

1 **I. Introduction, Existing Conditions, and Land Use Connection**

2  
3 This element of the Comprehensive Plan articulates how the City of Mercer Island will support and grow  
4 its economy through the year 2044. This element establishes policy direction for the City to build on its  
5 strengths, maximize opportunities, and build resilience in the local economy to overcome challenges. By  
6 many measures Mercer Island is poised to significantly grow its economy during the planning period. The  
7 resident work force tends to be employed in high-wage jobs and is highly educated. Because residents  
8 tend to be employed in high-earning jobs, there is a strong local customer base to support on-island  
9 businesses. The arrival of light rail service will increase access to Mercer Island for off-island visitors and  
10 workers. Mercer Island’s position in the center of King County makes it a prime location for businesses  
11 looking to draw workers and customers from larger surrounding cities like Seattle and Bellevue. The  
12 Mercer Island economy is in a strong position to support new growth.

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

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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 an  
10 associate’s degree or higher educational attainment. The high educational attainment of Mercer Island  
11 residents indicates that the on-island work force is highly skilled. Table 2 shows the educational  
12 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 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.

### Town Center

Town Center is located south of Interstate 90, north of Mercerdale Park, west of Island Crest Way, and east of 74<sup>th</sup> Avenue Southeast. The Town Center has experienced the most development of all the commercial areas in the City in recent years. Most of the recent development has been mixed-use

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

#### 5 **Northeast Commercial Area**

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

#### 15 **South End Commercial Area**

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

#### 23 **Land Use Connection**

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

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

41 The supply of commercial development capacity is closely controlled by Land Use policies and regulations.  
42 Regulations that modulate the supply of an economic input such as commercial development, the space  
43 in which commercial activity takes place, also affect the location, size, scale, and cost associated with  
44 doing businesses in the City. Controlling the supply of commercial development capacity is the primary  
45 way the Comprehensive Plan has shaped the local economy prior to the adoption of this Economic  
46 Development Element. Because of this connection, some goals and policies of this element connect  
47 directly to land use policies and regulations.

1 **Relationship to Other Comprehensive Plan Elements**

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

9  
10 **Housing**

11 Housing indirectly impacts the local economy because it has an effect on local business' customer base  
12 and labor force. Housing on Mercer Island is primarily detached single-family homes. Multifamily  
13 development is largely limited to the area in and around Town Center. Housing has two primary effects  
14 on the local economy. High housing costs may limit the ability for some workers to afford to live in the  
15 City, leading to increased commuting and potentially limiting business' ability to hire. Conversely, higher  
16 cost housing can attract higher-income residents and customers for local businesses.

17  
18 **Transportation Element**

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

27  
28 **Utilities**

29 The provision of utilities is vital to workers and local businesses. For example, technology-based industries  
30 and telecommuting workers rely on access to high-speed internet service to conduct business.  
31 Restaurants and coffee shops rely on water service-providers to supply water to their businesses. The  
32 Utilities Element details how the City will coordinate with its utility service providers to ensure adequate  
33 provision of these vital services for residents and businesses alike.

34  
35 **Capital Facilities**

36 Capital facilities are central to the provision of important services for the local economy. In addition to  
37 planning for providing services, through planning for parks and other public assets, the Capital Facilities  
38 Element includes goals and policies to support a high quality of life. Quality of life can attract new  
39 businesses and workers to choose to do business on Mercer Island

40  
41 **Shoreline Master Program**

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

## 1 **Employment Growth Target**

2 The King County Countywide Planning Policies (CPPs) establish growth targets for all of the jurisdictions  
3 within King County. The CPPs were initially adopted in 1992 and have been amended several times since  
4 then. Elected officials from King County, the cities of Seattle and Bellevue, and the Sound Cities Association  
5 meet as the Growth Management Planning Council. This Council makes recommendations to the County  
6 Council, which has the authority to adopt and amend the CPPs. King County amended the CPPs in 2021,  
7 updating the growth targets for cities and towns throughout the County. The updated growth targets  
8 extended the planning horizon through the year 2044. Mercer Island’s employment growth target is 1,300  
9 new jobs by the year 2044.

## 10 11 **I.B Strengths, Weaknesses, Opportunities, and Threats**

12  
13 The advantages and challenges the City plans to encounter in the next twenty years can be divided into  
14 strengths, weaknesses, opportunities, and threats. Strengths are those things already existing in the local  
15 economy that the City can build on to grow the economy. Weaknesses are existing conditions in the local  
16 economy that could impede or otherwise challenge economic growth through the planning period.  
17 Opportunities are foreseeable changes that can give the City a stronger competitive advantage in the  
18 coming years. Threats are external events or factors that have the potential to negatively affect economic  
19 growth. The selected strengths, weaknesses, opportunities, and threats discussed in this section were  
20 identified during public participation and data review conducted during the drafting of this element.

