

# CHAPTER 3

## COMMERCIAL DEVELOPMENT POTENTIAL

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The following chapter identifies development potential for commercial office, retail and industrial uses within the City of Mountlake Terrace. The analysis is based on the current regional and local real estate market trends, employment forecasts, retail sales activity, and land use and availability within the community.

### I. COMMERCIAL OFFICE MARKET

#### A. Overview of Existing and Planned Development

The Snohomish County office market comprises a relatively small share (4.4%) of the regional, Puget Sound market. Vacancy rates were 7.06% during the third quarter of 1998 compared with 4.4% within the region. In the Mountlake Terrace submarket during the same period, the vacancy rate was considerably lower at 2.6%.

The commercial office market in Mountlake Terrace is dominated by several large developments in the northwest quadrant of the City, west of I-5, and in Gateway Place, east of I-5 and north of 244<sup>th</sup> Street SW. Developments in these areas include Hall Creek Business Center, 220<sup>th</sup> Business Center, Nelson Business Park, Premera Blue Cross campus, and the Safeco Insurance offices in Gateway Place. Office development ranges in size from approximately 20,000 square feet to 60,000 square feet. Median size is approximately 25,000 square feet.

Smaller office uses are located along 56<sup>th</sup> Avenue West, 228<sup>th</sup> Street SW, Cedar Way and 212<sup>th</sup> Street SW. Uses in these areas include law offices, medical and dental offices, and other professional services. Office uses range in size from approximately 850 square feet to 9,000 square feet. Median size is approximately 1,250 square feet.

Nearly 330,000 square feet of new Class A commercial office space and 143,000 square feet of associated parking is planned or under construction within the City of Mountlake Terrace. Developments include:

- ◆ Construction of the 7-story Mountlake Terrace Corporate Center, including 119,536 square feet of offices and 100,504 square feet of parking at 6100 219<sup>th</sup> Street SW;
- ◆ Construction of a 180,000 square foot, 6-story office building and 30,650 square foot parking garage at 6019 244<sup>th</sup> Street SW (Gateway Place);
- ◆ Construction of a 1,600 square foot bank and 6,700 square foot retail space at Cedar Plaza, located at 22807 44<sup>th</sup> Avenue W and 4306 228<sup>th</sup> Street SW, respectively; and

- ◆ Construction of the three-story, 31,709 square foot 220<sup>th</sup> Street Office Building and associated 11,920 square foot underground parking at 6808 220<sup>th</sup> Street SW.

Developments proposed for neighboring communities include approximately 81,000 square feet of office and high-tech office space in Bothell, 5,000 square feet of medical office space in Edmonds, and 41,400 square feet of bank and general office space in Lynnwood. Bothell has lead the area in high-tech office development, primarily at Canyon Park.

Asking lease rates within Mountlake Terrace vary by class of space and are generally comparable to rates elsewhere within Snohomish County. Office lease rates for Class B and C space typically range from \$12-\$17/square foot/year in the area. The asking rate for new Class A office space is \$22.50/square foot/year.

## **B. Development Potential**

In general, population and employment growth targeted for Mountlake Terrace and the surrounding area will generate demand for additional housing and commercial space as well as recreation and entertainment uses. However, because Mountlake Terrace is part of a regional market and metropolitan area, demand generated in the City does not automatically relate to new building in the community; it can be and has been satisfied elsewhere. The same can be said for neighboring cities and Mountlake Terrace has an opportunity to provide the goods and services for demand they generate.

Population growth implies more spending power of residents and a greater need for goods and services. Increased employment in service industries, retail trade and FIRE (finance, insurance and real estate) will generate demand for new commercial retail and office space. Growth in wholesale trade, TCU (transportation, communication and utilities), manufacturing, processing, distribution and related businesses will generate additional demand for industrially zoned space.

The demand for new office space can be estimated using local employment forecasts and employee space requirements by type of use. The Puget Sound Regional Council (1998) has prepared twenty-year employment forecasts for Mountlake Terrace and other Puget Sound region cities and counties. Employee space requirements for general office buildings, office parks and other types of land use (e.g. industrial, warehousing and retail) are developed by the Institute of Transportation Engineers (1991).

