

ECONOMIC DEVELOPMENT BACKGROUND ANALYSIS

DRAFT 5-3110-2024

Introduction & Approach

Background and Purpose

The City of Lake Forest Park is a suburban community strategically located near several major employment centers. This section contains background analysis on the economy of the city, including jobs in Lake Forest Park as well as employment sectors of Lake Forest Park residents. It also provides a snapshot of demographic indicators relevant to the economy and to potential development in the city, as well as an overview of the regional real estate market. This background data supports the Economic Development Goals and Policies in the Comprehensive Plan. As part of the 2015 Comprehensive Plan update, City staff and policy makers sought an analysis that not only informs their understanding of the city's economy, real estate market and demographics, but also acts as a tool that can be leveraged to better understand the City's land use pattern and potential policy changes that will impact the City's long term fiscal health. The analysis provides an examination of the City's current land use pattern and associated revenues. Community Attributes Inc. (CAI), part of the consultant team working on the Comprehensive Plan update, prepared the analysis contained in this section, which focuses on the following three areas of economic analysis:

The city's demographic profile
Local and adjacent community commercial uses
The city's real estate market

Additional information can be found in the full presentation from CAI at:
www.cityofflp.com/DocumentCenter/View/2381.

Sources

The analysis draws from data compiled specifically for the report, including:

- Washington Department of Revenue taxable retail sales data
- American Community Survey and US Census data
- CoStar real estate data
- King County Assessor parcel data
- Puget Sound Regional Council population and employment forecasts
- Lake Forest Park adopted budget

Organization of this Section

Section 1: Demographic Profile. Detailed analysis of the city's demographics as they relate to economic development.

Section 2: Commercial Uses. Analysis of employment, industries and workforce in the City.

Section 3: Real Estate Indicators. A brief snapshot of the City's current real estate market.

Peer City Framework

To better understand Lake Forest Park's position within the region and how it compares to other nearby communities, a peer city framework is utilized. This framework highlights ways in which the city differs from surrounding communities, revealing potential market opportunities. ~~With a focus on fiscal sustainability, e~~Peer cities were selected based on their proximity to Lake Forest Park and relevance to the City's economy, residential and commercial development patterns, traffic and commerce.

- **Bothell:** Neighbor
- **Kenmore:** Neighbor
- **Shoreline:** Neighbor
- **Mountlake Terrace:** Neighbor
- **Pierce and King Counties:** Regional

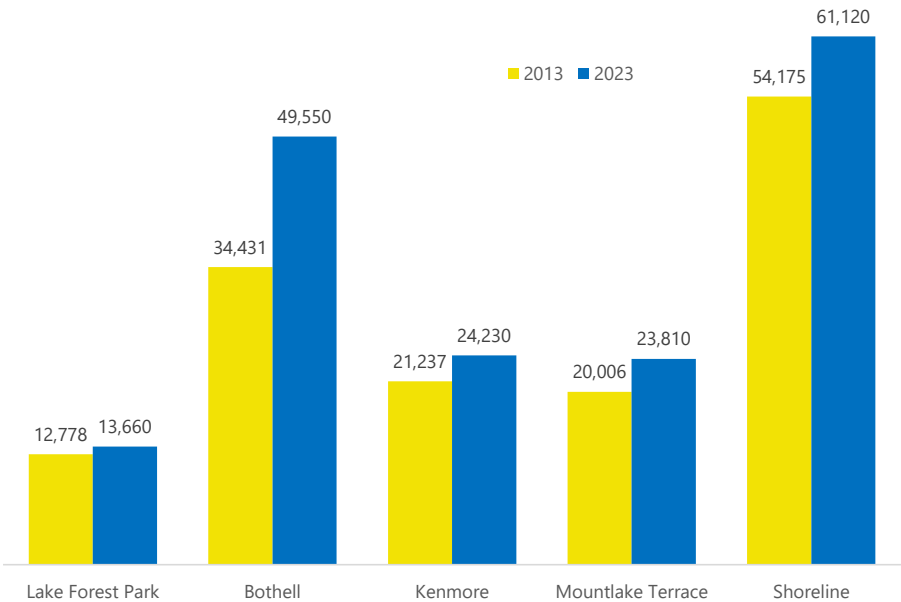
Demographic Profile

Population

The demographic profile provides details on the City of Lake Forest Park and its residents. To better understand Lake Forest Park's position within the region and how it differs from other communities, a series of analyses were conducted with a focus on the city's people, their occupations, where they live and who they are. The analysis is used to provide context for future land use scenarios and further cement our understanding of the City's economy.