### 21 22 **Strengths**

23 Strengths are the cornerstones of the economy. These are the aspects of the local economy that are  
24 advantageous for economic growth. Strengths are factors that contribute to the material and cultural  
25 prosperity in the City and as such represent topic areas the City can support or expand to overcome  
26 weaknesses and threats. Some of the principal strengths identified are listed and discussed below.

#### 27 28 **Strengths Identified**

- 29
- 30 • High quality of life
- 31 • High-income residents
- 32 • Location of the City and its connection to the larger Puget Sound region
- 33

#### 34 **High Quality of Life**

35 The high quality of life on Mercer Island is a considerable strength. High quality of life helps attract new  
36 businesses and workers alike. Community input gathered during the drafting of this element often  
37 pointed to the high quality of life in Mercer Island as an asset the City can build upon to strengthen the  
38 local economy. Quality of life factors such as parks, open space, good public schools, and cultural  
39 amenities also serve as a draw for off-island visitors that may patronize local businesses. The City’s high  
40 quality of life will serve as a strong foundation for future economic growth.

#### 41 42 **High-Income Residents**

43 Another key strength is the relatively high income of Mercer Island residents. During public input,  
44 business owners pointed out that the spending power of the Mercer Island community helped with the  
45 initial success of businesses. In 2021, the median household income for Mercer Island was \$170,000. For  
46 reference, the 2021 median household income in King County was \$106,326. Table 4 shows the 2021  
47 household income distribution in Mercer Island.

1

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

2

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

3

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

4

5

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

10

11

12

### Location of the City

13

Mercer Island’s location on Interstate 90 (I-90) and roughly equidistant from Seattle and Bellevue is a strength. Seattle and Bellevue are large metropolitan centers with many thriving businesses, potential customers for Mercer Island businesses, and workers with diverse skills and expertise. I-90 provides potential customers and employees with excellent access to the city and that access is complemented with available parking near businesses. Furthermore, customers are drawn by the high quality of life, public safety, and high-quality goods and services available in Mercer Island. In addition to I-90, the city is connected to its neighbors by transit, allowing greater flow of people to and from its commercial centers. Ensuring good access to commercial areas with roads and transit connections can build on this strength.

21

22

### Weaknesses

23

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

27

28

29

30

### Weaknesses Identified

31

32

- Permitting and regulatory environment
- Business climate and Culture

33

- Lack of off-island customer base
- Availability and affordability of commercial space

#### Permitting and Regulatory Environment

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

#### Business Climate and Culture

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

#### Lack of Visitor Customer Base

Public input gathered during the drafting of this element highlighted low numbers of off-island customers as a weakness. Many comments suggested that Mercer Island businesses sometimes struggle to connect with customers outside of the city. Given the city’s location near large metropolitan cities, there is a large off-island customer base to draw from and attract. To begin addressing this weakness, the City can explore opportunities to support the business community and community organizations such as the Chamber of Commerce to reach customers outside of Mercer Island.

#### Affordability and Availability of Commercial Space

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

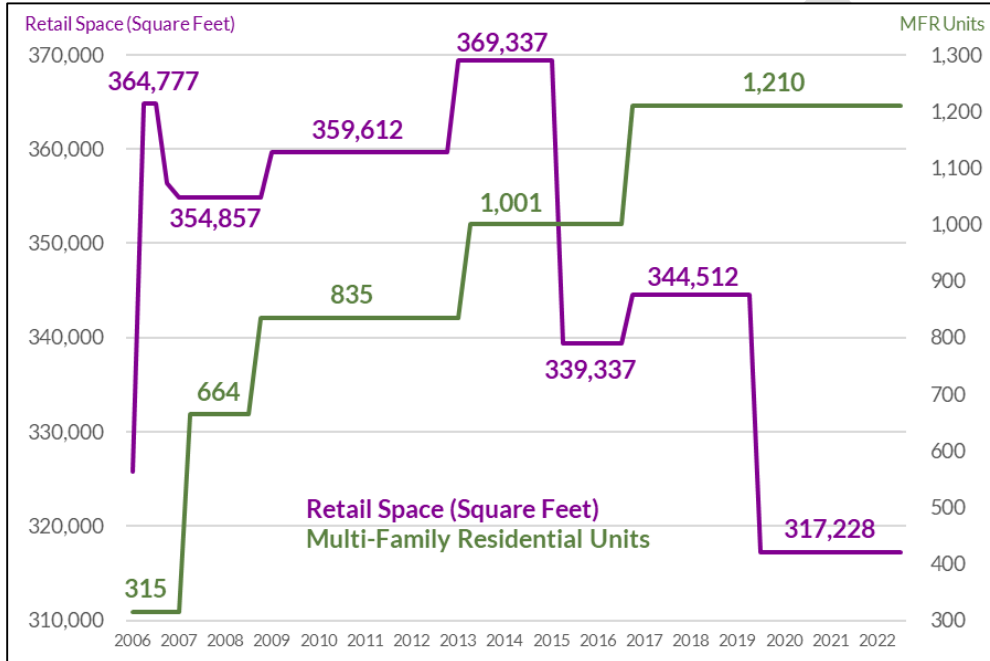
Figure 1 compares the change in commercial square footage and residential units in Town Center between 2006 and 2022. The retail space referred to in the figure is commercial store fronts that could be retail or restaurant space. From 2006 to 2022, the multi-family residential units increased by 895 units to a total of 1,210 (Figure 1). In that same period, the square footage of commercial space initially increased to a



