



**ZTR21-004**

# **Town Center Retail Requirements**

**Planning Commission  
September 22, 2021**

# Tonight's Agenda

1. Overview of Town Center Moratorium and Process to Update Commercial Retail Requirements
2. Review on Three Proposed Legislative Options for Resolving the Moratorium
3. Share Input to Inform Drafting of Amendments to MICC 19.11.020 to Incorporate Proposals



# Background

- In June 2020, the City Council enacted a moratorium on new construction in the southeast quadrant of the Town Center zone.
- The moratorium halts the submission of development applications while the City considers potential updates and/or amendments to the Town Center code.
- The City Council articulated that solutions should **preserve existing commercial retail space** and **provide space to meet future demand**.
- The City contracted with Community Attributes, Inc. (CAI) to analyze capacity and demand for commercial retail.



# CAI Economic Analysis

## CAI's analysis aimed to provide:

- Quantitative analysis to determine whether there is **demand for additional commercial retail space** in Mercer Island; and
- Assessment of how including ground floor retail use in multifamily developments would affect the **economic feasibility of redevelopment in Town Center**



# CAI Economic Analysis

## Development Feasibility

- CAI developed a pro forma model to understand how including ground floor retail would affect project feasibility for four development prototypes
- Model generates an estimate of the residual land value and economic surplus based on anticipated costs and revenue drivers
- Of the four prototypes analyzed, the three-story multifamily development returned the highest economic surplus per sq ft, meaning the development type is likely to be economically feasible



# CAI Economic Analysis

## Demand for Commercial Retail

- CAI used the following inputs to project demand for commercial retail in Town Center:
  - Projected population growth (2019 to 2040): **970**
  - Per capita spending (2019): **\$20,100**
- Amounts to additional \$19.5m (2019 dollars) in retail sales by 2040
- Assuming retail sales per sq ft of \$600, projected sales would support **32,500 sq ft** of additional retail space throughout Mercer Island



# CAI Economic Analysis

- Staff and the consultant discussed the study findings with the City Council on April 6 and 20
- On April 20, the Council provided direction to complete additional analysis by adjusting the following inputs for the development feasibility and retail demand analyses:
  - Capitalization rate range
  - Future population growth
  - Per capita spending





# Updates to Retail Demand Inputs

## Future Population Growth

- Adjusted to use PSRC housing targets (through 2044 instead of 2040)
- Updated input: **2,790** (1,240 households)

## Per Capita Spending

- Adjusted per capita spending data capture to exclude non-retail sectors
- Updated data source includes retail trade (NAICS 44-45); arts, entertainment, and recreation (NAICS 71); and accommodation and food services industries (NAICS 72)
- Updated per capita spending (2020): **\$7,600**
- Increased supportable commercial retail to **35,340** citywide





# Town Center Moratorium Legislative Options

**On July 6, staff presented the following legislative options to the City Council:**

1. Do nothing.
2. Amend the TC Subarea Plan and Zoning Map to remove the moratorium area from the Town Center and rezone to an exclusive commercial zone.
3. Amend or repeal MICC 19.11.020 Figure 2, which illustrates retail street frontage requirements in the Town Center.
4. Amend MICC 19.11.020 to add a “no net loss” commercial retail square footage requirement throughout the Town Center, administered on a parcel-by-parcel basis.
5. Amend MICC 19.11.020 to add a “commercial floor area ratio” requirement for properties subject to the requirement in Figure 2.
6. Mix and match various options.



