

I. Introduction, Existing Conditions, and Land Use Connection

This element of the Comprehensive Plan articulates how the City of Mercer Island will support and grow its economy through the year 2044. This element establishes policy direction for the City to build on its strengths, maximize opportunities, and build resilience in the local economy to overcome challenges. By many measures Mercer Island is poised to significantly grow its economy during the planning period. The resident work force tends to be employed in high-wage jobs and is highly educated. Because residents tend to be employed in high-earning jobs, there is a strong local customer base to support on-island businesses. The arrival of light rail service will increase access to Mercer Island for off-island visitors and workers. Mercer Island's position ~~in the center of King County~~ between Bellevue and Seattle makes it a prime location for businesses looking to draw workers and customers from larger surrounding cities ~~like Seattle and Bellevue~~. The Mercer Island economy is in a strong position to support new growth.

Mercer Island residents are employed in many high-earning industries. Over one quarter (26 percent) of the population is employed in the professional, scientific, and management, and administrative and waste management services industry, making it the largest employment sector. In 2021, the median annual earnings for this sector were \$134,265. The next three largest employment sectors are educational services, and health care and social assistance (16 percent), retail trade (13 percent), and finance and insurance, and real estate and rental and leasing (12 percent). In 2021, the median earnings for these three sectors ranges from between \$71,467 and \$105,913 annually. Table 1 shows the full-time, year-round employed population 16 years old and over by industry.

1 Table 1. Mercer Island Employment by Industry Sector, 2021.

Industry Sector	Count	Share	Median Earnings*
Full-time, year-round civilian employed population 16 years and over	8,620	100.00%	102,348
Agriculture, forestry, fishing and hunting, and mining:	0	0.00%	-
Agriculture, forestry, fishing, and hunting	0	0.00%	-
Mining, quarrying, and oil and gas extraction	0	0.00%	-
Construction	177	2.05%	76,103
Manufacturing	665	7.71%	149,219
Wholesale trade	229	2.66%	93,438
Retail trade	1,138	13.20%	88,000
Transportation and warehousing, and utilities:	212	2.46%	100,670
Transportation and warehousing	183	2.12%	91,042
Utilities	29	0.34%	152,031
Information	665	7.71%	195,729
Finance and insurance, and real estate and rental and leasing:	1,110	12.88%	105,913
Finance and insurance	675	7.83%	109,286
Real estate and rental and leasing	435	5.05%	76,563
Professional, scientific, and management, and administrative and waste management services:	2,284	26.50%	134,265
Professional, scientific, and technical services	1,998	23.18%	147,576
Management of companies and enterprises	12	0.14%	-
Administrative and support and waste management services	274	3.18%	78,241
Educational services, and health care and social assistance:	1,421	16.48%	71,467
Educational services	584	6.77%	55,724
Health care and social assistance	837	9.71%	89,688
Arts, entertainment, and recreation, and accommodation and food services:	305	3.54%	25,052
Arts, entertainment, and recreation	154	1.79%	11,678
Accommodation and food services	151	1.75%	28,370
Other services, except public administration	157	1.82%	33,750
Public administration	257	2.98%	67,745

2 *2021 median earnings are shown for the last 12 months in inflation adjusted dollars

3 Source: U.S. Census Bureau 2021 American Community Survey, Tables S2404 and B24031.

4 <https://data.census.gov/table?q=industry&g=1600000US5345005&tid=ACSST5Y2021.S2404>5 <https://data.census.gov/table?q=earnings+by+industry&g=1600000US5345005&tid=ACSDT5Y2021.B24031>

6

7 The Mercer Island population is well-educated. A little more than 82 percent of residents over the age of
8 25 have ~~completed a college degree, having~~ earned an associate's degree or higher educational
9 attainment. For comparison, about 64 percent of the population over 25 in King County have at least
10 earned an associate's degree or higher educational attainment. The high educational attainment of
11 Mercer Island residents indicates that the on-island work force is highly skilled. Table 2 shows the
12 educational attainment for the Mercer Island population aged 25 or older.

13

14

Table 2. Educational Attainment for the Population 25 Years and Over, 2021.

Educational Attainment	Estimate	Share
Less than high school diploma	308	1.70%
Regular high school diploma	1,034	5.71%
GED or alternative credential	84	0.46%
Some college, less than 1 year	316	1.74%
Some college, 1 or more years, no degree	1,379	7.61%
Associate's degree	952	5.25%
Bachelor's degree	7,118	39.29%
Master's degree	3,781	20.87%
Professional school degree	1,791	9.89%
Doctorate degree	1,354	7.47%
Total	18,117	100%

Source: U.S. Census Bureau 2021 American Community Survey, Table B15003.

Mercer Island is located in King County between two major economic hubs in Seattle and Bellevue. Mercer Island is in the center of a high-income area that can support increased economic activity. The City's geography places it in a prime location to grow its economy by attracting off-island customers and capital from the surrounding area. King County's median household income is the highest in both the Puget Sound region and Washington overall. Table 3 shows the 2021 median household incomes for Washington State and selected Puget Sound counties.

Table 3. Estimated 2021 Median Household Income in the Last 12 Months, Washington State and Selected Puget Sound Counties.

Location	Median Income (Dollars)
Washington State	\$84,247
King	\$110,586
Kitsap	\$87,314
Pierce	\$85,866
Snohomish	\$100,042

Source: 2021 American Community Survey Table S1903.

Mercer Island Commercial Areas

The City of Mercer Island has three commercial areas. These areas have been zoned for commercial uses since the City incorporated in the 1960s. Each of these areas are developed with is home to different types of commercial development. ~~Some limited commercial activities such as home-based businesses are allowed outside of these areas.~~ Commercial developments in Town Center are predominantly older one-story strip mall development and newer mid-rise mixed-use buildings. There is a commercial area in the northeast of the island near City Hall that is primarily older one- and two-story buildings with office spaces and services such as childcare. The south end commercial area is a smaller shopping center and self-storage structure. These three distinct areas are the only places in Mercer Island zoned for commercial uses. Some limited commercial activities such as home-based businesses are allowed outside of these areas.

Town Center

Town Center is located south of Interstate 90, north of Mercerdale Park, west of Island Crest Way, and east of 74th Avenue Southeast. The Town Center has experienced the most development of all the

1 commercial areas in the City in recent years. Most of the recent development has been mixed-use
 2 development combining first floor commercial space and parking with residential uses on the upper floors.
 3 Older development in Town Center is lower-intensity, one-story, 'strip mall' development with surface
 4 parking in front of the commercial space.

6 **Northeast Commercial Area**

7 The northeast commercial area is south of Interstate 90, north of Stroum Jewish Community Center, west
 8 of East Mercer Way, and east of Gallagher Hill. This area is developed primarily ~~developed~~ for commercial
 9 and institutional uses. The majority of buildings in this area were constructed between 1957 and 1981.
 10 Commercial development is typically composed of one- and two-story buildings surrounded by surface
 11 parking lots. The commercial land uses in this area are offices for professional services and services such
 12 as daycares and private schools. City hall is located in this area. The intersection of E Mercer Way, SE 36th
 13 Street and eastbound I-90 ~~offramps~~ is located in the eastern portion of this area. This intersection
 14 experiences significant traffic levels during peak travel hours.

