

1 Introduction, Existing Conditions, and Land Use Connection

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

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

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%	-
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=ACSST5Y2021.B2403>

6 1

7
8 The Mercer Island population is well-educated. A little more than 82 percent of
9 residents over the age of 25 have completed a college degree, having earned an
10 associate’s degree or higher educational attainment. For comparison, about 64
11 percent of the population over 25 in King County have an associate’s degree or higher
12 educational attainment. Table 2 shows the educational attainment for the Mercer
13 Island population aged 25 or older.

14

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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 is home to different types of commercial development. 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. Some limited commercial activities such as home-based businesses are allowed outside of these areas.

Town Center

Town Center is located south of Interstate 90, north of Mercedale Park, west of Island Crest Way, and east of 74th 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 developments have been mixed-use development combining first floor commercial space and parking with residential uses on the upper floors. Older development in Town Center is lower-intensity, one-story, 'strip mall' development with surface parking in front of the commercial space.

Northeast Commercial Area

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

South End Commercial Area

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

Land Use Connection

There is a fundamental tie between the policies of this element and the Land Use Element. The Land Use Element envisions a primarily residential city with three defined commercial areas. It and the resultant regulations largely confine commercial land uses to three distinct commercial districts. This focuses the future economic growth in the City to those districts.

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

1 The supply of commercial development capacity is closely controlled by Land Use
2 policies and regulations. Regulations that modulate the supply of an economic input
3 such as the space in which commercial activity can take place also affect the location,
4 size, scale, and cost associated with doing businesses in the City. Controlling the
5 supply of commercial development capacity is the primary way the Comprehensive
6 Plan has shaped the local economy prior to the adoption of this Economic
7 Development Element. Because of this connection, some goals and policies of this
8 element connect directly to land use policies and regulations.
9

10 Relationship to Other Comprehensive Plan Elements and Other Plans

11 The Housing, Transportation, Utilities, Capital Facilities, and Shoreline Master Program
12 elements all interact with the local economy as follows:
13

14 Housing

15 Housing indirectly impacts the local economy because it has an effect on the local
16 business customer base and labor force. Housing on Mercer Island is primarily
17 detached single-family homes and contributes to the unique Island neighborhood
18 character. Multifamily development is largely limited to the area in and around Town
19 Center. Housing has several effects on the local economy. Higher cost housing can
20 attract higher income residents and customers for local businesses. On the other
21 hand, high housing costs may limit the ability for some workers to afford to live in the
22 City, leading to increased commuting and potentially limiting a business's ability to
23 hire. Higher cost housing can attract higher-income residents and customers for local
24 businesses, though, higher cost housing may depress financial resources and reduce
25 customer spending overall, including at Island businesses. Less expensive, multifamily
26 housing may attract residents in and near the Town Center who are more likely to
27 choose not to own a car and may be more likely to shop local than those in detached
28 single-family housing. The quantity of multifamily housing available may correlate
29 with the market for the basics of everyday living and experiences such as dining out.
30

31 Transportation Element

32 Transportation infrastructure is integral to the local economy. The Transportation
33 Element establishes the goals and policies that guide how the City will maintain,
34 improve, and expand the transportation network to account for growth throughout
35 the planning period. The goals and policies of the Transportation Element aim to
36 maintain adequate levels of service at high traffic intersections, reinvest in existing
37 infrastructure, increase transportation choice in the City, and provide connectivity
38 between the light rail station and the City's commercial areas. Transportation
39 networks allow businesses to access markets in neighboring cities, making it easier
40 for customers from outside the City to patronize local businesses, and enable local
41 businesses to draw from the regional labor force.
42

43 Utilities

44 The provision of utilities is vital to local businesses, all of which need reliable sewer,
45 water, power, and internet. The Utilities Element details how the City will coordinate
46 with its utility service providers to ensure adequate provision of these vital services for
47 residents and businesses alike.

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Capital Facilities

Capital facilities such as parks and public buildings are critical to the provision of services to the local economy. In addition to planning for public assets, the Capital Facilities Element includes goals and policies to support a high quality of life, which can attract new businesses and workers to Mercer Island

Shoreline Master Program

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

Other Plans

The Comprehensive Plan includes several other plans that address specific topics. As components of the Comprehensive Plan, those other plans relate to the Economic Development Element. Some of the other plans include:

- **The Arts and Cultural Plan** – Directs the provision of artistic and cultural infrastructure that draw both residents and shoppers to commercial areas. Artistic and cultural infrastructure and events in the community improve the quality of life. Well executed, they can attract local and off-island residents to commercial areas where they may be more likely to shop. Arts and culture infrastructure and events may also attract workers to the island, who in addition to contributing to the employment base, may shop here.
- **The Pedestrian and Bicycle Facilities Plan** – Establishes strategies for maintaining and improving pedestrian and bicycle infrastructure to provide multimodal connections throughout the City.
- **Parks, Recreation and Open Space Plan** – Plans for the maintenance, improvement, and development of parks, open space, trails, and recreational facilities.
- **Climate Action Plan** – Establishes the strategies the City will use to reduce greenhouse gas emissions and address the impacts of climate change.
- **Capital Improvement Plan** – Lists the capital investments the City will make through 2044.
- **Transportation Improvement Program** – Lists the Transportation Element implementation projects the City will undertake throughout the life of the Comprehensive Plan.