Figure 1 illustrates the City's population change from 2013 to 2023, which has remained relatively flat. Over the same period, other communities in the region, including Bothell, Kenmore, Mountlake Terrace, and Shoreline, have seen significant amounts of growth over that time, particularly compared to Lake Forest Park's slower growth rate.

Figure 1. 2013 and 2023 Population, City of Lake Forest Park and Selected Comparison Cities



Source: Washington Office of Financial Management

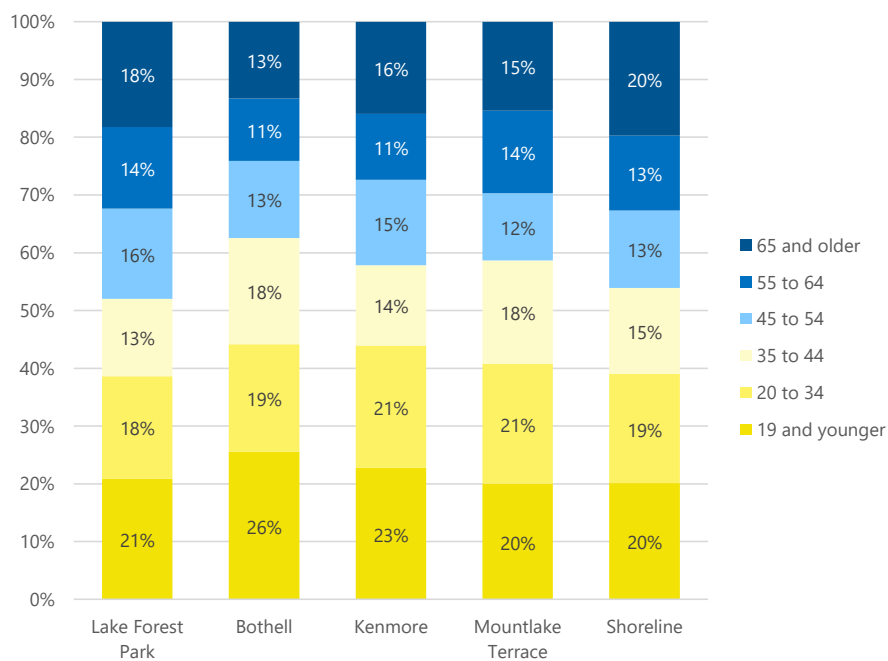
Age Distribution

Age distribution is an important piece of demographic data for several reasons:

- It's important to retailers as they make decisions about where to locate new stores
- It's important to real estate developers as they make decisions about where to build and what types of units and amenities to offer
- It has implications for a City's housing needs, as discussed further in the Housing Element background chapter

Lake Forest Park's age distribution reflects an older demographic, with ~~about~~ almost 50% of residents at or above 45 years of age, as shown below in Figure 2. Shoreline has a similar demographic breakdown, but the other comparison cities have somewhat younger populations, particularly Bothell. (see Figure #.13).

Figure 2. Age Distribution in Lake Forest Park and Selected Comparison Cities, 2022



Source: American Community Survey 2022 5-Year Estimates

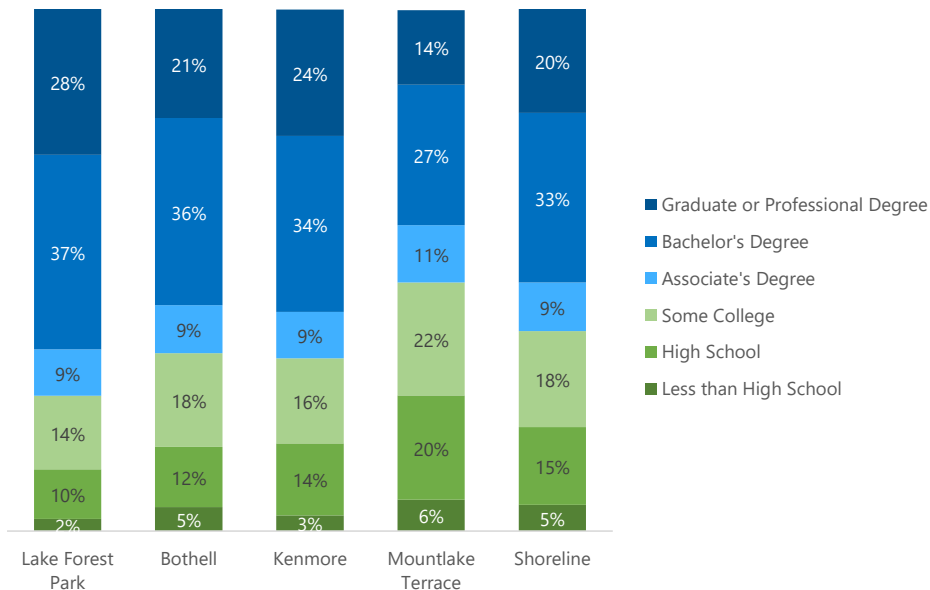
Educational Attainment

Figure 3

The share of residents with a bachelor's degree or higher is one common metric that describes how well-educated the residents of a city highly educated than many peer communities.

