
Council Meeting Date: October 18, 2004

Agenda Item: 6(b)

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: Economic Development Strategic Plan
DEPARTMENT: City Manager's Office
PRESENTED BY: Steve Burkett, City Manager

PROBLEM/ISSUE STATEMENT:

Economic development has been a top priority for the City Council since the Economic Development Program was adopted in October 2001. Concurrent with the vacancy in the Economic Development Program Coordinator position, the City Council held workshops on July 6, September 7 and October 4, 2004 to consider revisions and updates to the City's Economic Development Strategic Plan (see attached). This memorandum is to recommend adoption of the revised plans as developed in those workshops.

ALTERNATIVES ANALYZED:

The City Council considered a variety of options and ideas from among its membership as well as written suggestions from staff, the Shoreline Chamber of Commerce and Forward Shoreline. Suggestions distributed by several Councilmembers on October 4 are included in this agenda packet. In addition, the 2001 Economic Data and Strategy Study has been attached for your information. This study provides useful background information and analysis that served as the basis for the current economic development strategies.

FINANCIAL IMPACT:

The program is currently staffed by one FTE with an annual budget of approximately \$153,000 in 2004. It is recommended that this level of funding be continued into 2005.

RECOMMENDATION

I recommend Council adopt the attached strategic plan for the City's Economic Development Program.

Approved By: City Manager PS City Attorney ____

- Attachment 1: Proposed 2004 City of Shoreline Economic Development Strategic Plan
- Attachment 2: Sept. 7, 2004 Staff Report, Economic Development Strategic Plan
- Attachment 3: July 6, 2004 Staff Report, Economic Development Strategic Plan
- Attachment 4: Economic Data and Strategy Study, Edward Starkie Consulting
December 15, 2001

2004 City of Shoreline Economic Development Plan

Introduction

The economic vitality and financial stability of the City of Shoreline is critical to providing the financial resources necessary for quality municipal services and facilities. The stability and predictability of financial resources is crucial to providing certainty for essential public services such as police, roads, maintenance, parks, social services and infrastructure.

Goals

- Enhancing the existing business environment in Shoreline.
- Improve the aesthetics of commercial areas to encourage higher quality investments.
- Provide citizens greater choices to live, work, shop and play in Shoreline.

Desired Outcome

A growing diversified and balanced economic base that yields City resources sufficient to provide quality municipal services and facilities.

Strategies

- Continue pursuing growth in retail sales to ensure financial stability and economic vitality.
- Continue leveraging the City's capital improvement investments in targeted areas to support and encourage private reinvestment in commercial areas.
- Continue improving the permit process to be predictable and timely. Streamline approval processes in targeted areas for commercial, retail and mixed use development.
- Initiate an active campaign to define and improve the public perception of Shoreline.
- Identify alliances and partnerships between the City and other organizations in accomplishing economic development goals. Encourage an environment of mutual respect between business owners and the City.
- Implement a low cost business registration system for tracking businesses and jobs in the City.

- Continue development incentives such as fee waivers, designated Planned Action areas, business relocation strategies, parcel assembly, grant and low-interest loan funding.
- Help facilitate private efforts to install banners, flowerpots and other programs to decorate the City throughout the year, but especially during holiday and community event celebrations.
- Work with innovative commercial developers and brokers in identifying areas in different segments of the City in which new development might best occur.
- Proactively collaborate with private and public organizations that are working to support the growth of current businesses and to bring new companies and institutions to Shoreline.

Key Performance Measures

	2002	2003	<i>Estimated</i> 2004	<i>Estimated</i> 2005
• Annual sales tax collections	\$5,095,811	\$5,467,148	\$5,500,000	\$5,500,000
• Sales taxes per capita	\$95.70	\$103.68	\$104.29	
• Annual dollar value of commercial permits issued	-----	\$17,146,000	\$22,568,000	\$26,000,000
• Commercial AV as a % of total City AV	12.3%	12.93%	12.83%	13.0%

Council Meeting Date: September 7, 2004

Agenda Item: 6(b)

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: Economic Development Strategic Plan
DEPARTMENT: City Manager's Office
PRESENTED BY: Steve Burkett, City Manager

PROBLEM/ISSUE STATEMENT:

Economic development has been a top priority for the City Council since the Economic Development Program was adopted in October 2001. At the time of adoption, it was anticipated that the Program would be reviewed and updated every three to five years. Now that our Economic Development Coordinator position is vacant, it is also timely and appropriate to review our goals, strategies, and resource allocation. Council reviewed the goals, outcomes and strategies of the Plan on July 6, 2004. This memorandum is to present options and recommendations for updating and implementing the Economic Development Strategic Plan.

Goals

At the July 6 work session, Council agreed that the current goals of the Economic Development Strategic Plan are still appropriate. They are to:

- 1) enhance the existing business environment in Shoreline;
- 2) improve the aesthetics of commercial areas to encourage higher quality investments;
- 3) provide citizens greater choices to live, work, shop and play in Shoreline; and
- 4) foster a healthier economic base generating increased property value and additional sales revenues.

Desired Outcomes

At the July 6 meeting, Council also agreed the desired outcome of the City's economic development goals should be to stimulate new retail sales in the City's commercial areas. Retail sales are a more cost-effective revenue source for the City than just job creation and thriving, healthy commercial areas are more attractive to employers who seek the amenities, housing and services their employees need.

STRATEGIES AND ACCOMPLISHMENTS

The current Program has ten strategies for success.. They are:

- 1) Analyze demographic and market data to determine City's competitive position in market area. **Complete**
- 2) Identify specific locations for redevelopment. **Complete**
- 3) Leverage the City's capital investments for better efficiencies and greater return on public/private investments. **Underway**
- 4) Coordinate CIP improvements with redevelopment. **Continuous and underway**
- 5) Improve the permit process to be more predictable and timely. **Continuous and underway**
- 6) Consider development incentives such as fee waivers, designated Planned Action areas, business relocation strategies etc. **Adopted Tax Exemption Program**
- 7) Address parking issues and calm the traffic. **Has become new Council Goal for safe and friendly streets**
- 8) Pursue other funding sources such as Block Grant funds, 108 Loan Program, and other grant opportunities. **Continuous**
- 9) Prepare and maintain a Community/Economic Development Business Plan with quarterly/annual reporting of activities, revenues and expenditures (could include CIP). **Has become quarterly report on Council Goals**
- 10) Pursue the installation of fiber optic cable and other high-technology infrastructure desired in office development in the Aurora Corridor and elsewhere in the City. **Complete**

As can be seen above, many of the Plan's ten strategies have been completed or are underway. As part of considering new strategies for this update, staff sought input from the Chamber Economic Development Subcommittee and from Forward Shoreline. Notes from those meetings were forwarded to Council in a memo dated July 1 and many of the ideas from these groups have been incorporated into the proposed strategies discussed below.

Proposed New Economic Development Strategies

- S1) Continue pursuing growth in retail sales to ensure financial stability and economic vitality.
- S2) Continue leveraging the City's capital improvement investments in targeted areas to support and encourage private reinvestment in commercial areas.
- S3) Continue improving the permit process to be predictable and timely. Streamline approval processes in targeted areas for commercial, retail and mixed use development.
- S4) Initiate an active campaign to define and improve the public perception of Shoreline.
- S5) Identify alliances and partnerships between the City and other organizations in accomplishing economic development goals. Encourage an environment of mutual respect between business owners and the City.
- S6) Implement a low cost business registration system for tracking businesses and jobs in the City.
- S7) Continue development incentives such as fee waivers, designated Planned Action areas, business relocation strategies, parcel assembly, grant and low-interest loan funding.

- S8) Help facilitate private efforts to install banners, flowerpots and other programs to decorate the City throughout the year, but especially during holiday and community event celebrations.
- S9) Work with innovative commercial developers and brokers in identifying areas in different segments of the City in which new development might best occur.
- S10) Proactively collaborate with private organizations that are working to bring new companies and institutions to Shoreline.

CITY ROLE AND PARTNERSHIPS

There are many factors in economic growth that are not within the City's control but are influenced by market conditions and the private sector's response to those conditions. The City's role in economic growth is setting the stage for the private sector to risk its capital and invest in the community. This means delivering those services – safe and friendly streets, safe and attractive neighborhoods, adequate parks and open spaces, vital places to shop and gather - that make the City a positive place to live, work and play.

Outside partners are also very important in making Shoreline a great place. These partners include the School District, the Chamber, the Community College, community service and neighborhood organizations, Forward Shoreline, and junior taxing districts. They all play a part in creating and affecting the overall fabric of the community and its condition.

The City and each partner can play a different and complementary role in achieving economic development goals. The City's role is described above. Additional contributions might include the Chamber and North City Business Association concentrating on the needs and health of the local business community, the College assisting with employer recruitment, and Forward Shoreline assisting with public perception and development partnerships. Each partner has very important contributions to make and together can implement successful and cost-effective economic development results.

OPTIONS FOR IMPLEMENTATION

The following options were considered in reviewing how the City implements its economic development strategies. They are:

- a) Keep the Economic Development Coordinator position and responsibilities as shown in Attachment A;
- b) Use the funding from the Coordinator position to hire an additional Capital Projects Manager to manage commercial district CIP projects; (proposed by Councilmember Ransom)
- c) Disperse the various duties performed by the Economic Development Coordinator amongst existing staff such as the Deputy City Manager, Assistant City Manager, Neighborhoods Coordinator, or other as appropriate; or
- d) Hire by contract for specific economic development activities.

As described in the previous section, there are certain roles and strategies unique to City government that require City staff to execute, not just by contract. A large part of the existing economic development effort is internal advocacy for private sector business and property owners. This internal advocacy requires familiarity with City staff and processes in order to assist these private sector customers. Council has also given economic development a very high priority in the City and dispersing economic development tasks among existing staff or using economic development funds to hire a capital projects manager would not adequately meet our economic development needs.

The City has already hired an additional project manager for its Capital Improvement Program and economic development funds are not needed for this. And, while there is value in having staff with experience in real estate development on the capital project team, economic development and capital project management are two different disciplines. The City needs both.

Dispersing economic development tasks among existing staff would require the tasks and responsibilities currently assumed by staff to be discontinued or tasks added to existing workloads. The City's staff is small and at this time, there are no staff available to assume these additional tasks. Because of the City's small staff, contracting for some economic development services is appropriate and can be pursued. Examples of this are the City's contracts with Forward Shoreline and with the Seattle-King County Economic Development Council.

Finally, it is also important that the City continue to participate in organizations like the Chamber, the North City Business Association and Forward Shoreline. Taking these factors into account, it is recommended that the City continue to provide dedicated staff and resources in pursuing its economic goals.

FINANCIAL IMPACT

The Program is currently staffed by one FTE with an annual budget of approximately \$153,000 in 2004. It is recommended that this level of funding be continued into 2005.

RECOMMENDATION

- A) Staff is requesting Council concurrence in refilling the Economic Development Coordinator position, renaming it Economic Development Program Manager increasing the salary range 5% to range 59 of the exempt salary table as recommended by Human Resource Director Wright (see attachment A); and
- B) Updating the economic development strategic plan to include the new proposed strategies outlined above.

Approved By: City Manager _____ City Attorney _____

Council Meeting Date: July 6, 2004

Agenda Item: 6(c)

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: Economic Development Strategic Plan DEPARTMENT: City Manager's Office PRESENTED BY: Steve Burkett, City Manager
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PROBLEM/ISSUE STATEMENT:

This memorandum is to review with Council the City's desired goals, outcomes and strategies for updating the Economic Development Program. As you know, economic development has been a top priority for the City Council since the Program was adopted in October 2001. At the time of adoption, it was anticipated that the Program would be reviewed and updated every three to five years. This review is timely with the Economic Development Coordinator position becoming vacant. A copy of the Economic Development Program's Strategic Plan is attached for your reference.

Current Goals

The current goals of the Economic Development Program are to

- 1) enhance the existing business environment in Shoreline;
- 2) improve the aesthetics of commercial areas to encourage higher quality investments;
- 3) provide citizens greater choices to live, work, shop and play in Shoreline; and
- 4) foster a healthier economic base generating increased property value and additional sales revenues.

Are these goals still appropriate for economic development in Shoreline? Are there other goals we should add? Which goals are of highest priority?

Desired Outcomes

The desired outcome of these economic development goals has been to stimulate new retail sales in the City's commercial areas by making strategic CIP investments there. During the adoption process, Council did discuss the option of focusing on job creation or large business recruitment but chose to focus on retail sales. Retail sales are a more cost-effective revenue source for the City and employers are attracted to areas that have the amenities, housing and services their employees desire.

Is growth of retail sales still the key desired outcome for economic development? Are there others?

FINANCIAL IMPACT

The Program is currently staffed by one FTE – the Economic Development Coordinator – with an annual budget of approximately \$153,000 in 2004. Current tasks of the Coordinator include project management and construction coordination, development coordination and advocacy, Chamber and community organizations liaison, business district coordination, and management of the overall Economic Development Program. The current Program has ten strategies for success. They are:

- 1) Analyze demographic and market data to determine City's competitive position in market area.
- 2) Identify specific locations for redevelopment.
- 3) Leverage the City's capital investments for better efficiencies and greater return on public/private investments.
- 4) Coordinate CIP improvements with redevelopment.
- 5) Improve the permit process to be more predictable and timely.
- 6) Consider development incentives such as fee waivers, designated Planned Action areas, business relocation strategies etc.
- 7) Address parking issues and calm the traffic.
- 8) Pursue other funding sources such as Block Grant funds, 108 Loan Program, and other grant opportunities.
- 9) Prepare and maintain a Community/Economic Development Business Plan with quarterly/annual reporting of activities, revenues and expenditures (could include CIP).
- 10) Pursue the installation of fiber optic cable and other high-technology infrastructure desired in office development in the Aurora Corridor and elsewhere in the City.

Given the goals and desired outcomes, which strategies should be emphasized?

RECOMMENDATION

None at this time.

I look forward to reviewing the Economic Development Program with Council at the July 6 workshop. By the end of that discussion, I want us to have a clear understanding and agreement of the goals and desired outcomes for economic development in Shoreline. Once we have that clarity, we will schedule another workshop with the Council to review options to use our resources to achieve the goals.

Approved By: City Manager ~~_____~~ City Attorney N/A

Attachment A: Economic Development Strategic Plan

**SHORELINE CAPITAL
IMPROVEMENT INVESTMENTS**

Aurora Corridor Project:
The City's plan to improve safety, traffic flow, aesthetics and redevelopment potential of Aurora Avenue North.