Employment forecasts for the Mountlake Terrace Forecast Analysis Zone (FAZ) for the period 2000-2020 indicate that total employment within the City is expected to grow by 834 full-time equivalents (FTEs). Of the total, 243 are projected within finance, insurance, real estate and services (FIRES). These industries, which include medical and dental services, banks and other financial institutions, and other professional and personal services, tend to generate the greatest demand for office space.

**Table 3-1. 1990-2020 Employment Forecast for the Mountlake Terrace FAZ.**

Employment Sector	1990	2000	2010	2020	'00-'20 Change
Mountlake Terrace (FAZ 7100)	4,818	7,246	7,551	8,080	834
Manufacturing	393	283	244	250	-33
Wholesale Trade/Trans/Comm/Utilities	453	544	586	568	24
Retail Trade	769	867	1,067	1,475	608
FIRES	2,571	4,371	4,547	4,614	243
Government/Education	632	1,181	1,107	1,173	-8

Source: Puget Sound Regional Council. 1998.

The Institute of Transportation Engineers gathers data on various types of office development and employee density by type of occupants or businesses. On average, each general office employee requires approximately 300 square feet of gross floor area (or approximately 3.39 employees per 1,000 square feet). Given the forecast employment in FIRES, the estimated maximum demand for office space by 2020 would be 72,900 square feet. Most of the forecast employment growth in FIRES industries is expected between 2000 and 2010 (72%). This translates to the need for 52,800 square feet of office space between 2000 and 2010 and 20,100 square feet between 2010 and 2020. Again, as part of the regional economy, Mountlake Terrace has the opportunity to be an exporter of office demand or “importer” for other cities.

It should be noted that while demand for office space is linked to employment growth, the relationship is not as direct as one might initially think. In many instances, employment can grow at one rate while occupied space in office buildings can grow at another. There can be many reasons for this, including higher-than-average growth rates in some sectors of the economy (like legal services, business services and finance) that house most of their employees in office space; a shift toward housing larger shares of workers in office rather than industrial or retail space; existing vacancy rates and effective rents; trends in regional headquarters of national companies; trends in telecommuting and job-sharing; and other factors. Therefore, these estimates of office space reflect the maximum demand that could occur given current employment forecasts. Some portion of this demand would be met by existing development within the City.

The growing demand for financial, real estate, and other service industries within the community supports the potential for small professional offices, including business and personal services, and educational and professional services. The relatively large number of home-based occupations within Mountlake Terrace could also support development of additional small offices, as home-based businesses expand and transition to larger spaces.

In the downtown commercial area, visibility, public transit access and other amenities could support pedestrian-oriented office space where clients come to the tenants. Types of support services could include professional and business services for smaller employers including home-based businesses.

## **II. RETAIL MARKET**

### **A. Overview of Existing and Planned Development**

The Northend retail market comprises almost 26% of total retail space within the Puget Sound region. Vacancy rates were 4.48% during the second half of 1998 compared with 4.3% for the region.

Retail development in Mountlake Terrace is located throughout the City. The largest concentrations in the northwest quadrant (west of I-5), Gateway Place, and in commercial nodes located at 52nd Avenue West and 212th Street SW, 44th Avenue West and 228th Street SW, 44th Avenue West and 212th Street SW, and in the downtown business area along 56th Avenue West. The majority of retail shops are small, ranging in size from 700 to 4,000 square feet, and include a variety of convenience stores, a bakery, small restaurants, taverns, beauty parlors and barber shops, auto repair, rental, photo/pharmacy, swap/pawn shop and other conveniences.

Several small malls (around 6,000 square feet) are also located in the community and include 52nd Square Shopping Center and the Highlander Shopping Center. Larger retail establishments, ranging in size from 20,000 to 90,000 square feet include local shopping centers like Melody Hill Village, Terrace Village, West Plaza, and Cedar Plaza. There are also several large grocery stores (QFC, Mountlake Terrace Market and Albertsons).