- Educational attainment is closely related to household income, which drives spending power and dictates retail potential; in this way, educational attainment impacts retail demand and consumer preferences
- Higher levels of attainment have the potential to influence housing demand and housing mix

Figure 3. Educational Attainment in Lake Forest Park with Selected Comparison Cities, 2022



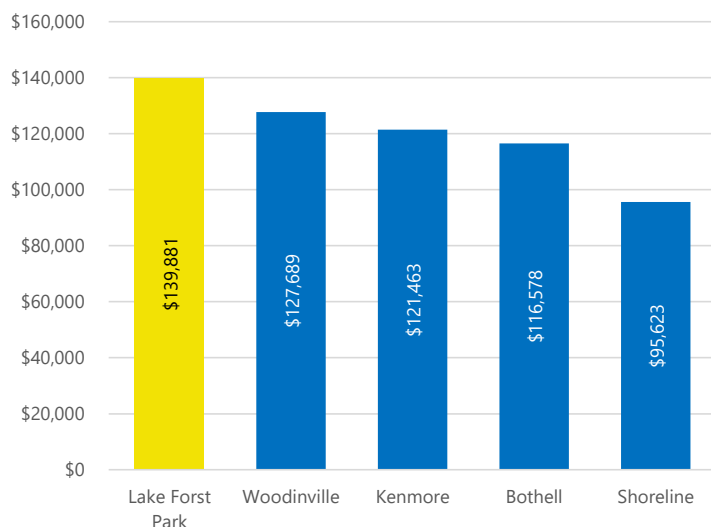
Source: American Community Survey 2022 5-Year Estimates

Household Income

Figure 4 on the following page below shows the median household income for Lake Forest Park and the selected comparison cities. With a median household income of over \$100,130, Lake Forest Park residents tend to have higher incomes than residents of the comparison cities.

- Household income is a key factor for retailers, especially national chains, when choosing where to locate a new store
- Higher incomes typically equate to increased disposable income and buying power

Figure 4. Median Household Income in Lake Forest Park and Comparison Communities, 2021



Source: US Census Bureau, 2021 5-Year American Community Survey (Table S1901)

Housing Tenure

Lake Forest Park has a rate of home ownership that is significantly higher than the selected comparison cities, with 78.8 percent of households owning their homes, compared to homeownership rates between 61 and 69 percent in the comparison cities (see [Table II.4](#) and [Figure II.10](#) [Figure 30](#) in the Housing Element Background Analysis).

The decision to purchase a home is often dependent on a number of factors, including an individual or family's financial preparedness, the state of the housing market, and long-term residency plans. Lake Forest Park's older, wealthier resident base is likely to prefer home ownership due to their ability to afford the home purchase and their plan to stay in Lake Forest Park for an extended period of time. However, the relative lack of more affordable home ownership options in the city, and fewer rental properties, means large segments of the regional economy are unable to afford a home in Lake Forest Park, including many of the city's existing labor force.

The high level of home ownership is mirrored by the high proportion of single-family housing units in Lake Forest Park (see [Figure II.827](#) in the Housing Element Background Analysis). However, many older ~~adults are down-sizing as they seek flexibility and carefree maintenance in their housing choices. These~~ trends appear to favor multifamily construction, and there may be an opportunity to cater to current and aspiring Lake Forest Park residents by building for-sale multifamily products (e.g. condominiums).

Housing Type

825% of all housing units in Lake Forest Park are single family units; this is the highest proportion of single family housing units among all comparison cities (see Figure 4.827 in the Housing Element Background Analysis).

Table 4.3 Figure 8 in the Housing Element Background Analysis illustrates the composition of Lake Forest Park household characteristics. These data help to better understand target markets for retail segmentation, and allow the City to make policy decisions that reflect the needs and wants of Lake Forest Park residents.