# Town Center Moratorium Legislative Options

**Following the discussion on July 6, the City Council expressed interest in Option #6 (mix and match various options) and directed staff to review and propose:**

1. Updates to MICC.19.11.020(B)(4) Retail Use Required Adjacent to Street Frontages (Option #3)
2. A new Town Center Commercial Floor Area Ratio (FAR) requirement (Option #5)
3. The applicability of a new Town Center “No Net Loss” requirement (Option #4)

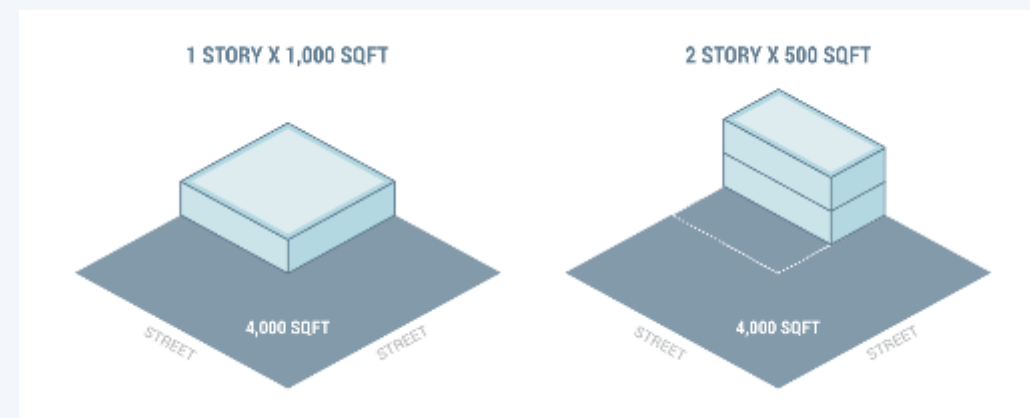


# Explanation of Floor Area Ratio (FAR)

- Calculation often used to regulate the permitted floor area (i.e. size) of a building and is typically calculated as:

**Total Usable Floor Area of Building ÷ Total Land Area Size**

- Accounts for 100% of the floor area of a building, not just its footprint
- FAR regulations allow zoning officials to limit the size of a building in relation to the size of the lot on which it's located
- Staff proposed adapting this concept to determine how much commercial retail space to require in new Town Center developments



*Example of two scenarios for meeting a general .25 FAR requirement*



# Explanation of Floor Area Ratio (FAR)

- A new commercial FAR requirement would be calculated by identifying **a current inventory of commercial retail space/future demand** and the **corresponding total land area**
- Commercial FAR would be the same for all parcels subject to this requirement
- When combined with the other two proposals (Option #3 and Option #4), attempts to make progress on the Council goals to preserve existing commercial retail space and provide for future demand



# 7 Steps for Calculating a Proposed TC Commercial FAR

1. Determine Updates to MICC 19.11.020(B)(4) Retail Use Required Adjacent to Street Frontages (the “pink lines map”)
2. Determine Town Center-Wide Commercial Square Footage Inventory
3. Update Additional Supportable Commercial Square Footage Town
4. Remove Post-2005 Redevelopments Commercial Square Footage
5. Calculate Net Commercial Square Footage = #2 + #3 - #4
6. Determine Net Parcel Square Footage
7. Calculate Commercial FAR = #5 / #6