North City Business District:
Shoreline has a series of capital improvement projects designed to kick-start redevelopment in the North City Business District.

Interurban Trail
This linear park will provide new recreation opportunities and a non-motorized transportation corridor, linking Shoreline to surrounding communities.

Central Shoreline Subarea Plan: The City is developing a vision for the central commercial area in Shoreline that will act as an incentive for redevelopment, align strategies for the use of public right-of-way and protect neighborhoods.

**Shoreline City
Council**

Ron Haasen
Mayor

Scott Jepsen
Deputy Mayor

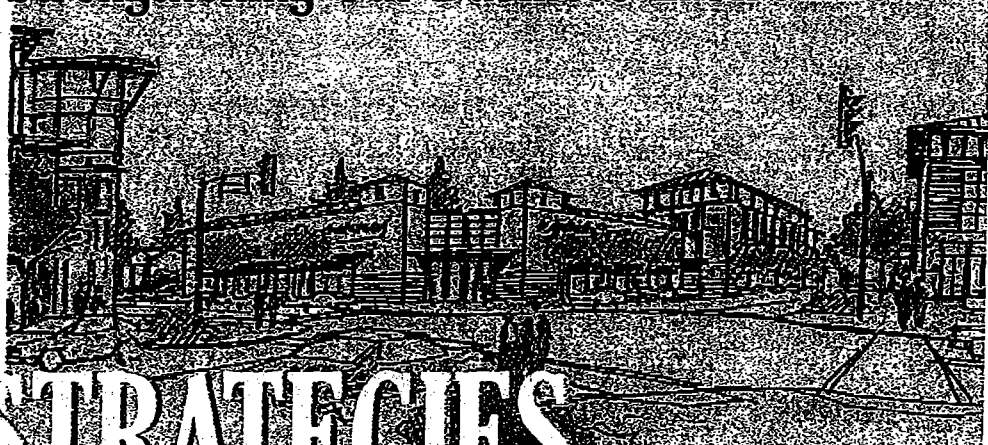
John Chang
Maggie Fimla
Paul Grace
Rich Gustafson
Bob Ransom

17544 Midvale Ave. N.
Shoreline, WA 98133
(206) 546-1700
www.cityofshoreline.com

JANUARY 2004

CITY OF SHORELINE ECONOMIC DEVELOPMENT

Strengthening Our Business Environment



STRATEGIES STRATEGIES FOR SUCCESS

- 1) Analyze demographic and market data to determine City's competitive position in market area.
- 2) Identify specific locations for redevelopment.
- 3) Leverage the City's capital investments for better efficiencies and greater return on public/private investments.
- 4) Coordinate CIP improvements with redevelopment.
- 5) Improve the permit process to be more predictable and timely.
- 6) Consider development incentives such as fee waivers, designated Planned Action areas, business relocation strategies etc.
- 7) Address parking issues and calm the traffic.
- 8) Pursue other funding sources such as Block Grant funds, 108 Loan Program, and other grant opportunities.
- 9) Prepare and maintain a Community/Economic Development Business Plan with quarterly/annual reporting of activities, revenues and expenditures (could include Capital Improvement Projects).
- 10) Pursue the installation of fiber optic cable and other high-technology infrastructure desired in office development in the Aurora Corridor and elsewhere in the City.

FOR MORE INFORMATION
about the City of Shoreline Economic Development Program, contact
Economic Development Coordinator
Jan Knudson at (206) 546-0959.

MISSION

To bring together the public and private resources necessary to enhance the existing business environment in Shoreline and ensure the long-term viability of the City's economic base.

GOALS

- Enhance the existing business environment in Shoreline.
- Improve the aesthetics of commercial areas to encourage higher quality investments.
- Provide citizens greater choices to live, work, shop and play in Shoreline.
- Foster a healthier economic base generating increased property value and additional sales revenues.



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JANUARY 2004

CITY OF SHORELINE ECONOMIC DEVELOPMENT

Strengthening Our Business Environment



VISION VISION

To create vibrant, mixed-use commercial areas that contribute to the whole health of the community.

The Shoreline City Council has made a major commitment to improving the economic vitality of the City.

Many of the commercial areas in Shoreline are underdeveloped and underutilized. Some are blighted and require parcel assembly to form large enough parcels for redevelopment. Job opportunities within the City are limited and many residents must work elsewhere. In order to accomplish its goals, the City will need to form partnerships with other public agencies as well as with the private sector. The City also needs to be strategic with its capital investments.

Shoreline does have many advantages that can help attract redevelopment: a central location in the Puget Sound region with easy access to Seattle and Snohomish County, excellent public schools including Shoreline Community College, stable single family

residential neighborhoods and frequent all-day transit service to commercial and employment centers.

Improvements the City is currently making to infrastructure, land use planning, services and redevelopment affect the community's livability and, therefore, its economic vitality. The Aurora Ave. N., Interurban Trail, Central Shoreline Subarea Plan and North City projects will serve as major catalysts for redevelopment in Shoreline.

Some of the other strategies the City will use include improving the City's image, sense of identity and competitive position in the market area; strategically investing in capital improvements and marketing; focusing efforts and resources in selected areas rather than using a shotgun approach; creating financially feasible plans and programs that encourage private investment, and; supporting private investments with appropriate and realistic public investments.

City Of Shoreline

Economic Development Program

Economic Data and Strategy Study

December 15, 2001

prepared by

Edward Starkie Consulting
Portland, Oregon

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Executive Summary

The City of Shoreline retained Edward Starkie Consulting for assistance in preparing economic development strategies that revitalize underdeveloped and underutilized commercial areas within its corporate boundaries. While area demographics have shifted toward higher income, the perceived quality of key commercial areas within the City has lagged. The City's Comprehensive Plan has identified ten distinct Neighborhood Centers and seven Commercial Centers. Expectations about the type and quality of development in these centers are changing. The long-term economic development goals for the City are to:

- Enhance the existing business environment in Shoreline;
- Improve the aesthetics of commercial areas to encourage higher quality investment;
- Provide citizens greater choices to live, work, shop and play in Shoreline; and
- Foster a healthier economic base generating increased property value and additional sales revenue.

The purpose of this study is to identify the short and long-term demographic and economic trends that will assist the City of Shoreline in formulating its economic development strategy.

Demographics and Employment

The City of Shoreline has experienced slow but steady growth in households since 1990. Annual household growth over the 10 year period has averaged approximately one percent. At the same time, population growth averaged less than 1%, approximately 0.8% annually. Household size trends in Shoreline follow the national pattern of shrinking household size. If the increment of change is examined, it can be seen that the growth of population is in smaller households that range from 1.54 to 2.2 persons per household with the average at 1.9 persons. ✓ Puget Sound Regional Council projections show a rise in households to over 32,000 households by 2030, a rise of over 7,000 households from year 2000 estimates.

The population in Shoreline is aging, with the age group over 45 years rising as a percentage of the total, the group between 25 and 35 falling as a percentage and the group between 35 and 45 remaining roughly the same as a proportion of population.

From 1990 to 2000, average household income rose more than five percent annually, to \$74,203, outstripping inflation by more than two percent per year. The change in income growth indicates a shift from middle income to upper income households over the ten-year period that is expected to continue in the short term. Aggregate income is expected to rise by approximately \$440 million during the five years from 2000 to 2005.

Residents of Shoreline spend approximately 24 percent of total income, or \$436 million, on consumer spending for a variety of retail and service categories. Sales in Shoreline, according to the State of Washington Department of Revenue (DOR) amounted to approximately \$397

million in year 2000. There are sectors in which Shoreline is drawing business from other areas. These sectors are in Automotive , Home Furnishings (and building materials), and Other Retail. At the same time other sectors lag including apparel. Given future income growth, adjusted for inflation, there may be potential uncaptured sales to support as much as 458,000 square feet of retail and services or to support redevelopment of existing facilities along with infill or development of new space

Current King County data indicate that there are approximately 9,800 private sector employees in Shoreline at a total of 1,134 businesses. PSRC data list approximately 3,800 employees in Government/Education for all of 1999 for a total of over 13,000 jobs. Employment is expected to remain at current levels for the short-term period. PSRC has revised employment estimates, taking the current economy into account and strong growth is not expected until after 2010. Most of the growth that is expected in Shoreline is within the Finance, Insurance, Real Estate (FIRE) sector, with small increases in retail and Government/Education.

Existing Land Use

There are 101 private sector office buildings in the City of Shoreline containing approximately 716,000 square feet of space. The median size of these buildings is 3840 square feet, and the average size is approximately 7000 square feet. The majority of this space was built between 1960 and 1979. Most of this space is functionally obsolete for the majority of modern office users.

There are 23 medical/dental offices in the City of Shoreline containing 175,370 square feet of space. The median size of a medical/dental office is 4445 square feet, and the average size is 7600 square feet. This space is not aggregated in any single location, but is scattered on separate commercial sites in the City. There is no central hospital facility.

There are over 2.6 million square feet of retail space in the City of Shoreline. The largest uses are department stores and big box retail with over 1.5 million square feet. Services and entertainment use comprise only 5% of the retail space, while consumers in Shoreline spend almost 10% of their income on these items. The majority of retail space in Shoreline was built before 1970 and is over 30 years old.

There are over 15,400 single-family units in Shoreline. The median value of single family units is approximately \$189,000. There are another 516 duplex and tri-plex units. The average value is approximately \$222,000, with values ranging from \$25,000 to over \$6.5 million. There are approximately 4,900 apartment units in Shoreline. Current average rent for a unit is \$772 per month, compared to the King County average of \$840. Vacancy in Shoreline is equal to King County at 3.9 percent. The majority of apartment units in Shoreline were built between 1970 and 1989 at lower density than other decades. Only three percent of units were built from 1990 to 2000.

Regional Trends

The late 1990's office market in the Puget Sound was buoyed by the phenomenal growth of the high-tech sector. Since year 2000, however, the high-tech sector has seen significant downsizing. Given rising vacancy, high construction costs and downward pressure on rents, it is expected that developers will wait to see how the local economy plays out before committing to new construction. The north Seattle market has experienced a small rise in office from back-office users, FIRE and small high-tech tenants looking for lower rents and easier commutes. Over the long term this trend can be expected to continue, but it is unclear whether there will be demand in the short term given that millions of square feet of subleases have become available from the failure of high-tech dot-coms.

Despite employment losses in the high-tech sector (perhaps as many as 25,000 jobs from 2000 forward), households in the Puget Sound region have higher incomes than the national average and retail has remained stable. Retail rents for the region averaged \$20.30 triple net (without expenses included) in 2000. Rents in the Seattle CBD are as high as \$70 per square foot, while in Shoreline typical triple net rents are in the range of \$12 to \$16 per square foot

In King County the median house price has risen to approximately \$250,000. The high price regionally for single-family units has produced a sustained demand for lower cost single family housing, apartment units and condominiums. The need for multi-family units in Shoreline is projected to rise by approximately 2,200 units by 2010. This projection includes all structures with two or more units. The demand for these units is a result of the region-wide trend in house pricing growth outstripping income growth.

National Trends

One of the major trends of the last 15 years has been the reversal of suburban and downtown office markets. Economic expansion in the late 1980's and early 1990's shifted office markets to suburban locations. Starting in 1996, suburban completion rates were more than twice those of downtown areas. The move of office to the suburbs seeks to capitalize the cost of commute times by employees.

High-tech users have created much of the demand for office space in the Seattle area. According to the Urban Land Institute, the emergence of high-tech and its effect on all office users has resulted in different requirements for office than in the past. The needs of modern users dictate either extensive renovation of existing space or development of new space. Typical floor plates to allow open offices start at 10,000 square feet of usable area and current standards for electrical and mechanical systems can make small high-quality projects more costly than medium size projects.

The major national trends in retail over the last two decades have been a consolidation of retail businesses into large national chains that dominate their market niches, and the emerging dominance of discount retailers. This has produced a jaded consumer reaction to malls. As a

result retailers are looking to new formulations for attracting customers. Among these are mixed-use projects, main street style projects and destination centers incorporating entertainment and evening hours uses. The goal for these new formats is to create a sense of place that people are encouraged to enjoy as they would a public amenity.

The implications for retail in Shoreline are several. First, scattered, low amenity sites will have an increasingly difficult time competing. Second, to create more concentrated sites with amenities will require infill in low density locations and the creation of sufficient public amenity to make the trip and the location worthwhile and more pleasant than other competing centers.

Redevelopment of ailing commercial districts and city neighborhoods has been taking place across the nation. Redevelopment has proceeded through five strategies:

- the creation or enhancement of arts districts;
- the creation of housing in or near commercial areas;
- destination retail or “lifestyle centers;”
- new office and retail/mixed use districts; and
- new open space amenities.

In common with all of the strategies is the concept of “place making” or creating a critical mass of change that can alter local perceptions of the area to be redeveloped.

Strategy Implications

Shoreline developed historically at a series of nodes. The area was considered part of north Seattle, and relied upon Seattle for many civic amenities such as performing arts, museums, restaurants, and shopping. As a result, there is no typical center or downtown in Shoreline.

This historic pattern resulted in the establishment of a number of small local businesses serving local markets, regional and local-serving auto-oriented businesses along Aurora, and two larger centers at Aurora Square and Aurora Village. The local businesses are highly valued by the community and the auto-oriented businesses along Aurora are vital to the tax base of the city. At the same time, there is a stated desire by the citizens of Shoreline for greater choice in retail and services and an enhancement of the environment in which these activities take place.

The desires of the community and the economic and trend information collected suggest a series of strategic planning initiatives that can be undertaken to achieve the goals cited in the Economic Development Program. Among the strategies for fostering continued vitality for Shoreline’s business community are:

- Enhancement of Existing Centers
- Aggregation of businesses
- Introduction of higher residential density near retail and services

- City assistance with the creation of affordable retail and services space
- Active recruitment of missing retail sectors in redevelopment efforts
- A long-term strategy for the location of employment centers
- Coordination of open space with retail centers and neighborhood centers
- A long-term strategy for resolving parking issues
- Zoning, regulation and permitting processes that support existing centers

Implementation relies upon community support, planning for change in coordination with the business community, and finding funding sources for development and redevelopment. There are methods for financing improvements that are under local or regional control and others that rely upon national legislation and implementation. A variety of funding programs are available for economic development and are listed in the report. Planning initiatives that simplify development and assist local owners and tenants in making the best of their properties are suggested in the report.