Commercial Uses

Local Employment

Examining the commercial uses in the City starts with studying local employment and the users of commercial land. The data in Figure 5 Table 5.7 on the following page below characterize Lake Forest Park employment by job sector. Services and Retail account for a larger portion of jobs in Lake Forest Park than in any other comparison city. In Lake Forest Park, these sectors account for 7369% of all jobs. Total employment in Lake Forest Park is significantly lower than in the comparison cities.

Figure 5. Employment by Sector, City of Lake Forest Park and Selected Comparison Cities, 2022

Source: Puget Sound Regional Council Covered Employment Estimates

Resident Occupations

The data in [Figure 6](#), [Table II.8](#), and [Figure 7](#) characterize the occupations of Lake Forest Park residents. Understanding the type of jobs residents have compared to the region can serve as an indicator for resident preferences and needs. Most notably, the mix of occupations of Lake Forest Park residents does not differ substantially from King County as a whole, although a smaller percentage of people have jobs in [Health Care and Social Assistance](#), [Manufacturing](#), [Construction](#), [Information](#), [Retail Trade](#), [Professional, Scientific, and Technical Services](#), [Finance and Insurance](#), [Other Services \(excluding Public Administration\)](#), [Wholesale Trade](#), [Public Administration](#), [Transportation and Warehousing](#), [Real Estate and Rental and Leasing](#), [Management of Companies and Enterprises](#), [Arts, Entertainment, and Recreation](#), [Agriculture, Forestry, Fishing and Hunting](#), [Utilities](#), and [Mining, Quarrying, and Oil and Gas Extraction](#). Twenty-five percent of Lake Forest Park residents are self employed, [down from 20 percent in 2012](#).

Figure 6. Jobs by Sector Worked by Lake Forest Park and King County Residents, 2021

	Lake Forest Park	King County
Health Care and Social Assistance	15%	13%
Educational Services	12%	7%
Retail Trade	12%	13%
Professional, Scientific, and Technical Services	11%	11%
Information	7%	11%
Manufacturing	6%	6%
Accommodation and Food Services	6%	6%
Construction	5%	5%
Administration & Support, Waste Management and Remediation	4%	5%
Finance and Insurance	4%	3%
Other Services (excluding Public Administration)	3%	3%
Wholesale Trade	3%	4%
Public Administration	3%	3%
Transportation and Warehousing	3%	4%
Real Estate and Rental and Leasing	2%	2%
Management of Companies and Enterprises	2%	2%
Arts, Entertainment, and Recreation	1%	2%
Agriculture, Forestry, Fishing and Hunting	0%	0%
Utilities	0%	0%
Mining, Quarrying, and Oil and Gas Extraction	0%	0%

Source: Longitudinal Employer Household Dynamics (LEHD) via Census OnTheMap

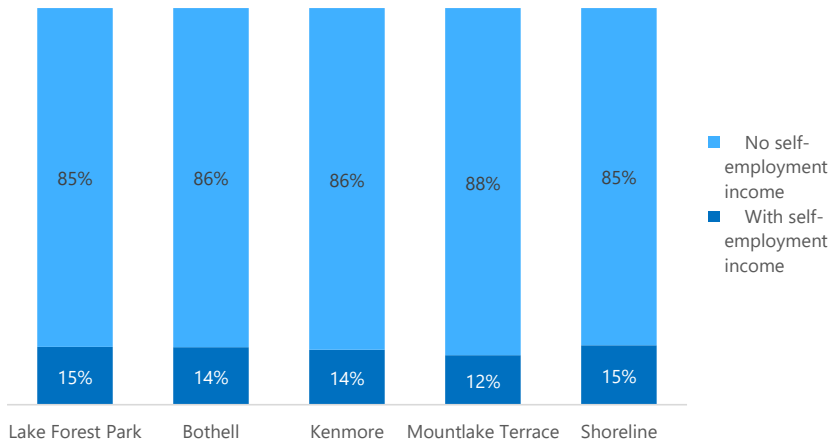
Table II.8 Industry by occupation, residents of Lake Forest Park and King County, 2011

	Services	Retail	FIRE	Education	Manufacturing	Government	Const/Res	WTU
Lake Forest Park	49%	10%	6%	13%	7%	4%	4%	7%
King County	50%	10%	6%	8%	9%	4%	4%	9%

Note: FIRE = Finance, Insurance, and Real Estate; WTU = Warehouse, Transportation, and Utilities.

Source: U.S. Census Bureau Longitudinal Employer-Household Dynamics, 2011.