Employment Growth Target

The King County Countywide Planning Policies (CPPs) establish growth targets for all of the jurisdictions within King County. The CPPs were initially adopted in 1992 and have been amended several times since then. Elected officials from King County, the

1 cities of Seattle and Bellevue, and the Sound Cities Association meet as the Growth
2 Management Planning Council. This Council makes recommendations to the County
3 Council, which has the authority to adopt and amend the CPPs. King County
4 amended the CPPs in 2021, updating the growth targets for cities and towns
5 throughout the County. The updated growth targets extended the planning horizon
6 through the year 2044. Mercer Island’s current employment is approximately 7,700
7 jobs; the growth target is 1,300 new jobs by the year 2044.

8 9 **Strengths, Weaknesses, Opportunities, and Threats**

10
11 The advantages and challenges the City plans to encounter in the next twenty years
12 can be divided into strengths, weaknesses, opportunities, and threats. Strengths are
13 those things already existing in the local economy that the City can build on to grow
14 the economy. Weaknesses are existing conditions in the local economy that could
15 impede or otherwise challenge economic growth through the planning period.
16 Opportunities are foreseeable changes that can give the City a stronger competitive
17 advantage in the coming years. Threats are external events or factors that have the
18 potential to negatively affect economic growth. The selected strengths, weaknesses,
19 opportunities, and threats discussed in this section were identified during public
20 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
24 economy that are advantageous for economic growth. Strengths are factors that
25 contribute to the prosperity, environment, and social cohesion of the City and as such
26 represent topic areas the City can support or expand to overcome weaknesses and
27 threats. Some of the principal strengths identified are listed and discussed below.

28 29 High Quality of Life

30 The high quality of life on Mercer Island is a considerable strength. The Island’s parks,
31 open space, high quality public schools, safe and walkable neighborhoods, and
32 cultural amenities help attract new businesses and workers alike. Community input
33 gathered during the drafting of this element often pointed to the high quality of life
34 in Mercer Island as an asset the City can build upon to strengthen the local economy.
35 Quality of life may also serve as a draw for off-island visitors to patronize local
36 businesses. Since this high quality of life is a considerable strength, it must be
37 protected.

38 39 High-Income Residents

40 Another key strength is the relatively high income of Mercer Island residents. During
41 public input, business owners pointed out that the spending power of the Mercer
42 Island community helped with the initial success of businesses. In 2021, the median
43 household income for Mercer Island was \$170,000. For reference, the 2021 median
44 household income in King County was \$106,326. Table 4 shows the 2021 household
45 income distribution in Mercer Island and King County. Figure 1 shows the median
46 household income in King County and Mercer Island between 2010 and 2020. It is
47 worth noting that over the last few years, the percent gap between King County and
48 Mercer Island household income has been closing.

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Table 4. Household Income and Benefits, 2021.

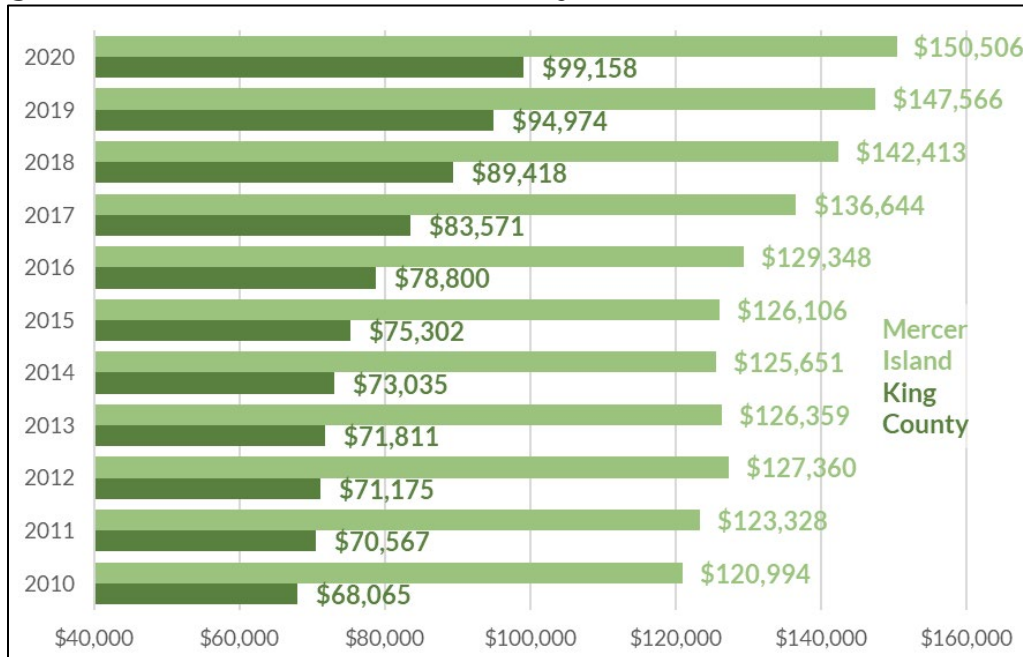
Income and Benefits in 2021 Inflation-Adjusted Dollars		
	Mercer Island	King County
Total households	9,758	924,763
Less than \$10,000	3.3%	4.7%
\$10,000 to \$14,999	0.5%	2.4%
\$15,000 to \$24,999	4.0%	4.3%
\$25,000 to \$34,999	5.1%	4.2%
\$35,000 to \$49,999	4.3%	7.4%
\$50,000 to \$74,999	8.3%	12.2%
\$75,000 to \$99,999	6.1%	10.3%
\$100,000 to \$149,999	14.3%	18.1%
\$150,000 to \$199,999	8.8%	12.1%
\$200,000 or more	45.3%	24.4%
Median household income (dollars)	\$170,000	\$110,586
Mean household income (dollars)	\$261,417	\$154,122

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

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

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Figure 1. Median Household Income by Year, Mercer Island, 2010 to 2020



Source: American Community Survey, 2010, 2020; CAI, 2022.