1 peak of about 369,000 square feet in 2013, before decreasing to about 317,000 square feet in the third  
 2 quarter of 2019. This may be the result of a demolished building at 2431-2441 76th Ave SE. From 2006 to  
 3 2022, the amount of commercial space has decreased by approximately 2.5% while the number of multi-  
 4 family residential units have increased by nearly 75%. Although all development in Town Center is  
 5 interconnected due to the mixed-use zoning in the area, this data does not mean that the amount of  
 6 commercial space and number of residential units in Town Center are proportional or causal. The data  
 7 does indicate that the overall trend in recent years is an increase in residential units at the same time  
 8 commercial space is decreasing.

9

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



11  
12

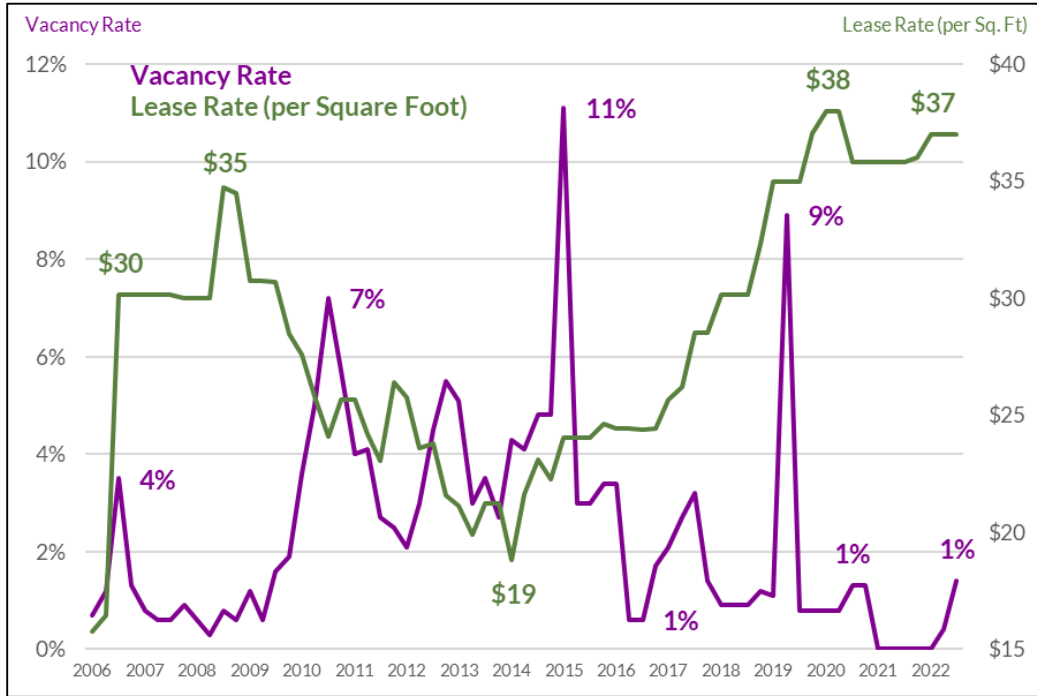
Source: CoStar, 2022; CAI, 2022.