Figure 7. Self-Employment in Lake Forest Park and Selected Comparison Cities, 2022

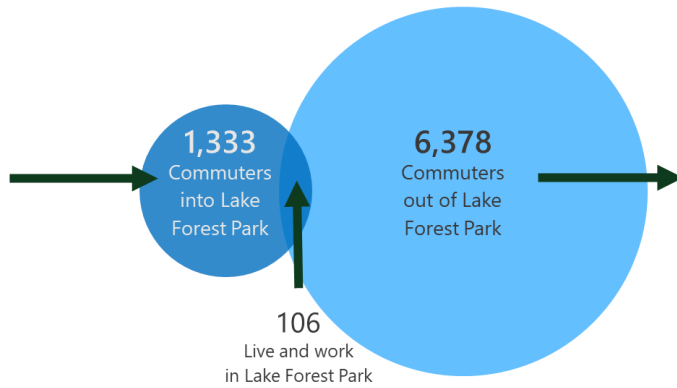


Source: American Community Survey 2022 Five-Year Estimates

Resident and Employee Commuting Patterns

The majority of people who work in Lake Forest Park do not live within city limits and are distributed in a wide range of locations in Lake Forest Park's vicinity. Very few residents of the city also work in the city (only about 100 residents) as shown in Figure 8, from the most recently available Census commuting data. Very few people that work in Lake Forest Park live in Lake Forest Park (approximately 9%). Lake Forest Park residents mostly work outside of the City in major employment centers like Seattle and Bellevue. Only 2% of people that live in Lake Forest Park work in Lake Forest Park. The low percentage of people that live and work in Lake Forest Park is reflective of the City's status as a bedroom community.

Figure 888. Commuting Patterns in Lake Forest Park, 2020



Source: U.S. Census Longitudinal Employer-Household Dynamics (LEHD) via Census OnTheMap

Workers in Lake Forest Park primarily commute in from Seattle (20%), and Shoreline (7%), as well as in smaller numbers from Everett, Kenmore, Kirkland, Lynnwood, and other surrounding municipalities. Lake Forest Park residents mostly work outside of the City in major employment centers like Seattle and Bellevue, as shown below in Figure 9.

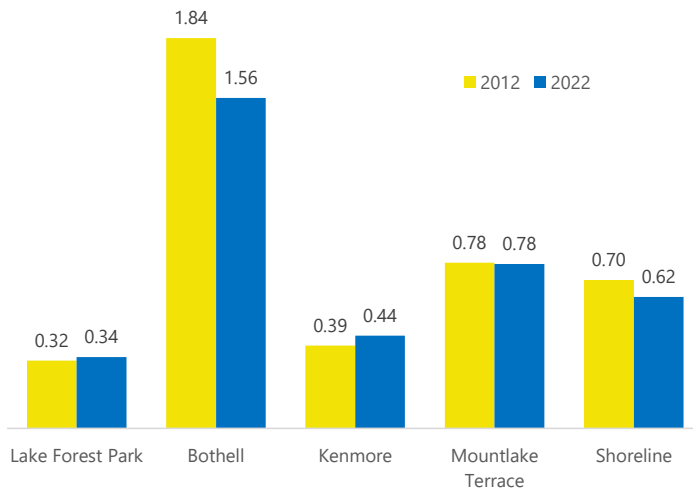
Figure 999. Work Locations of Lake Forest Park Residents, 2021

	Count	Share
<u>Seattle city, WA</u>	<u>2,907</u>	<u>46.2%</u>
<u>Bellevue city, WA</u>	<u>437</u>	<u>6.9%</u>
<u>Shoreline city, WA</u>	<u>303</u>	<u>4.8%</u>
<u>Redmond city, WA</u>	<u>261</u>	<u>4.2%</u>
<u>Everett city, WA</u>	<u>236</u>	<u>3.8%</u>
<u>Bothell city, WA</u>	<u>230</u>	<u>3.7%</u>
<u>Kirkland city, WA</u>	<u>201</u>	<u>3.2%</u>
<u>Lynnwood city, WA</u>	<u>157</u>	<u>2.5%</u>
<u>Lake Forest Park city, WA</u>	<u>100</u>	<u>1.6%</u>
<u>Edmonds city, WA</u>	<u>92</u>	<u>1.5%</u>
<u>All Other Locations</u>	<u>1,364</u>	<u>21.7%</u>

The jobs-to-housing ratio illustrates whether a city is an employment center or bedroom community. (Figure H.17 on the opposite page). Lake Forest Park's 2012-2022 jobs-to-housing ratio of 0.34 means that the city has nearly three times more housing units than jobs, indicating that the city is a bedroom community where residents commute elsewhere for their jobs. Lake Forest Park's jobs-to-housing ratio

increased from 2012 to 2022, suggesting that employment growth has outpaced housing growth in the region. Cities that have experienced significant housing construction in the past decade have seen their jobs-to-housing ratio fall notably.