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10 Having an existing high-income customer base is a considerable advantage for
11 entrepreneurs and can draw firms from off-island to do business in the city. The
12 financial resources of the community on Mercer Island can also help with business

1 formulation and business attraction. The key to building on this strength is focusing
2 on giving residents more opportunities to shop on-island and broadening prospects
3 for entrepreneurs and businesses to invest capital in the Mercer Island economy.
4

5 Location of the City

6 Mercer Island’s location on Interstate 90 (I-90) and roughly equidistant from Seattle
7 and Bellevue is a strength. Seattle and Bellevue are large metropolitan centers with
8 many thriving businesses, potential customers for Mercer Island businesses, and
9 workers with diverse skills and expertise. I-90 provides potential customers and
10 employees with excellent access to the city and that access is complemented with
11 available parking near businesses. The city is also connected to its neighbors by transit,
12 allowing greater flow of people to and from its commercial centers. Ensuring good
13 access to commercial areas with roads and transit connections can build on this
14 strength.
15

16 Weaknesses

17 Weaknesses are aspects of the local economy that could impede growth in the local
18 economy. They represent topic areas the City can apply policy mechanisms to
19 minimize, reduce, or overcome impediments to a healthy local economy. Weaknesses
20 are listed and discussed below.
21

22 Permitting and Regulatory Environment

23 Permitting challenges, difficulty navigating the development code, and protracted
24 permitting processes can increase financial risk when starting a new business or
25 expanding an existing one. This increased financial risk can adversely impact business
26 formation and retention. Public input indicated that the City’s development code and
27 permitting processes can be complicated and make starting a business more difficult.
28 Permit fees and the time spent on permit review are also challenging factors related
29 to starting a new business. As the City considers permit fees, impact fees, and other
30 regulatory requirements it can assess how those changes might add to or reduce the
31 cost of starting a new business. The City can address this weakness by auditing its
32 regulations and permit processes to ensure that they do not unnecessarily restrict or
33 complicate the process of starting or expanding a business. Another way for the City
34 to address this weakness is to engage the business community in the legislative
35 process.
36

37 Business Climate and Culture

38 Public input gathered during the drafting of this element indicated that the business
39 climate and culture on Mercer Island is underdeveloped. Some business owners cited
40 limited formal opportunities to connect with the larger business community on
41 Mercer Island. Commenters suggested that most business networking was through
42 informal networks rather than a concerted effort to help businesses cooperate and
43 share expertise. Other comments indicated that competition for limited on-island
44 customers, and a corresponding lack of off-island patrons fostered competition
45 amongst local businesses. The City can begin to address this weakness by working
46 with partners to facilitate formal communication and collaboration between business
47 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

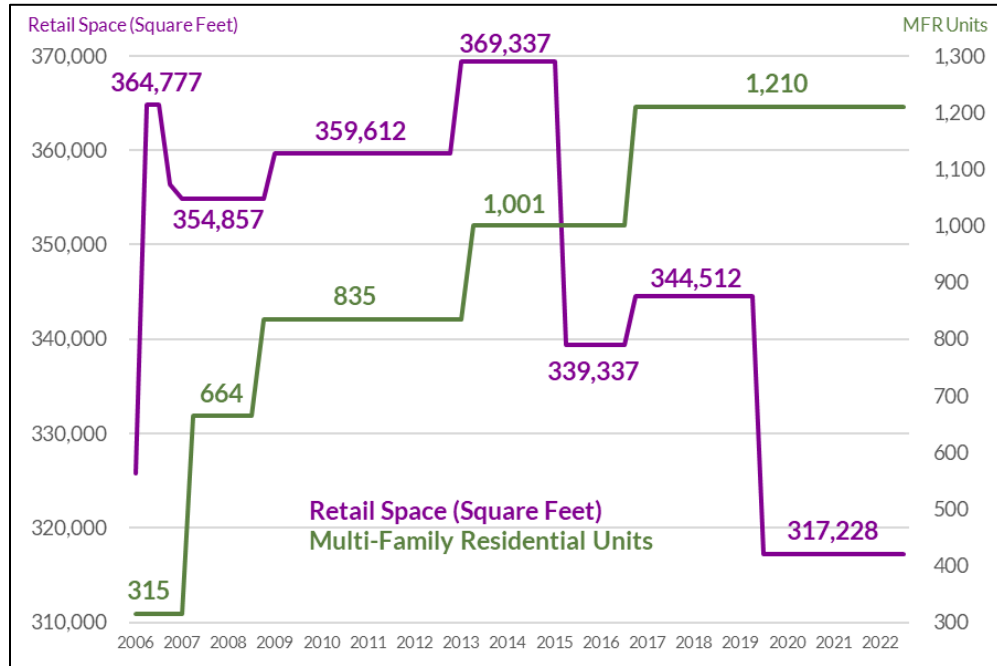
The lack of commercial space in the city and its cost can be a challenge for new business formulation and expansion of existing businesses. Under the current zoning, commercial activities are largely limited to three areas in the city. The largest of these areas, Town Center, is a mixed-use area where 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, a trend the City has begun working to reverse.