Introduction

The City of Shoreline retained Edward Starkie Consulting for assistance in preparing economic development strategies that revitalize underdeveloped and underutilized commercial areas within its corporate boundaries. Initially developed as part of unincorporated King County, the City of Shoreline is an older urban area strongly linked with the downtown services and facilities of the City of Seattle. Shoreline incorporated in 1995.

Shoreline was founded on the boundaries of its school district and was previously seen as a suburb of Seattle. In its new incorporation, Shoreline needs an economic development strategy that is realistic and yields a sense of identity, diverse employment opportunities, a diverse mix of businesses, plans for mixed-use development, and integration of services necessary for the health and welfare of its citizens.

While area demographics have shifted toward higher income, the perceived quality of key commercial areas within the City has lagged. The City's Comprehensive Plan has identified ten distinct Neighborhood Centers and seven Commercial Centers. Expectations about the type and quality of development in these centers are changing.

Economic development (or redevelopment) will hinge on a long-term plan (15-20 years) and shorter-term (1-5 year) strategies. Concurrently, there is work needed on defining districts, identifying important areas and features that lend the City distinctive identity, and preparing preliminary economic goals for each district and area that will result in their long-term enhancement.

The long-term economic development goals for the City are to:

- Enhance the existing business environment in Shoreline;
- Improve the aesthetics of commercial areas to encourage higher quality investment;
- Provide citizens greater choices to live, work, shop and play in Shoreline; and
- Foster a healthier economic base generating increased property value and additional sales revenue.

The City intends to accomplish this by:

- Bringing together the public and private partners needed to accomplish projects and to find the necessary financial resources;
- Carrying out goals of subarea plans and assisting in the planning and development of opportunity sites outside of subareas;
- Developing new office, commercial, retail, housing, parks, public transit and other elements of the urban environment in a coordinated and integrated manner.

The purpose of this study is to identify the short and long-term demographic and economic trends that will assist the City of Shoreline in formulating its economic development strategy. The following sections contain information on short-term demographic trends, long-term

demographic trends projected by the Puget Sound Regional Council, local commercial and residential inventory information and trends, and National trends in housing, retail and commercial development and redevelopment trends. The final section of this study is a redevelopment strategy developed in coordination with the City of Shoreline to address implementation of its Economic Development Program.

Existing Conditions in Shoreline

Prior to undertaking economic development actions, it is necessary to review information that includes collection and analysis of economic and demographic data. This information will help to inform long-term goals and shorter-term decisions about new and re-development within the City of Shoreline.

Demographic Trends in Shoreline

The City of Shoreline has experienced slow but steady growth in households since 1990. Annual household growth over the 10 year period has averaged approximately one percent. At the same time, population growth averaged less than 1%, approximately 0.8% annually (these demographic trends are outlined in *Table 1: Shoreline Demographic Trends*, below). Household growth in the next five years is expected to decline only slightly at 0.9 percent annually with a total of 1,104 new households by the year 2005. Population growth from 2000 to 2005 is expected to decline to 0.7 percent annually with a total change of 2,094 persons yielding a total population of approximately 59,411 persons.

Table 1: Demographic Trends for Tracts 20100 through 21200¹

	1990 Census	2000 Update	2005 Forecast	Change 1990 to 2000	Change 2000 to 2005
Population	52,967	57,317	59,411	4,350	2,094
Households	20,721	22,979	24,083	2,258	1,104
Families	14,219	15,043	15,373	824	330
Average Household Size	2.56	2.49	2.47	1.93	1.90
Owner-occupied HHs	14,169	16,345	17,426	2,176	1,081
Renter-occupied HHs	6,552	6,634	6,657	82	23
Median Household Income	38,462	57,355	64,764	49%	13%
Average Household Income	44,438	74,203	89,239	67%	20%
Per Capita Income	17,384	29,749	36,174	71%	22%
Median Age	36.2	39.1	40.4		
Aggregate Income (\$000)	920,795	1,705,112	2,149,154	784,317	444,042

Source: CACI

¹ Because it is recently incorporated, data sources based on the jurisdiction boundary of Shoreline are not available for consumer spending, household change and other demographic trend projections. For this reason, census tracts in Shoreline were used as the basis for collection of data. The exact numbers will vary from strictly jurisdictional boundaries but still serve to highlight the changing trends in the City of Shoreline

Household size trends in Shoreline follow the national pattern of shrinking household size (see Table 2: Shoreline Household Trends by Census Tract, below). While overall household size in each census tract ranges from 2.26 to 2.66 persons per household, if the increment of change is examined, it can be seen that the growth of population is in smaller households that range from 1.54 to 2.2 persons per household with the average at 1.9 persons. Family households comprise less than 30 percent of growth and most new households contain two persons or fewer.

Table 2: Shoreline Household Trends by Census Tract

Tract	Yr. 2005	Yr. 2005	2000-2005	2000-2005	2000-2005	Yr. 2005	HH Size Of Growth
	Total HH's	Family HH's	HH Growth	Non-Family HH Growth	Family HH Growth	Total HH Size	
20100	1,377	983	66	41	25	2.51	1.95
20200	2,527	1,684	134	88	46	2.44	1.87
20300	2,687	1,496	104	94	10	2.26	1.69
20400	3,908	2,602	196	127	69	2.56	2.06
20500	2,836	1,646	126	99	27	2.31	1.90
20600	1,587	1,167	92	42	50	2.66	2.20
20700	1,642	901	71	63	8	2.26	1.75
20800	1,838	1,332	51	38	13	2.56	1.65
20900	1,447	860	50	42	8	2.28	1.54
21000	2,408	1,647	115	63	52	2.57	2.00
21100	1,826	1,055	99	77	22	2.33	1.80
21200	NA	NA	NA	NA	NA	NA	NA
Shoreline	24,083	15,373	1,104	774	330	2.47	1.90

Source: CACI

Table 3: Shoreline Household Income Trends by Census Tract

Tract Number	Yr. 2000	Yr. 2005	Yr. 2000	Yr. 2005	Growth in
	HH Income \$\$	HH Income \$\$	Aggregate Inc \$(000)s	Aggregate Inc \$(000)s	Aggregate Inc \$(000)s
20100	90,089	107,407	118,107	147,899	29,793
20200	77,965	95,490	186,570	241,303	54,733
20300	69,508	88,359	179,539	237,421	57,881
20400	70,872	86,284	263,077	337,198	74,121
20500	60,679	70,907	164,440	201,092	36,652
20600	68,680	82,389	102,677	130,751	28,075
20700	58,219	69,210	91,462	113,643	22,181
20800	42,690	51,861	197,399	244,160	46,761
20900	99,683	120,008	139,257	173,652	34,394
21000	67,180	78,332	154,044	188,623	34,580
21100	62,849	73,062	108,540	133,411	24,871
21200	NA	NA	NA	NA	NA
Shoreline	74,203	89,239	1,705,112	2,149,154	444,042

Source: CACI

From 1990 to 2000, average household income rose more than five percent annually, to \$74,203, outstripping inflation by more than two percent per year. Income growth from 2000

to 2005 is expected to slow to a rate of approximately four percent annually, still besting the expected rate of inflation. The change in income growth indicates a shift from middle income to upper income households over the ten-year period that is expected to continue in the short term. One result of this change is that aggregate income is expected to rise by approximately \$440 million during the five years from 2000 to 2005. This change in aggregate income indicates the ability to support higher levels of retail and service business within Shoreline.

The population in Shoreline is aging, with the age group over 45 years rising as a percentage of the total, the group between 25 and 35 falling as a percentage and the group between 35 and 45 remaining roughly the same as a proportion of population.

Table 4: Shoreline Population by Age

Population by Age	1990 Census	2000 Estimate	2005 Forecast
	Percent	Percent	Percent
< 5	6.40%	5.30%	5.10%
5 - 14	12.80%	13.20%	12.50%
15 - 19	6.00%	6.80%	6.90%
20 - 24	6.00%	5.10%	5.30%
25 - 34	17.50%	12.70%	11.90%
35 - 44	17.60%	18.70%	17.00%
45 - 64	20.40%	25.40%	28.40%
65 - 74	7.90%	6.30%	6.20%
75 - 84	3.90%	4.40%	4.50%
85+	1.50%	2.00%	2.20%

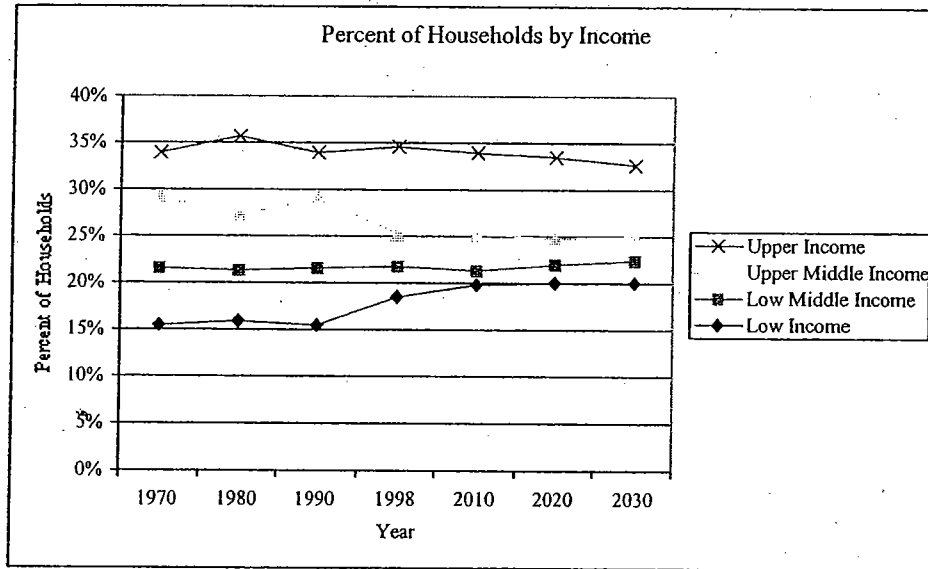
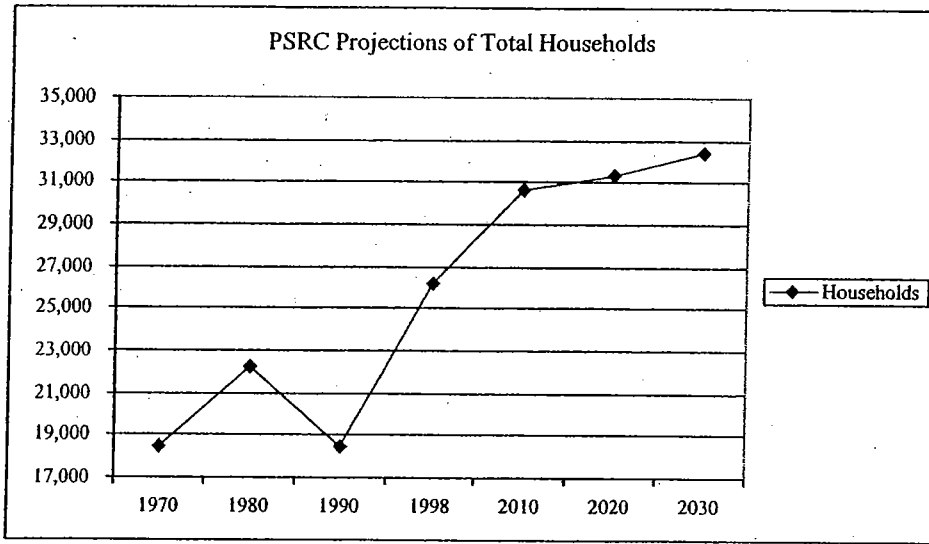
Source: CACI

The implications of these trends in regard to retail and services are discussed in the following section on consumer spending and retail sales in Shoreline. The implications for housing markets are that there will be a need for smaller units for the growing number of one and two person households, and especially for those over 45 years of age whose children no longer live at home.

Long Range Demographic Trends from PSRC

Long-range trends from the Puget Sound Regional Council confirm the current trends in Shoreline with households growing strongly to 2010 and leveling off to 2030. Households in multifamily units are expected to increase as the proportion of lower and middle-income households rises.

PSRC projections show a rise in households to over 32,000 households by 2030, a rise of over 7,000 households from year 2000 estimates.



Source: PSRC

Consumer Spending in Shoreline

Residents of Shoreline spend approximately 24 percent of total income, or \$436 million, on consumer spending for a variety of retail and service categories (see Table 5: Consumer Spending by Shoreline Residents, below).

Table 5: Consumer Spending by Shoreline Residents

	Total (\$000)	\$ Per HH
Year 2000 Aggregate Income	1,705,112	74,203
Total Retail Expenditures	409,316	16,996
Food Service	125,269	5,202
Apparel and Services	31,818	1,321
Drug	12,272	510
Transportation	119,076	4,944
Leisure and Entertainment	41,165	1,709
Home Furnishings	65,661	2,726
Other Retail	14,055	584

Source: CACI

Not all of this is spent in Shoreline. Sales in Shoreline, according to the State of Washington Department of Revenue (DOR) amounted to approximately \$397 million in year 2000 (see Table 6: 2000 Shoreline Trade in Services, and, Table 7: 2000 Retail Sales in Shoreline, below). The sales figures reveal a number of low revenue retail businesses in all categories. Among the categories performing well are lumber and building materials, nurseries and garden supplies, big box retail and general merchandise retailers, grocery, and auto dealers and gas stations. Middle tier businesses include appliances, restaurants, drug stores and miscellaneous shopping goods. A variety of other retail and service types have relatively low sales per unit including personal and business services, computer services, hardware, food stores (other than grocery) and apparel stores. Gambling is a source of revenue to the city that is not reflected in DOR sales figures as it is not taxed by the state. Tax revenue to the city was \$2,665,184 in year 2000, with 80 percent of revenue from 3 casinos. In sales this is in the range between \$14 million to \$26 Million in total retail sales for all establishments with gambling. Gambling thus accounts for between 3.5 percent to 6.5 percent of sales in Shoreline.