There are a number of retail developments proposed in the communities surrounding Mountlake Terrace. In Bothell, proposed development includes a drug store, two retail/commercial buildings and a daycare; a three-building mini-storage facility; a 140,000 square foot Fred Meyer; a 22-room hotel; and a Hilton Hotel. In Edmonds, development proposals include construction of a second floor addition to the Harbor Square Athletic Club; a 10,000 square foot parking garage; a three-story, 22,946 square foot mixed commercial/residential building; and over 50 additional hotel rooms. Development proposals in Lynnwood include construction of a 30,000 square foot retail building; a four-story Fairfield Inn; and a 4,875 square foot McDonalds. In Shoreline, a 24-room hotel addition is planned; a 110-unit Alzheimer's care facility is planned in Mill Creek.

Asking retail lease rates in Mountlake Terrace vary by type of project and are generally comparable to the range of rates elsewhere in the Northend Market. Retail rents are typically \$10-\$14/square foot, with the lower end more reflective of market conditions in Mountlake Terrace. Asking rates for newer retail developments are generally higher, in the area of \$12-\$16/square foot.

### **B. Development Potential**

The demand for retail space can be estimated in a similar manner as office space and is based on retail employment forecasts and employee densities for retail development. Looking at the

uncaptured spending potential within Mountlake Terrace can augment this estimate of retail space

Employment forecasts for the Mountlake Terrace Forecast Analysis Zone (Table 3-1) indicate that total retail employment within the City is expected to grow by 608 jobs over the 20-year period 2000-2020; 200 jobs are forecast between 2000 and 2010 and 408 jobs are forecast between 2010 and 2020.

The Institute of Transportation Engineers gathers data on various types of retail development and employee density. On average, each retail employee requires approximately 550 square feet of gross floor area (or approximately 1.82 employees per 1,000 square feet). Given the forecast for retail employment, the estimated maximum demand for retail space by 2020 would be 334,400 square feet. This translates to 110,000 square feet between 2000 and 2010 and 224,400 square feet between 2010 and 2020. Similar to commercial office space demand, these estimates reflect the maximum demand for retail space that could occur given current employment forecasts. Some portion of this demand would be met by existing development within the City.

An alternative approach to looking at the demand for retail space is by gauging what the community could support based on current spending potential and spending patterns. The results of this analysis, presented in the Phase II Report, indicate that Mountlake Terrace could support approximately 1.4 million square feet of commercial development (Table 3-2). Types of goods and services included in this estimate are food, apparel, restaurants, books, household furnishings, and personal care products and services. There are currently about 665,600 gross square feet of commercial development within the City. The difference, about 725,000 gross square feet, represents one measure of the potential for commercial development within the City.

Within the downtown commercial area, the potential exists for developing pedestrian-oriented retail with possible regional appeal that will function in smaller spaces. This could include, for example, development of a neighborhood scale shopping center. A neighborhood shopping center provides for the day-to-day living needs of the immediate neighborhood and typically includes the sale of convenience goods and personal services. The types of stores typically include grocery, hardware and home improvements, fast food and convenience or family-oriented restaurants, miscellaneous small retail and personal services related to households' daily lives (e.g. laundry, dry cleaners, barber, shoe repair, etc.). The neighborhood center--built around a supermarket as the principal tenant--ranges in size from 30,000 to 100,000 square feet of gross leasable area (GLA). The typical size is about 50,000 square feet. The typical neighborhood shopping center supports a population of 15,000 to 40,000 within a one to two mile radius. 1999 estimated population within Mountlake Terrace is 20,400 (Office of Financial Management, 1999).

While the above discussion implies the demand is in the downtown area, that is not the case. The overall demand could be satisfied in the Neighborhood Focus Areas as well, however, we have assumed a general community resistance to expanded neighborhood commercial areas, but not to redevelopment of existing commercial areas.

