



**BUSINESS OF THE CITY COUNCIL
CITY OF MERCER ISLAND**

**AB 5910
July 6, 2021
Regular Business**

AGENDA BILL INFORMATION

TITLE:	AB 5910: Town Center Moratorium: Economic Analysis Revised Outputs and Legislative Options Consideration	<input checked="" type="checkbox"/> Discussion Only
RECOMMENDED ACTION:	Provide desired direction to staff for legislative options to address the Town Center moratorium.	<input type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution

DEPARTMENT:	Community Planning and Development
STAFF:	Jeff Thomas, Interim Director Sarah Bluvas, Economic Development Coordinator Elliot Weiss, Project Manager, Community Attributes Inc.
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Town Center Economic Analysis Memorandum Revised Outputs, Discussion Draft June 22, 2021
CITY COUNCIL PRIORITY:	n/a

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ 50,000
APPROPRIATION REQUIRED	\$ 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 evaluates 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 – please see [AB 5841](#) for additional information. The City Council discussed this analysis further on April 20 and provided direction to staff to complete additional analysis with changes to three variables – updated population estimates, revised taxable retail sales per capita, and a broader array of capitalization rates. The City Council also provided direction to staff to research legislative options in addition to a “no net loss” option discussed on April 20.

The intent this evening is for City Council to (A) receive the additional economic analysis revised outputs, and (B) consider legislative options to address the TC moratorium and provide staff direction.

A. ECONOMIC ANALYSIS REVISED OUTPUTS

As directed by City Council on April 20, CAI completed additional economic analysis with changes to three variables – updated population estimates, revised taxable retail sales per capita, and a broader array of capitalization rates. This additional analysis is included in Exhibit 1. Utilizing the revised and updated data, a key output of this additional economic analysis is that the amount of supportable TC retail square feet increased slightly from 29,930 to 34,840.

B. LEGISLATIVE OPTIONS CONSIDERATION

As directed by City Council on April 20, staff researched legislative options in addition to a “no net loss” option. The options summarized below were evaluated for the potential to address the City Council findings from 2020 preserving existing quantities of commercial retail space and providing for projected future demand. A matrix summarizing the evaluation of these options is provided at the end of this section.

1. Do nothing.

Narrative: No change to current regulations. Under this scenario, the requirement to provide commercial retail street frontage would continue to not be required within the moratorium area. This option would not make progress on objectives of preserving existing commercial retail space or adding such space to meet identified future demand.

2. Amend the TC Sub Area Plan and Zoning Map to remove the moratorium area from the TC and rezone to an exclusive commercial zone such as “General Commercial,” “Community Business,” or “Neighborhood Business.”

Narrative: This option removes some or all of the moratorium area from the TC boundary and would prohibit residential uses. This would possibly cause some parcels to become legal nonconforming. Progress on preserving existing commercial retail space would likely be made. There would, however, likely be loss of future residential capacity and no progress would be made toward meeting identified future demand of commercial retail space.

3. (A) Amend [MICC 19.11.020](#) Figure 2 to require blanket “retail street frontage” throughout the TC or only blanket throughout the moratorium boundary.

Narrative: While amending this map to blanket the entire TC or just the moratorium boundary with a retail street frontage requirement is a straightforward legislative fix and it may make progress on preserving existing commercial retail space, it is unlikely that progress will be made to add retail space to meet identified future demand. Additionally, it would largely undo the efforts from the 2016 development regulation updates to concentrate commercial retail activity in the TC.

3. (B) Amend [MICC 19.11.020](#) Figure 2 to complete surgical additions / deletions to the current map.

Narrative: Amending this map to make surgical additions / deletions is also straightforward from a legislative perspective and similarly to 3(A) may make progress on preserving existing commercial retail space, but no progress will be made on adding such space to meet identified future demand. If this option is used in conjunction with option #5, however, progress on this objective could be made. Additionally, it could improve upon the 2016 development regulation updates to concentrate commercial retail activity in the TC.

3. (C) Repeal [MICC 19.11.020 \(B\)](#) and Figure 2 that require “retail street frontage” in the TC and replace with the regulations existing prior to the adoption of [Ordinance No. 16C-06](#).

Narrative: This option would repeal Figure 2 and the supporting language and be generally replaced with the requirements which were in effect from 2013-2016 from the adoption of [Ordinance No. 13C-01](#). At a minimum, there would need to be some updating and modernization of the former language related to public parking. This option may make progress on the objective of preserving existing commercial retail space, but would not make progress on adding such space to meet identified future demand. Additionally, there could be a regression in the effort to concentrate commercial retail activity in the TC.

4. Amend MICC 19.11.020 to add a “no net loss” commercial retail square footage requirement throughout the TC administered on a parcel-by-parcel basis.

Narrative: This option has been the most discussed by the City Council to date and would make progress on the objective of preserving existing commercial retail space but would not make progress on adding such space to meet identified future demand. The provision of commercial retail space throughout the TC would be based on a current inventory of such space, which will place more burden on some parcels than others. One of the resulting impacts could be the consolidation of parcels in the TC to even out this burden (i.e. two parcels consolidate – one with significant existing commercial retail space and one without).

5. Amend MICC 19.11.020 to add a “commercial floor area ratio” requirement for properties subject to the requirement in Figure 2.

Narrative: This option solves the inequitable burden problem in option #4 by identifying a current inventory of commercial retail space (and future demand if desired) and corresponding total land area to calculate a commercial floor area ratio requirement for new development. The ratio would be the same for all parcels subject to this requirement. A simple example of this calculation follows:

Sample Commercial Floor Area Calculation		
A	Total Commercial Retail Space of Subject Parcels	50,000 square feet
B	Total Size of Subject Parcels	200,000 square feet
C	Commercial Floor Area Ratio (A/B)	0.25

Therefore, in applying this sample calculation, for every 1 acre (43,560 square feet) of TC redevelopment, 10,890 square feet (43,560 x 0.25) of commercial retail space would be required. Using a commercial floor area ratio would result in some parcels experiencing a net gain of commercial retail space while others would experience a net loss with the end result being the achievement of the total commercial retail space desired over the long term.

This option would make progress on the objectives of preserving existing commercial retail space and on adding such space to meet identified future demand. It would be best used in conjunction with option #3(B) by making surgical amendments to MICC 19.11.020 Figure 2.

Legislative Options - Evaluation Matrix					
Option #	Detail	Preserve Commercial Retail	Increase Commercial Retail	Concentrate Commercial Retail	Code Amendment Complexity
1	Do Nothing	-	-	-	N/A
2	Rezone Commercial	X	-	-	High
3(A)	Blanket Commercial Retail	X	-	-	Low
3(B)	Surgical Commercial Retail	X	-	X	Low
3(C)	Revert to 2013 Code	X	-	-	High
4	No Net Loss Provision	X	-	-	Medium
5	Commercial FAR	X	X	-	Medium
3(B) + 4		X	-	X	Medium
3(B) + 5		X	X	X	Medium

NEXT STEPS

The staff will facilitate a discussion with the City Council on the options above. Staff is seeking feedback on the preferred option(s) to move forward and address the TC moratorium. Should City Council direction include amendments to the TC development regulations, these would be presented to the Planning Commission in September. Any Planning Commission recommendation would be brought forward to City Council in late 2021 for consideration and adoption.

RECOMMENDATION

Provide desired direction to staff for legislative options to address Town Center moratorium.