Table 6: Year 2000 Shoreline Trade in Services

	SIC	Units	Taxable Sales	Average Sales per Unit
Services Total	70-89	817	\$54,392,221	\$66,576
Hotels/Motels, Etc	70	3	\$616,824	\$205,608
Personal Services	72	88	\$2,402,108	\$27,297
Business Services	73	348	\$8,412,923	\$24,175
Computer Services	737	60	\$499,883	\$8,331
Automotive Repair/Services	75	103	\$23,463,940	\$227,805
Other Services		275	\$19,496,426	\$70,896

Source: State Of Washington Dept of Revenue Quarterly Business Review

Table 7: Year 2000 Retail Sales in Shoreline

Retail Trade	SIC	Units	Taxable Sales	Average Sales per Unit
	52-59	828	\$397,758,459	\$480,385
Building Materials/Hardware	52	68	\$60,379,909	\$887,940
Lumber/Blding Materials		35	\$53,216,401	\$1,520,469
Paint, Glass, Wallpaper		12	\$539,541	\$44,962
Hardware Stores		10	\$619,709	\$61,971
Nurseries/Garden Supplies		11	\$6,004,258	\$545,842
Mobile Home Dealers		D	D	
Other		D	D	
General Merchandise	53	4	\$109,658,120	\$27,414,530
Department Stores		D	D	
Variety Stores		D	D	
Other General Merchandise		4	\$109,658,120	\$27,414,530
Food	54	42	\$48,395,473	\$1,152,273
Grocery Stores		24	\$47,979,692	\$1,999,154
Fruit/Vegetable/Meat		3	\$68,010	\$22,670
Candy/Nut/Confectionery		D	D	
Dairy Products		D	D	
Bakeries		3	\$58,167	\$19,389
Other Food Stores		12	\$289,604	\$24,134
Auto Dealers/Gas Stations	55	54	\$94,890,859	\$1,757,238
Auto Dealers (New/Used)		23	\$83,650,887	\$3,636,995
Accessory Dealers		10	\$4,573,052	\$457,305
Service Stations		14	\$4,106,213	\$293,301
Marine/Aircraft, Etc		7	\$2,560,707	\$365,815
Apparel/Accessories	56	18	\$502,966	\$27,943
Clothing		10	\$152,111	\$15,211
Shoes		3	\$335,170	\$111,723
Other Accessories		5	\$15,685	\$3,137
Furniture/Furnishings/Equip	57	154	\$21,428,321	\$139,145
Furniture		59	\$4,064,064	\$68,882
Appliances		11	\$5,757,345	\$523,395
Electronics/Music Stores		84	\$11,606,912	\$138,178
Other		0	\$0	
Eating/Drinking Places	58	105	\$28,075,167	\$267,383
Miscellaneous Retail Stores	59	383	\$34,427,644	\$89,889
Drug Stores		10	\$10,282,436	\$1,028,244
Miscellaneous Shopping Goods		63	\$14,271,094	\$226,525
Nonstore Retailers		119	\$1,985,644	\$16,686
Fuel/Ice		4	\$46,334	\$11,584
Other Retail Stores		187	\$7,842,136	\$41,937

Source: State Of Washington Dept of Revenue Quarterly Business Review

To understand if the market exists for bolstering retail, DOR data were compared to consumer spending and future changes in aggregate income (see *Table 9: Uncaptured Retail Spending and Potential Demand*). Regional share and potential capture were calculated to understand the potential for revitalized retail.

Table 8: Uncaptured Retail Spending and Potential Demand

	DOR Sales (\$000)	Shoreline % Capture of Local \$\$	Shoreline % of Region Spending	Shoreline % Capture of Region Sales	Uncaptured Spending (\$000)
Food Service	76,471	61%	2.55%	1.56%	48,798
Apparel and Services	503	2%	2.56%	0.04%	31,315
Drug	10,282	84%	2.64%	2.21%	1,990
Transportation (& Auto Services)	114,434	96%	2.50%	2.41%	4,642
Leisure and Entertainment*	NA	NA	2.57%	NA	41,165
Home Furnishings	81,808	125%	2.63%	3.28%	(16,147)
Other Retail**	24,099	171%	2.50%	4.29%	(10,044)
General Merchandise*	109,658	NA	NA	NA	(109,658)
Net Uncaptured Spending					(7,939)
Change in Consumer Spending from 2000 to 2005 (adjusted for inflation at 3.4 percent)					91,547
2005 Potential Uncaptured Retail Spending					83,608
Plus Capture of Redeveloped Retail (apparel at 50% capture rate)					15,163
Plus Capture of Additional Food Service, Leisure and Entertainment					15,880
Potential With Redevelopment					114,651
Potential Square Foot Demand for Retail Space at Sales of \$250 per Square Foot					458,603

*State DOR categories and Bureau of Labor Statistics categories do not match exactly enough for comparison of these items

**This category is not clearly specified in State DOR data sources

Source: State Of Washington Dept of Revenue Quarterly Business Review and CACI

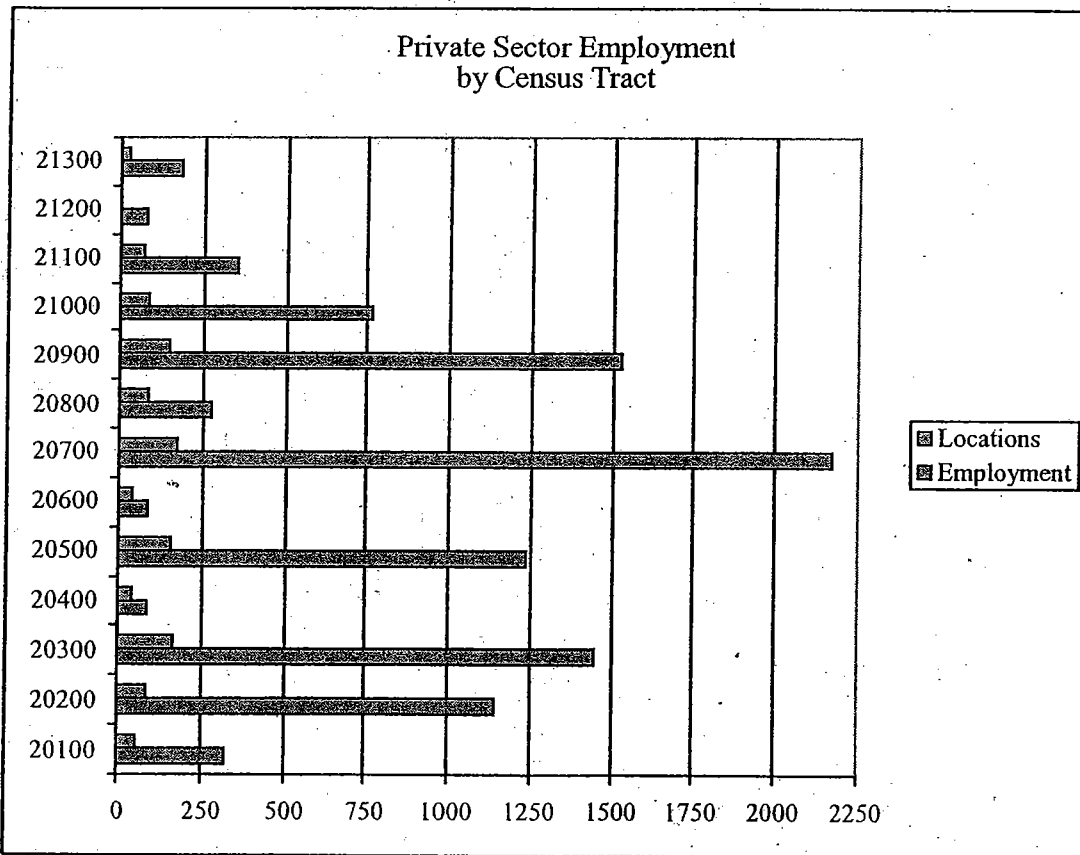
It is clear from the spending patterns above that there are sectors in which Shoreline is drawing business from other areas. These sectors are in Automotive, Home Furnishings (and building materials), and Other Retail. At the same time other sectors lag. People in Shoreline wear clothing but purchase only two percent of it in Shoreline. For this reason, in looking at redevelopment potential it is reasonable to cast demand in terms of future sales and current uncaptured sales in selected sectors. A healthy retail environment will foster sales of \$250 and up per square foot of store area.² Thus a 2,000 square foot store would post gross sales of \$500,000 per year. A typical space rent would run eight percent of gross sales, or \$20 per

² New grocery stores expect to post sales in the range of \$350 and up per square foot. A Starbucks may achieve over \$800 per square foot in sales.

square foot triple net³. At such rents, reasonable retail construction is possible. To achieve these rents requires an aggregation of services and retail in a location that meets the expectations and needs of the consumer public, not just for shopping but also for amenities. Given future income growth, adjusted for inflation, there may be potential uncaptured sales to support as much as 458,000 square feet of retail and services or to support redevelopment of existing facilities along with infill or development of new space.

Employment in Shoreline















Current PSRC data shows that FIRE (Finance Insurance Real Estate), retail and government comprise the majority of employment in Shoreline. Current King County data indicate that there are approximately 9,800 private sector employees in Shoreline at a total of 1,134 businesses (see chart below and Census Tract map on following page).⁴ PSRC data list approximately 3,800 employees in Government/Education for all of 1999 for a total of over 13,000 jobs.

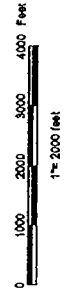


³ Triple net refers to a lease in which the tenant rather than the landlord pays all operating expenses of occupying a structure (such as property tax, utilities, etc.).

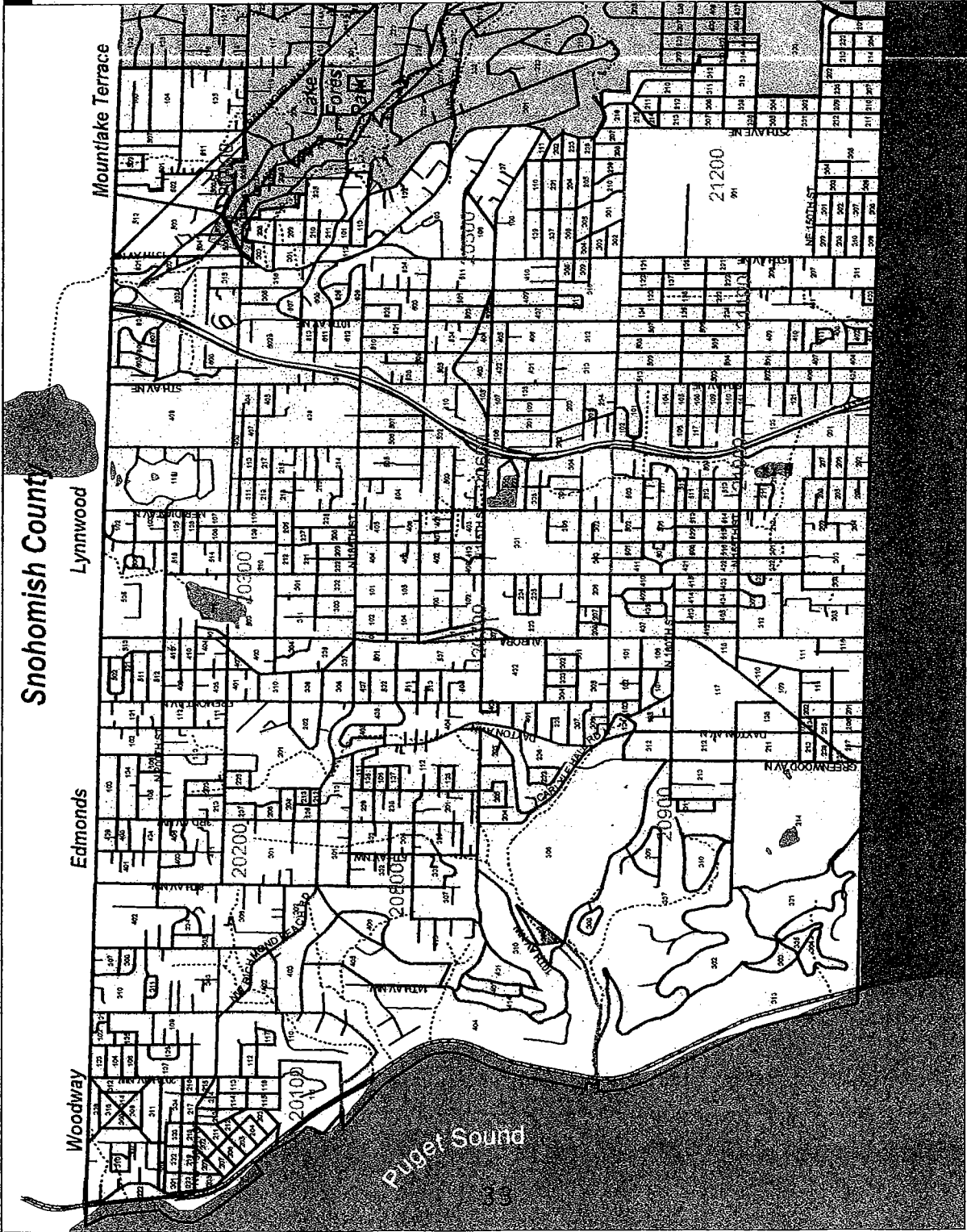
⁴ City of Shoreline Geographic Information Systems

Census TIGER/Line Geography, 1990

-  Shoreline City Limit
-  Water Body
-  Census Enumeration Areas for Year 1990
-  Block Boundary
-  Block Group Boundary
-  Census Tract Boundary
-  Census Place Code
-  Lake Forest Park
-  Seattle
-  Shoreline
-  Census TIGER/Line Features
-  Road
-  Rail
-  Hydrography