16 **South End Commercial Area**

17 The south end commercial area is south of Southeast 68th Street, west of Island Crest Way, east of 84th
 18 Avenue Southeast, and north of Southeast 71st Street. This is the smallest commercial area ~~in on~~ Mercer
 19 Island at roughly 14 acres. The majority of the commercial development dates to the early 1960's. The
 20 commercial land uses here are primarily restaurants and retail. There are some commercial offices, a gas
 21 station, and a storage facility. This area has low intensity commercial development surrounded by surface
 22 parking lots.

24 **Land Use Connection**

25 There is a fundamental tie between the policies of this element and the Land Use Element. The Land Use
 26 Element envisions a primarily residential city with three defined commercial areas. ~~It The Land Use~~
 27 ~~Element of this Comprehensive Plan describes the nature and extent of commercial uses allowed in the~~
 28 ~~City. The Land Use Element policies and the resultant regulations shape the economy on Mercer Island.~~
 29 ~~The Land Use Element envisions a primarily residential city with three defined commercial areas. To that~~
 30 ~~end, largely confine commercial land uses are largely only allowed into those three distinct commercial~~
 31 ~~districts. This focuses all of the future economic growth in the City on a few defined areas to those~~
 32 districts.

34 Each of the three commercial areas ~~are is~~ regulated differently, with the built environment reflecting
 35 those variations. The Town Center zones allow the highest intensity development and midrise mixed-use
 36 structures are the principal form of new commercial development in that area. The northeast commercial
 37 area is zoned for office and service uses as opposed to other commercial uses. ~~The northeast commercial~~
 38 ~~area~~ It was largely developed forty years ago and has not seen the same degree of recent development
 39 as Town Center. The south end commercial area is zoned for a mix of small scale, neighborhood-oriented
 40 business, office, service, public and residential uses. ~~The smallest of the three commercial areas, the south~~
 41 ~~end commercial area, is are~~ mostly developed, ~~so absent rezoning most n~~ New commercial development
 42 in ~~most areas of~~ the City will likely come through redevelopment of existing commercial buildings.

44 The supply of commercial development capacity is closely controlled by Land Use policies and regulations.
 45 Regulations that modulate the supply of an economic input such as ~~commercial development~~, the space
 46 in which commercial activity can takes place, also affect the location, size, scale, and cost associated with
 47 doing businesses in the City. Controlling the supply of commercial development capacity is the primary

1 way the Comprehensive Plan has shaped the local economy prior to the adoption of this Economic
 2 Development Element. Because of this connection, some goals and policies of this element connect
 3 directly to land use policies and regulations.
 4

5 **Relationship to Other Comprehensive Plan Elements**

6 The Housing, Transportation, Utilities, Capital Facilities, and Shoreline Master Program elements all
 7 interact with the local economy ~~as follows: in unique ways. Infrastructure and housing supply are vital~~
 8 ~~components of any local economy: the flow of inputs, outputs, and information, along with the availability~~
 9 ~~of a labor force, influence economic activity. The Capital Facilities and Utilities elements detail how the~~
 10 ~~City will provide vital services to businesses. The Shoreline Master Program Element details how the City~~
 11 ~~will regulate and protect the Lake Washington shoreline bounding the City. These five comprehensive~~
 12 ~~plan elements influence the local economy as follows.~~
 13

14 **Housing**

15 Housing indirectly impacts the local economy because it has an effect on the local business' customer
 16 base and labor force. Housing on Mercer Island is primarily detached single-family homes and contributes
 17 to the unique Island neighborhood character. Multifamily development is largely limited to the area in
 18 and around Town Center. Housing has two primary effects on the local economy. Higher cost housing
 19 can attract higher income residents and customer for local business. On the other hand, High housing
 20 costs may limit the ability for some workers to afford to live in the City, leading to increased commuting
 21 and potentially limiting a business's ability to hire. Conversely, higher cost housing can attract higher-
 22 income residents and customers for local businesses.
 23

24 **Transportation Element**

25 Transportation infrastructure is integral to the local economy. The Transportation Element establishes
 26 the goals and policies that guide how the City will maintain, improve, and expand the transportation
 27 network to account for growth throughout the planning period. The goals and policies of the
 28 Transportation Element aim to maintain adequate levels of service at high traffic intersections, reinvest
 29 in existing infrastructure, increase transportation choice in the City, and provide connectivity between the
 30 light rail station and the City's commercial areas. Transportation networks allow businesses to access
 31 markets in neighboring cities, make it easier for customers from outside the City to patronize local
 32 businesses, and enable local businesses to draw from the regional labor force.
 33

34 **Utilities**

35 The provision of utilities is vital to ~~workers and local businesses, all of which need reliable sewer, water,~~
 36 ~~power and internet. For example, technology-based industries and telecommuting workers rely on access~~
 37 ~~to high-speed internet service to conduct business. Restaurants and coffee shops rely on water service-~~
 38 ~~providers to supply water to their businesses.~~ The Utilities Element details how the City will coordinate
 39 with its utility service providers to ensure adequate provision of these vital services for residents and
 40 businesses alike.
 41

42 **Capital Facilities**

43 Capital facilities such as parks and public buildings are central-critical to the provision of important services
 44 for to the local economy. In addition to planning for providing services, through planning for parks and
 45 other public assets, the Capital Facilities Element includes goals and policies to support a high quality of
 46 life. Quality of life, which can attract new businesses and workers to choose to do business on Mercer
 47 Island
 48

1 Shoreline Master Program

2 The Shoreline Master Program (SMP) Element establishes the policies for managing development in the
3 shoreline. This element is designed to ensure that the shoreline environment is protected, and that the
4 shoreline is available for water dependent uses. Those businesses located in the shoreline jurisdiction,
5 within 200 feet of Lake Washington, are affected by the SMP. In situations where the policies in the SMP
6 and Economic Development Element intersect, the Comprehensive Plan will need to balance shoreline
7 environmental protection with fostering of appropriate water dependent commercial uses in the
8 shoreline.

9

10 Employment Growth Target

11 The King County Countywide Planning Policies (CPPs) establish growth targets for all of the jurisdictions
12 within King County. The CPPs were initially adopted in 1992 and have been amended several times since
13 then. Elected officials from King County, the cities of Seattle and Bellevue, and the Sound Cities Association
14 meet as the Growth Management Planning Council. This Council makes recommendations to the County
15 Council, which has the authority to adopt and amend the CPPs. King County amended the CPPs in 2021,
16 updating the growth targets for cities and towns throughout the County. The updated growth targets
17 extended the planning horizon through the year 2044. Mercer Island's current employment is
18 approximately 7,700 jobs; the growth target is 1,300 new jobs by the year 2044.

19

20 I.B Strengths, Weaknesses, Opportunities, and Threats

21

22 The advantages and challenges the City plans to encounter in the next twenty years can be divided into
23 strengths, weaknesses, opportunities, and threats. Strengths are those things already existing in the local
24 economy that the City can build on to grow the economy. Weaknesses are existing conditions in the local
25 economy that could impede or otherwise challenge economic growth through the planning period.
26 Opportunities are foreseeable changes that can give the City a stronger competitive advantage in the
27 coming years. Threats are external events or factors that have the potential to negatively affect economic
28 growth. The selected strengths, weaknesses, opportunities, and threats discussed in this section were
29 identified during public participation and data review conducted during the drafting of this element.