# Proposed Amendments to MICC 19.11.020(b)(4)

## Step #1

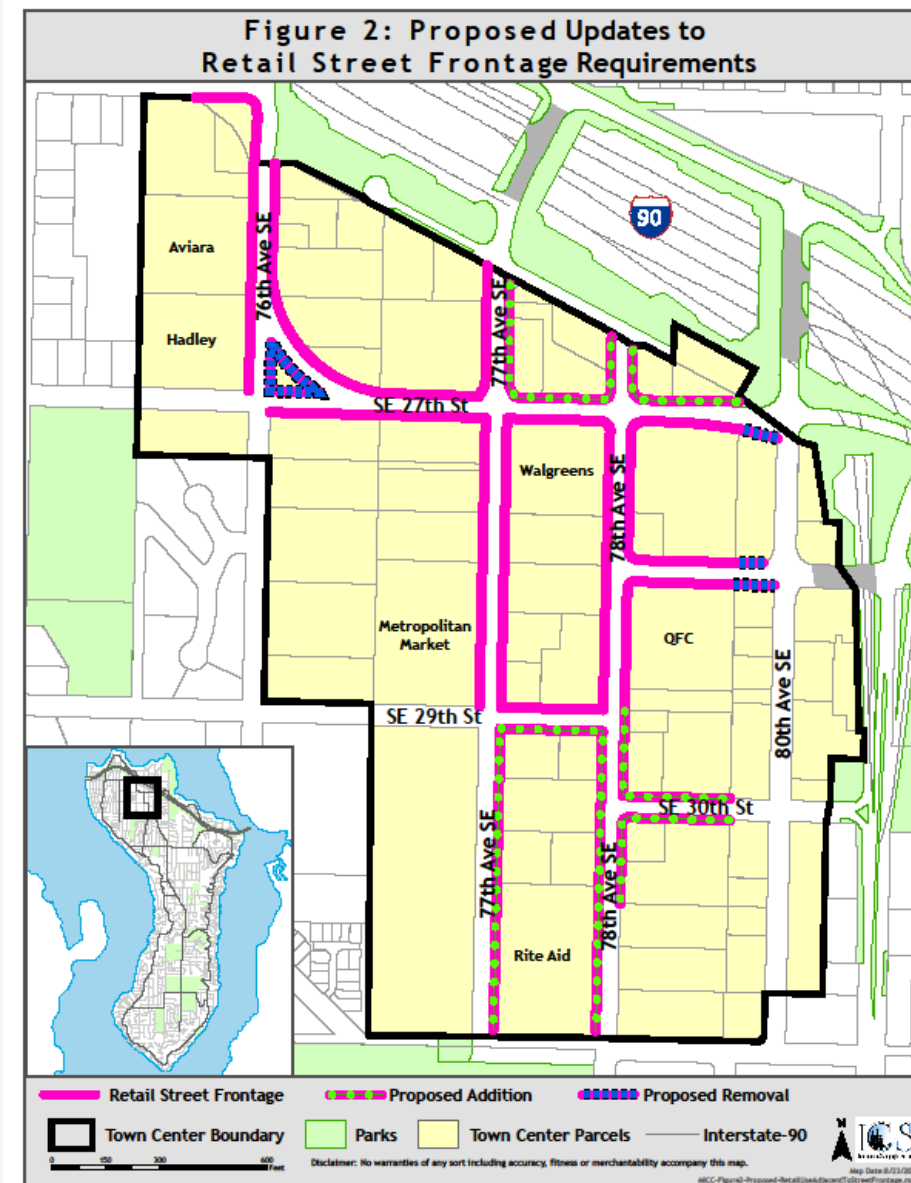
- Reflects corridor concentration on SE 27<sup>th</sup> Street and 78<sup>th</sup> Ave SE for existing and future development
- Does not include public / utility-owned properties on 78<sup>th</sup> Ave SE

## Step #2

- TC-wide Commercial SF inventory = 309,560  
*2021 Q3 CoStar Data*

## Step #3

- Update Additional Supportable Commercial SF  
TC-wide = 37,200  
*2020 DOR Data*





# Remove Post-2005 Developments

## Commercial SF

### Step #4

- Remove Post-2005 Redevelopment Commercial SF = 67,364  
*2021 Q3 CoStar Data*
- Includes constructed and vested projects