13

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

24

1 Figure 2. Retail Annual Lease Rate and Vacancy Rate, Town Center, 2006 to 2022.



2 Source: CoStar, 2022; CAI, 2022.

3  
4  
5 In 2022, the City Council enacted regulations in Town Center that expanded commercial frontage  
6 requirements along specific streets and added a new commercial floor area requirement in an attempt to  
7 prevent loss of commercial space. The effectiveness of these regulations will need to be evaluated over  
8 time. If new development in Town Center does not include enough commercial space to meet the  
9 demand from new businesses looking to locate in the city and the expansion of existing businesses, the  
10 affordability and availability of commercial space will constrain future economic growth.

11  
12 **Opportunities**

13 Opportunities are foreseeable changes that can give the city’s economy a stronger competitive advantage  
14 in the coming years. Compared with strengths and weaknesses, which come from existing conditions,  
15 opportunities are anticipated future events or conditions. Similar to strengths, opportunities are topic  
16 areas the City can focus on to support economic growth and maximize probable positive developments in  
17 the local economy.

18  
19 **Opportunities Identified**

- 20  
21
- 22 • Improved transportation connections
  - 23 • Arrival of large employer in Town Center
  - 24 • More islanders working from home

25 **Improved Transportation Connections**

26 The flow of goods and people is a major component of any city’s economy. Transportation infrastructure  
27 can be even more impactful for an island community where moving people and goods is complicated by  
28 lack of an overland route. For this reason, the East Link Light Rail station has the potential to be one of  
29 the most transformative transportation developments on Mercer Island since the construction of the first

1 bridge to the island. The arrival of light rail will increase access to Mercer Island for workers and customer  
2 base alike. The potential to draw more off-island visitors to increase the customer base for local  
3 businesses is an opportunity to boost economic growth in the city. Leveraging the arrival of light rail will  
4 require some active steps to ensure that this opportunity is maximized. The City can help connect transit  
5 riders with local businesses to take advantage of the arrival of light rail.  
6

### 7 **Arrival of a Large Employer in Town Center**

8 Riot Games acquired an office building in Town Center in 2022. Their use of this office space is expected  
9 to eventually add a couple hundred jobs to Town Center. This opportunity overlaps with the arrival of  
10 light rail. This influx of workers is expected to increase demand for goods and services from neighboring  
11 businesses in Town Center. The arrival of a large employer is also expected to generally spur economic  
12 growth. The City should explore partnerships and programs to begin encouraging commuters to spend  
13 more time in Town Center and shop locally.  
14

### 15 **More Islanders Working From Home**

16 One of the changes prompted by the Covid-19 pandemic is the transition to more work-from-home  
17 options for commuters. This has the potential to change the habits of workers who live on Mercer Island  
18 but are employed elsewhere. The extent to which commuting workers will spend their workdays on-  
19 island instead of traveling to work off-island remains unclear. What seems increasingly likely is that  
20 workers will commute less often than they did before the pandemic. Changes in commuting could lead to  
21 new demand for different services in the city's commercial areas.  
22

## 23 **Threats**

24 Threats are external events or factors that have the potential to impede, slow, or otherwise negatively  
25 affect economic growth. Whereas weaknesses are existing conditions in the City that might challenge  
26 growth, threats are potential future concerns. Threats are topic areas where the City can focus attention  
27 to prepare for possible challenges and build resilience in the local economy.  
28

### 29 **Threats Identified**

- 30
- 31 • Economic Uncertainty
- 32 • The Changing Nature of Retail
- 33 • Affordability in the Region
- 34 • Displacement During Redevelopment  
35

### 36 **Economic Uncertainty**

37 There currently is a high degree of uncertainty about the future in the regional, national, and global  
38 economy. The unknown future of market forces such as inflation, supply chain difficulties, labor  
39 shortages, stock market volatility, and rising transportation costs obfuscate the economic outlook in the  
40 coming years. Many of these market forces are beyond the reach of City policies, however the City can  
41 prepare for positive and negative swings in the regional, national, and global economy by planning for  
42 economic resilience. Policy interventions that look to build on the local economy's strengths, overcome  
43 its weaknesses, and capitalize on expected opportunities can build resilience in the local economy.  
44 Policies that establish contingency plans for economic downturns can also help position the City to be  
45 responsive to changing conditions in uncertain times.  
46

1 **The Changing Nature of Retail**

2 Retail commerce is undergoing a transition as online retailers compete with brick-and-mortar stores. This  
3 change appears to have been accelerated during the Covid-19 pandemic as more shoppers opted to order  
4 goods online. Comments indicate that this could mean that retail will need to focus more on location-  
5 specific or experiential retail to differentiate their goods and services from those more readily available  
6 in online marketplaces. Some comments proposed a shop local campaign and adaptive reuse regulations  
7 for commercial spaces as possible measures to help local businesses respond to changes in demand.  
8