30

31 Strengths

32 Strengths are the cornerstones of the economy. These are the aspects of the local economy that are
33 advantageous for economic growth. Strengths are factors that contribute to the environment, social
34 cohesion, and prosperity of the material and cultural prosperity in the City and as such represent topic
35 areas the City can support or expand to overcome weaknesses and threats. Some of the principal
36 strengths identified are listed and discussed below.

37

38 Strengths Identified

39

- 40 ● High quality of life
- 41 ● High income residents
- 42 ● Location of the City and its connection to the larger Puget Sound region

43

44 High Quality of Life

45 The high quality of life on Mercer Island is a considerable strength. The Island's parks, open space, good
46 public schools, and cultural amenities ~~High quality of life~~ helps attract new businesses and workers alike.
47 Community input gathered during the drafting of this element often pointed to the high quality of life in

1 Mercer Island as an asset the City can build upon to strengthen the local economy. [Comment Log #1:
 2 Quality of life ~~may~~ factors such as parks, open space, good public schools, and cultural amenities also
 3 serve as a draw for off-island visitors ~~that may~~ to patronize local businesses.] OR [Comment Log #33:
 4 Quality of live factors such as parks, open space, good public schools, safe and walkable neighborhoods,
 5 and cultural amenities also serve as a draw for off-island visitors that may patronize local businesses.] The
 6 City's high quality of life will serve as a strong foundation for future economic growth. Since this high
 7 quality of life is a considerable strength, it must be protected.

9 High-Income Residents

10 Another key strength is the relatively high income of Mercer Island residents. During public input,
 11 business owners pointed out that the spending power of the Mercer Island community helped with the
 12 initial success of businesses. In 2021, the median household income for Mercer Island was \$170,000. For
 13 reference, the 2021 median household income in King County was \$106,326. Table 4 shows the 2021
 14 household income distribution in Mercer Island. It is worth noting that over the last few years, the gap
 15 between King County and Mercer Island household income has been closing. [From Adam Ragheb's
 16 comment]

18 Table 4. Household Income and Benefits, 2021.

Income and Benefits in 2021 Inflation-Adjusted Dollars	
Total households	9,758
Less than \$10,000	3.3%
\$10,000 to \$14,999	0.5%
\$15,000 to \$24,999	4.0%
\$25,000 to \$34,999	5.1%
\$35,000 to \$49,999	4.3%
\$50,000 to \$74,999	8.3%
\$75,000 to \$99,999	6.1%
\$100,000 to \$149,999	14.3%
\$150,000 to \$199,999	8.8%
\$200,000 or more	45.3%
Median household income (dollars)	\$170,000
Mean household income (dollars)	\$261,417

19 Source: U.S. Census Bureau, Table CP03.

20 <https://data.census.gov/table?q=employment+income&g=1600000US5345005&tid=ACSCP5Y2021.CP03>

21
 22 Having an existing high-income customer base is a considerable advantage for entrepreneurs and can
 23 draw firms from off-island to do business in the city. The financial resources of the community on Mercer
 24 Island can also help with business formulation and business attraction. ~~Many Mercer Island residents~~
 25 ~~have more resources to spend in the local economy.~~ The key to building on this strength is focusing on
 26 giving residents more opportunities to shop on-island and broadening prospects for entrepreneurs and
 27 businesses to invest capital in the Mercer Island economy.

29 Location of the City

30 Mercer Island's location on Interstate 90 (I-90) and roughly equidistant from Seattle and Bellevue is a
 31 strength. Seattle and Bellevue are large metropolitan centers with many thriving businesses, potential
 32 customers for Mercer Island businesses, and workers with diverse skills and expertise. I-90 provides
 33 potential customers and employees with excellent access to the city and that access is complemented

1 with available parking near businesses. Furthermore, customers are drawn by the high quality of life,
 2 public safety, and high quality goods and services available in Mercer Island. In addition to I-90, the
 3 city is also connected to its neighbors by transit, allowing greater flow of people to and from its
 4 commercial centers. Ensuring good access to commercial areas with roads and transit connections can
 5 build on this strength.

7 Weaknesses

8 Weaknesses are aspects of the local economy that could impede growth in the local economy.
 9 Weaknesses can make growing business in the city challenging. As such, weaknesses They represent topic
 10 areas the City can apply policy mechanisms to minimize, reduce, or overcome challenges impediments to
 11 a healthy local economy. Some weaknesses increase barriers to entry for new businesses or make
 12 innovating riskier. Weaknesses are listed and discussed below.

15 Weaknesses Identified

- 17 ● Permitting and regulatory environment
- 18 ● Business climate and Culture
- 19 ● Lack of off-island customer base
- 20 ● Availability and affordability of commercial space

22 Permitting and Regulatory Environment

23 Permitting challenges can adversely affect business formation. Difficulty in navigating the development
 24 code and permitting processes can increase financial risk when starting a new business or expanding an
 25 existing one. This increased financial risk can adversely impact business formation and retention. Public
 26 input indicated that the City's development code and permitting processes can be complicated and make
 27 starting a business more difficult. Another challenging factor related to permitting is the additional cost
 28 that fees and delays in permitting can add to starting a new business. As the City considers permit fees,
 29 impact fees, and other regulatory requirements it can assess how those changes might add to or reduce
 30 the cost of starting a new business. The City can address this weakness by auditing its regulations and
 31 permit processes to ensure that they do not overly unnecessarily restrict or complicate the process of
 32 starting or expanding a business while safeguarding the public interest. Another way for the City to
 33 address this weakness is engaging to engage the business community in the legislative process.

35 Business Climate and Culture

36 Public input gathered during the drafting of this element indicated that the business climate and culture
 37 on Mercer Island are underdeveloped. Some business owners cited limited formal opportunities to
 38 connect with the larger business community on Mercer Island. Commenters suggested that most business
 39 networking was through informal networks rather than a concerted effort to help businesses cooperate
 40 and share expertise. Other comments indicated that competition for limited on-island customers and a
 41 corresponding lack of off-island patrons fostered competition amongst local businesses. The City can
 42 begin to address this weakness by working with partners to facilitate formal communication and
 43 collaboration between business owners.