The City's future land use map in the Land Use Element and the zoning that implements that policy framework limits the areas where commercial uses are allowed to the Town Center, the planned business zone, and commercial-offices zone. The size of commercial zones can influence the cost and availability of commercial real estate. If the area available for commercial development is not large enough to accommodate the projected growth, prices can rise, and businesses can have trouble finding available spaces as supply reduces. The City must monitor the size of its commercial areas to ensure that the supply of developable commercial land is not so restricted that it limits opportunities for development. This is why the GMA includes a requirement to plan for projected growth in the form of adopting an employment growth target. The employment growth target is derived from the projected population increase through the planning period. By setting an employment growth target and ensuring the Comprehensive Plan can accommodate that target, the City can ensure that commercial areas are sized appropriately.

Figure 2 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 peak of about 369,000 square feet in 2013, before decreasing to about 317,000 square feet in the third quarter of 2019. This may be the result of a demolished building at 2431-2441 76th Ave SE. Although all development in Town Center is interconnected due to the mixed-use zoning in the area, this data does not mean that the amount of commercial space and number of residential units in Town Center are proportional or causal. From 2006 to 2022, the amount of commercial space has decreased by

1 approximately 2.5% while the number of multi-family residential units has increased
2 by nearly 75%.
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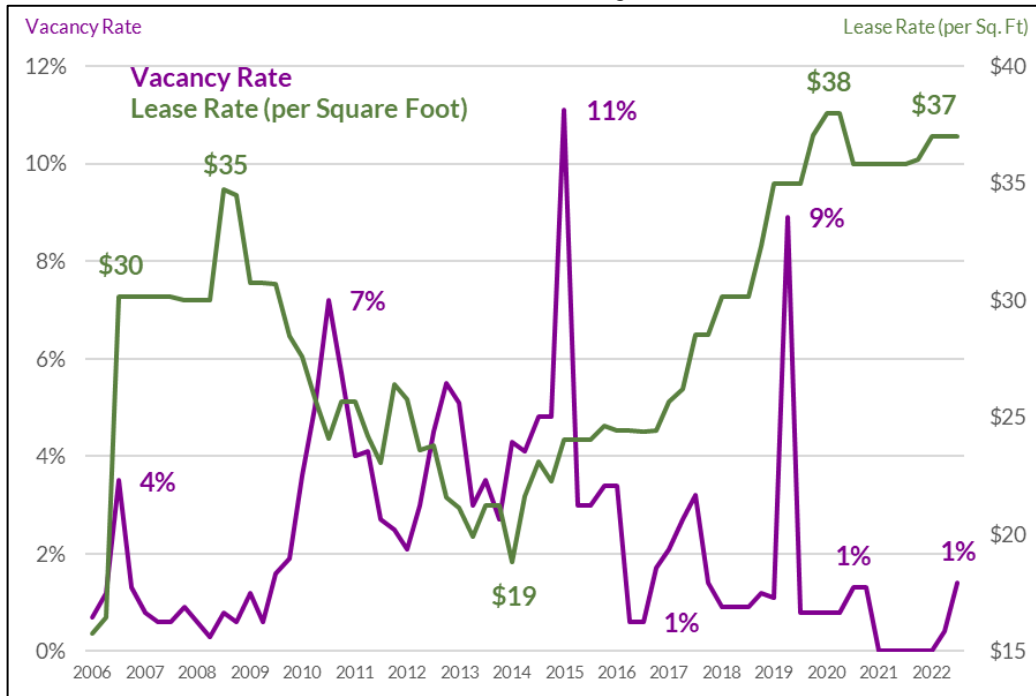
4 **Figure 2. Change in Retail Space and Multi-Family Residential Units, Town**
5 **Center, 2006 to 2022**



Source: CoStar, 2022; CAI, 2022.

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9 In the years between 2006 and 2020, the yearly lease rate (shown per square foot of
10 retail space in Figure 3) increased to 38 dollars per square foot in the first quarter of
11 2020 and was holding at 37 dollars per square foot in 2022. While there was a small
12 spike in the lease rate around 2020 (at the onset of the COVID-19 pandemic and
13 development moratorium), this rate has been on a fairly steady increase since a low
14 of 19 dollars per square foot in 2014. In that period, lease rates nearly doubled. 2015 saw
15 the highest spike in the vacancy rate in Town Center. Around that time, a retail space
16 of about 30,000 square feet was demolished at 2615 76th Ave SE. The closure of the
17 businesses at that location prior to demolition could contribute to the short-term
18 spike in the vacancy rate. In addition, at the onset of the pandemic, Town Center saw
19 a spike to nine percent in the retail vacancy rate. That spike was short-lived and held
20 at about a one percent vacancy rate through 2022.
21

Figure 3. Retail Annual Lease Rate and Vacancy Rate, Town Center, 2006 to 2022.



Source: CoStar, 2022; CAI, 2022.

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

Opportunities

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

Additional Transportation Connections

The flow of goods and people is a major component of any city’s economy. Transportation infrastructure can be even more impactful for an island community where moving people and goods is complicated by lack of an overland route. For this reason, the East Link Light Rail station has the potential to be one of the most transformative transportation developments on Mercer Island since the construction of the first bridge to the island. The potential to draw more off-island visitors to increase the customer base for local businesses is an opportunity to boost economic

1 growth in the city. Leveraging the arrival of light rail will require some active steps to
2 ensure that this opportunity is maximized, and impacts are adequately addressed.
3 The City can help connect transit riders with local businesses to take advantage of the
4 arrival of light rail.

