



## BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

**AB 5844**  
**April 20, 2021**  
**Regular Business**

### AGENDA BILL INFORMATION

<b>TITLE:</b>	Town Center Moratorium - Commercial Feasibility Analysis Discussion Continued	<input checked="" type="checkbox"/> Discussion Only
<b>RECOMMENDED ACTION:</b>	Provide any desired direction to staff for the completion of additional analysis.	<input type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution

<b>DEPARTMENT:</b>	Community Planning and Development
<b>STAFF:</b>	Jeff Thomas, Interim Director Sarah Bluvass, Economic Development Coordinator Elliot Weiss, Project Manager, Community Attributes Inc.
<b>COUNCIL LIAISON:</b>	n/a
<b>EXHIBITS:</b>	1. Town Center Economic Analysis Memorandum, Discussion Draft April 6, 2021
<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 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 – please see [AB 5841](#) for additional background.

During its Study Session on April 6, the City Council received a presentation on the draft report (Exhibit 1) and discussed its findings. The intent this evening is for City Council to continue the discussion as detailed below and provide any desired direction to staff for the completion of additional analysis.

### OPTIONS FOR ADDITIONAL DISCUSSION / CONSIDERATION

Based on the completed Study Session, staff and CAI identified two areas for additional discussion and consideration:

1. **The adjustment of inputs used in pro forma model.** City Council asked questions related to inputs including future population growth, per capita spending, and capitalization rates – specifically whether these inputs could and/or should be modified to better reflect conditions on Mercer Island. The short answer is yes, these inputs can be modified. Future population growth can be updated to reflect the now known preliminary housing unit target of 1,239 published by King County; per capita spending data from the WA Department of Revenue can possibly be further broken apart; and, capitalization rates can be lowered based on a small sample size of local transactions.

**Questions for discussion and consideration:** Is the City Council interested in having additional analysis completed with one or more inputs modified? If so, which inputs and at what levels?

2. **A “no net loss” code requirement for existing Town Center retail space.** Data presented in the draft report demonstrates a stepped increase in Town Center multi-family residential units since the mid-2000s but an 11.1% decrease of Town Center retail space since 2010. The concept of a “no net loss” code requirement was raised by City Council as a potential path forward to preserve existing retail space in the Town Center today. This may be accomplished on a parcel-by-parcel basis through one of the following options:
  - (a) Retain the equivalent total retail square footage at a project site through vertical mixed use redevelopment;
  - (b) Retain the existing total retail footprint and square footage at a project site through the addition of multi-family residential units creating a horizontal mixed-use development; or
  - (c) Some proportional combination of (a) and (b).

**Questions for discussion and consideration:** Is the City Council interested in exploring a “no net loss” code requirement? If so, by which option? Are there other regulatory options the City Council is interested in exploring?

## RECOMMENDATION

Provide any desired direction to staff for the completion of additional analysis.