45 Lack of Visitor Customer Base

46 Public input gathered during the drafting of this element highlighted low numbers of off-island customers
 47 as a weakness. Many comments suggested that Mercer Island businesses sometimes struggle to connect

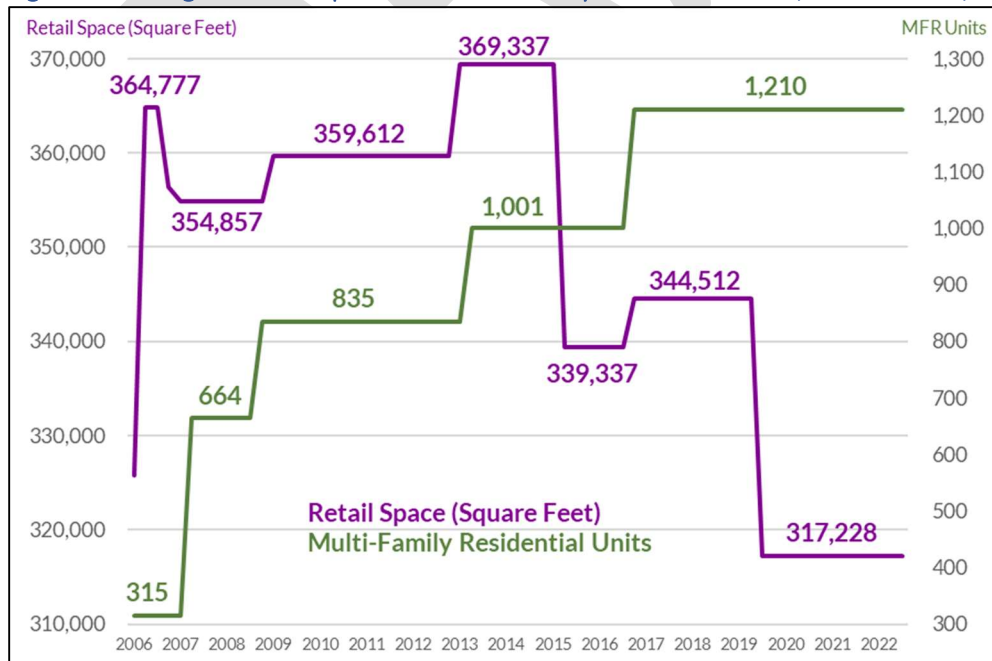
1 with customers outside of the city. Given the city’s location near large metropolitan cities, there is a large
 2 off-island customer base to draw from and attract. To begin addressing this weakness, the City can
 3 explore opportunities to support the business community and community organizations such as the
 4 Chamber of Commerce to reach customers outside of Mercer Island.
 5

6 **Affordability and Availability of Commercial Space**

7 The ~~availability and cost~~ lack of commercial space in the city and its cost can be a challenge for new
 8 business formulation and expansion of existing businesses. Under the current zoning, commercial
 9 activities are largely limited to three areas in the city. The largest of these areas, Town Center, is a mixed-
 10 use area where development is allowed to be a combination of commercial and residential space. Over
 11 the last two decades, redevelopment in this area has favored residential space, with minimal commercial
 12 space along certain street frontages. As a result, there has been a limited amount of new commercial
 13 space added to Town Center in recent years, a trend the City Council has begun working to reverse.
 14

15 Figure 1 compares the change in commercial square footage and residential units in Town Center between
 16 2006 and 2022. The retail space referred to in the figure is commercial store fronts that could be retail or
 17 restaurant space. From 2006 to 2022, the multi-family residential units increased by 895 units to a total
 18 of 1,210 (Figure 1). In that same period, the square footage of commercial space initially increased to a
 19 peak of about 369,000 square feet in 2013, before decreasing to about 317,000 square feet in the third
 20 quarter of 2019. This may be the result of a demolished building at 2431-2441 76th Ave SE. ~~From 2006 to~~
 21 ~~2022, the amount of commercial space has decreased by approximately 2.5% while the number of multi-~~
 22 ~~family residential units have increased by nearly 75%.~~ Although all development in Town Center is
 23 interconnected due to the mixed-use zoning in the area, this data does not mean that the amount of
 24 commercial space and number of residential units in Town Center are proportional or causal. From 2006
 25 to 2022, the amount of commercial space has decreased by approximately 2.5% while the number of
 26 multi-family residential units have increased by nearly 75%. ~~The data does indicate that the overall trend~~
 27 ~~in recent years is an increase in residential units at the same time commercial space is decreasing.~~
 28

29 **Figure 1. Change in Retail Space and Multi-Family Residential Units, Town Center, 2006 to 2022**

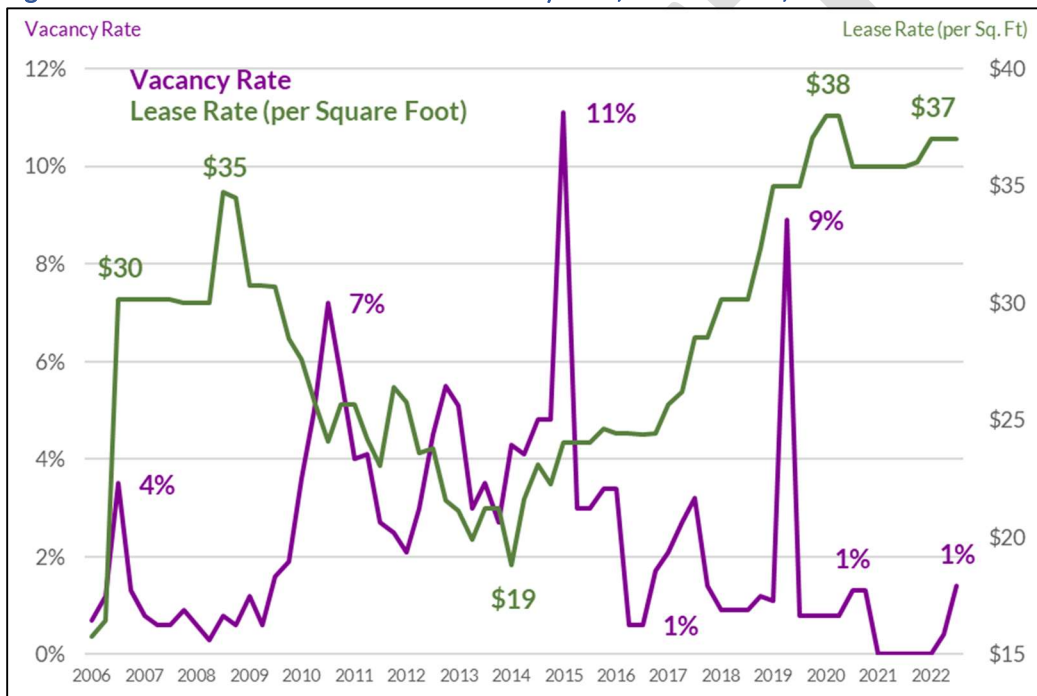


30

1 Source: CoStar, 2022; CAI, 2022.

2
 3 In the years between 2006 and 2020, the yearly lease rate (shown per square foot of retail space in Figure
 4 2) increased to 38 dollars per square foot in the first quarter of 2020 and was holding at 37 dollars per
 5 square foot in 2022. While there was a small spike in the lease rate around 2020 (at the onset of the
 6 COVID-19 pandemic and development moratorium), this rate has been on a fairly steady increase since a
 7 low of 19 dollars per square foot in 2014. In that period, lease rates nearly doubled. 2015 saw the highest
 8 spike in the vacancy rate in Town Center. Around that time, a retail space of about 30,000 square feet was
 9 demolished at 2615 76th Ave SE. The closure of the businesses at that location prior to demolition could
 10 contribute to the short-term spike in the vacancy rate. In addition, at the onset of the pandemic, Town
 11 Center saw a spike to nine percent in the retail vacancy rate. That spike was short-lived and held at about
 12 a one percent vacancy rate through 2022.