5 6 Arrival of a Large Employer in Town Center

7 Riot Games acquired an office building in Town Center in 2022. Their use of this office
8 space is expected to eventually add a couple hundred jobs to Town Center. This
9 opportunity overlaps with the planned arrival of light rail. This influx of workers is
10 expected to increase demand for goods and services from neighboring businesses in
11 Town Center. The arrival of a large employer is also expected to generally spur
12 economic growth. The City should explore partnerships and programs to begin
13 encouraging commuters to spend 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
17 work-from-home options for commuters. The extent to which commuting workers
18 will spend their workdays on-island instead of traveling to work off-island remains
19 unclear. What seems increasingly likely is that workers will commute less often than
20 they did before the pandemic. Changes in commuting could lead to new demand for
21 different services in the city's commercial areas or increased demand for existing
22 services.

23 24 More Middle Housing

25 Recent state legislation requires encouraging more middle housing, most of it in and
26 near the Town Center. Residents of this housing will be located near the commercial
27 area and will be more likely to shop locally. The arrival of more residents in these
28 locations will likely spur economic development.

29 30 Threats

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

36 37 Economic Uncertainty

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

contingency plans for economic downturns can also help position the City to be responsive to changing conditions in uncertain times.

The Changing Nature of Retail

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

Affordability in the Region

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

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

Table 5. Worker Inflow and Outflow, 2019.

	Count	Share
Workers Employed in Mercer Island		
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%
Workers Living in Mercer Island		
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%

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

1 Many workers commute from off-island to fill middle and lower wage positions. In
 2 2019, more than half of jobs in Mercer Island paid less than \$3,333 a month or about
 3 \$40,000 a year. The low earnings for on-island jobs can make it difficult for workers to
 4 afford to live near Mercer Island and could make finding workers difficult given that
 5 all of metro King County has a higher cost of living. Table 6 shows the earnings for on-
 6 island jobs as tracked in 2019 by the U.S. Census Bureau.

7
 8 **Table 6. Mercer Island Jobs by Earnings, 2019.**

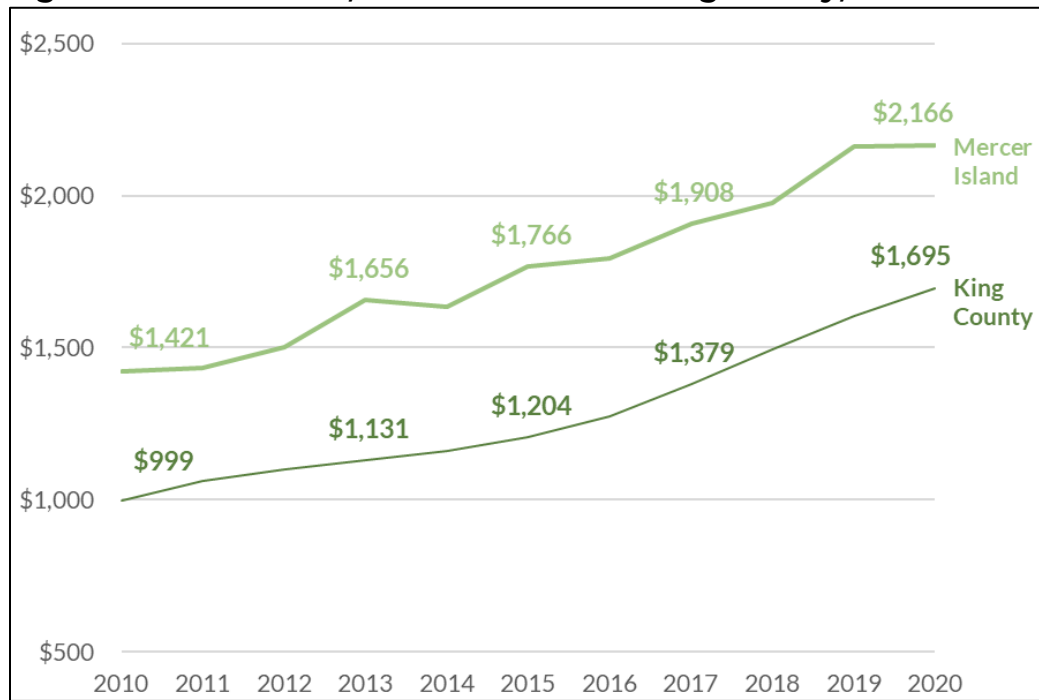
Earning Range	Mercer Island		King County	
	Count	Share	Count	Share
\$1,250 per month or less (\$15,000 annually)	1,738	24.6%	188,902	13.7%
\$1,251 to \$3,333 per month (\$15,012 to \$39,996 annually)	1,995	28.2%	299,798	21.7%
More than \$3,333 per month (more than \$39,996 annually)	3,338	47.2%	891,181	64.6%

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

10
 11 While many jobs on Mercer Island pay relatively lower wages, the cost of housing is
 12 rising. Figure 4 shows that in 2020, the median rent in Mercer Island was \$2,166 a
 13 month. Assuming housing costs should not exceed 30 percent of a household's
 14 income, this would require a monthly income of roughly \$7,220 or \$86,640 annually
 15 to be affordable. Expanding to the county level, the 2020 median rent in King County
 16 was \$1,695. The King County median rent would require a monthly income of about
 17 \$5,650 or \$67,800 annually to be affordable. As highlighted earlier, many jobs on
 18 Mercer Island pay \$40,000 a year or less. If rent outpaces wage growth, many workers
 19 may choose to live or work in more affordable cities or regions. Difficulty in attracting
 20 workers can hinder economic growth as greater competition for workers can drive up
 21 wages and costs to businesses.