9 **Affordability in the Region**

10 The affordability of both housing and commercial space on the island has the potential to slow economic  
11 growth in the coming years. Rising commercial real estate costs negatively impact both business  
12 formation and retention by making it more expensive to locate a business in the city. Higher rents can  
13 price out existing businesses, make expanding cost prohibitive, and increase startup costs for  
14 entrepreneurs. Higher rents in new development can displace existing businesses as commercial areas  
15 redevelop. The City can monitor commercial space availability and development capacity to ensure that  
16 zoning and other development regulations do not create scarcity of commercial spaces in the city’s  
17 commercial zones.  
18

19 Housing affordability can impact workforce availability. Labor is an important input for local businesses.  
20 As housing prices increase, filling middle and lower wage positions can potentially become more difficult  
21 as many workers commute from outside the city. The majority of people employed in Mercer Island  
22 commute from outside the city. In 2019, 87 percent of workers employed on Mercer Island live outside  
23 the city. Only about 13 percent of workers employed in the city also live in Mercer Island. On the other  
24 hand, 91 percent of workers living on Mercer Island commuted to jobs outside the City in 2019. Table 5  
25 shows the inflow and outflow of Mercer Island workers as tracked by the U.S. Census Bureau in 2019.  
26

27 **Table 5. Worker Inflow and Outflow, 2019.**

	Count	Share
<b>Workers Employed in Mercer Island</b>		
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%
<b>Workers Living in Mercer Island</b>		
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%

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

29  
30 Many workers commute from off-island to fill middle and lower wage positions. In 2019, more than half  
31 of jobs in Mercer Island paid less than \$3,333 a month or about \$40,000 a year. The low earnings for on-  
32 island jobs can make it difficult for workers to afford to live near Mercer Island and could make finding  
33 workers difficult given that all of King County has a higher cost of living. Table 6 shows the earnings for  
34 on-island jobs as tracked in 2019 by the U.S. Census Bureau.  
35  
36

37 **Table 6. Mercer Island Jobs by Earnings, 2019.**

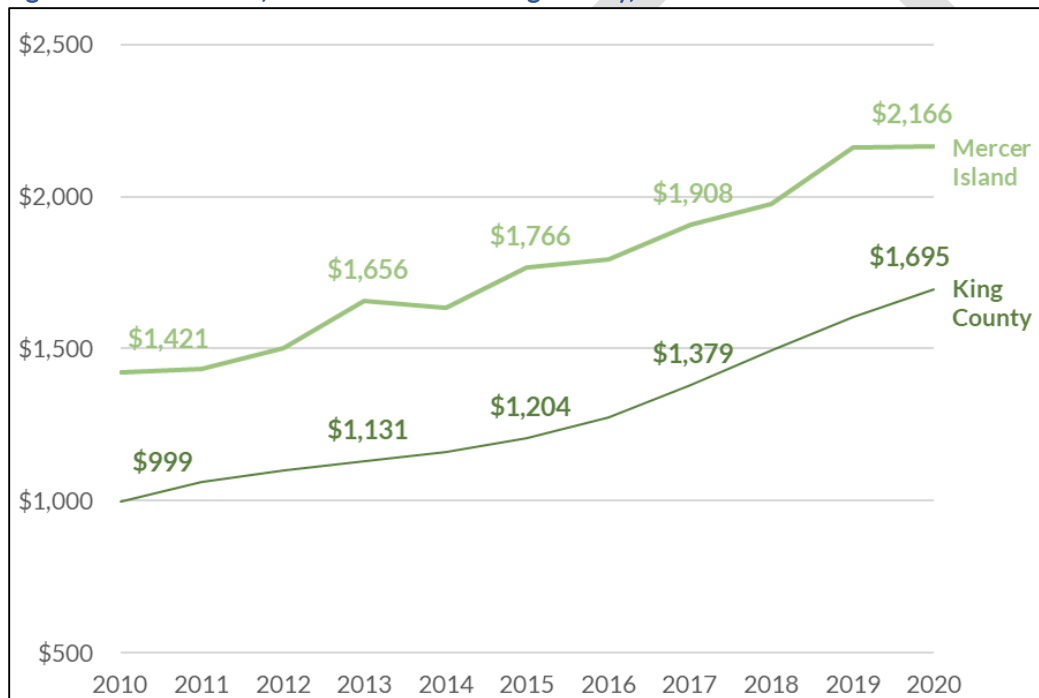
Earning Range	Count	Share
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\$1,250 per month or less (\$15,000 annually)	1,738	24.6%
\$1,251 to \$3,333 per month (\$15,012 to \$39,996 annually)	1,995	28.2%
More than \$3,333 per month (more than \$39,996 annually)	3,338	47.2%