13
 14 **Figure 2. Retail Annual Lease Rate and Vacancy Rate, Town Center, 2006 to 2022.**



15
 16 Source: CoStar, 2022; CAI, 2022.

17
 18 In 2022, the City Council enacted regulations in Town Center that expanded commercial frontage
 19 requirements along specific streets and added a new commercial floor area requirement in an attempt to
 20 prevent loss of commercial space. The effectiveness of these regulations will need to be evaluated over
 21 time. If new development in Town Center does not include enough commercial space to meet the
 22 demand from new businesses looking to locate in the city and the expansion of existing businesses, the
 23 affordability and availability of commercial space will may constrain future economic growth and those
 24 regulations may need to be revisited.

25
 26 **Opportunities**

27 Opportunities are foreseeable changes that can give the city’s economy a stronger competitive advantage
 28 in the coming years. Compared with strengths and weaknesses, which come from existing conditions,
 29 opportunities are anticipated future events or conditions. Similar to strengths, opportunities are topic

1 areas the City can focus on to support economic growth and maximize probable positive developments in
 2 the local economy.

3 ~~Opportunities Identified~~

- 4 ~~● Improved transportation connections~~
- 5 ~~● Arrival of large employer in Town Center~~
- 6 ~~● More islanders working from home~~

7 ~~Improved Additional Transportation Connections~~

8 The flow of goods and people is a major component of any city's economy. Transportation infrastructure
 9 can be even more impactful for an island community where moving people and goods is complicated by
 10 lack of an overland route. For this reason, the East Link Light Rail station has the potential to be one of
 11 the most transformative transportation developments on Mercer Island since the construction of the first
 12 bridge to the island. The arrival of light rail will increase access to Mercer Island for ~~workers and customer~~
 13 ~~base alike off-island persons~~. The potential to draw more off-island visitors to increase the customer base
 14 for local businesses is an opportunity to boost economic growth in the city. Leveraging the arrival of light
 15 rail will require some active steps to ensure that this opportunity is maximized, such as addressing
 16 potential public safety and health concerns. The City can help connect transit riders with local businesses
 17 to take advantage of the arrival of light rail.

18 ~~Arrival of a Large Employer in Town Center~~

19 Riot Games acquired an office building in Town Center in 2022. Their use of this office space is expected
 20 to eventually add a couple hundred jobs to Town Center. This opportunity overlaps with the planned
 21 arrival of light rail. This influx of workers is expected to increase demand for goods and services from
 22 neighboring businesses in Town Center. The arrival of a large employer is also expected to generally spur
 23 economic growth. The City should explore partnerships and programs to begin encouraging commuters
 24 to spend more time in Town Center and shop locally.

25 ~~More Islanders Working From Home~~

26 One of the changes prompted by the Covid-19 pandemic is the transition to more work-from-home
 27 options for commuters. ~~This has the potential to change the habits of workers who live on Mercer Island~~
 28 ~~but are employed elsewhere~~. The extent to which commuting workers will spend their workdays on-
 29 island instead of traveling to work off-island remains unclear. What seems increasingly likely is that
 30 workers will commute less often than they did before the pandemic. Changes in commuting could lead to
 31 new demand for different services in the city's commercial areas or increased demand for existing
 32 services.

33 ~~Threats~~

34 Threats are external events or factors that have the potential to impede, slow, or otherwise negatively
 35 affect economic growth. Whereas weaknesses are existing conditions in the City that might challenge
 36 growth, threats are potential future concerns. Threats are topic areas where the City can focus attention
 37 to prepare for possible challenges and build resilience in the local economy.

38 ~~Threats Identified~~

- 39 ~~● Economic Uncertainty~~

- ~~The Changing Nature of Retail~~
- ~~Affordability in the Region~~
- ~~Displacement During Redevelopment~~

Economic Uncertainty

There currently is a high degree of uncertainty about the future in the regional, national, and global economy. The unknown future of market forces such as inflation, supply chain difficulties, labor shortages, stock market volatility, and rising transportation costs obfuscate the economic outlook ~~in~~ for the coming years. Many of these market forces are beyond the reach of City policies, however the City can prepare for positive and negative swings in the regional, national, and global economy by planning for economic resilience. Policy interventions that look to build on the local economy’s strengths, overcome its weaknesses, and capitalize on expected opportunities can build resilience in the local economy. Policies that establish contingency plans for economic downturns can also help position the City to be responsive to changing conditions in uncertain times.

The Changing Nature of Retail

Retail commerce is undergoing a transition as online retailers compete with brick-and-mortar stores. This change appears to have been accelerated during the Covid-19 pandemic as more shoppers opted to order goods online. Comments indicate that this could mean that retail will need to focus more on location-specific or experiential retail to differentiate their goods and services from those more readily available in online marketplaces. Some comments proposed a shop local campaign and adaptive reuse regulations for commercial spaces as possible measures to help local businesses respond to changes in demand.

Affordability in the Region

The affordability of ~~both housing and commercial~~ and to a lesser degree housing space on the island has the potential to slow economic growth in the coming years. Rising commercial real estate costs negatively impact both business formation and retention by making it more expensive to locate a business in the city. Higher rents can price out existing businesses, make expanding cost-prohibitive, and increase startup costs for entrepreneurs. Higher rents in new development can displace existing businesses as commercial areas redevelop. The City can monitor commercial space availability and development capacity to ensure that zoning and other development regulations do not create scarcity of commercial spaces in the city’s commercial zones.

Housing affordability can impact workforce availability. Labor is an important input for local businesses. As housing prices increase, filling middle and lower wage positions can potentially become more difficult as many workers commute from outside the city. The majority of people employed ~~in~~ on Mercer Island commute from outside the city. In 2019, 87 percent of workers employed on Mercer Island live outside the city. Only about 13 percent of workers employed in the city also live ~~in~~ on Mercer Island. On the other hand, 91 percent of workers living on Mercer Island commuted to jobs outside the City in 2019. Table 5 shows the inflow and outflow of Mercer Island workers as tracked by the U.S. Census Bureau in 2019.

Table 5. Worker Inflow and Outflow, 2019.

	Count	Share
Workers Employed in Mercer Island		
Employed in Mercer Island	7,071	100%
Employed in Mercer Island but living outside Mercer Island (inflow)	6,157	87.1%

Employed and living in Mercer Island	914	12.9%
Workers Living in Mercer Island		
Workers living in Mercer Island	10,123	100%
Living in Mercer Island but employed outside Mercer Island (outflow)	9,209	91%
Living and employed in Mercer Island	914	9%

1 Source: U.S. Census Bureau On the Map, 2019.

2
3 Many workers commute from off-island to fill middle and lower wage positions. In 2019, more than half
4 of jobs in Mercer Island paid less than \$3,333 a month or about \$40,000 a year. The low earnings for on-
5 island jobs can make it difficult for workers to afford to live near Mercer Island and could make finding
6 workers difficult given that all of metro King County has a higher cost of living. Table 6 shows the earnings
7 for on-island jobs as tracked in 2019 by the U.S. Census Bureau.