22

Figure 4. 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 on the Island to occur through redevelopment of existing commercial buildings, which can displace businesses in older developments. 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. The City can monitor the supply of developable commercial land to determine whether the availability of commercial space is increasing the displacement risk for local businesses.

Climate Change

Climate change has the potential to have negative effects on the economy. Business establishment and success as well as customer spending patterns may be affected. Though many of the impacts of climate change may be out of the control of local government, Mercer Island should implement and market the success of climate mitigation and adaptation strategies included in the Climate Action plan to attract businesses and shoppers. Businesses may want to locate where they can minimize their impact upon the climate and where their employees may be more comfortable. Shoppers may seek to shop in ways and for products that reduce climate impact, which may include increased prioritization of shopping locally.

Goals and Policies

GOAL 1 - PARTNERSHIPS:

The City establishes and maintains a healthy ecosystem of partnerships with businesses, local organizations and other public agencies.

POLICIES

- 1.1 Partner with the Chamber of Commerce, local, regional, state, and federal economic development agencies and the Mercer Island School District (MISD) to provide abundant resources for business owners, entrepreneurs, and job seekers including:
 - 1.1.A A mentorship program pairing experienced business owners and retirees with people interested in starting a new business;
 - 1.1.B Shop and dine local marketing campaigns;
 - 1.1.C A wayfinding kiosk on the light rail station platform informing commuters of shops available on the island; and
 - 1.1.D Publicize employment opportunities on Mercer Island.
- 1.2 Partner with the Chamber of Commerce, Mercer Island Visual Arts League (MIVAL), Mercer Island Farmer’s Market, and other community non-profit organizations to develop and expand a year-round program of arts, cultural, and activation events which draw the community to our commercial areas.

GOAL 2 - MARKETING MERCER ISLAND:

The Town Center commercial area has a cohesive brand established by marketing efforts informed by public input and the policies of this element.

POLICIES

- 2.1 Develop and promote a theme and vision to create a unique and appealing identity for the Town Center directed at drawing more residents and visitors to Mercer Island.
- 2.2 Develop and implement a cohesive visual brand, including a logo, color scheme, and typography, that reflects the island's natural beauty and upscale yet welcoming character.

GOAL 3 – BUSINESS ATTRACTION:

Mercer Island's Town Center is a Vibrant Destination attracting new businesses and supporting growth of existing businesses.

1 **POLICIES**

- 2
- 3 3.1 Attract more commercial office employers to the City.
- 4
- 5 3.2 Develop strategies to increase the percentage of workers that both live and
- 6 work on Mercer Island.
- 7
- 8 3.3 Establish more networking and social events to attract more young
- 9 professionals to Town Center, activating the area.
- 10
- 11 3.4 Attract a diverse mix of businesses that complement existing offerings and fill
- 12 market gaps, with a focus on unique, locally owned establishments.
- 13
- 14 3.5 Create a comprehensive "best practices" section on the City website detailing
- 15 steps for business setup at city, state, and county levels.
- 16
- 17 3.6 Streamline and simplify the process for new business setup, making it more
- 18 intuitive and user-friendly.
- 19

20 **GOAL 4 – PRIORITIZED BUSINESS TYPES:**

21 Prioritized business types are supported and encouraged by the City’s economic

22 development efforts.

23

- 24 4.1 Prioritize the following types of businesses:
- 25
- 26 4.1.A Locally owned independent restaurants, tasting rooms, pubs, or cafes;
- 27
- 28 4.1.B Specialty Retail;
- 29
- 30 4.1.C Commercial office employers; and
- 31
- 32 4.1.D High-wage employers.
- 33
- 34 4.2 Periodically review the list of prioritized business types.
- 35
- 36 4.3 Develop incentives that attract prioritized business types, such as:
- 37
- 38 4.3.A Public and private partnerships to foster affordable commercial space
- 39 solutions, and
- 40
- 41 4.3.B Permit fee waiver or reduction.
- 42
- 43 4.4 Establish an expedited permit review process for prioritized business types.
- 44
- 45 4.5 Act as a liaison between commercial landlords and prioritized business types,
- 46 mainly focusing on bringing wineries and complementary businesses.
- 47

1 4.6 Consider waiving or reducing permit fees for the first twenty (20) applications
2 submitted by prioritized business types.
3

4 **GOAL 5 – PREMIER WINE DESTINATION:**

5 Establish Mercer Island as a Premier Wine Destination.
6

7 **POLICIES**
8

9 5.1 Explore capitalizing on Mercer Island’s efforts, brand, and location as a premier
10 wine destination by considering the following strategies:
11

12 5.1.A Expand and promote the "Art Uncorked" event as a flagship attraction,
13 leveraging its popularity to draw visitors year-round.
14

15 5.1.B Actively recruit wineries to establish tasting rooms on Mercer Island,
16 positioning the island as a premier, easily accessible wine destination.
17 Emphasize Mercer Island's unique advantages, including its proximity to
18 Seattle and Bellevue, excellent public transportation links, and
19 picturesque island setting, to differentiate it from other regional wine
20 experiences.
21

22 5.1.C Facilitate partnerships between commercial landlords and wineries to
23 encourage the establishment of tasting rooms in strategic locations.
24

25 5.1.D Develop a comprehensive marketing strategy to position Mercer Island
26 as a unique wine destination, distinguishing it from Seattle and Bellevue.
27