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

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

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



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

### Displacement During Redevelopment

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

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**II. Business Ecosystem Goals and Policies**

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

Policies

- 1.1 Partner with local, regional, state, and federal economic development agencies to increase resources available for business owners and entrepreneurs.
- 1.2 Establish a local business liaison position on the City Council. The local business liaison will act as a point of contact on the City Council for all business leaders and representatives on Mercer Island for policy issues.
- 1.3 Dedicate one staff position to coordinating the implementation of the Economic Development Element.
- 1.4 Support local economic development nongovernmental organizations to grow their capacity to support local businesses, attract new investment, and maintain a healthy business ecosystem.
- 1.5 Analyze commercial development capacity periodically to evaluate the type and quantity of commercial development possible given existing development, zoning, and regulations.
- 1.6 Develop a citywide retail strategic plan. The citywide retail strategic plan should include actionable steps the City can take to support existing retail businesses, attract new retail businesses, and diversify the local economy.
- 1.7 Analyze the feasibility of establishing a Parking and Business Improvement Area (PBIA) or Local Improvement District (LID) in one or more commercial areas to fund improvements for economic development.
- 1.8 Partner with community organizations such as the Chamber of Commerce to Market Mercer Island as an ideal place to do business. The City should focus marketing materials on the following:
  - 1.8.A Attracting new businesses and investment;
  - 1.8.B Attracting skilled workers;
  - 1.8.C Attracting off-island visitors to commercial centers; and
  - 1.8.D Highlighting Mercer Island’s assets such as high quality of life, business friendly environment, and prime location.

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

Policies

- 1 2.1 Partner with nongovernmental organizations and neighboring economic development agencies  
2 to market Mercer Island as a prime location for businesses and investment.  
3
- 4 2.2 Partner with community organizations to target the following types of businesses and investment  
5 when marketing the City as a prime location for business:  
6
- 7 2.2.A A complementary and balanced mix of retail businesses and restaurants;  
8 2.2.B Satellite offices and coworking spaces; and  
9 2.2.C High wage employers.  
10
- 11 2.3 Partner with community organizations to develop a guide to doing business on Mercer Island to  
12 help entrepreneurs navigate City processes and find additional resources available to assist in  
13 starting a new business.  
14
- 15 2.4 Partner with community organizations to facilitate a mentorship program that connects Mercer  
16 Island business owners, entrepreneurs, and retirees with young adults interested in starting new  
17 businesses.  
18
- 19 2.5 Conduct a food truck pilot program to attract new entrepreneurs to Town Center. The pilot  
20 program can include but is not limited to the following:  
21
- 22 2.5.A Designated food truck parking on public property, including rights of way;  
23 2.5.B Informational materials provided to existing food truck operators to attract them to  
24 Mercer Island;  
25 2.5.C Partnerships with food truck organizations in the region;  
26 2.5.D Outreach to existing restaurants to consider the impacts of the pilot program on existing  
27 businesses; and  
28 2.5.E A report providing recommendations for potential programmatic and regulatory changes.  
29

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

31  
32 Policies

- 33
- 34 3.1 Convene an annual business owners’ forum to create a continuous feedback system during which  
35 City elected officials and staff gather input from business owners. This input should inform City  
36 decision making that affects the business community.  
37
- 38 3.2 Facilitate periodic business roundtables with community organizations, local business owners,  
39 and City staff.  
40
- 41 3.3 Periodically distribute a business newsletter to local business owners and community  
42 organizations.  
43
- 44 3.4 Partner with community organizations, with a focus on the Chamber of Commerce, to initiate a  
45 “Shop Mercer Island” marketing campaign directed at drawing more residents and visitors to  
46 commercial areas on the island. The City should fill a support role in this partnership.  
47

1 3.5 Coordinate with transit providers to ensure the “Shop Mercer Island” marketing campaign  
2 includes transit riders.  
3

4 3.6 Conduct outreach to surrounding businesses before initiating capital projects in commercial  
5 zones. This outreach should create a two-way dialogue with businesses, offering a seat at the  
6 table when capital projects might affect business operation.  
7

8 **Goal 4 – The business ecosystem on Mercer Island is sustainable in that it meets the social,  
9 environmental, and economic needs of residents now and in the future.**  
10

