promotion Program (FMPP)
MSD, TM, AMS, USDA
1800 M Street, NW Room S-3012
Washington, D.C. 20036

FROM: Lovel Pratt, Permanent Farmers' Market Project Director
San Juan Islands Agricultural Guild

SUBJECT: Project Final Report

Carmen – Attached in the hard copy and fax submittals are the January through June summary of hours and activities reports and project director invoices that include all work billed to the FMPP grant since the January 29th submittal of the SF-269A Financial Status Report. Total hours worked July through September on the FMPP grant are 35 hours for a total (at \$35 per hour) of \$1,225, which exceeds the \$1,215 remaining in the total grant award. With the \$245 reported in January 2009 and the \$8,540 reported in August 2009, the total grant expenditure to date is \$10,000.

Please feel free to call me at (360) 378-7172 or email me at lovel@rockisland.com if you have any questions.

Thank you for your support of the Ag Guild's Permanent Farmers' Market project!

Final Report

Project Summary:

The San Juan Islands Agricultural Guild (Ag Guild) has been focused on the development of a Permanent Farmers' Market Facility (Market Facility) in Friday Harbor, Washington, since the non-profit was founded in 2008.

The USDA Farmers' Market Promotion Program grant was received in October of 2008. A feasibility study, completed in January 2009, determined the feasibility of a permanent farmers' market facility in Friday Harbor per se, and identified the top three most feasible sites. The most feasible site identified was 150 Nichols Street primarily due to location and committed local public funding.

Since September 2008, the San Juan County Land Bank (Land Bank)'s approved budget has included \$400,000 towards the purchase of an historic preservation and conservation easement on the 150 Nichols Street property. The Land Bank's mission includes historic preservation in addition to land conservation. The historic building at 150 Nichols Street is the only remaining historic industrial building in Friday Harbor's downtown core. Originally this building was the Friday Harbor Brick & Tile Co. that manufactured the concrete blocks used in several of the historic buildings in Friday Harbor, including Town Hall (1934).

The Ag Guild and Land Bank have been discussing this project with the Town of Friday Harbor (Town) Mayor and Administrator since the fall of 2008. A formal request was made to the Town Council in September 2009 for project support in the amount of \$375,000 from the Town's Lodging Tax Reserve funds.

In October 2009, the Land Bank secured a purchase and sale agreement with the owners of 150 Nichols Street, and the San Juan Islands Agricultural Guild (Ag Guild) secured a lease agreement. In December 2009, the purchase and sale agreement and the lease agreement were subsequently extended through June 2010.

In December 2009, the Ag Guild, the Land Bank, and the Town signed a Memorandum of Understanding (MOU) which outlines the status of the project, the Town's contingencies, and next steps for the project.

How Challenges Have Been Addressed:

The challenges to the project have included opposition to the project from a minority of the local community. The issues include the lack of on-site and nearby downtown parking, Town's use of Lodging Tax Reserve funds, and the concern that the Market Facility would have a negative economic impact on local storefront merchants.

In September 2009, the Town Council held a public forum to give citizens an opportunity to comment on the project. There were 16 who spoke in support of the project, 8 who spoke in opposition to the project, and 4 who were neutral.

The Ag Guild made presentations at the Town Council forum and at a meeting of the San Juan Island Chamber of Commerce. In addition, a Q&A which was posted on the Ag Guild website and widely distributed, and the project director met with interested groups of citizens and conducted email communications with all interested parties.

The Ag Guild has always recognized that the primary disadvantages of the Nichols Street property are the lack of visibility from major roads and the limited amount of on-site parking. Signage and advertising will be used to address the

visibility issue. Plans are in process for a “veggie valet” (curb-side purchase drop-off/pick-up booth) and/or a shuttle bus to address the lack of on-site parking. A request has been made to Washington State Ferries for the use of overflow ferry lane parking lots B and/or C located one and two blocks from the 150 Nichols Street property.

As the community dialogue about parking progressed, the majority came to understand that the Ag Guild would develop the property with the number of on-site parking spaces as required by code just as every other property development project is required to do, and that the lack of downtown parking would need to be addressed comprehensively by the Town. The Ag Guild maintains that it is interested in working with the Town to identify options for additional parking that would address the needs of the Market Facility and the downtown core in general.