28 5.1.E Encourage the development of complementary businesses such as
29 artisanal food shops, wine-focused restaurants, and boutique hotels to
30 support the wine destination concept.
31

32 5.1.F Emphasize farm-to-table and outdoor dining experiences where
33 possible.
34

35 5.1.G Encourage the development of restaurants, cafes, and food-related
36 businesses that align with the wine destination theme.
37

38 5.1.H Conduct regular reassessments of the economic development strategy,
39 allowing for adjustments based on market response, community
40 feedback, and the success of the wine destination concept.
41

42 5.1.I Plan for increased parking needs as the wine destination concept
43 develops, including considerations for ride-sharing and public
44 transportation options.
45

46 **GOAL 6 – BUSINESS ENHANCEMENT AND DIVERSIFICATION:**

47 Business Offerings are diversified and enhanced by the City’s economic development
48 efforts.

1
2 **POLICIES**

- 3
4 6.1 Seek out new restauranteurs who bring novel and diverse dining options to
5 Mercer Island.
6
7 6.2 Support the growth of specialty retail shops catering to residents and visitors,
8 emphasizing quality and uniqueness over specific business types.
9
10 6.3 Promote pop-up shops and rotating vendor markets to add variety and attract
11 shoppers.
12
13 6.4 Explore the creation of a "Restaurant Row" designation with additional tax
14 benefits.
15
16 6.5 Consider impacts to existing businesses when evaluating proposed zoning
17 changes.
18
19 6.6 Encourage the development of public-private partnerships to foster affordable
20 commercial space solutions.
21
22 6.7 Conduct comprehensive outreach to surrounding businesses before initiating
23 capital projects in commercial zones.
24
25 6.8 Identify and adopt measures to reduce the displacement of existing businesses
26 as new development occurs. Notify nearby businesses of any potential
27 redevelopment.
28

29 **GOAL 7A – PUBLIC SPACE AND COMMERCIAL AREAS:**

30 Public Spaces and commercial areas are activated by City improvements and
31 economic development efforts.
32

33 **GOAL 7B – CUSTOMER ATTRACTION:**

34 Commercial areas are attractive and inviting to the Mercer Island community and
35 visitors.
36

37 **POLICIES**

- 38
39 7.1 Leverage the opening of Sound Transit's East Link Light Rail Line 2 to attract
40 residents, commuters, and visitors to the Town Center.
41
42 7.2 Emphasize spaces that are human-scaled, safe, and comfortable for walkers
43 and bikers.
44
45 7.3 Maintain the existing City program to beautify Town Center with landscaping,
46 street trees, and flower baskets.
47

- 1 7.4 Create branded wayfinding signage, street furniture, and public art to reinforce
2 the Town Center identity.
3
- 4 7.4.a Prioritize improvements in key locations such as the Mercer Island
5 Farmers Market site.
6
- 7 7.4.B Dedicate permanent signage for established community events like the
8 Mercer Island Farmers Market.
9
- 10 7.5 Activate Mercer Island’s commercial areas and public spaces by encouraging:
11
- 12 7.5.A Programming that enables residents and visitors to gather, socialize, and
13 celebrate in the city safely;
14
- 15 7.5.B Flexible-use outdoor spaces for dining, markets, events, and temporary
16 commercial uses; and
17
- 18 7.5.C Utilizing public art and furniture design in outdoor spaces.
19
- 20 7.6 Implement and promote a pilot seasonal parklet program allowing businesses
21 to convert parking spaces to outdoor seating.
22

23 **GOAL 8 – ARTS AND CULTURE:**

24 Arts and Culture are integrated into the City’s economic development projects and
25 programs.
26

27 **POLICIES**

- 28
- 29 8.1 Incorporate public art installations and performances that complement the
30 theme and overall visitor experience.
31
- 32 8.2 Support cultural events and activities that enhance the appeal of Mercer Island
33 to both residents and visitors.
34
- 35 8.3 Encourage the development of art spaces and events that attract visitors to
36 Town Center.
37
- 38 8.4 Develop and expand "Arts on the Island Weekend" as a signature annual event
39 each September, enhancing the arts and culture experience.
40
- 41 8.5 Support strategically placed infrastructure to facilitate nonprofit organizations,
42 the City, and other partners' hosting of music and art events, such as a
43 permanent stage, improved public bathroom facilities, hot water access, solar
44 energy, accessible seating, and access to the Town Center.
45
- 46 8.6 Coordinate with established community organizations to develop a year-
47 round program of arts, cultural, and activation events which draw the
48 community to Mercer Island’s commercial areas, including:

- 1
- 2 8.6.A The First Friday Art Walks from May to September;
- 3
- 4 8.6.B The Sunday Farmers Markets from June to September;
- 5
- 6 8.6.C Summer Celebration each July;
- 7
- 8 8.6.D Mostly Music in the Park events throughout the summer;
- 9
- 10 8.6.E The Arts on the Island Weekend each fall, including the Art Uncorked
- 11 event;
- 12
- 13 8.6.F The Holiday Makers Market each December; and
- 14
- 15 8.6.G Shakespeare in the Park.
- 16