Figure 10: Jobs-to-Housing Ratio for Lake Forest Park, Bothell, Kenmore, Mountlake Terrace, and Shoreline, 2012 and 2022



Source: Washington Office of Financial Management, Puget Sound Regional Council

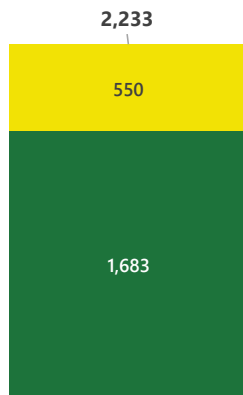
Relative to the comparison cities and the region as a whole, Lake Forest Park has one of the lowest jobs-to-housing ratios, with neighboring Mountlake Terrace having a ratio of 0.78. Bothell, on the other hand, has a relatively high jobs to housing ratio of 1.84-56 and serves as an employment center for the region-region. Regional policy guidance suggests that cities with low jobs-to-housing ratios should work to increase the number to align with regional goals to reduce commuting times, traffic, and emissions, and encourage residents to live closer to where they work.

Employment Targets and Capacity

Figure 11 below shows Lake Forest Park’s employment target as set by King County – an additional 550 jobs by 2044.

Figure 11. Lake Forest Park Baseline and Target Jobs, 2019-2044

■ 2019 Baseline ■ 2019-2044 Net New



Source: King County Countywide Planning Policies

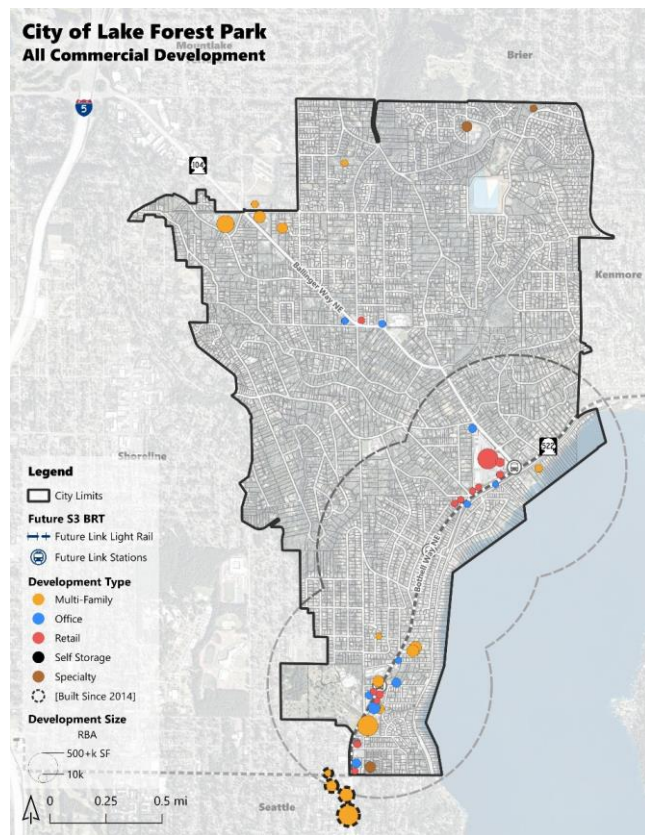
The city must show capacity to meet these targets through zoning of vacant or redevelopable land. As outlined in the “Land Capacity Analysis Methodology and Results” appendix, **Lake Forest Park has zoned capacity for 676 jobs**, a surplus capacity of 126 over the target, on land classified by King County as vacant or redevelopable. This capacity primarily takes the form of potential expansion of retail or other commercial space in the Town Center, as well as ground floor commercial space in potential redevelopment in the Southern Gateway area.

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Real Estate Market Conditions

The following section provides an overview dashboard of relevant of the real estate market indicators for multifamily housing, office and retail uses. The Lake Forest Park surrounding communities are forecasted to experience an influx of high density multifamily housing based on changing demographics and zoning policy decisions (see Figure II.19). Demand for such housing is currently high, resulting in multiple developments underway in the Lake Forest Park area shown in the map below. Figure 12 shows the small amount of commercial and mixed-use zoning in the city. **There have not been any significant commercial or multifamily developments in the city in the past decade**, although there have been several recent multifamily projects in Seattle just south of the city limits, shown with dotted outlines below.