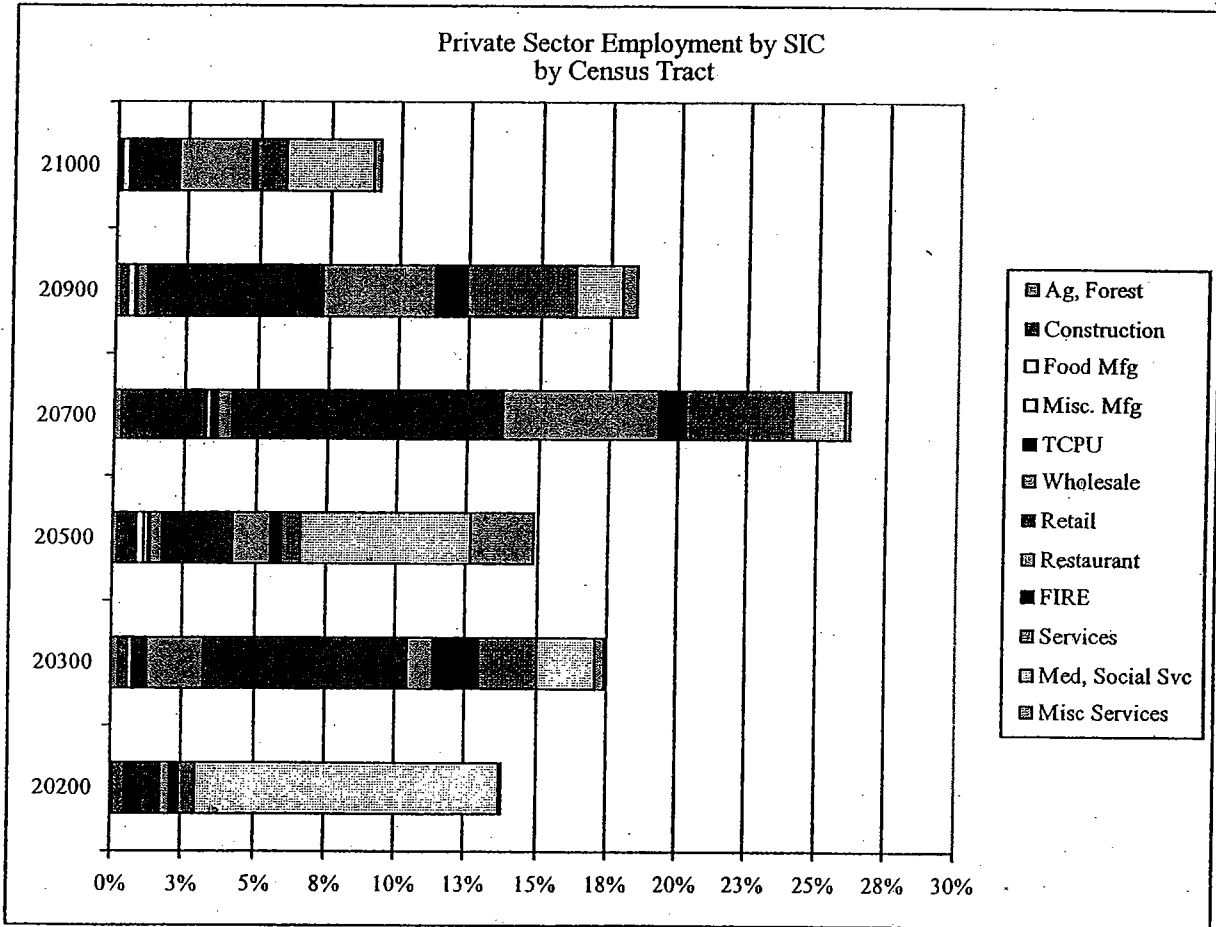


City of Shoreline GIS, Cassara, Ohio Photo.
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The largest center for private sector employment in Shoreline is Tract 20700 followed by 20900, 20300, 20500, 20200 and 21000.⁵

The breakdown of private sector employment for the high employment areas by classification is shown in the following chart. The largest employers in these areas are medical and other services, and retail uses including restaurants. This indicates that there is no single geographic concentration of aggregated financial businesses, the typical occupants of office space.⁶



As the inventory of commercial structures indicates⁷, there are no major private-sector office structures in Shoreline. At the same time, the high aggregation of businesses in the census tracts indicated above may provide amenities for future office workers. If one of the

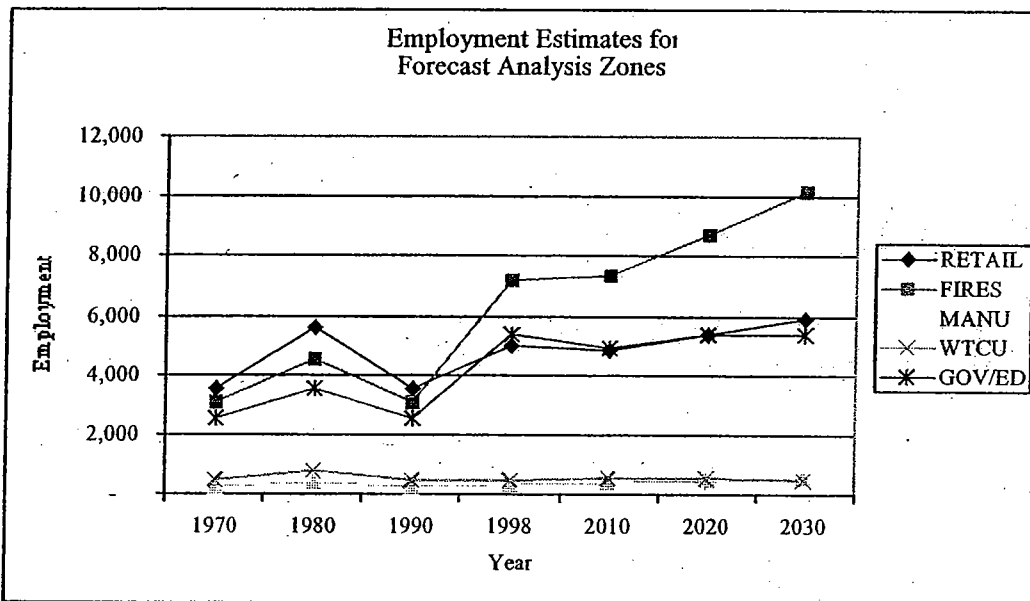
⁵ *ibid.*

⁶ Data provided by City of Shoreline GIS database.

⁷ Data from Shoreline GIS files was broken into residential and commercial inventories for analysis. A discussion of the inventories begins on page 13, Characteristics of Existing Commercial Land Use.

redevelopment goals is to capture future regional increases in office workers, the areas with amenities will become increasingly important as future areas for employment centers.

Employment is expected to remain at current levels for the short-term period. PSRC has revised employment estimates, taking the current economy into account and strong growth is not expected until after 2010. Most of the growth that is expected in Shoreline is within the FIRE sector, with small increases in retail and Government/Education.



Source: PSRC

Given the projected rise in FIRE employment, there may be potential in the longer term for the creation of an office district in association with retail and amenities. The suburbanization of office space is a long-term trend that has been taking place over the last three decades. This has not occurred in Shoreline despite the rising congestion and the heavy commuting between Shoreline and Seattle. A major reason for this may be that Shoreline, recently incorporated, may not have had the resources available to create the necessary environment for a suburban subcenter. The median commercial building in Shoreline is around 4,000 square feet, built somewhere between 1969 and 1975. For the needs of modern users these structures may be functionally and economically obsolete. As part of an economic development strategy, the planning of districts to allow modern structures with increased amenities may allow the future employment market to develop.

Characteristics of Existing Commercial Land-Use

There are 101 private sector office buildings in the City of Shoreline containing approximately 716,000 square feet of space. The median size of these buildings is 3840 square feet, and the average size is approximately 7000 square feet. The majority of this space was built between 1960 and 1979. Because of its small size, lack of local area network and wide area network wiring chases, outdated electrical and mechanical systems, and small floor plate, most of this space is functionally obsolete for the majority of modern office users. PSRC projections indicate a future need for office in Shoreline. Accommodating future employment will require the creation or redevelopment of office space.

Table 9: Private Sector Office Space

Total Square Feet	716,075
Median Square Feet	3,840
Average Square Feet	7,090
Number of Buildings	101

Source: City of Shoreline GIS

There are 23 medical/dental offices in the City of Shoreline containing 175,370 square feet of space. The median size of a medical/dental office is 4445 square feet, and the average size is 7600 square feet. This space is not aggregated in any single location, but is scattered on separate commercial sites in the City. There is a perception by local residents that there is a lack of medical and dental services in Shoreline. This perception may be the result of the scattered locations of current medical/dental office space.

Table 10: Medical/Dental Office Space

Total Square Feet	175,370
Median Square Feet	4,445
Average Square Feet	7,625
Number of Buildings	23

Source: City of Shoreline GIS

There is over 2.6 million square feet of retail space in the City of Shoreline. The largest uses are department stores and big box retail with over 1.5 million square feet. Services and entertainment use comprise only 5% of the retail space, while consumers in Shoreline spend almost 10% of their income on these items. The majority of retail space in Shoreline was built before 1970 and is over 30 years old. The average sales for all retail are in the range of \$135 per square foot. Given that sales data show that some businesses are doing very good sales and some businesses are not, and given the age of building stock, retail redevelopment may offer an opportunity for the City of Shoreline to capture more retail spending, bolster its local economy and create the amenities that can later support office development.

Table 11: Net Square Feet of Retail

	Net Square Feet	Pre-1950	1950 to 1970	1970 to 1990	Post 1990
Total	2,678,102	7%	51%	26%	17%
Grocery	445,148	1%	66%	31%	2%
Restaurant/Taverns	222,517	23%	24%	47%	6%
Misc. Retail and "Big Box"	1,559,231	6%	50%	19%	26%
Automotive	262,487	7%	50%	40%	3%
Services/Entertainment	133,952	11%	75%	12%	2%
Mixed Use Retail	54,767	8%	87%	4%	0%

Source: City of Shoreline GIS

Characteristics of Existing Housing

There are over 15,400 single-family units in Shoreline. The median value of single family units is approximately \$189,000. There are another 516 duplex and tri-plex units. The average value is approximately \$222,000, with values ranging from \$25,000 to over \$6.5 million.⁸ The average value of improvements is 158 percent of land value. Of all units, there are approximately 600 units on 283 acres of land with improvement values of less than 75 percent of land value, indicating parcels that may redevelop over time.⁹

Table 12: Single Family and Duplex Units

Total Units in Database	15,916
Total Value	\$ 3,528,215,329
Total Improvement Value	\$ 2,164,801,829
Improvement Value/SF	\$ 81.15
Total Value/SF	\$ 132.25
Median Lot Size Square Feet	8,280
Median Unit Age	45 years
Average Unit Square Feet	1,684
Average Unit Value	\$ 222,657
Median Unit Value	\$ 189,000

Source: City of Shoreline GIS, King County

There are approximately 4,900 apartment units in Shoreline. Current average rent for a unit is \$772 per month, compared to the King County average of \$840. Vacancy in Shoreline is equal to King County at 3.9 percent.¹⁰ The average development is a smaller project of 13 units at an average density of approximately 22.5 units per acre.

⁸ City of Shoreline GIS database

⁹ This trend of house replacement has already begun in some neighborhoods according to local residents.

¹⁰ Information on rent and vacancy is from the Dupre + Scott Apartment Vacancy Report, April 2001.

Table 13: Apartments in Shoreline

Total Apartments in Database	4,930
Average Units per Building	13
Average Units/Acre	22.5
Lowest Value Unit	\$ 32,895
Highest Value Unit	\$ 113,400

Source: City of Shoreline GIS, King County

Average value for all units is approximately \$57,000 per unit. Value varies by year built and the highest average value is for units built since 1990 (see Table 14: Apartment by Date Built). Average value for post-1990 units is approximately \$77,000 per unit. Average developed land cost for these units is approximately \$15,600 per unit. The majority of apartment units in Shoreline were built between 1970 and 1989 at lower density than other decades. Only three percent of units were built from 1990 to 2000.

Table 14: Apartments by Date Built

	Units	Percent	Average Value		
			per DU	per Square Foot	per Unit
Pre 70	1,902	39%	\$ 56,204	\$ 11.30	\$ 15,377
70 to 89	2,861	58%	\$ 56,652	\$ 6.52	\$ 15,509
90 plus	167	3%	\$ 77,060	\$ 10.90	\$ 15,589
All Apartments	4930	100%	\$ 57,326	\$ 7.64	\$ 15,471

Source: City of Shoreline GIS, King County

Regional Trends

Trends in Office

The late 1990's office market in the Puget Sound was buoyed by the phenomenal growth of the high-tech sector. Between July 1999 and July 2000, according to Marcus and Millichap, 85 percent of office leases were signed by companies in the high-tech sector. More than 8.6 million square feet of office were added in 1999, another 7.4 million square feet in 2000, and another 6.1 million square feet expected to be completed for 2001. Since year 2000, however, the high-tech sector has seen significant downsizing. This has resulted in sublease space being given back to owners, resulting in upward pressure on vacancy and downward pressure on rents. Vacancy in 2000 was approximately 4.1 percent, while in 2001 it is approaching 7.5 percent. Given rising vacancy, high construction costs and downward pressure on rents, it is expected that developers will wait to see how the local economy plays out before committing to new construction.

The north Seattle market has experienced a small rise in office from back-office users, FIRE and small high-tech tenants looking for lower rents and easier commutes, with construction in 2000 of approximately 1.2 million square feet. Over the long term this trend can be expected to

continue, but it is unclear whether there will be demand in the short term given that millions of square feet of subleases have become available from the failure of high-tech dot-coms.

Trends in Retail

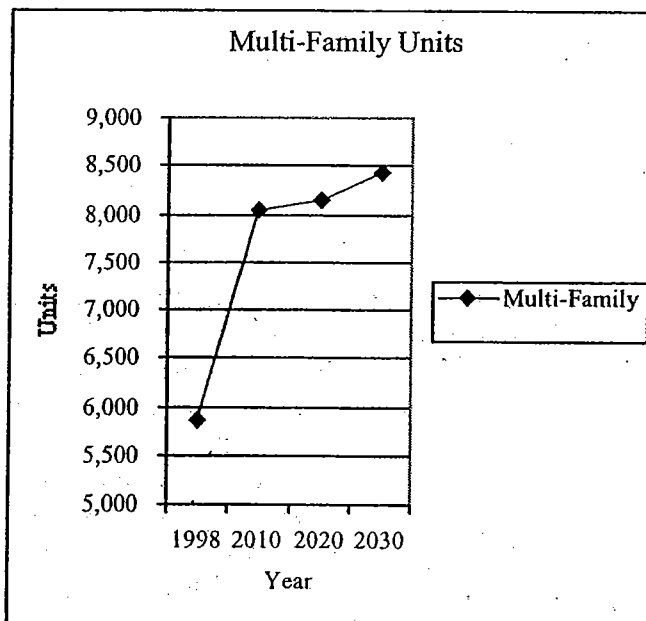
Despite employment losses in the high-tech sector (perhaps as many as 25,000 jobs from 2000 forward), households in the Puget Sound region have higher incomes than the national average and retail has remained stable. Rent growth is slightly higher than inflation even though approximately 3.33 million square feet of new retail was completed in 2000. In constant dollars, however, rent growth has declined slightly. Vacancy is expected to rise to approximately 5.7 percent for the region in 2001, still below the national average.

New retail construction is declining, with regional starts expected to total less than 2.1 million square feet, the lowest amount in the last three years. Retail sales have slowed since 1999 resulting in caution by lenders and investors. New anchorless centers and single tenant properties are expected to face more difficulty in financing than other retail types. Several big box categories such as Home Depot and movie theaters are considered overbuilt (see Table 9: Cinema Chain Performance Year 2000).