**Table 3-2. Mountlake Terrace Supportable Sales Capacity.**

Goods and Services	Median Sales per Square Foot	
		Sales Capacity (SQ FT)
	Sales /SF	Mountlake Terrace
Food at Home	\$321.39	71,527
Apparel	\$123.42	98,288
Food Away from Home <sup>1</sup>	\$229.72	61,734
Reading (Books)	\$142.60	13,743
Household Operations	\$107.99	44,029
Household Furnishings and Equipment <sup>2</sup>	\$152.32	70,085
Personal Care Products and Services <sup>3</sup>	\$190.11	15,006
<b>Total<sup>4</sup></b>	<b>\$216.22</b>	<b>1,390,540</b>
Sales capacity estimates are based on estimated spending potential divided by sales per square foot factors.		
<sup>1</sup> Median sales per square foot for restaurant w/liquor and fast food/carryout presented in Table 3-21 of the Phase II Report.		
<sup>2</sup> Average sales per square foot for home accessories and furniture presented in Table 3-21 of the Phase II Report.		
<sup>3</sup> Average sales per square foot for drug stores and personal care stores presented in Table 3-21 of the Phase II Report.		
<sup>4</sup> Median sales per square foot for tenants in neighborhood centers presented in Table 3-18 of the Phase II Report.		
Source: ULI, 1997 Dollars & Cents of Shopping Centers.		

New retail concepts are being developed nationwide that could fill a niche in Mountlake Terrace. For example, both Wal-Mart and The Home Depot are testing smaller, “neighborhood” stores before a national rollout. Last year, Wal-Mart began testing Wal-Mart Neighborhood Markets; 40,000 square foot stores selling groceries and convenience items. The Home Depot opened its first test location for a downsized concept, Villager’s Hardware, in June 1999. The 40,000 square foot store is about one-third the size of a typical Home Depot in a power center (e.g. Aurora Village Mall). The store features a mix of hardware and home décor without large items like lumber and floor coverings.

### **III. INDUSTRIAL MARKET**

#### **A. Overview of Existing and Planned Development**

The Snohomish County industrial market comprises 3% of total industrial space within the Puget Sound region. As of the third quarter of 1998, Snohomish County industrial availability rates were the highest at 9.1% compared with 4.3% for the region. Snohomish County also had the highest vacancy rates for industrial space, 8.3% w/o high tech and 35.6% with high tech, compared with 4.2% and 7.4% for the region, respectively.

Most industrial and warehousing uses are located in the northwest quadrant of Mountlake Terrace, west of I-5, and are centered around 66<sup>th</sup> Avenue West and 220<sup>th</sup> Street SW and include Hansen Brothers Moving and Storage, Sellen Construction, Sno-King Sheet Metal, Duncan and Arrow Recycling, and the Terrace Industrial Center. Existing facilities range in size from 2,400 to over 100,000 square feet. Average size is nearly 25,000 square feet.

A significant new project, a 72,000 square foot warehouse, is being planned at the NE corner of 216<sup>th</sup> Street SW and 66<sup>th</sup> Avenue W. Another project currently planned within this area of the City involves expansion of the Southwest Recycling and Transfer Station on 61<sup>st</sup> Place and 213<sup>th</sup> Street SW.

New industrial development in this area is dominated by the Bothell submarket, which includes proposed development of a three-building, 171,558 square foot industrial park, 40,000 square foot expansion of Immunex, and construction of warehouse/office facilities.

Asking industrial/warehousing lease rates within Mountlake Terrace vary are generally comparable to rates elsewhere within Snohomish County. Current asking lease rates for available warehouse space range from approximately \$0.50-\$0.74 per square foot per month.

#### **B. Development Potential**

Employment forecasts for Mountlake Terrace indicate that manufacturing employment is expected to decline by 2020 and employment in wholesale trade, transportation, communication and utilities is expected to grow very little over the same period. Without significant changes in market conditions or employment forecasts, it is anticipated that there is sufficient industrial and warehousing space within the City to accommodate future demand. Availability of land limits the City's potential to accommodate significant growth in this area should market conditions change. However, as noted in Table 3.5, there is an estimated 30 acres of vacant land and 8 acres of underutilized land in the Light Industrial/Office Building zoning category. It is anticipated that industrial and business park growth will continue in the "high technology" submarket along I-405 and SR-525 from Bothell to Southwest Everett. High-tech industries in this area include computer products, biotechnology and medical services, electronics, telecommunications, and aerospace-related industries.