Figure 12. Commercial Development in Lake Forest Park



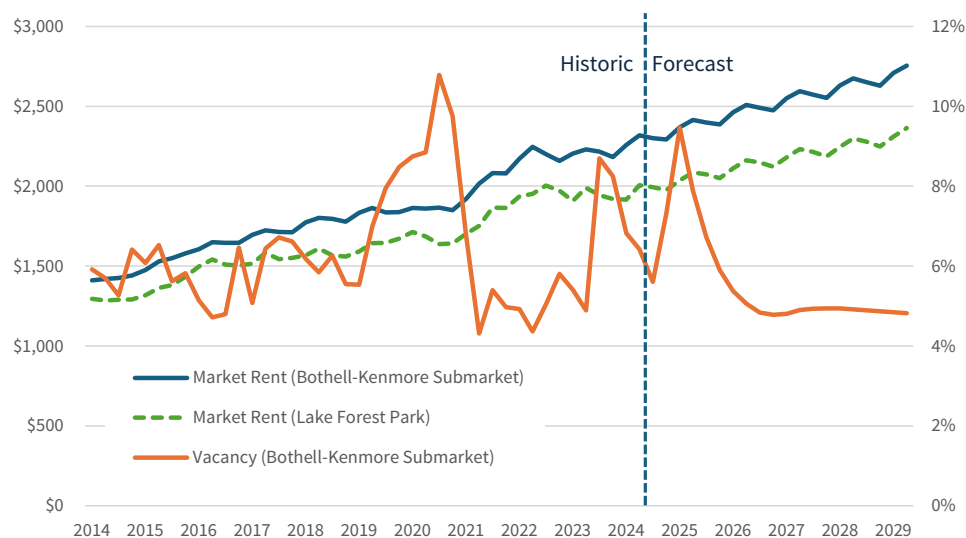
Source: CoStar

The market for **multifamily** development in the greater Bothell-Kenmore submarket, which includes Lake Forest Park, has been very strong in the past decade, and multifamily development has continued even as interest rates have risen in the past year, with 560 units being constructed in the submarket in the past year, with average rents at about \$2.50 per square foot ~~accoriding~~ according to CoStar, up from about \$1.30 a decade ago. As shown above in ~~Figure 12~~ **Figure 12**, **this boom in multifamily development has not resulted in any new units in Lake Forest Park, though the regional market is expected to remain strong.**

Figure 13 below shows recent multifamily rents in the larger submarket and in Lake Forest Park. Multifamily rents are somewhat lower in Lake Forest Park but track the overall recent rent growth trends of the larger submarket. Vacancy rates in the area have spiked recently in several rounds of new construction, but CoStar forecasts a gradual stabilization of vacancy once units in the pipeline are filled and continued rent growth in the region and the city, showing the expected continuation of

demand for multifamily development. **Additional multifamily housing can benefit the local economy by increasing the city's customer base and supporting new retail development.**

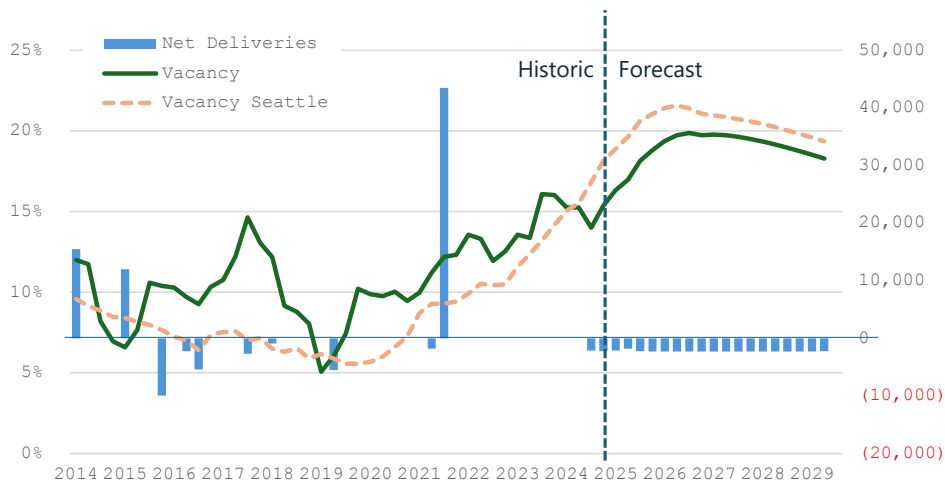
Figure 13. Multifamily Vacancy and Market Rent in Bothell-Kenmore Submarket and Lake Forest Park, 2014-2029 (forecast)