Retail rents for the region averaged \$20.30 triple net (without expenses included) in 2000. Rents in the Seattle CBD are as high as \$70 per square foot, while in Shoreline typical triple net rents are in the range of \$12 to \$16 per square foot

Trends in Housing

In King County the median house price has risen to approximately \$250,000, while nationally the median price is approximately \$139,000. The median house price rose over seven percent in 2000, but median income rose only four percent. The high price regionally for single-family units has produced a sustained demand for lower cost single family housing, apartment units and condominiums. While demand for apartments and condominiums is being strongly met in Seattle, new single family development has been pushed to suburban areas where prices are lower.



Multi-family construction in the region is expected to slow as investors evaluate the economy. New apartments opening in 1999 and 2000 came to almost 12,000 units with another 5,000 units expected this year. According to Dupre + Scott, more than 18,000 units are expected to be built regionally from 2000 to 2002 with over 4,000 in the planning phase that may be delayed depending upon the economic and financing climate.

The need for multi-family units in Shoreline is projected to rise by approximately 2,200 units by 2010.¹¹ This projection includes all structures with two or more units. The demand for these units is a result of the region-wide trend in house pricing growth outstripping income growth. Further, current rents in central Seattle for new apartments have risen over \$1.50 per square foot per month and unit prices for new condominiums are up to \$350 per square foot. Given the pricing and rents of center-city locations a migration of renters and condo buyers to suburban areas with amenities is likely.

National Trends

Current Trends in Office

One of the major trends of the last 15 years and has been the reversal of suburban and downtown office markets. Economic expansion in the late 1980's and early 1990's shifted office markets to suburban locations. Starting in 1996, suburban completion rates were more than twice those of downtown areas. Completion rates from 2000 to 2005 in downtowns are relatively stable between one and 1 1/2 percent, while the expected rate of completions for the suburban areas varies from 1 1/2 to 2 1/2% over the same time period. Since 1991, suburban office investment returns have matched or exceeded the returns for downtown office despite the fact the downtown rents are typically at a premium.

The move of office to the suburbs seeks to capitalize the cost of commute times by employees. This is offset by the advantages of information flow that result from aggregation near other businesses of the same type downtown. Businesses that innovate will tend to be near other businesses that innovate. For instance, high-tech businesses will cluster near other high-tech businesses in relatively close proximity. This can occur in either urban or suburban locations. The advantage for the suburban location is a lower housing cost and lower commute time.¹²

High-tech users have created much of the demand for office space in the Seattle area. According to the Urban Land Institute, the emergence of high-tech and its effect on all office users has resulted in different requirements for office than in the past. New office users need

¹¹ PSRC defines multifamily as "structures containing 2 or more units, as defined by the 1990 U.S. Census."

¹² U.S. Congress, Office of Technology Assessment, *The Technological Restructuring of Metropolitan America*, September 1995.

wiring and mechanical systems far more extensive than those found in older buildings, including:¹³

- wiring for local area networks,
- cable networks,
- satellite communications,
- wide area networks,
- high-quality electrical supplies with filtered current and surge protection, and
- enough electrical outlets to allow the free movement of partitions and office groups.

The need for flexibility and for extensive electrical system requirements applies to back-office uses as well as tech start-ups. Back office uses are the sort of administrative work necessary to keep a business running (including data processing and other operations functions) but not part of the functions of a headquarters office. Back-office processing of data and administrative work relies on electronic connections to distant headquarters. Suburban headquarter locations are also sometimes chosen by managing executives (Microsoft in Redmond for instance).¹⁴

The needs of modern users dictate either extensive renovation of existing space or development of new space. Typical floor plates to allow open offices start at 10,000 square feet of usable area and current standards for electrical and mechanical systems can make small high-quality projects more costly than medium size projects.¹⁵

Another aspect of the changing office market is that tenants are looking for nearby amenities. In its 1999 report on office trends, ULI noted that new office users wanted access to restaurants, cafes that may be open late, banks or ATM facilities, and an attractive location. For this reason, there have been developers successfully retrofitting suburban areas with new office in mixed-use projects that create a lively retail environment at the same time.¹⁶

Current Trends in Retail

The major national trends in retail over the last two decades have been a consolidation of retail businesses into large national chains that dominate their market niches, and the emerging dominance of discount retailers. These stores include niche outlets found in malls such as Gap stores, and general merchandise outlets (so called Big Box) such as WalMart.

¹³ Peiser, Richard, and Mouchly, Ehud. "The Impact of Technology," Urban Land Tech Trends Supplement, October 1999.

¹⁴ Another example is the choice of Sunto locate in Anacortes. A senior executive knew Anacortes and wanted a location on the water. Anacortes is a long way from Silicon Valley.

¹⁵ RS Means Cost Index, 2001

¹⁶ One such example is Bethesda Row in Bethesda, Maryland developed by Federal Realty Trust. It incorporates 110,000 square feet of office with 190,000 square feet of retail and 40,000 square feet of restaurant. The project is successful and has spurred similar development by Federal.

The International Council of Shopping Centers published a White Paper on retail trends regarding the consolidation of retail and its effects on developing and financing new projects. The central conclusions stated:

As fewer firms exercise increasing sales dominance within their respective store types:

- Developers will experience continuing challenges in striking new deals with leading retailers that are capturing increasing shares of their store types' sales.
- Investors will encounter sharp competition for those centers featuring leading sales producers within respective store types.
- Owners will experience a widening gap between investor and small tenant demand for centers featuring store sector leaders on the one hand, and centers that lack them, on the other. That is, pricing will experience continual divergence from the mean.
- Investors, owners and managers of shopping centers anchored by weaker anchor firms will face increasing challenges to their ability to create or maintain asset value.
- There will be an increased level of predictability of the future performance of centers since that performance will be determined by the profitability and sales success of relatively fewer firms in each of several store categories.
- Increased predictability of store and center performance will contribute to a reduction in the level of perceived risk associated with investment in well-anchored retail assets and should improve the value of those assets as well.

However. . .

- Increased predictability of center performance will come at a price -- an increasing sameness of tenancy from center to center.
- The pricing power that will accrue to the largest retailers will likely make it difficult for large numbers of new, small operators to take root and thrive, limiting the tenant mix diversity that developers, owners, investors and consumers indicate they want.
- Retail properties whose locations are so special that they can support a diversity of tenants that cannot thrive at typical or average locations will be particularly valued by investors.¹⁷

The consolidations and the dominance of discounters have had a profound effect on sales in other shopping formats. Discounters have captured a 26 percent share of General Merchandise, Furniture and Apparel (GAF) sales nationally.

As a result retailers are looking to new formulations for attracting customers. Among these are mixed-use projects, main street style projects and destination centers incorporating entertainment and evening hours uses. The goal for these new formats is to create a sense of place that people are encouraged to enjoy as they would a public amenity.

¹⁷ ICSC White Paper, "Retail Consolidation" June 1998

Entertainment/Lifestyle Centers have been emerging as one of the means for traditional retailers to compete with auto-oriented big box retailing. These centers act as destinations rather than as outlets, with amenities, cafes and public space that encourage patrons to linger. Typically, these centers rely on a multiplex cinema as one of the anchor tenants along with other evening uses.

Unfortunately, the theater industry has overbuilt, providing one screen per 7,000 persons nationally with over 37,000 screens.¹⁸ Over-building has caused theatre closings and bankruptcies (see *Table 15: Cinema Chain Performance Year 2000*). Regarding this, ICSC researcher Michael Tubridy states:

The NRB¹⁹ numbers must also be looked at in terms of what percentages they occupy of overall size cohorts. The 96 at-risk locations in neighborhood centers, for instance, constitute just a handful of the over 27,000 centers that comprise that group. On the other hand, the 242 at-risk locations in super-regional centers comprise over a third of all centers in that size group. However, as Loews' and General Cinema's averages for screen closings indicate, these locations are most likely smaller multiplexes that tend to be in-line and outparcel tenants rather than anchors.

Many theater industry observers expect the number of screens to continue to decline from its 1999 zenith. At the same time, the trend toward larger theater complexes is expected to remain at the current pace or even accelerate, as new projects already under construction open and as chains that have declared bankruptcy or reported losses shed obsolete locations. Finally, the impact of theater closings on shopping centers will have to be weighed in the context of chains' geographic concentration, and the size and relative importance of the theater complex to each center.²⁰

At present, financing for new theaters is difficult due to the state of the industry, but the combination of anchor theaters in an amenity driven retail complex is still seen as a potential means for creating destination retail centers.

The implications for retail in Shoreline are several. First, scattered, low amenity sites will have an increasingly difficult time competing. Second, to create more concentrated sites with amenities will require infill in low density locations and the creation of sufficient public amenity to make the trip and the location worthwhile and more pleasant than other competing centers.

¹⁸ ICSC, *Movie Theater Closings and Shopping Centers*, January 19 2001

¹⁹ NRB is the National Research Bureau, a national provider of retail statistics to the retail industry.

²⁰ ICSC, *Movie Theater Closings and Shopping Centers*, January 19 2001

Table 15: Cinema Chain Performance Year 2000

Cinema Chain	Units	Screens	States	Status
WestStar Cinemas	54	357	3	Filed Chapter 11
Silver Cinemas	84	N/A	17	Filed Chapter 11
Carmike Cinemas	390	2,559	35	As of 11/15/2000, had received approval from bankruptcy court to reject leases relating to 111 locations.
General Cinema	169	1,260	24	Filed for Chapter 11 on 10/11/2000; by end of month, had closed 53 theaters with 367 screens
United Artists	225	1,700	N/A	Filed for Chapter 11 on 9/5/2000; by this time, had already closed 340 screens in 2000.
Edwards Theatres	70	736	3	Filed for Chapter 11 on 8/23/2000; by end of that month, had closed 23 theaters.
AMC Entertainment	185	2,790	22	Report for 2nd quarter of fiscal year 2001 indicated that company had closed 149 underperforming screens within the quarter.
Regal Cinemas	N/A	4,472	N/A	Reported considering filing for Chapter 11; has been negotiating to pull out of some existing or planned South Florida locations; as early as 4/2000, had expected to close 500-700 theaters in one to three years.
Loews Cineplex	365	2,965	US, Canada, Europe, Asia	For nine-month period ending 11/30/2000, had disposed of or closed 34 locations with 164 screens; announced in January plans to shut 112 locations at 675 screens.

Source: International Council of Shopping Centers

Redevelopment Trends

Redevelopment of ailing commercial districts and city neighborhoods has been taking place across the nation. Redevelopment has proceeded through five strategies:

- the creation or enhancement of arts districts;
- the creation of housing in or near commercial areas;
- destination retail or “lifestyle centers;”
- new office and retail/mixed use districts; and
- new open space amenities.

In common with all of the strategies is the concept of “place making” or creating a critical mass of change that can alter local perceptions of the area to be redeveloped.

Arts Districts

The arts are now perceived to be a significant means for encouraging the public to visit and use peripheral businesses adjoining arts facilities. Some arts districts occur in areas with old existing buildings, such as obsolete warehouses that can offer artists studios at a cost low enough to encourage a critical number of studios and galleries. Major arts districts in large cities typically include at least four types of facilities: museums, galleries, symphony or opera performing arts venues and retail to appeal to visitors such as restaurants and cafes.

Arts districts can include many different functions from museums, galleries, theaters, small cinema's, and educational facilities, to building redevelopments for artists' lofts and live work units with studios on the first floor and living space on the second. Creating an arts district requires many of these uses in conjunction, and usually relies upon the renovation of old building stock including old warehouses, theaters, hotels and other buildings of architectural interest. While the City of Shoreline does not have a district in which this scale of redevelopment can be carried out, there are arts projects that have been successful in other cities on smaller scales. In Berkeley California, a new performing arts facility was combined with streetscape art installations and the redevelopment of City Hall. In Portland, a new building for art education is part of the on-going revitalization of the Pearl District

The reason for looking at the arts as a generator of economic potential is that arts districts draw people on a regular basis and provide foot traffic for local restaurants, cafes and retail businesses. In Denver, for instance, the city's cultural district drew 7.9 million visitors in 1997, more visitors than attended Broncos, Nuggets, Rockies, and Avalanche games combined. Arts facilities are seen as an amenity that enhances quality of life and yields a perception of quality to an area. The arts are also seen as an amenity that draws new residential and office development.

At the same time as yielding benefits, arts facilities and developments are rarely self sustaining, and usually require a variety of funding and equity sources to succeed including public funding, patrons or donors, and sometimes the use of sales taxes and local improvement districts to fund

improvements. Creating arts facilities requires a public commitment of funding that varies with the size of the proposed project. Live-work space, in particular has been successful in such diverse areas as Salt Lake City, Minneapolis and Little Rock Arkansas. Live-work and artist loft residential projects have been done at market return rates when returns were allowed to accrue over a longer term that could ensure project success.

Urban Housing

Addition of medium to high-density housing is an effective strategy for providing a base of consumer spending within walking distance of restaurants, retail and services. It is also used in combination with office and employment centers to provide units near work for residents, lowering commutes and producing efficient shared parking arrangements.

According to the American Housing Survey by the Bureau of the Census, urban housing is being purchased by upper-income households with fewer than two persons per household. These households are from 25 percent to over 40 percent seniors, and include a high percentage of households (as high as 50 percent) of females living alone. The majority of households are in the age range over 45, and are those who have built equity that allows the purchase of high quality units. This type of development is dependent upon high amenity value—people choose to be in the proximity of arts facilities, downtown retail and services, nearby work locations, an active entertainment district that includes restaurants, a walkable environment that has high levels of evening use, and access to transit.

The costs of urban housing are typically much higher than standard suburban development. In Portland, the pricing of urban housing starts at approximately \$240 per square foot. In Seattle, new urban housing is now selling for over \$300 per square foot. People are willing to pay these prices for the freedom and excitement of urban living. Shoreline does not have the environment to sustain this sort of housing currently. The Aurora corridor does not provide the amenities for which people trade larger, suburban style development. For development of this sort to occur will require a combination of the housing with an amenity-rich environment that has the critical mass to create its own ambience.

Destination Development (Lifestyle/Entertainment Centers)

Lifestyle centers are destination retail/entertainment developments that create a pedestrian environment reached primarily by automobile. They are a variation of a typical mall, but include entertainment uses to create an evening hours draw for customers. These centers range in size from 70,000 square feet to over 600,000 square feet. At the lower end of the scale, they include community amenities such as public plazas that are used for public functions including high school graduations and weddings. Larger developments typically have been using multiplex theaters as anchors along with nightclubs and restaurants. One developer has successfully incorporated a skateboard park into its design in order to capture a teen market with parents.