11 4.1 Encourage programming that enables residents and visitors to safely gather, access spaces,  
12 socialize, and celebrate in the City. Encouraging public gatherings throughout the City can  
13 improve the quality of life on Mercer Island and make the City a more vibrant place for residents  
14 and visitors alike, which can in turn drive increased economic activity.  
15

16 4.2 Build resilience in the local economy by:  
17

18 4.2.A Diversifying the goods and services available in the local economy;

19 4.2.B Being flexible when working with businesses to respond to crises such as allowing  
20 temporary use of rights of way for business activity during a state of emergency like a  
21 pandemic;

22 4.2.C Coordinating with local businesses to plan for disaster preparedness; and

23 4.2.D Addressing the impacts of climate change to reduce its effect on doing business in the  
24 City.  
25

26 4.3 Consider Climate Action Plan strategies during economic development decision making.  
27

28 4.4 Identify and adopt measures to reduce displacement of existing businesses as new development  
29 occurs.  
30

31 **Goal 5 – Mercer Island has a skilled workforce that is central to the health of the business  
32 ecosystem.**  
33

34 5.1 Partner with regional, statewide, and federal agencies to connect job seekers in the region with  
35 opportunities on Mercer Island.  
36

37 5.2 Partner with community organizations in the City and region to connect tradespeople and other  
38 high-skilled workers with employment opportunities on Mercer Island. This work should focus on  
39 communications and fostering connections between community organizations, employers, and  
40 workers.  
41

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

44 Policies  
45



- 1 6.1 Plan to increase high-wage on-island job opportunities for residents, increase on-island  
2 employment options as a share of the City’s employment growth target, eliminate the need to  
3 commute, and reduce vehicle miles traveled.  
4

5 **III. Regulatory Environment Goals and Policies**  
6

7 **Goal 7 – The City actively reduces the regulatory burden created by commercial development**  
8 **regulations and permitting processes to support a healthy business ecosystem,**  
9 **entrepreneurs, and innovation in business.**

10  
11 Policies  
12

- 13 7.1 Audit the development code and permitting processes to identify code amendments to support  
14 businesses, improve effectiveness, and make efficient use of City resources. The following goals  
15 should be coequally considered when identifying code amendments:  
16

- 17 7.1.A Lowering compliance costs for business owners;
- 18 7.1.B Minimizing delay and reduce uncertainty in the entitlement process;
- 19 7.1.C Improving conflict resolution in the entitlement process;
- 20 7.1.D Reducing the likelihood of business displacement as new development occurs; and
- 21 7.1.E Balancing parking requirements between reducing barriers to entry for new businesses  
22 and the need for adequate parking supply.  
23

- 24 7.2 Evaluate City fees imposed on development to determine their effect on business startup costs  
25 and City finances. The impact on business startup costs must be balanced with the financial needs  
26 of the City.  
27

- 28 7.3 Evaluate additional process or code improvements on an annual basis with input from the  
29 dedicated economic development staff and Council local business liaison. This evaluation should  
30 inform the development of annual docket recommendations as needed.  
31

- 32 7.4 Update home business regulations to ensure that they allow a mix of commercial uses while  
33 ensuring home businesses remain compatible with neighboring residential uses.  
34

- 35 7.5 Establish a small-business pre-application process to help guide applicants through the permitting  
36 process.  
37

- 38 7.6 Convene an ad hoc committee of at least one architect, at least one developer, the Mercer Island  
39 Building Official, the business owner Planning Commissioner, and City Council local business  
40 liaison to develop proposed amendments to City codes to better facilitate adaptive reuse of  
41 commercial real estate. The ad hoc committee’s proposed amendments should be submitted  
42 through the annual docket process.  
43  
44  
45

46 **IV. Business and Customer Attraction Goals and Policies**  
47

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

3  
4 Policies

- 5  
6 8.1 Ensure land use regulations in commercial zones allow a diversity of commercial uses.  
7  
8 8.2 Encourage commercial offices to locate in Mercer Island to bring more potential daytime  
9 customers to the Island without displacing existing retail space.  
10

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

13  
14 Policies

- 15  
16 9.1 Encourage arts and cultural activities in commercial zones to draw the community to commercial  
17 areas.  
18  
19 9.2 Partner with community organizations to develop a program to activate Town Center in the  
20 evening. The program should include strategies such as:  
21  
22 9.2.A Evening events to draw people to Town Center;  
23 9.2.B Focusing on arts and cultural experiences;  
24 9.2.C Engaging local nonprofits; and  
25 9.2.D Incorporating existing community events.  
26