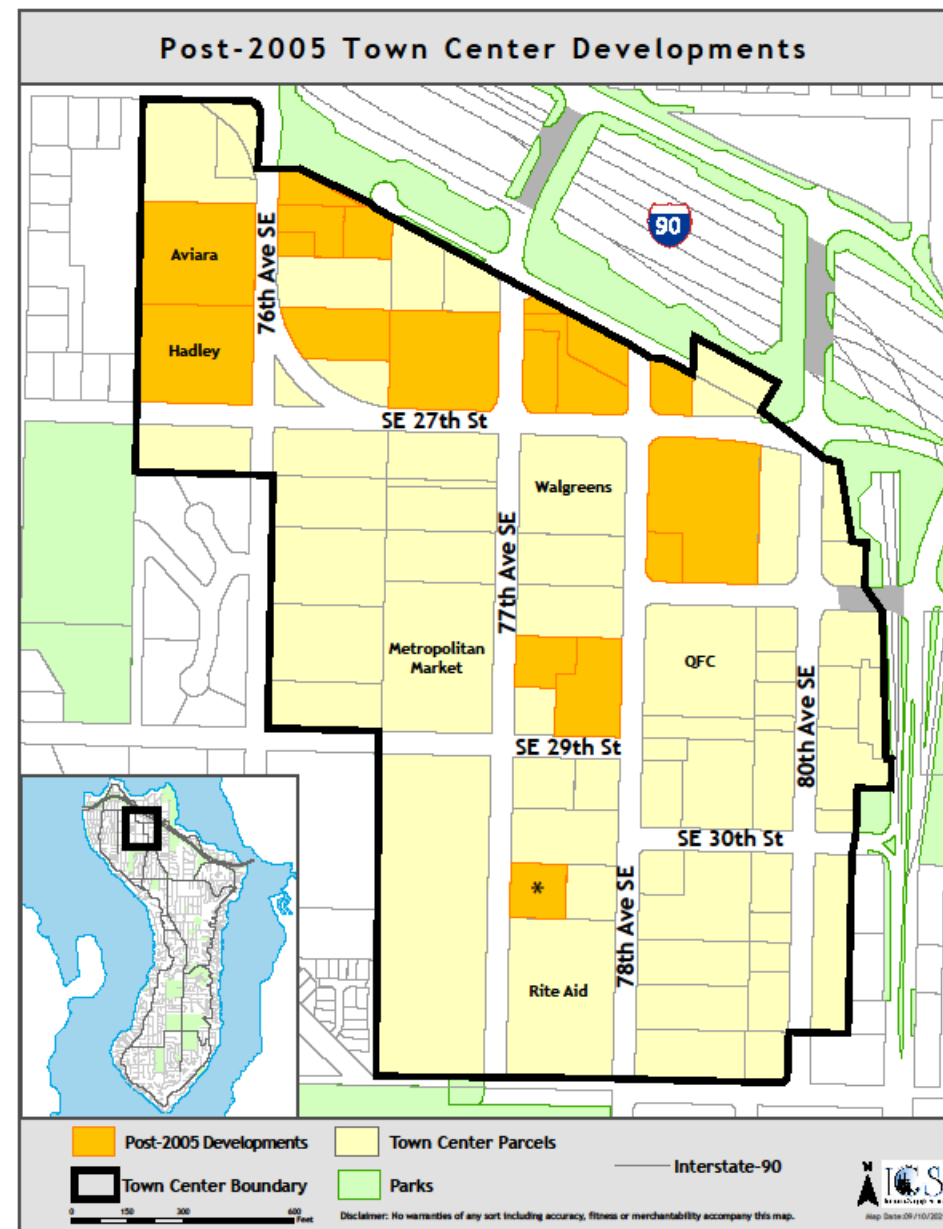
### Step #5

- Calculate Net Commercial SF  

$$= \#2 + \#3 - \#4$$

$$= 309,560 + 37,200 - 67,364$$

$$= 279,396$$

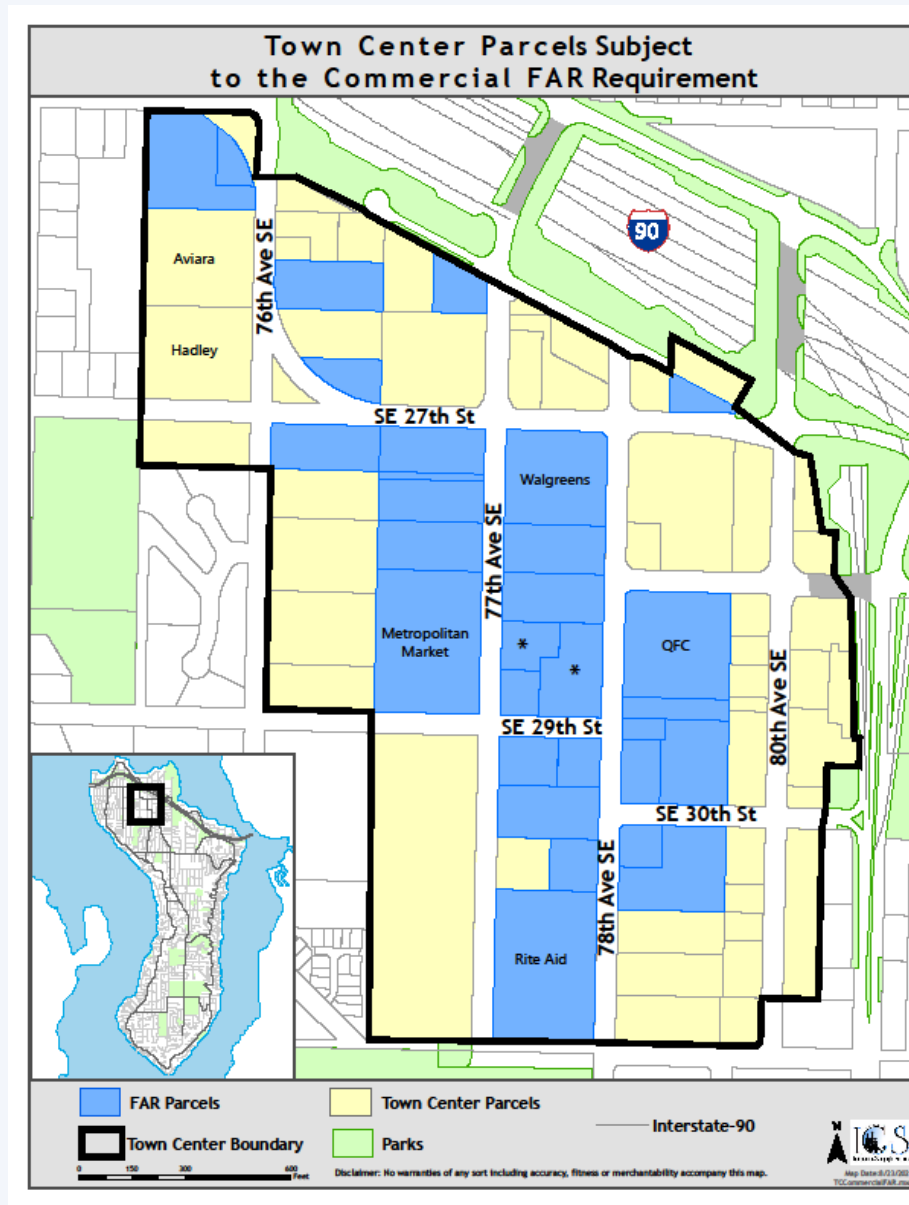


# Proposed TC Parcels Subject to New Commercial FAR Requirement

- Map to the right will be added to any TC Commercial FAR requirement code amendment proposal