Lifestyle centers appear to be dependent upon strong retail spending demographics and appeal to the need for public facilities and gathering places. Some have been created as direct copies of urban main street scenes. Federal Realty is actively pursuing the creation of destination “Main Street” style development because of the perceived public interest in authentic²¹, public retail districts. These retail districts may be anchored by smaller versions of national chain stores but also contain local unique businesses such as those found in Shoreline. The inclusion of longstanding local businesses adds a quality to the retail mix that cannot be duplicated elsewhere.

Destination retail has been occurring in both cities and suburban locations. The more successful suburban development relies upon the creation of a sense of community, with attractive pedestrian ways, public space and plazas, outdoor café seating, distinct façade design for each storefront and a mix of local businesses and chain anchors. They have more restaurants than is typical, along with higher proportions of leisure activity retail such as bookstores, electronics and video and children’s stores such as the Disney Store.²² These developments have been done with and without structured parking. According to the Urban Land Institute, well-planned destination centers draw from a radius of 30 miles despite their small size, in comparison to the typical 15-mile market radius for a regional mall.

Financing for destination retail can be more complicated than a standard development because the projects themselves tend to involve higher up-front costs for infrastructure and amenities. Parking cost can be a particular problem. If structured parking becomes necessary to assure the ability to assure access to support sales and a wider choice of retail businesses at one location, costs can rise dramatically. As noted in the section on National Trends in Retail, in the short term movie theaters may be difficult to finance.

Parking is an issue for this type of development. Very large destination development in large cities rely in part on adjoining parking that is used by office workers during the day, and thus the project does not need to provide all of its parking as part of the development. Suburban locations do not have large off-site parking available and must either build large areas of surface parking or find a way to lessen the financial impact of structured parking through shared use, efficient design and sometimes public ownership or financing of the parking.

²¹ By “authentic” is meant a district that has public access and amenities as opposed to the closed commercial environment provided by malls.

²² Plaza Del Mar, In Del Mar California has approximately 70,000 square feet of retail over structured parking. The project is located along State Highway 1. The center of the development is a platform that is used as a pedestrian plaza. It was so successful that the developer sold a one-third share three years after development for more than his initial equity in the entire project.

New Office and Retail/Mixed Use Districts

Office/Commercial

Office development has been used in conjunction with all the types of redevelopment outlined. As noted in the section on office trends, new office users are looking for amenities along with an aggregation of businesses of their type. It is primarily used as a component of mixed-use retail projects, but is a vital part of the mix. Retail can only occupy ground floor space, so office helps to intensify land-use and economic feasibility by making upper floors useful. At the same time, office development can be balanced with what is termed "24-hour" uses (movie theaters, restaurants, late-night cafes, shops and bookstores with long hours) because the parking can be shared after office tenants leave for the day.

Retail Mixed Use

Mixed Use Development

Mixed-use development is the juxtaposition of different land uses in a single building or on a single site in a way that is hoped to be mutually beneficial to each use, and to the surrounding community. Mixed-use can be horizontal or vertical. Horizontal mixed use is the combination of different uses next to each other. Vertical mixed-use is the combination of uses within single structures. Mixed-use projects need not be high-rise development, and can be accomplished at scales appropriate to the contexts.

Many mixed-use projects combine residential with retail or employment uses. The factors that drive residential mixed use are proximity to amenities and convenience in commuting and access to services. As residential density rises, residents trade private outdoor space for public amenities such as restaurants, retail and services and employment within walking distance. Amenities make the residential units easier to rent or sell, and the proximity of customers supports the commercial, retail and services. The additional local retail and services can be a benefit to the surrounding neighborhoods.

Nationally, mixed-use development has had a mixed history over the last 20 years. In the 1980's, because of a series of tax changes and relaxed lender fiduciary requirements, a number of projects were built without adequate market and financial due diligence. One result of this was termed the "savings and loan scandal." Another was that poorly conceived mixed-use projects assembled one of the worst financial track records of the 1980's. During the last decade, however, many successful mixed-use projects have been built. The lessons from these projects indicate some fundamental steps in the conceptualizing and building of mixed-use development.

Successful mixed use depends on development team experience and financial capability, careful market assessment of each product, realistic financial assessment during the project concept

phase, a supportive regulatory environment, and a supportive neighborhood. A development team with experience is crucial for success. Vertical mixed use is more difficult to accomplish than horizontal mixed use. Mixed-use offers complications with (among other things):

- parking sharing between residents and commercial tenants;
- expensive fire separations between use types;
- more stringent fire safety requirements than single-use structures;
- costly duplication of vertical circulation (elevators and fire stairs) and building access;
- more complicated (and expensive) utility infrastructure;
- more regulatory oversight and approvals;
- more complicated legal structure for ownership;
- more complicated financial packaging to gain financing;
- more expensive and complicated appraisal process; and often,
- land assembly

In addition, most successful developers focus on single products such as residential, retail or office and sometimes know little about the specific factors for success required to produce other products.

For all these reasons, mixed use requires experienced designers who know how to solve the technical problems and developers who have refined their product mix and market strategy to respond to market and financial realities. Post Properties of Atlanta, for instance, is a state-of-the-art mixed-use apartment developer. They have reworked their designs over a series of projects and concentrate on a particular demographic niche and inner city locations with very specific amenities (pedestrian environment, restaurants, nightlife, and cultural activities). Others, such as Pacific Harbor Capital in Portland, Oregon, concentrate on horizontal mixed-use projects with tax credit financing for low-income families and seniors. Each of these companies is expert at their market niche.

Realistic financial assessment is key to success. Many in the past believed that mixed use would confer value without increased cost. It has become clear, however, that the increased values of mixed use come at a price. Each individual part of a mixed-use project must make financial sense by itself without regard to the rest of the project. Plans to subsidize retail with high-end housing, for instance, rarely result in a successful retail project. Nor will the presence of retail make standard units worth more per square foot than similar surrounding projects without the retail. Using rule-of-thumb cost guides for planning can lead to underestimating costs because mixed use is more complicated (see the list on the previous page).

It is critical that the program for mixed use and mixed-use zone requirements address market realities. Each element of a mixed-use project must make sense on its own. Retail use in particular must have the same rules applied in mixed use as in stand-alone retail locations. The population of the housing component of a vertically mixed-use project is rarely sufficient to support the amount of retail that can be positioned on the ground floor. For this reason

standard retail guides such as surrounding population density and income must be examined before zoning an entire area for mixed use in a way that demands retail in all structures.

Finally, a supportive regulatory environment must be in place for mixed use to succeed. The key element is flexibility that allows developers to respond to the market while maintaining the intent of mixed use: to produce a high-amenity, livable urban environment.²³ Part of that environment of livability is maintained through careful physical design to achieve compatibility with established neighborhoods, and to mitigate the effects of a higher intensity of development. Successful regulation balances project specific needs with mitigation of potential impacts to existing neighborhoods.

Retail development in mixed use requires an adequate number of households in the surrounding area. The residential density needed for retail is based upon the typical market area, the need for the specific retail item, the typical shopping patterns associated with it and the industry standards for operating that type of business (see Appendix III: Retail Markets and Mixed Use).

Corridors

A typical mixed-use type is the development of higher intensity development along well-used traffic corridors. Automobile and foot traffic are the life-blood of retail and the combination of housing and retail along highly traveled corridors can help to create a market for retail and services. A good main street will have 8,000 to 20,000 or more trips per day combined with pedestrian amenities and enough residential development within a quarter-mile radius to allow for high foot traffic near businesses.

Successful main street commercial areas tend to:

- be no longer than 800 to 1,200 linear feet (a reasonable walking distance);
- have reasonable crossing distances for pedestrians (usually not more than 60 feet)
- have retail on both sides of the street;
- have enough housing within less than a five minute drive to yield up to 60 percent of the needed support for retail and services;
- have continuous building frontage without breaks for large parking lots or drive-through facilities; and
- have a mix of retail and services that foster activity at night as well as during the day.

²³ A case study of how zoning can fail to achieve this goal is the Belmont corridor in Portland, Oregon. The Portland Planning Bureau zoned the Belmont corridor as mixed use with the requirement that all building renovations include equal amounts of retail and housing. This single requirement prevented commercial building owners from rehabilitating old structures because of cost. At the same time, it put a damper on residential development because of the lack of vital retail and services available. The owners and neighborhood residents petitioned to have the requirements changed and were successful in gaining flexibility that eliminated a one-to-one ratio of residential to commercial space. As a result, new projects have been built, buildings have been renovated and the neighborhood has become one of the more desirable and lively areas in the city.

Main street style mixed use along corridors offers the opportunity to provide a transition between busy streets and less dense neighborhoods adjoining them. Mixed-use development where retail, office and housing are combined either vertically or horizontally is feasible where there is a market for retail and an unsatisfied demand for moderate density units or multi-family units. Mixed-use development on corridors offers the opportunity to create student housing and associated services without disrupting the fabric of local neighborhoods. It can also offer an opportunity to create ownership opportunities for one and two person households at moderate pricing.

Development size at a minimum needs to be in the range 20,000 square feet to be able to accommodate parking, loading and services (garbage etc.). Smaller sites can be developed if alleys are present for the service functions. Ideally, corridor planning will focus on the creation of high-quality sections of 800 to 1200 feet in length rather than trying to mandate change for an entire corridor miles in length. Retail should only be a requirement where there are sufficient auto trips by the site (a range of 8,000 to 20,000 trips per day are needed for a main street situation) and there is or will be adequate surrounding residential development.

Existing Neighborhood Centers

Mixed-use infill can be used to enhance existing neighborhood centers or to create new centers in under-served areas. Neighborhood centers are very dependent upon the residential development of the surrounding area for support. North City is one such center in Shoreline. National retail trends make clear the fact that places with a unique identity are sought out by shoppers and investors. During the continuing process being undertaken by the City, individual locations will be examined for their potential as neighborhood centers, but we can already project that there is potential for this style of development.

A typical neighborhood center includes grocery and local-serving retail with services. Neighborhood centers are usually smaller than 100,000 square feet in size, and sometimes are often as small as 20,000 to 30,000 square feet with grocery stores of 12,000 to 25,000 square feet. Because modern grocery stores typically start at a minimum of 40,000 square feet (for grocery only), it has become more difficult to locate a local-serving grocery store. A modern store may require more than \$14,000,000 in sales annually, or the support of 3,500 households within its local trade area.

One solution to this dilemma is the creation of markets with smaller individual businesses under one roof, including produce, meat and fish, bakery, beer and wine, delicatessen with cheese and other processed foods. Another possibility for grocery is the small discount grocery chain format, discussed previously, being pioneered by Associated Wholesale Grocers. A third option is the niche occupied by "natural" groceries which tend to occupy smaller (25,000 square feet) locations.

Retail Markets and Place-Making

While retail is classed as a single category of real estate, it includes a wide variety of different businesses with different requirements and different users. Retail runs the range from satisfying everyday needs (like grocery stores) to providing specialized navigation supplies for aviators. What makes them similar is that they use space to make sales to retail consumers.

Some very basic questions occur when assessing retail markets: how many people need what is being sold, how often do they need it, and how far do they have to go to get it. People need groceries often, while appliances are needed only once in a very long time (depending on how reliable the machine is, of course). Stores with goods that require lots of visits annually are called “high-frequency” uses; others, such as appliance stores have fewer visits and are considered “low-frequency” uses. As the frequency goes down, typically, there are fewer shops, i.e. there are more grocery stores than appliance stores for a given market.

On the other hand, as frequency goes down the market area gets larger because people are willing to travel for infrequent expensive purchases (a new set of living room furniture), but not for frequent low-value purchases (a quart of milk). For this reason, high-frequency uses tend to be distributed across the landscape to capture small local markets while low-frequency businesses will locate in a few locations with good access to the larger market area.²⁴ Most retail businesses fall somewhere between these two extremes.

Another basic question when assessing retail is how to get people to come to your business (market capture). One answer is value versus time. The shop with the highest perceived value given for the amount of time spent getting it will out-compete other locations. This phenomenon is manifested in two ways in retail location. First, a site with fast access to the most people will be preferred over a site with poorer access. For very high frequency shopping trips this means the closest or the most convenient shop to the consumer is likely to gain the sales—this is the retail strategy of convenience markets, where price of goods is a secondary consideration.

Second, the site that offers the highest number of benefits to the consumer on each trip will be preferred to sites that offer less. In other words, if a consumer can satisfy many needs with one trip, even if the trip is longer, the consumer will make the trip because the “utility” of the experience is perceived to be higher. This is the strategy pursued by a regional mall that includes a wide variety of shops as well as food and entertainment in order to increase the perceived benefit to the consumer for the sunk cost of the trip. Another example of this utility is when the quality, type of goods, or pricing is simply unavailable elsewhere, thus making the perceived value of the goods or experience more important than the cost of getting there. An example of this is a high-quality restaurant that may be located in an out-of-the-way place but still attracts customers from miles away.

²⁴ The result is that one city may have virtually all of the appliance stores for a very large region because the aggregation increases utility (allows comparison shopping for those from communities too small to support the same scale of business activity).

In planning new development or redevelopment, it is important to understand the effect of these principles on retail location. The differentiation is between places that act as destinations and businesses that fulfill basic needs but are not particularly special. Attractive main streets with many shops can act as destinations to attract customers from a wider area than single businesses because the main street has higher utility for the customer. Small retail and service shops with no particular specialty (such as a dry cleaner) will tend to draw only from a local area unless there happens to be convenient access for large amounts of traffic, a situation which can help increase capture. Thus in creating a new project, a developer will want either a strong local market to support the shops (i.e. lots of local consumer spending), or access to a wider market through aggregation near other shops, and access to high traffic flows. If possible, a developer would prefer to have all of these site characteristics.

In practice this means that requirements for businesses vary immensely depending on the type of business, the size of market area, and the local demographics of income and spending.²⁵ Standard grocery stores tend to draw the majority of their customers from a radius of about five to ten minutes driving time. Convenience markets tend to locate near arterials to increase capture because their strategy is about capture through speed of access. Sandwich shops will locate near high concentrations of workers. Major appliance stores tend to locate in low-cost space that allows the storage of inventory, but which also has arterial access to highways for out of town shoppers. Dry cleaners will tend to locate where it is possible to have a morning commute drop-off by customers. Destination restaurants tend to locate in areas that have attributes that seem to make the trip worthwhile such as scenery, or neighborhood ambience, and local markets may not matter at all.²⁶

The actual criteria used by businesses in siting new retail locations are too varied to list, and change periodically with changes in taste and public acceptance of retail formats. The upshot of this for redevelopment, main street development or mixed-use development is that it must conform to the retail marketing rules of the moment (at least to some extent) in order to attract and sustain retail tenants.