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

29  
30 Policies

- 31  
32 10.1 Emphasize quality of life as a cornerstone of the Mercer Island economy.  
33  
34 10.2 Focus on public safety as an important component of the high quality of life on Mercer Island.  
35  
36 10.3 Activate public spaces in commercial areas by establishing design standards that encourage  
37 walkability and active use of street frontages in new development using strategies such as:  
38  
39 10.3.A Emphasizing spaces that are human-scaled, safe and comfortable for walkers and bikers;  
40 10.3.B Incorporating principles of crime prevention through environmental design (CPTED);  
41 10.3.C Increasing wayfinding;  
42 10.3.D Incorporating public art;  
43 10.3.E Increasing street furniture/public seating provided it is designed with a specific purpose  
44 or function; and  
45 10.3.F Increasing the amount of public space, including parklets.  
46 10.4 Review street standards including the streetscape manual in Town Center, considering the  
47 following:

- 1
- 2 10.4.A Pedestrian improvements;
- 3 10.4.B Electric vehicle charging;
- 4 10.4.C Bike parking and infrastructure;
- 5 10.4.D Time-limited public parking;
- 6 10.4.E Public safety; and
- 7 10.4.F On street parking.
- 8

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

11  
12 Policies

- 13
- 14 11.1 Establish regulations for outdoor dining and temporary uses that allow flexible use of street
- 15 frontages and public rights of way for public space to gather, celebrate, and socialize.
- 16
- 17 11.2 Seek to create more community gathering spaces\_ when considering development standards in
- 18 Town Center.
- 19
- 20 11.3 Maintain the existing City program to beautify Town Center with landscaping, street trees and
- 21 flower baskets.
- 22

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

24  
25 Policies

- 26
- 27 12.1 Ensure multimodal transportation options are available for workers to access on-island
- 28 employment and customers to access goods and services.
- 29
- 30 12.2 Reduce car dependence without compromising existing available parking in commercial areas by
- 31 prioritizing the following when considering regulatory amendments and capital improvements:
- 32
- 33 12.2.A Bike safety, parking, and infrastructure;
- 34 12.2.B Access to transit;
- 35 12.2.C Pedestrian safety;
- 36 12.2.D Traffic calming; and
- 37 12.2.E Human scale design.
- 38
- 39 12.3 Prioritize capital investment in creating robust pedestrian and bicycle connections between the
- 40 park and ride, light rail station, Town Center and surrounding residential areas.
- 41
- 42 12.4 Ensure that sufficient parking is provided as commercial areas redevelop. Interpretation of the
- 43 policies in this element should not lead to a reduction in parking,
- 44
- 45

46 **IV. Implementation Goals and Policies**

47

1 **Goal 13 – The City takes specific actions and provides resources to implement the policies and**  
2 **achieve the goals of this Economic Development Element. Progress toward achieving**  
3 **Economic Development Element goals is regularly monitored and reported to the City**  
4 **Council and public.**

5  
6 Policies

7  
8 13.1 Utilize federal, state, regional, and King County resources to implement this element.

9  
10 13.2 Encourage public-private partnerships to achieve the goals of this element.

11  
12 13.3 Seek grant funding for programs and activities that implement the policies of this element.

13  
14 13.4 Appropriate funding for the implementation of this element through the City budget process.  
15 Funds should be allocated at the same time projects are added to City department work plans to  
16 ensure programs and projects are adequately funded to achieve the goals of this element.

17  
18 13.5 Prepare a biennial report tracking implementation of the Economic Development Element. The  
19 report will be provided to the City Council prior to adoption of the budget.

20  
21 13.6 Establish an implementation timeline for this element each budget cycle. The implementation  
22 timeline can be updated and amended each budget cycle to reflect the resources available to  
23 accomplish actions to implement this element. The implementation timeline should detail the  
24 following:

25  
26 13.6.A Actions from this element to be added to department work plans for the upcoming  
27 budget cycle;

28 13.6.B Actions from this element that should be added to work plans in the next three to six  
29 years; and

30 13.6.C Actions from this element that should be added to future work plans in seven or more  
31 years.

32  
33 13.7 Respond to potential budget shortfalls for actions to implement this element with the following  
34 strategies in descending order of priority:

35  
36 13.7.A Alternate funding sources;

37 13.7.B Public-private partnerships;

38 13.7.C Reducing project or program scope to align with current budget constraints;

39 13.7.D Delaying projects to the next budget cycle; and

40 13.7.E Amending the policies of the Economic Development Element to reflect the City's capacity  
41 to implement the element.

42