



## BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

**AB 5933**  
**September 21, 2021**  
**Regular Business**

### AGENDA BILL INFORMATION

|                            |  |   |
|----------------------------|--|---|
| <b>TITLE:</b>              | AB 5933: Town Center Moratorium: Proposed Retail Use Adjacent to Street Frontages, Commercial Floor Area Ratio and No Net Loss Requirements  | <input type="checkbox"/> Discussion Only<br><input checked="" type="checkbox"/> Action Needed:                          |
| <b>RECOMMENDED ACTION:</b> | Provide direction to staff to proceed with necessary code amendments to MICC 19.11 to update MICC 19.11.020(B)(4) Retail Use Required Adjacent to Street Frontages; institute a new Commercial Floor Area Ratio (FAR) requirement as presented and a select No Net Loss requirement. | <input checked="" type="checkbox"/> Motion<br><input type="checkbox"/> Ordinance<br><input type="checkbox"/> Resolution |

|                               |  |
|-------------------------------|--|
| <b>DEPARTMENT:</b>            | Community Planning and Development   |
| <b>STAFF:</b>                 | Jeff Thomas, Interim Director<br>Sarah Bluvias, Economic Development Coordinator   |
| <b>COUNCIL LIAISON:</b>       | n/a  |
| <b>EXHIBITS:</b>              | 1. Map of Proposed Amendments to MICC 19.11.020(B)(4)<br>2. Map of Proposed TC Parcels Subject to New Commercial FAR Requirement<br>3. Map of Post 2005 TC Redeveloped Parcels |
| <b>CITY COUNCIL PRIORITY:</b> | n/a  |

|                               |           |
|-------------------------------|-----------|
| <b>AMOUNT OF EXPENDITURE</b>  | \$ n/a    |
| <b>AMOUNT BUDGETED</b>        | \$ 50,000 |
| <b>APPROPRIATION REQUIRED</b> | \$ n/a    |

### SUMMARY

In June 2020, the City Council enacted a moratorium on major new construction generally in the southeast quadrant of the Town Center (TC) zoning designation while the City evaluated potential updates and/or amendments to development regulations within the Town Center, including requirements for various types of commercial space.

The City contracted with the firm Community Attributes, Inc. (CAI) to analyze the demand for additional ground floor commercial uses and the feasibility of requiring such uses in new buildings. On April 6, the City Council received a presentation on the findings of this analysis and commenced discussion – please see [AB 5841](#) for additional information.

Further City Council discussion ensued on April 20 and direction was provided to staff to complete additional analysis and to research legislative options in addition to a “no net loss” option. On July 6, staff presented a

number of legislative options and combination options to City Council – please see [AB 5910](#) for additional information.

Further direction was provided to staff at that time to review and propose:

- A. Updates to MICC 19.11.020(B)(4) Retail Use Required Adjacent to Street Frontages;
- B. A new TC commercial Floor Area Ratio (FAR) requirement; and
- C. The applicability of a new TC no net loss requirement.

The intent this evening is to present these items and seek direction from City Council to proceed with necessary code amendments to MICC 19.11 to implement these proposals.

#### **A. UPDATES TO MICC 19.11.020(B)(4) RETAIL USE REQUIRED ADJACENT TO STREET FRONTAGES**

Exhibit 1 illustrates the proposed amendments to the existing Retail Use Required Adjacent to Street Frontages in MICC 19.11.020(B)(4). These amendments reflect desired corridor concentration on SE 27<sup>th</sup> Street and 78<sup>th</sup> Avenue SE for existing and future development. Please note that public / utility owned properties on 78<sup>th</sup> Avenue SE are excluded as it is not anticipated these properties will redevelop on a 25-year time horizon.

#### **B. A NEW TC COMMERCIAL FAR REQUIREMENT**

After the July 6 City Council meeting, staff, with assistance from CAI, worked on the calculation of a new TC commercial FAR requirement. In addition to the important first step of establishing the Retail Use Required Adjacent to Street Frontages discussed in Section (A), there are six (6) additional steps to complete in determining a new TC commercial FAR requirement as follows with a brief explanation included:

- 1. Determine Updated “Pink Line Map” MICC 19.11.020(B)(4)**
  - Discussed in Section (A) above.
- 2. Determine TC Wide Commercial SF Inventory**
  - 2021 Q3 CoStar Data – most up-to-date data available.
  - Establishes starting point for numerator of TC FAR calculation.
- 3. Update Additional Supportable Commercial SF TC Wide**
  - 2020 DOR Data – most up-to-date data available.
  - Revenue data helps determine supportable commercial square footage, which has increased slightly from last update in July.
- 4. Remove Post-2005 Redevelopments Commercial SF**
  - 2021 Q3 CoStar Data – most up-to-date data available.
  - Like public / utility owned properties discussed in Section (A) above, recently redeveloped mixed-use parcels can’t be assumed to be redeveloped again on a 25-year time horizon.
- 5. Calculate Net Commercial SF**
  - = #2 + #3 - #4
  - Establishes numerator.
- 6. Determine Net Parcel SF**
  - KC Assessor Data.
  - Establishes denominator.
- 7. Calculate Commercial FAR**
  - = #5 / #6

Combining steps 2 through 6 yields the following results:

| Step | Detail                                | Function | Value         | Notes          |
|------|---------------------------------------|----------|---------------|----------------|
| #2   | Commercial SF Inventory               |          | 309,560       | 2021 Q3 CoStar |
| #3   | Additional Supportable Commercial SF  | Add:     | 37,200        | 2020 DOR       |
| #4   | Post 2005 Redevelopment Commercial SF | Less:    | 67,364        | 2021 Q3 CoStar |
| #5   | Numerator - Net Commercial SF         | Total:   | 279,396       |                |
| #6   | Denominator - Net Parcel Area SF      |          | 1,065,273     | KC Assessor    |
| #7   | <b>Commercial FAR Calculation *</b>   |          | <b>0.2623</b> |                |

\*In conclusion, and as previously described on a per-acre basis, a Commercial FAR Calculation of 0.2623 means for every 1 acre redeveloped in parcels identified in Exhibit 2, there would be 11,426 square feet of commercial space required adjacent to street frontages.

### C. APPLICABILITY OF A NEW TC NO NET LOSS REQUIREMENT

As discussed in previous sessions with the City Council, a TC wide “no net loss” requirement could create significant parcel inequities in the TC. However, when applied selectively to post-2005 redevelopment parcels only in conjunction with a new TC commercial FAR requirement, this provision would assist in maintaining the final desired outcome net TC commercial space (346,760 SF = #2 + #3). This selective “no net loss” requirement would require post-2005 redevelopment parcels identified in Exhibit 3 to redevelop further with a minimum of commercial space currently constructed.

### NEXT STEPS

Assuming City Council provides the requested direction this evening, next steps are:

- September 22: Planning Commission Work Session
- October 6: Planning Commission Public Hearing / Recommendation
- November 1: City Council Meeting; Ordinance First Reading
- November 16: City Council Meeting; Ordinance Second Reading and Adoption

### RECOMMENDED ACTIONS:

Provide direction to staff to proceed with necessary code amendments to MICC 19.11 as follows:

1. Update MICC 19.11.020(B)(4) Retail Use Required Adjacent to Street Frontages as identified in Exhibit 1;
2. Institute a new TC Commercial FAR requirement as presented, which will be subjected to parcels identified in Exhibit 2; and
3. Include a new selective TC no net loss requirement to post 2005 redevelopment parcels only as identified in Exhibit 3.