## Step #6

- Determine Net Parcel SF = 1,065,273  
*King County Assessor Data*



# Proposed TC Commercial FAR Calculation

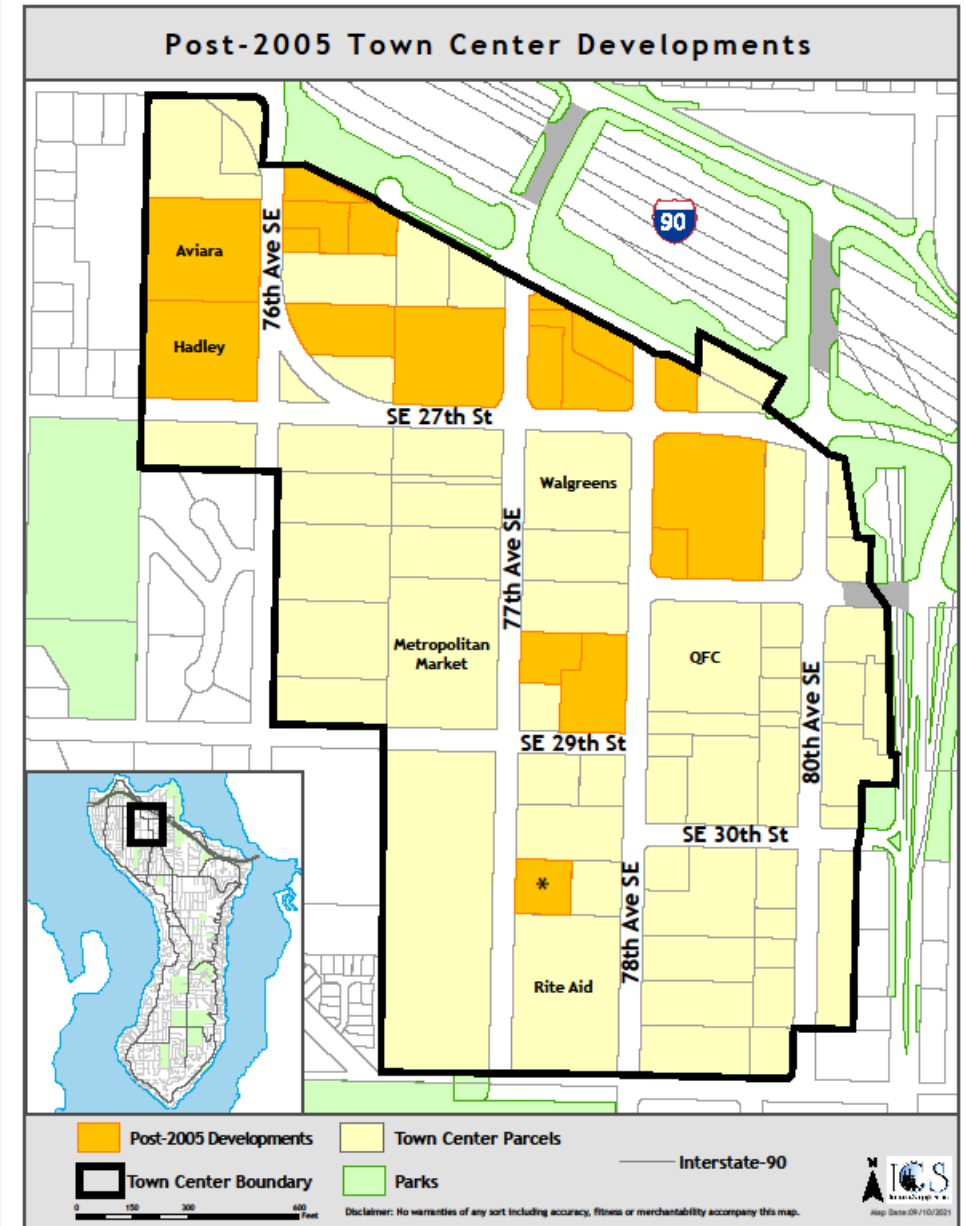
## Step #7

Step	Geography	Detail	Function	Value	Notes
2	TC Wide	Commercial SF Inventory		309,560	2021 Q3 CoStar Data
3	TC Wide	Additional Supportable Commercial SF	Add:	37,200	2020 DOR Data
4	Selected Properties	Post-2005 Redevelopment Commercial SF	Less:	67,364	2021 Q3 CoStar Data
5		Net Commercial SF	Total:	279,396	
6	Selected FAR Properties	Net Parcel Area		1,065,273	King County Assessor Data
7		<b>Commercial FAR Calculation</b>		<b>0.2623</b>	



# Applying a “No Net Loss” Requirement

- Staff propose applying a “No Net Loss” requirement only to the post-2005 developments removed from the commercial FAR calculation
- I.e. if one of these properties redevelops in the 25-year time horizon, they would be required to provide an amount of commercial retail space equal to or greater than the amount already featured on the site



# Proposed Schedule

- October TBC: Planning Commission Review Draft Code Amendments
- November 3: Planning Commission Public Hearing / Recommendation
- November 16: City Council First Ordinance Reading
- December 7: City Council Second Ordinance Reading / Adoption