Source: CoStar

development. The office market in the Bothell/Kenmore submarket has not seen significant construction at all in recent years. **Aside from one project in 2021, there has not been any new office development since 2015, and CoStar forecasts this trend to continue for at least the next five years.** and the pandemic and reduced in-person office work has caused vacancy rates to rise in the submarket to around 15 percent, similar to the Seattle metro overall. **According to CoStar, as shown below in Figure 14, according to CoStar, vacancy rates have been increasing and are also forecast to increase through 2029.**

Figure 14. Office Vacancy and Net Deliveries in Bothell-Kenmore Submarket and Seattle, 2014-2029 (forecast)



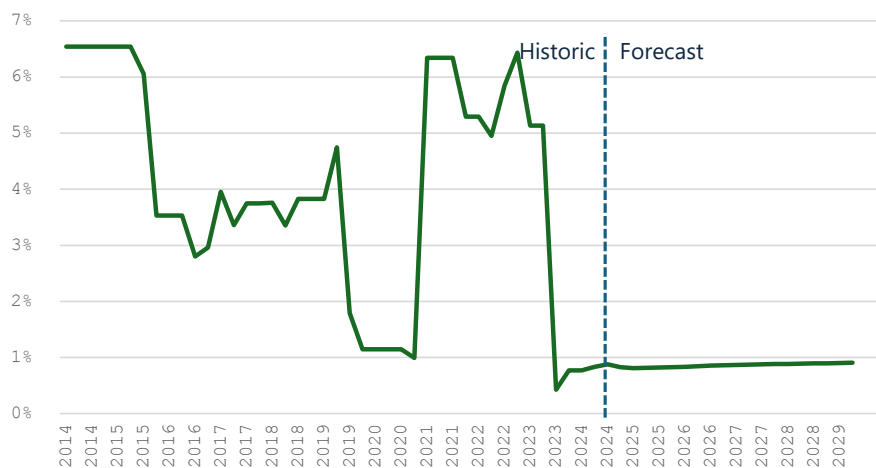
Source: CoStar

Office rents in the area are around \$33 per square foot, slightly lower than the Seattle metro's rates of around \$37. With such high vacancy and changes in remote and hybrid work, **it is unlikely that there will be significant office construction in the near term in the area, and particularly in Lake Forest Park, given the small amount of commercial zoning.**

As with office development, there has not been significant **retail** construction in the Bothell/Kenmore submarket, which includes Lake Forest Park, in recent years. However, **retail overall has fared considerably better than office in the past several years as people have returned to in-person shopping and dining since the pandemic.**

Retail vacancy in the larger submarket is around 3 percent, but 3 percent but is even lower in Lake Forest Park. As shown below in Figure 15, retail vacancy increased during the COVID-19 pandemic, but has since gone down to **essentially** zero, suggesting that **there is potential demand for new retail space in the city.**

Figure 15. Retail Vacancy Rate in Lake Forest Park, 2014-2029 (Forecast)



Source: CoStar

- Lake Forest Park's **population** has not grown significantly in the past decade compared with peer cities.
- The population of Lake Forest Park is **older**, **wealthier**, more **highly educated**, and has a higher share of **homeowners** than nearby peer communities, suggesting potential demand for ownership housing and significant spending potential.
- **Service** and **retail** jobs are the largest sectors in Lake Forest Park, although the city has considerably **fewer jobs** overall than peer communities.
- Residents of Lake Forest Park work in **similar sectors** as overall King County averages, and most residents **commute out** to work, primarily in Seattle and Bellevue, with only about 100 people both living and working in the city.
- Lake Forest Park's **jobs-to-housing ratio is 0.34**, showing that it serves as a bedroom community overall.
- The city has a target of **550** new jobs by 2044, and there is sufficient land capacity for **656** jobs under current zoning. The potential for new jobs **takes** the form of potential **redevelopment in the Town Center** and potential **ground-floor commercial in multifamily development in the Southern Gateway**.
- The market for **multifamily** real estate in the Bothell-Kenmore submarket, which includes Lake Forest Park, remains strong despite recent interest rate increases, though the city itself has not seen any multifamily development in the past decade.

- There has been very little **office** or **retail** development in the Bothell-Kenmore submarket in the past decade, although the existing retail space in Lake Forest Park is nearly completely leased, suggesting that the city could support new retail space in redevelopment in the Town Center.