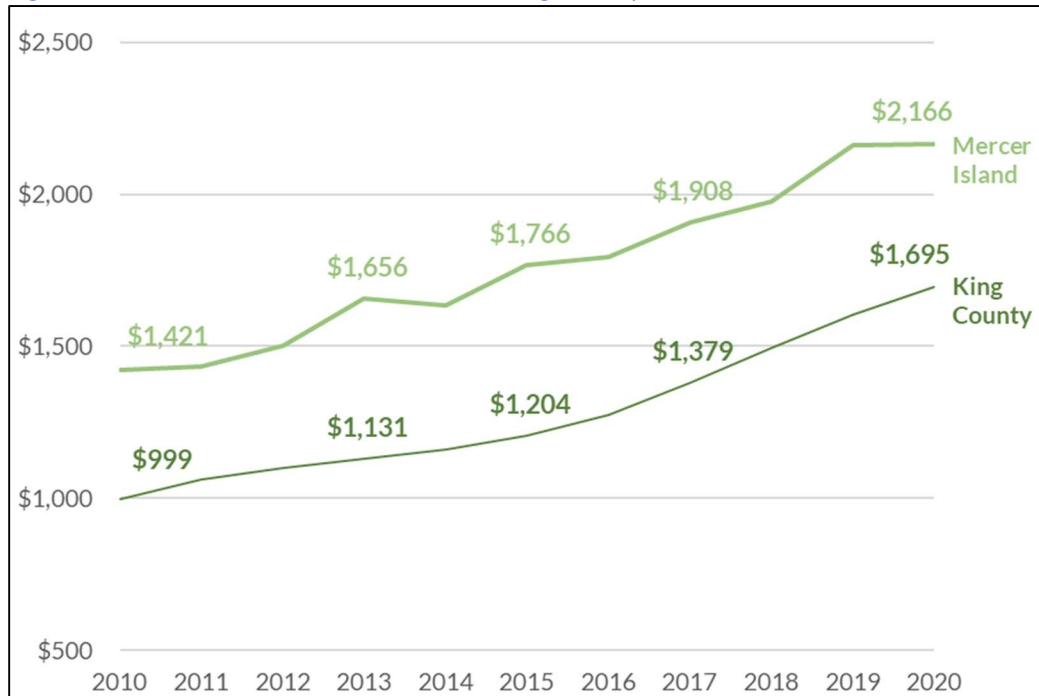
8
9
10 **Table 6. Mercer Island Jobs by Earnings, 2019.**

Earning Range	Count	Share
\$1,250 per month or less (\$15,000 annually)	1,738	24.6%
\$1,251 to \$3,333 per month (\$15,012 to \$39,996 annually)	1,995	28.2%
More than \$3,333 per month (more than \$39,996 annually)	3,338	47.2%

11 Source: U.S. Census Bureau On the Map, 2019.

12
13 While many jobs on Mercer Island pay relatively lower wages, the cost of housing is rising. Figure 3 shows
14 that in 2020, the median rent in Mercer Island was \$2,166 a month. Assuming that housing costs should
15 be around 30 percent of a household's income, this would require a monthly income of roughly \$6,498 or
16 \$77,976 annually to be affordable. Expanding to the county level, the 2020 median rent in King County
17 was \$1,695. The King County median rent would require a monthly income of about \$5,085 or \$61,020
18 annually to be affordable. As highlighted earlier, many jobs on Mercer Island pay \$40,000 a year or less.
19 If rent outpaces wage growth, many workers may choose to live or work in more affordable cities or
20 regions. Difficulty in attracting workers can hinder economic growth as greater competition for workers
21 can drive up wages and costs to businesses.

1 Figure 3. Median Rent, Mercer Island and King County, 2010 to 2020.



2
3 Source: American Community Survey, 2020; CAI, 2022.

5 Displacement During Redevelopment

6 The City's commercial areas are largely developed. This causes most new commercial development on
7 the Island to will occur through redevelopment of existing commercial buildings, which can displace.
8 ~~Because most new commercial development happens through redevelopment,~~ businesses in older
9 developments ~~can face potential displacement.~~ Displacement risk increases as sites redevelop because
10 commercial spaces in redeveloped sites can have higher rents, construction can interrupt business, and
11 new spaces might not fit existing business' needs. ~~Redevelopment is often driven by constrained supply~~
12 ~~of vacant developable land at the same time demand for a given type of development increases.~~ The City
13 can monitor the supply of developable commercial land to ensure that determine whether the availability
14 of commercial space is not increasing the displacement risk for local businesses.

16 II. Business Ecosystem Goals and Policies

18 Goal 1 – The City of Mercer Island actively fosters a healthy business ecosystem.

20 Policies

- 22 1.1 Partner with local, regional, state, and federal economic development agencies to increase
23 resources available for business owners and entrepreneurs.
- 25 1.2 Establish a local business liaison position ~~to~~ on the City Council. The local business liaison will act
26 as a point of contact ~~on the City Council~~ for all business leaders and representatives on Mercer
27 Island for policy issues. **[Comment Log # 3]**

- 1 1.3 Dedicate one staff position to coordinating the implementation of the Economic Development
2 Element.
- 3
- 4 1.4 Support local economic development nongovernmental organizations to grow their capacity to
5 support local businesses, attract new investment, and maintain a healthy business ecosystem.
6
- 7 1.5 Analyze commercial development capacity periodically to evaluate the type and quantity of
8 commercial development possible given existing development, zoning, and regulations.
9
- 10 1.6 Develop a citywide retail strategic plan. The citywide retail strategic plan should include
11 actionable steps the City can take to support existing retail businesses, attract new retail
12 businesses, and diversify the local economy.
13
- 14 1.7 Analyze the feasibility of establishing a Parking and Business Improvement Area (PBIA) or Local
15 Improvement District (LID) in one or more commercial areas to fund improvements for economic
16 development.
17
- 18 1.8 Partner with community organizations such as the Chamber of Commerce to ~~M~~market Mercer
19 Island as an ideal good place to do business. ~~The City should focus marketing materials on the~~
20 ~~following:~~
21
 - 22 ~~1.8.A Attracting new businesses and investment;~~
 - 23 ~~1.8.B Attracting skilled workers;~~
 - 24 ~~1.8.C Attracting off island visitors to commercial centers; and~~
 - 25 ~~1.8.D Highlighting Mercer Island's assets such as high quality of life, business friendly~~
26 ~~environment, and prime location. [Comment Log #5]~~
- 27
- 28 1.9 Encourage the planting of trees by businesses in the City's business districts. [Comment Log #6]
- 29

Goal 2 – Mercer Island's healthy business ecosystem attracts entrepreneurs, businesses, and investment.

[Comment Log #7 and #10]: proposal to change the order of Goals 2 and 3, so the current Goal 3 becomes Goal 2 and vice versa.