The Town is still in the process of determining whether or not the Lodging Tax Reserve Funds would be an appropriate funding source for this project. The Town wants to receive assurances that this expenditure would not result in a finding by the State Auditor’s Office. The State Auditor’s Office only audits after the fact and does not give pre-approval. Resolution of this issue is one of the Town’s contingencies included in the MOU.

The Ag Guild utilized several studies that demonstrate that farmers’ markets actually benefit surrounding businesses. Dr. Kathleen Bubinas’ 2009 study “Feeding the Downtown: A Study of the Local Effects of Farmers Markets on Local Economies in Wisconsin” confirms that local farmers’ markets provide a substantial direct economic benefit in real dollars to their surrounding downtown areas: <http://www.waukesha.uwc.edu/ant/kbubinas/market.pdf>

Links to additional studies:

<http://www.farmersmarketsontario.com/Documents/FMO%20Impact%20Study%20-%20Overview%20and%20Highlights.pdf>

<http://ageconsearch.umn.edu/bitstream/45523/2/jaae-40-01-253.pdf>

http://www.leopold.iastate.edu/news/newsreleases/2005/markets_051005.htm

http://www.marketumbrella.org/seed/seed_whatwhy.php

http://www.pps.org/markets/info/markets_articles/economic_benefits_of_markets

Some of the opponents also expressed support for the Market Facility to be located at the County Fairgrounds. The County Fairgrounds was identified as the #3 most feasible location. One reason why the Town would not consider the Fairgrounds (located outside the Town limits) to be a preferred location is included in the Town’s Economic Development Element of the Comprehensive

Plan which states: “The Town should support the establishment of a permanent farmers market in Friday Harbor.”

The San Juan Farmers Market Association’s preferred location is in the downtown core and that is one reason why the Nichol Street property was identified as the number one ranked location in the Feasibility Study. Local artists and a local arts and crafts market organizer also strongly prefer the downtown core location. While the cost of development would be significantly less (given the fact that the property and existing infrastructure is already publically owned), the operating budget would not be sustainable given the facility’s current rental fees and the current vendor stall fees. While it is a challenge to raise the necessary capital funds for the Market Facility, it is more sustainable to raise one-time capital costs then to have on-going fundraising needs.

Project Partner Contributions:

The Ag Guild is working in partnership with the Land bank and Town on a unique public-private partnership to purchase and develop the 150 Nichols Street property for the location of a tourism-related Market Facility. The Ag Guild is committed to securing additional public funding, grant funds, and conducting local fundraising for the balance of the \$1.3 million needed to purchase, renovate, and develop the property, and establish a thriving tourism related facility. The Ag Guild is also committed to the successful long-term management of the Market Facility. The Town and/or the Ag Guild would own the property, and the Land Bank would hold the historic preservation and conservation easement. If the Town owns the property, the Ag Guild would have a long term lease to develop and manage the facility.

In addition, several local, regional, and national organizations have contributed to this project:

- **San Juan Island Community Foundation:** Architectural design (\$5,000).
- **USDA Farmers’ Market Promotion Program:** Facility planning and design (\$10,000).
- **Washington State Rural Opportunity Fund grant from the Department of Community, Trade and Economic Development via the San Juan County Economic Development Council:** Feasibility study (\$30,000).
- **Northwest Agriculture Business Center:** Technical assistance for planning, design, fundraising, feasibility study, and a business plan (valued at \$34,000).
- **San Juan Farmers’ Market Association:** Booth space for outreach, surveys, and fundraising (valued at \$240).
- **San Juan County Economic Development Council:** Office space, phone, and equipment (valued at \$23,500).
- **San Juan County /Town of Friday Harbor Department of Emergency Management:** Technical assistance for design of the cool and cold

storage component to increase San Juan County's self-sufficiency and emergency preparedness.

- **San Juan Islands Conservation District and WSU Extension San Juan County:** Planning and design of the educational component.
- **Additional Local support** includes \$92,861 in cash donations and \$25,928 in in-kind donations for a total of \$118,789 received from local supporters to date.

The Ag Guild is working in close partnership with the San Juan Farmers' Market Association (SJFMA). The Ag Guild and SJFMA have worked extensively on the site selection and design process, and in the development of the project capital and operating budgets.