17 **GOAL 9 – SUSTAINABILITY AND ENVIRONMENT:**

18 The City’s economic development efforts are sustainable and environmentally
19 friendly.

20

21 **POLICIES**

- 22
- 23 9.1 Consider Climate Action Plan strategies during economic development
- 24 decision making.
- 25
- 26 9.2 Encourage energy efficiency improvements that realize long-term cost savings
- 27 and economic benefits as well as environmental benefits.
- 28
- 29 9.3 Encourage the development of community solar arrays, enabling properties
- 30 with significant sun exposure to reduce their energy costs, reduce their
- 31 greenhouse gas emissions, and sell any excess power generated either back to
- 32 the grid or to neighbors with less sun exposure.
- 33
- 34 9.4 Consider incentives for commercial development that includes innovative
- 35 sustainability practices.
- 36
- 37 9.5 Align the implementation of the economic development element with the
- 38 City’s Climate Action Plan.
- 39
- 40 9.6 Encourage green building practices and energy-efficient retrofits in
- 41 commercial spaces.
- 42
- 43 9.7 Enhance sustainability infrastructure in the Town Center.
- 44
- 45 9.7.A Increase the presence of compost and recycling bins.
- 46
- 47 9.7.B Work with providers for seamless collection-bin pick-up during events.
- 48

1 9.7.C Add solar-powered streetlights, carbon-reducing plantings, and other
2 improvements consistent with the City's Climate Action Plan (CAP).
3

4 **GOAL 10 – TRANSPORTATION AND PARKING:**

5 Commercial areas have safe multimodal circulation and parking for residents, visitors,
6 and employees.
7

8 **POLICIES**
9

10 10.1 Periodically review parking standards to address the need for parking and
11 reduce potential barriers for new and expanding businesses.
12

13 10.2 Provide safe and welcoming access to Town Center from the light rail station.
14

15 10.3 Attract more hour-long and multi-store shoppers by developing a program to
16 deploy a mix of high-speed EV chargers in on-street parking, off-street parking,
17 and on utility poles. Target the electrification of 20% of parking spaces in Town
18 Center by 2044.
19

20 10.4 Analyze the feasibility of establishing a Parking and Business Improvement
21 Area (PBIA) or Local Improvement District (LID) in one or more commercial
22 areas to fund improvements for economic development.
23

24 10.5 Ensure multimodal transportation options are available for workers and
25 shoppers to access on-island employment centers and retail businesses.
26

27 10.6 Periodically update the Town Center parking plan to account for changes to
28 public parking supply, demand, and management systems for both cars and
29 bicycles.
30

31 10.7 Analyze historical parking space trends in Town Center and correlate them with
32 retail business numbers.
33

34 10.8 Consider reducing or eliminating on-site parking requirements for a few net-
35 new restaurants or retail businesses, leveraging right-of-way parking.
36

37 10.9 Consider eliminating traffic study requirements for small businesses outside of
38 new development.
39

40 10.10 Ensure adequate public parking for community events like Music in the Park
41 and the Farmers Market when planning new developments.
42

43 10.11 Improve pedestrian infrastructure to support walkability between restaurants
44 and other businesses.
45

46 10.12 Work with transit agencies in the region to launch an electric shuttle service
47 pilot program to provide on-demand transportation within Mercer Island,

1 connect light rail riders with the City’s commercial areas, reduce short car trips,
2 and support sustainable transportation.

3
4 10.12.A Collaborate with local businesses and stakeholders to identify key
5 shuttle stops, ensuring convenient access to the Town Center, light rail
6 stations, and popular destinations.

7
8 10.12.B Promote the service as a convenient, eco-friendly transportation option
9 for residents and visitors, enhancing the Town Center's walkability and
10 reducing traffic congestion.

11
12 10.12.C Monitor and report on the environmental and economic impacts of the
13 shuttle service, using data to make adjustments and improvements.

14
15 **GOAL II – REGULATIONS AND PERMITTING:**

16 Permit review and inspections are delivered predictably, efficiently, and on time to
17 support Mercer Island businesses as the start, grow, and thrive.

18
19 **POLICIES**

20
21 11.1 Continue the longstanding practice of providing next business-day
22 construction inspections under ordinary circumstances.

23
24 11.2 Advocate for Mercer Island businesses to receive timely services from outside
25 agencies.

26
27 11.3 Review the development code permitting processes to identify additional code
28 amendments to support businesses, improve effectiveness, and make efficient
29 use of City resources. The following goals should be considered when
30 identifying code amendments:

31
32 11.3.A Minimizing delay and reduce uncertainty in the entitlement process;

33
34 11.3.B Improving conflict resolution in the entitlement process;

35
36 11.3.C Mitigating the risk of business displacement as new development
37 occurs;

38
39 11.3.D Beneficial impacts to parking and greenhouse gas emissions; and

40
41 11.3.E Lowering compliance costs for business owners.

42
43 11.4 Evaluate City fees imposed on development to determine their effect on
44 business startup costs and City finances. The impact on business startup costs
45 must be balanced with the financial needs of the City.
46

- 1 11.5 Update home business regulations to support a mix of commercial uses while
2 ensuring home businesses remain compatible with neighboring residential
3 uses.
- 4
- 5 11.6 Establish a dedicated service [e.g. concierge] to guide businesses through
6 permitting.
- 7
- 8 11.7 Prepare a guide to doing business on the island with particular emphasis on
9 the permitting process and the pre-application process.
- 10
- 11 11.8 Periodically review the City's commercial sign code.
- 12

13 **GOAL 12 – IMPLEMENTATION:**

14 The City implements the Economic Development Element to support and grow the
15 local economy.

16

17 **POLICIES**

18

- 19 12.1 Establish and periodically update a prioritized and time-based economic
20 development implementation plan following adoption of this Comprehensive
21 Plan.
- 22