Policies

- 38 2.1 Partner with nongovernmental organizations and neighboring economic development agencies
39 to market Mercer Island as a prime location for businesses and investment. [Comment Log #8:
40 possibly fold together with Policies 1.4 and 1.8]
41
- 42 2.2 Partner with community organizations to target the following types of businesses and investment
43 when marketing the City as a prime location for business:
44
 - 45 2.2.A A complementary and balanced mix of retail businesses and restaurants;
 - 46 2.2.B ~~Satellite offices and coworking spaces~~ High wage employers; and
 - 47 2.2.C ~~High wage employers~~ Satellite offices and coworking spaces. [Comment Log #39]

- 1
- 2 2.3 Partner with community organizations to develop a guide to doing business on Mercer Island to
- 3 help entrepreneurs navigate City processes and find additional resources available to assist in
- 4 starting a new business.
- 5
- 6 2.4 Partner with community organizations to facilitate a mentorship program that connects Mercer
- 7 Island business owners, entrepreneurs, and retirees with young adults interested in starting new
- 8 businesses.
- 9
- 10 2.5 Conduct a food truck pilot program to attract new entrepreneurs to Town Center. The pilot
- 11 program can include but is not limited to the following:
- 12
- 13 2.5.A Designated food truck parking on public property, including rights of way;
- 14 2.5.B Informational materials provided to existing food truck operators to attract them to
- 15 Mercer Island;
- 16 2.5.C Partnerships with food truck organizations in the region;
- 17 2.5.D Outreach to existing restaurants to consider the impacts of the pilot program on existing
- 18 businesses; and
- 19 2.5.E A report providing recommendations for potential programmatic and regulatory changes.
- 20

21 **Goal 3 – Existing Businesses thrive as the cornerstone of Mercer Island’s business ecosystem.**

22

23 Policies

24

- 25 3.1 Convene an annual business owners’ forum to create a continuous feedback system during which
- 26 City elected officials and staff gather input from business owners. This input should inform City
- 27 decision making that affects the business community.
- 28
- 29 3.2 Facilitate periodic business roundtables with community organizations, local business owners,
- 30 and City staff.
- 31
- 32 3.3 Periodically distribute a business newsletter to local business owners and community
- 33 organizations.
- 34
- 35 3.4 Partner with community organizations, ~~with a focus on~~ including the Chamber of Commerce, to
- 36 initiate a “Shop Mercer Island” marketing campaign directed at drawing more residents and
- 37 visitors to commercial areas on the island. The City should fill a support role in this partnership.
- 38 **[Comment Log #11]**
- 39
- 40 3.5 Coordinate with transit providers to ~~ensure~~ make the “Shop Mercer Island” marketing campaign
- 41 ~~includes~~ visible to transit riders. **[Comment Log #12]** **[Comment Log #40]** proposes possibly
- 42 amending this policy to focus on online advertising rather than transit]
- 43
- 44 3.6 Conduct outreach to surrounding businesses before initiating capital projects in commercial
- 45 zones. This outreach should create a two-way dialogue with businesses, offering a seat at the
- 46 table when capital projects might affect business operation.
- 47
- 48 3.7 Notify nearby businesses of potential redevelopment. **[Comment Log #13]**

1
2 **Goal 4 – The business ecosystem on Mercer Island is sustainable in that it meets the social,**
3 **environmental, and economic needs of residents now and in the future.**
4

5 4.1 Encourage programming that enables residents and visitors to safely gather, access spaces,
6 socialize, and celebrate in the City. Encouraging public gatherings throughout the City can
7 improve the quality of life on Mercer Island and make the City a more vibrant place for residents
8 and visitors alike, which can in turn drive increased economic activity.
9

10 4.2 Balance economic growth with maintaining easy access to services and small town feel. [Comment
11 Log #14]

12
13 4.2 Build resilience in the local economy by:

14 4.2.A Diversifying the goods and services available in the local economy;

15 4.2.B Being flexible when working with businesses to respond to crises such as allowing
16 temporary use of rights of way for business activity during a state of emergency like a
17 pandemic;

18 4.2.C Coordinating with local businesses to plan for disaster preparedness; and

19 4.2.D ~~Addressing the impacts of climate change to reduce its effect on doing business in the~~
20 ~~City.~~ [Comment Log #41]
21
22

23 4.3 Consider Climate Action Plan strategies during economic development decision making.
24

25 4.4 Identify and adopt measures to reduce displacement of existing businesses as new development
26 occurs.
27

28 [Comment Log #15] possibly move 4.4 to be listed under Goal 3.
29

30 **Goal 5 – Mercer Island has a skilled workforce that is central to the health of the business**
31 **ecosystem.**
32

33 5.1 Partner with regional, statewide, and federal agencies to connect job seekers in the region with
34 opportunities on Mercer Island.
35

36 5.2 Partner with community organizations in the City and region to connect tradespeople and other
37 high-skilled workers with employment opportunities on Mercer Island. This work should focus on
38 communications and fostering connections between community organizations, employers, and
39 workers.
40

41 [Comment Log #16] Possibly combine goals 5 and 6.
42

43 **Goal 6 – The Mercer Island economy provides residents the option to both live and work on-**
44 **island.**

45 Policies
46

1 6.1 Consistent with the Climate Action Plan, increase on-island employment options as a share of the
 2 City's employment growth target in order to reduce vehicle miles traveled commuting. [Comment
 3 Log #17]
 4

5 6.1 ~~Plan Work~~ to increase high-wage on-island job opportunities for residents, ~~increase on-island~~
 6 ~~employment options as a share of the City's employment growth target, eliminate the need to~~
 7 ~~commute, and reduce vehicle miles traveled.~~ [Comment Log #18]
 8

9 6.3 Take steps to increase the supply of affordable housing on the Island. [Comment Log #19]
 10

11 **III. Regulatory Environment Goals and Policies**

12
 13 **Goal 7 – The City actively reduces ~~the regulatory burden~~ any unnecessary created by**
 14 **commercial development regulations and permitting processes to support a healthy**
 15 **business ecosystem, entrepreneurs, and innovation in business.** [Comment Log #20]
 16

17 Policies

18
 19 7.1 Audit the development code and permitting processes to identify code amendments to support
 20 businesses, improve effectiveness, and make efficient use of City resources. The following goals
 21 should be coequally considered when identifying code amendments:
 22

23 7.1.A Lowering compliance costs for business owners;

24 7.1.B Minimizing delay and reduce uncertainty in the entitlement process;

25 7.1.C Improving conflict resolution in the entitlement process; [Comment Log #21]

26 7.1.D Reducing the likelihood of business displacement as new development occurs; and

27 7.1.E Balancing parking requirements between reducing barriers to entry for new businesses
 28 and the need for adequate parking supply.