The Ag Guild is working to secure all the necessary project funding. An application for a USDA Rural Business Enterprise Grant in the amount of \$99,900 has just been submitted by the Ag Guild for property acquisition. The Ag Guild Board of Directors has initiated a capital campaign. Washington State Senator Kevin Ranker has requested \$400,000 in State capital funds and in collaboration with that request an application will be submitted to the Washington State Historical Society's Heritage Capital Projects Fund.

Results, Conclusions, and Lessons Learned:

The opposition articulated by some members of the community has actually made this project stronger. By engaging in community dialogue and answering the questions and concerns raised, more people became engaged in the project. The opposition led to outreach for support from diverse community members as well as State and Federal agencies. While there will never be 100% support for the project, the outcome of the public debate has been greater public awareness and support.

In many ways it would be far easier for the Ag Guild to develop the Market Facility independently. However, given the 150 Nichols Street project's capital budget it is unlikely that the Ag Guild would succeed independently, especially in the current economy. It is a costly, cumbersome, detailed, and time consuming process for the three parties to be developing the Market Facility via a public-private partnership, however, this too will likely lead to a stronger project with more broad-based community support as a result.

Current or Future Project Benefits:

This project's greatest strength is its unique public-private partnership that will address several goals of the Town, the Land Bank, and the Ag Guild simultaneously in Friday Harbor's downtown core:

- The revitalization of an under-utilized property
- The creation of a tourism related facility

- Economic development opportunities for local farmers, seafood harvesters, artists, and food purveyors; as well as for the surrounding merchants
- The preservation of the only remaining historic industrial building
- The creation of a Town Square including additional greenspace and greater pedestrian access
- The marketing, processing, distribution, cold and cool storage, and educational facilities needed to promote sustainable agriculture in San Juan County

Additional Information Available:

The Ag Guild/Land Bank/Town MOU is attached. More information including the feasibility study is available at the Ag Guild's website: <http://www.sjiagguild.com/>

Recommendations for Future Research Needed:

Other communities may benefit from information about public-private partnerships for the development of year-round farmers' market facilities.

More research on the multiplier effect of farmers' markets and regional food systems such as the Local Food Economy Study for Sustainable Seattle conducted by Viki Sonntag:

<http://sustainableseattle.org/Programs/LFE%20Files/LFE%20REPORT%20FINAL.pdf>.

Contact Information for the Project:

San Juan Islands Agricultural Guild
PO Box 1945
Friday Harbor, WA 98250

Project Director: Lovel Pratt

lovel@rockisland.com

360-378-7172

People, Organizations, Marketing Entities and/or Communities That Have Benefitted from the Project's Accomplishments:

In general, this project to date has made the Town and County governments and the citizens of San Juan Island more aware of local agriculture and the marketing of local products.

Final Report

MEMORANDUM OF UNDERSTANDING

THIS MEMORANDUM OF UNDERSTANDING ("MOU") is made by and among the San Juan County Land Bank ("the Land Bank"), the Town of Friday Harbor ("the Town") and the San Juan Islands Agricultural Guild, a Washington Non-Profit Corporation, ("the Ag Guild").

I. RECITALS

A. The Land Bank has entered into a Purchase and Sale Agreement with William Erickson and Joan Erickson (the "Purchase and Sale Agreement") for the purchase of certain real property ("the Property") owned by the Ericksons and located in the Town.

B. The Land Bank's obligation to purchase the Property is contingent upon, among other things, the Town providing Three Hundred Seventy-Five Thousand and no/100 --(\$375,000.00)--Dollars toward payment of the purchase price for the Property.

C. The Town has indicated its willingness to consider making the required financial contribution, using Hotel/Motel tax revenue, if certain conditions can be met and if certain arrangements can be made with the Ag Guild to restore the existing historic structure on the Property and to otherwise develop and use the Property for certain purposes.

D. The Ag Guild has indicated its desire to lease the Property from the Town and its willingness to restore the existing historic structure and to develop and use the Property in a manner consistent with the Town's objectives.

E. The purpose of this MOU is to outline the mutual understandings the parties presently have about how the purchase of the Property might be accomplished with the participation of all three parties, and to express the willingness of all three parties to devote resources toward negotiating the terms for all necessary or appropriate legal documents by which they would cooperate in acquiring, developing, and using the Property in accordance with their common goals.