Destination mixed-use projects appear to have a minimum of around 70,000 square feet of retail, roughly the size of a community center, but heavily weighted toward "entertainment" uses such as restaurants, nightlife and creative retailers that may draw from as far away as 30 miles. An authentic main street with historic and cultural attractions may draw from an even wider area because it acts in part as a tourism destination. Small projects that are primarily residential tend to have local-serving retail dependent on a market within walking distance.

Mixed-use projects can offer great benefits in the provision of liveliness for pedestrians and better, more easily accessible services for local residents. Because of the varied requirements

²⁵ For information on specific business types, there are a variety of sources including the International Council of Shopping Centers, Urban Land Institute, and a variety of trade organizations and publications.

²⁶ Note that this does not necessarily mean elegant ambience. A very popular restaurant in Portland, Oregon is located under a bridge in an industrial district and was extremely popular with the twenty-something and college crowds because of its urban-industrial feel.

for retail success, however, insisting on a uniform retail mix for mixed-use projects can result in unsuccessful projects or can raise developer risk to the level where projects will not be undertaken. A mixed-use strategy that recognizes these limitations will result in stronger projects and better retail and services for residents.

Open Space Improvements

New park and open space amenities can help act as a catalyst for positive change in urban environments. A historical example is Central Park in New York City where real estate values in the area around the park increased by nine times after its construction. Parks and open space also act as a magnet for visitors and increase positive perceptions of the urban areas in which they are located. Large developers such as the Rouse Corporation have successfully included greenspace in their developments to encourage visits and increase foot traffic.

The economic benefit of open space on property values lies behind such residential development strategies as the golf-course housing development. The effect of the open space is called an "externality." An externality is an effect that a particular land use has upon its surroundings. A negative externality is one where an undesirable land use lowers the value of adjoining properties (the classic example in zoning law is a pig farm). Well-conceived parks and open space tend to be a positive externality and confer value on the properties surrounding them. Proximity to attractive natural features and views is acknowledged as a factor in the value of housing units, as can be seen in the areas of Shoreline adjoining Puget Sound.

Shoreline has some extremely beautiful parks in its neighborhoods and relatively little open space adjoining the Aurora Corridor. Plans for the Inter-urban Trail will change this picture. If there is an opportunity to create settings along the trail for open space, coordinated with business concentrations, the trail could provide a very positive enhancement to the city and the quality of life for residents, businesses and visitors.

Strategy Implications

Shoreline developed historically at a series of nodes and filled in the areas in between these centers over time with residential development. The area was considered part of north Seattle, and relied upon Seattle for many civic amenities such as performing arts, museums, restaurants, and shopping. As a result, there is no typical center or downtown in Shoreline. At Richmond Beach, development occurred around access from the water. Development took place along the Aurora highway, and with the advent of the Inter-urban Railway. North City developed as a neighborhood center serving the growing residential neighborhoods.

This historic pattern resulted in the establishment of a number of small local businesses serving local markets, regional and local-serving auto-oriented businesses along Aurora, and two larger centers at Aurora Square and Aurora Village. The local businesses are highly valued by the community and the auto-oriented businesses along Aurora are vital to the tax base of the city.

At the same time, there is a stated desire by the citizens of Shoreline for greater choice in retail and services and an enhancement of the environment in which these activities take place.

The desires of the community and the economic and trend information collected suggest a series of strategic planning initiatives that can be undertaken to achieve the goals cited in the Economic Development Program. Among the strategies for fostering continued vitality for Shoreline's business community are:

- Enhancement of Existing Centers
- Aggregation of businesses
- Introduction of higher residential density near retail and services
- City assistance with the creation of affordable retail and services space
- Active recruitment of missing retail sectors in redevelopment efforts
- A long-term strategy for the location of employment centers
- Coordination of open space with retail centers and neighborhood centers
- A long-term strategy for resolving parking issues
- Zoning and regulation that supports existing centers

Enhancement of Existing Centers

Shoreline has existing centers of activity that can be enhanced. Existing centers do not require rezoning or the same level of environmental review that greenfield development requires. At the same time, existing centers may not be as attractive to developers as greenfield development because of fragmented land ownership and existing site constraints. The advantages for the city are that re-use of the existing urban fabric, if carefully planned, can create better commercial and residential opportunities while preserving neighborhoods. An example of this approach is the collaboration of the City and local businesses in planning for the future of the North City area. Existing centers are there as a response to market forces and enhancing them allows small businesses entry into these market areas at lower risk than creating new development. The scale of these efforts is smaller and tends to be incremental allowing participation by local developers and land-owners.

Aggregation of Businesses

As a part of enhancing existing centers, aggregation of businesses is necessary for the creation of vital retail and services. The current pattern for business location is a direct result of historical development patterns and zoning regulations. Pre-City incorporation zoning and planning made it necessary for each business to have on-site surface parking taking up as much as 80 percent of the land area of a site. As a result, it is possible to have only a few businesses in hundreds of feet of street length. When this pattern exists it forces patrons into their cars after visiting an individual business, rather than making one stop for multiple businesses.

Aggregation of businesses into higher density on individual sites raises land values for existing owners and increases foot traffic to individual businesses. In order to accomplish the aggregation of businesses, issues of parking, land assembly, surrounding residential density and the affordability of redevelopment need to be addressed.

One of the typical means for encouraging aggregation is the creation by a municipality of consolidated parking convenient to commercial sites along with a consequent relaxation of parking standards in the zoning code. Consolidated parking allows property owners to build at higher floor area ratios. It also allows higher intensity redevelopment to occur at significantly lower cost because it obviates the need for expensive parking structures. As an example, the Central Subarea Planning Study has recommended the creation of parking on the City Light right of way to serve the "wedge" of property at Aurora and 175th Street (the location of Exotic Meats and other businesses). By providing a convenient, accessible parking area, the wedge site can redevelop with the addition of pedestrian amenities and infill businesses. As shown in the planning, increases viability for existing business, and provides reasonably priced space for new or existing local businesses.

Introduction of Higher Residential Density Near Retail And Services

Retail and services depend on the proximity of customers. An increase in surrounding density to only 16 units per acre is sufficient to provide around \$280,000 per acre (at current average income in Shoreline) in consumer spending. If this density were achieved for a quarter-mile walking distance around a center (approximately 126 acres), it could yield as much as \$35.6 million in consumer spending. At sales of \$350 per square foot, this spending could support over 100,000 square feet of retail and services with less parking demand than auto-oriented sites.

The effect of moderate density adjoining retail centers is an increase in the viability of restaurants, entertainment and other uses open at night. When more people are walking on a commercial street it is perceived as safe, and allows for longer business hours and better retail capture of local spending. Environments that are lively also act as a draw, thus increasing the base of customers for local businesses.

To put this density in context, Seattle currently has residential development with net densities higher than 120 units per acre. To achieve 16 units per gross acre requires individual site development at approximately 22 units per acre. At this density, the residential development would be self-parking without parking structures, and fits within current development types seen already in Shoreline. This development type is feasible at costs that will allow the creation of rental units and addresses the long term need for multi-family units projected by PSRC.

Mixed-use residential development on selected sites may be possible for the City of Shoreline. Examples of such development have been presented in the North City Subarea Plan and in the Central Subarea Planning Study. Such development may not be immediately feasible, but is possible as a longer term planning goal.

Mixed-use at densities over 35 units per acre will require structured parking. Structured parking currently adds a cost premium of between \$15,000 to \$30,000 per unit depending on parking ratios. Thus this form of development tends to be for-sale units owned by upper-income households over age 45 of two persons or fewer. As pointed out in the section on demographics, there is an opportunity for urban housing if the level of public and private amenities can be provided to meet the expectations and needs of these buyers.

Creation of Affordable Retail and Services Space

The creation of affordable retail and services space is critical for four reasons. First, it will allow local small businesses to remain in the City and prosper here. Second, as noted in the section on national retail trends, it is the ability to keep unique local businesses that helps to create authentic shopping districts supported by the community. Third, the unique character of local businesses when aggregated into destinations results in higher sales for all of the businesses concerned. Finally, quality affordable space leaves room for the growth of local entrepreneurial effort that will generate the businesses of the future for local residents.

A number of means for creating affordable space are available:

- Planning for shared parking by careful juxtaposition of land uses;
- Provision of public improvements and off-site development costs perhaps including parking;
- Programs to provide below market financing for improvements and redevelopment;
- Design assistance;
- Building and site design and density standards that allow modest structures while maintaining high quality;
- Streamlined Environmental Impact Assessment and permit approvals; and,
- Planning that indicates opportunity sites for such development.

Active Recruitment of Missing Retail Sectors in Redevelopment Efforts

In its current planning for the redevelopment of the Westminster-Aurora Square area the City is working with the property owners to find a way to enhance the retail environment and create a greater asset for the community. The results of this study will enable the City to talk with prospective development partners about the retail potential for this site. Among the possibilities are apparel and entertainment because Shoreline is spending all but a few percent of its dollars for these items outside the City.

In order to pursue active recruitment of these missing retail sectors, the City needs to work cooperatively with property owners and will need to periodically perform assessments of retail spending and retail space in the City. The City possesses a geographic database that allows an assessment of building inventory for all commercial types and has access to Department of Revenue sales figures for retail sales. By offering this information to property owners and

prospective developers and retail tenants, the City can help to recruit business for the sectors of the retail and services market that are under-served.

An aspect of recruitment is the creation of a database (possibly a web site?) that is accessible readily to update the Chamber of Commerce and local businesses on changes in demographics, income, spending, building inventory and new construction (including redevelopment), long-term trends, and on-going City initiatives to assist in the creation of a vital environment for business. This is an effort that could be undertaken by the Economic Development Coordinator and is equivalent to the materials a commercial broker would prepare in marketing a property.

A Long-term Strategy for the Location of Employment Centers

The City of Shoreline has a lack of available land for creating new employment centers. The existing area of commercially zoned land on Aurora is mostly shallow in depth and adjoins vital residential neighborhoods that cannot easily be rezoned for commercial (the existing residential also would cost too much to assemble to allow feasibility for redevelopment). There are, however, opportunity sites that can be expected to become available for redevelopment at some point in the future. Several have been identified in current planning studies, including the post office site at 175th and 15th, the Fred Meyer site on Aurora, the current City Hall Annex site, and the QFC Site on Midvale.

According to PSRC, growth in office employment (FIRE) is expected to be approximately 2,800 employees by 2010. While current economic and world events are likely to delay these projections, planning for potential employment centers at opportunity sites will allow the City to be ready to meet future demand. Office space per employee has been declining over the last decade, and is now, according to Torto Wheaton real estate research, at approximately 200 square feet per employee. Thus, 2,800 employees would require 560,000 square feet of space.

As noted earlier in the section on the Characteristics of Commercial Land-Use, there is no available space in Shoreline to satisfy this demand. This amount of space could be provided in nine six-story buildings with floor plates of approximately 10,000 square feet, with 1,680 parking spaces (at 3 spaces per gross thousand square feet). If two level freestanding parking were provided the site area for such development would require around nine to ten acres. Office development can be combined successfully with other forms of development because the parking spaces are empty at night allowing use for residential, entertainment and restaurant parking.

Coordination of Open Space with Retail Centers and Neighborhood Centers

The provision of open space can have a profound effect on the perception of a city. The City of Shoreline is already pursuing the improvements of the Interurban Trail through the Aurora corridor and this has the potential to create a more favorable impression of the City and raise the quality of life for residents. If coordinated carefully with the planning for opportunity sites

along Aurora, this open space amenity can also help business by creating accessible public space that will draw residents and visitors to the area.

A Long-term Strategy for Resolving Parking Issues

One of the most difficult issues for any development is the provision of parking. Parking is required to achieve financing, and it must be in some way guaranteed. It need not, however, be on site for each and every parcel.²⁷ A parking program cooperatively undertaken with local landowners will allow the development of higher intensity land use instead of the typical suburban floor area ratios that use 80 percent of each site for autos.

Parking can be accomplished by a variety of means such as:

- Consolidation of parcels to allow a central lot. This requires willing participation of property owners.
- City construction of parking structures at key locations
- City participation on private sites where the City retains rights of ownership and use proportionate to its participation
- City creation of improvement districts to fund common parking.

Zoning And Regulation That Supports Existing Centers

All of the strategies discussed above require flexibility in zoning and land-use regulation. For economic reasons, zoning must also perform a role of limiting commercial development to those areas where it will provide the most benefit. In revitalizing existing areas it is critical that the opportunities for development be limited to prevent development that will dilute or remove the market for the targeted areas (such as allowing rezoning at freeway exits for hotels and large-scale developments).

The City of Shoreline is currently following zoning policies that reflect this economic understanding. These policies include expedited approvals, EIS approvals for conforming development, and subarea plans that are coordinated with residents and businesses to assist in development.

Implementation

Implementation relies upon finding funding sources for development and redevelopment. There are methods for financing improvements that are under local or regional control and others that rely upon national legislation and implementation. A variety of funding programs are available for economic development, including:

²⁷ The City of Portland has an extensive downtown parking infrastructure that helps to support small businesses on small sites that have no individual parking. As a consultant to the Portland Development Commission, I can report that the city parking structures turn a profit while offering parking at a rate discounted from the cost of street parking meters.

- Tax-increment financing based on property tax and on sales tax;
- Active cooperation with local banks and financial institutions to secure Community Re-investment Act Funding;
- Transit-oriented tax abatement (enabled by the State of Washington);
- Façade renovation program grants and loans based on Community Development Block Grant funding;
- HUD 108 financing for job creation;
- Housing tax credits for affordable housing and senior housing;
- Historic preservation tax credits
- Targeted use of infrastructure improvements to support development
- Local improvement districts

Planning initiatives that can assist in implementation include:

- Identification of development opportunities at centers and plan for redevelopment
- Coordinate development reviews and streamline permit and approvals processes
- Create a structure for on-going coordination of planning with the business community, especially for planning in individual districts
- Continue the Subarea Plan process to ensure the vitality of other centers
- Preparation of materials from the City geographic information system to inform the development process