29 7.1.F Reducing greenhouse gas emissions. [Comment Log #22]
 30

31 7.2 Evaluate City fees imposed on development to determine their effect on business startup costs
 32 and City finances. The impact on business startup costs must be balanced with the financial needs
 33 of the City.
 34

35 7.3 Evaluate additional process or code improvements on an annual basis with input from the
 36 ~~dedicated economic development staff, Climate Action Plan project manager,~~ and Council local
 37 business liaison. This evaluation should inform the development of annual docket
 38 recommendations as needed. [Comment Log #23]
 39

40 7.4 Update home business regulations to support ~~ensure that they allow~~ a mix of commercial uses
 41 while ensuring home businesses remain compatible with neighboring residential uses. [Comment
 42 Log #24: possibly move policy to Goal 2]
 43

44 7.5 Establish a small-business pre-application process to help guide applicants through the permitting
 45 process.
 46

- 1 7.6 Convene an ad hoc committee of at least one architect, at least one developer, the Mercer Island
 2 Building Official, the business owner Planning Commissioner, and City Council local business
 3 liaison to develop proposed amendments to City codes to better facilitate adaptive reuse of
 4 commercial real estate. The ad hoc committee's proposed amendments should be submitted
 5 through the annual docket process.
 6

7 **IV. Business and Customer Attraction Goals and Policies**

8 **Goal 8 – The Mercer Island business ecosystem includes a diversity of goods and services** 9 **enjoyed by residents and visitors.**

10 **Comment Log #25:** Possibly move Goal 8 policies to Goal 2.
 11

12 Policies

- 13
 14
 15
 16 8.1 Ensure land use regulations in commercial zones allow a diversity of commercial uses.
 17
 18 8.2 Encourage commercial offices to locate in Mercer Island to bring more potential daytime
 19 customers to the Island without displacing existing retail space.
 20

21 **Goal 9 – The commercial areas in Mercer Island, and especially the Town Center, are lively,** 22 **vibrant gathering places for the community and visitors.**

23
 24 **Comment Log #26:** Possibly Combine Goal 9 policies with Goal 4 policies, under Goal 4
 25

26 Policies

- 27
 28 9.1 Encourage arts and cultural activities in commercial zones to draw the community to commercial
 29 areas.
 30
 31 9.2 Partner with community organizations to develop a program to activate Town Center in the
 32 evening. The program should include strategies such as:
 33
 34 9.2.A Evening events to draw people to Town Center;
 35 9.2.B Focusing on arts and cultural experiences;
 36 9.2.C Engaging local nonprofits; and
 37 9.2.D Incorporating existing community events.
 38

39 **Goal 10 – Commercial areas are attractive and inviting to the Mercer Island community and** 40 **visitors.**

41 Policies

- 42
 43
 44 ~~10.1 Emphasize quality of life as a cornerstone of the Mercer Island economy.~~ **Comment Log #27]**
 45
 46 10.2 Focus on public safety as an important component of the high quality of life on Mercer Island a
 47 thriving business community. **Comment Log #28]**

- 1
- 2 10.3 Activate public spaces in commercial areas by establishing design standards that encourage
- 3 walkability and active use of street frontages in new development using strategies such as:
- 4
- 5 10.3.A Emphasizing spaces that are human-scaled, safe and comfortable for walkers and bikers;
- 6 10.3.B Incorporating principles of crime prevention through environmental design (CPTED);
- 7 10.3.C Increasing wayfinding;
- 8 10.3.D Incorporating public art;
- 9 10.3.E Increasing street furniture/public seating provided it is designed with a specific purpose
- 10 or function; and
- 11 10.3.F Increasing the amount of public space, including parklets.
- 12
- 13 10.4 Review street standards including the streetscape manual in Town Center, considering the
- 14 following:
- 15
- 16 10.4.A ~~Pedestrian improvements~~On street parking;
- 17 10.4.B ~~Electric vehicle charging~~Time-limited public parking;
- 18 10.4.C ~~Bike parking and infrastructure~~Public safety;
- 19 10.4.D ~~Time-limited public parking~~Pedestrian improvements;
- 20 10.4.E ~~Public safety~~Electric vehicle charging; and
- 21 10.4.F ~~On-street parking~~Bike parking and infrastructure. [Comment Log #44]
- 22

Goal 11 – Public space in Town Center is plentiful, providing residents and visitors places to gather, celebrate, and socialize.

Policies

- 26
- 27
- 28 11.1 Establish regulations for outdoor dining and temporary uses that allow flexible use of street
- 29 frontages and public rights of way for public space to gather, celebrate, and socialize.
- 30
- 31 11.2 Seek to create more community gathering spaces, including parklets, when considering
- 32 development standards in Town Center. [Comment Log #31
- 33
- 34 11.3 Maintain the existing City program to beautify Town Center with landscaping, street trees and
- 35 flower baskets.
- 36

Goal 12 – Mercer Island residents and visitors can safely access commercial areas.

Policies

- 37
- 38
- 39
- 40
- 41 12.1 Ensure multimodal transportation options are available for workers to access on-island
- 42 employment and customers to access goods and services.
- 43
- 44 12.2 Reduce car dependence without compromising existing available parking in commercial areas by
- 45 prioritizing the following when considering regulatory amendments and capital improvements:
- 46
- 47 12.2.A Bike safety, parking, and infrastructure;

- 1 12.2.B Access to transit;
- 2 12.2.C Pedestrian safety;
- 3 12.2.D Traffic calming; and
- 4 12.2.E Human scale design.

5
6 12.3 Prioritize capital investment in creating robust pedestrian and bicycle connections between the
7 park and ride, light rail station, Town Center and surrounding residential areas.

8
9 12.4 Ensure that sufficient parking is provided through a combination of regulations and incentives
10 like parking credits as commercial areas redevelop. Interpretation of the policies in this element
11 should not lead to a reduction in parking, [Comment Log #31] [Comment Log #45] proposes
12 changing the order of policies to switch 12.2 and 12.4]

14 IV. Implementation Goals and Policies

15
16 **Goal 13 – The City takes specific actions and provides resources to implement the policies and**
17 **achieve the goals of this Economic Development Element. Progress toward achieving**
18 **Economic Development Element goals is regularly monitored and reported to the City**
19 **Council and public.**

21 Policies

- 22
- 23 13.1 Utilize federal, state, regional, and King County resources to implement this element.
- 24
- 25 13.2 Encourage public-private partnerships to achieve the goals of this element.
- 26
- 27 13.3 Seek grant funding for programs and activities that implement the policies of this element.
- 28
- 29 13.4 Appropriate funding for the implementation of this element through the City budget process.
- 30 Funds should be allocated at the same time projects are added to City department work plans to
- 31 ensure programs and projects are adequately funded to achieve the goals of this element.
- 32
- 33 13.5 Prepare a biennial report tracking implementation of the Economic Development Element. The
- 34 report will be provided to the City Council prior to adoption of the budget.
- 35
- 36 13.6 Establish an implementation timeline for this element each budget cycle. The implementation
- 37 timeline can be updated and amended each budget cycle to reflect the resources available to
- 38 accomplish actions to implement this element. The implementation timeline should detail the
- 39 following:
- 40
- 41 13.6.A Actions from this element to be added to department work plans for the upcoming
- 42 budget cycle;
- 43 13.6.B Actions from this element that should be added to work plans in the next three to six
- 44 years; and
- 45 13.6.C Actions from this element that should be added to future work plans in seven or more
- 46 years.
- 47

- 1 13.7 Respond to potential budget shortfalls for actions to implement this element with the following
- 2 strategies in descending order of priority:
- 3
- 4 13.7.A Alternate funding sources;
- 5 13.7.B Public-private partnerships;
- 6 13.7.C Reducing project or program scope to align with current budget constraints;
- 7 13.7.D Delaying projects to the next budget cycle; and
- 8 13.7.E Amending the policies of the Economic Development Element to reflect the City's capacity
- 9 to implement the element.
- 10

DRAFT