II. COMMON GOALS

The parties declare that they have the following common goals concerning the acquisition, development and use of the Property:

- A. That the existing historic building on the Property be restored and preserved as a significant historic structure;
- B. That the Property serve as the location for a permanent home for the San Juan Farmer's Market, as well as a location for other events, such as an arts and crafts market;
- C. That the Property include a green space, essentially undeveloped and open to the public; and
- D. That the Property also serve as the location for developing and operating a tourism-related facility (as to which, see Section III(C)(4) below).

III. WAY FORWARD

The parties agree that they are, at present, focused on the following process for the acquisition, development, and use of the Property:

- A. The Land Bank would assign to the Town its rights under the Purchase and Sale Agreement with the Ericksons and the Town would become the owner of the Property at closing.
- B. In exchange for a Land Bank contribution of Four Hundred Thousand and no/100---(\$400,000.00)---Dollars toward the purchase price, the Town would, at the time of closing, grant an historic and conservation easement to the Land Bank, placing permanent restrictions on the Property, generally as follows:
1. The existing structure on the Property would be restored and maintained in a manner that would preserve its historical character and significance in perpetuity; and
 2. Approximately One-Third (1/3) of the Property would be preserved in perpetuity as open space/public access.
- C. The Town and the Ag Guild would, at the time of closing, enter into a long term lease on terms that would include, among other things, the following key provisions:
1. The term would be Fifty (50) years, more or less;
 2. The rent would be the greater of the leasehold tax required by Washington law or an amount equal to the real property tax that would be payable to the Town if the Property was in private ownership;
 3. The Ag Guild would be obligated to provide the funds to restore the existing historic structure and improve the open space/public access area, both to be in a manner consistent with the historic and conservation easement and both to be accomplished within a time frame agreeable to all three parties;

4. The Ag Guild would operate the facilities on the Property primarily for tourism-related purposes, as defined by State law. The Ag Guild would also make it available as a location for the San Juan Islands Farmer's Market and an arts and crafts market-- which the Ag Guild believes to be tourism-related uses -- as well as for other non-tourism related uses, so long as the primary usage is tourism-related (as defined by State law).
- D. The Ag Guild has begun a capital campaign which may raise sufficient funds to allow for its purchase of the Property. By mutual agreement of the parties, as an alternative to the assignment of the Purchase and Sale Agreement to the Town, the Purchase and Sale Agreement may be assigned to the Ag Guild. In that event the Ag Guild would purchase the property encumbered by the Land Bank easement. In any such event, upon the mutual agreement of the parties, the Town would be able to participate in the development of the Property rather than its purchase.

Notwithstanding the above statement, the parties acknowledge that different scenarios could be developed, by which their fundamental goal of acquiring the Property could be achieved, and this MOU is not intended to outline an exclusive process by which to do so.

IV. TOWN'S CONTINGENCIES

In addition to the need for the parties to reach a final and binding agreement on all matters pertaining to their common goals, expressed above, it is understood that the Town's willingness to proceed to an actual purchase of the Property is contingent upon the satisfaction of the following contingencies not later than thirty days prior to the

closing date as set forth in the Purchase and Sale Agreement, as amended from time to time:

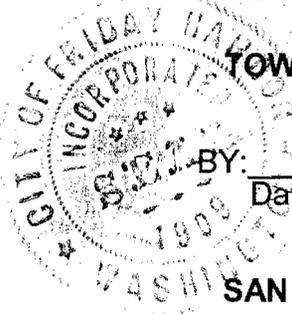
- A. An appraisal of the value of the historic and conservation easement shall have been completed and shall indicate that its value is not less than Three Hundred Sixty Thousand and no/100---(\$360,000.00)---Dollars and not more than Four Hundred Forty Thousand and no/100---(\$440,000.00)---Dollars;
- B. The Land Bank shall have delivered the sum of Four Hundred Thousand and no/100---(\$400,000.00)---Dollars to the escrow agent, to be applied to the purchase price;
- C. The Ag Guild shall have demonstrated to the Town that it has not less than One Hundred Thousand and no/100---(\$100,000.00)---Dollars in funds, on hand or pledged toward the cost of renovating the existing structure on the Property;
- D. The Town shall have received confirmation from the State Auditor's Office that use of the hotel/motel funds for acquisition of the Property is appropriate, or, in the alternative, a formal Attorney General Opinion that has been issued in reponse to a specific request that has been pre-approved by, or is otherwise satisfactory to, the Town;
- E. The Town Council shall have determined that each of the following matters is satisfactory:
 - 1. The final terms of the proposed historic and conservation easement for the Land Bank;
 - 2. The final terms of the proposed lease with the Ag Guild;
 - 3. The nature and extent of any restrictions the Town's Historic Preservation Review Board would place upon the Property if the Ag Guild elects to seek a height and/or parking incentive from the Town in connection with development to occur on the undeveloped portions of the Property.

F. Sellers representations and warranties are true and correct at closing.

V. COMMITMENTS

Each party represents to the others that it will continue to participate in good faith in efforts to achieve the parties' common goals, recognizing that the other parties will be continuing to invest time and money in reliance upon said commitment. IT IS UNDERSTOOD HOWEVER, that this MOU is not intended, and shall not be construed, to constitute a binding legal obligation on the part of any party to ultimately reach final agreement concerning their collective desires to acquire and develop the Property in accordance of this document.

DATED THIS 21 day of December, 2009.



TOWN OF FRIDAY HARBOR

BY: David T. Jones
David Jones, Mayor, per Resolution #1764

SAN JUAN COUNTY LAND BANK

BY: Lincoln Bormann
Lincoln Bormann, Director

**SAN JUAN ISLANDS AGRICULTURAL GUILD,
A Washington Non-Profit Corporation**

BY: Margaret K. Weir
Margaret K. Weir, Board Co-Chair

COPY

RESOLUTION NO. 1764

A RESOLUTION authorizing the Mayor to sign a Memorandum of Understanding concerning acquisition of certain real property in the Town of Friday Harbor, commonly referred to as "the Erickson Property".

WHEREAS, the Town has been approached by representatives of the San Juan County Land Bank ("the Land Bank") and representatives of the San Juan Island Agricultural Guild ("the Guild") about participating financially in the acquisition of a parcel of land in Friday Harbor, owned by William Erickson and Joan Erickson ("the Ericksons"), on which is located an historic structure; and

WHEREAS, Economic Policy 13 in Chapter 9 of the Town's Comprehensive Plan provides that the Town "should support the establishment of a permanent farmer's market in Friday Harbor"; and

WHEREAS, Economic Policy 4 in Chapter 9 of the Town's Comprehensive Plan provides that the Town "recognizes the financial importance of visitors"; and

WHEREAS, the Ericksons' property could be an appropriate location for a permanent home for the San Juan Island Farmer's Market and/or an appropriate location for the development of a tourism-related facility, either or both of which would be beneficial to the economy of the Town; and

WHEREAS, at present there is a purchase and sale agreement between the Land Bank and the Ericksons, which agreement is contingent upon the Town's financial participation; and

WHEREAS, the Town Council has an interest in participating in the acquisition of the property, but is not willing to formally commit until additional information about the proposal can be obtained and certain potential risks can be reduced or eliminated; and

WHEREAS, the Land Bank, the Guild, and the Ericksons have indicated a willingness to provide the Town with additional time to obtain information and evaluate risks if, in turn, the Town is willing to indicate its willingness to commit to a good faith effort to do just that; and

WHEREAS, the representatives of the Land Bank, the Guild, and Town staff have prepared a proposed Memorandum of Understanding for their respective principals to consider, which Memorandum of Understanding would constitute a non-binding commitment by all parties to move forward with efforts to determine if the property can be obtained and developed in a way that would be satisfactory to all parties:

NOW THEREFORE, BE IT RESOLVED by the Council of the Town of Friday Harbor that the Mayor of the Town is authorized and directed to sign the Memorandum of Understanding, a copy of which is attached hereto.

ADOPTED this 17th day of December, 2009.

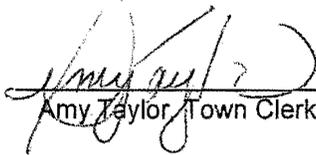
TOWN OF FRIDAY HARBOR



David F. Jones, Mayor

SEAL of the
Town of Friday Harbor

ATTEST:


Amy Taylor, Town Clerk