## IV. LAND AVAILABILITY

A relatively small portion (13%) of the land base within Mountlake Terrace is zoned for commercial development that would support new office, retail, business park or light industry. Specific zoning designations include: Commercial Business (1%), Commercial Business-Downtown (2.8%), General Commercial (0.7%), Freeway/Tourist (1.2%), and Light Industrial/Business Park (7.1%). As indicated earlier, most office development is currently located within the Freeway/Tourist (Gateway Place), Light Industrial/Office Park (e.g. Hall Creek Business Center, Nelson Business Park), General Commercial (e.g. 220<sup>th</sup> Street Office Building), and Commercial Business/Downtown (e.g. small professional offices and services).

**Table 3-3. Summary of Parcel Characteristics.**

Zoning Designation	# of Parcels	Acres	% of Total
All Designations	5,296	1,890.36	100.0%
Commercial Business	22	20.63	1.1%
Commercial Business/Downtown	172	53.50	2.8%
General Commercial	14	13.86	0.7%
Freeway/Tourist	16	23.21	1.2%
Light Industrial/Office Park	67	135.01	7.1%
Source: Metroscan, 1996.			

Specific land uses within the Commercial Business/Downtown zone are presented in Table 3-4. Existing uses include commercial businesses, light industry, religious facilities, a retirement center, an adult foster home, an apartment complex, and single-family residences. The predominant land use is single-family residences.

**Table 3-4. Summary of Land Uses Within the Commercial Business/Downtown Zone.**

Zoning Designation	# of Parcels	Acres	% of Total
Total Commercial Business/Downtown	172	53.50	100.0%
Commercial Use	45	18.59	34.7%
Industrial Use	1	0.35	0.7%
Public Facilities & Services (Churches)	4	3.54	6.6%
Multi-Family Residential	2	3.16	5.9%
Single Family Residential	114	24.41	45.6%
Vacant	6	3.46	6.5%
Source: Metroscan, 1996.			

Parcels with existing commercial uses range in size from less than 0.1 acre in size (about 4,000 square feet) to just over 3.5 acres. The average parcel size is 0.41 acre while median size is 0.25 acre. There is currently one parcel in a light industrial use that occupies 0.35 acre. Four parcels are occupied by churches and comprise 3.54 acres. Parcels range in size from 0.37 acre to 1.86 acres with an average size of 0.88 acre and a median size of 0.65 acre. There are currently two

parcels totaling 3.16 acres that support multi-family residential uses (apartments and a retirement center). The parcels are 1.41 and 1.74 acres, respectively. The largest single use within the BC/D zone is single-family residences. There are currently 114 parcels with single-family homes. Parcel size ranges from 0.14 acre to 0.83 acre in size. Average parcel size is 0.21 acre (about 9,300 square feet) and median parcel size is 0.19 acre. In 1996, there were 6 vacant parcels totaling 3.46 acres. By 1999, many of these parcels have been developed. See the discussion below.

There is relatively limited vacant land within designated commercial zones. Based on 1996 Metroscan data, there were 28 vacant parcels totaling 40.09 acres in designated commercial zones within the City. This included: Commercial Business (2 parcels, 0.93 acres), Commercial Business-Downtown (6 parcels, 3.46 acres), General Commercial (1 parcel, 2.03 acres), Freeway/Tourist (1 parcel, 3.1 acres), and Light Industrial/Business Park (18 parcels, 30.57 acres). A field survey of vacant parcels conducted as part of the market analysis indicated that a number of these parcels are no longer vacant or are currently under construction and others are located in environmentally sensitive areas (e.g. steep slope or wetland areas).

**Table 3-5. Vacant and Underutilized Parcels by Zoning Designation.**

Zoning Designation	Parcel Characteristic and Size			
	Vacant	Acres	Underutilize	Acres
All Designations	112	110.14	46	40.06
Commercial Business	2	0.93	2	0.94
Commercial Business/Downtown	6	3.46	9	4.13
General Commercial	1	2.03	--	--
Freeway/Tourist	1	3.10	--	--
Light Industrial/Office Park	18	30.57	6	7.98
Notes: Vacant parcels include those approximately 5,000 square feet or larger that contain no structures and do not have access or environmental constraints as indicated in the Metroscan data. Underutilized parcels are defined as those with a ratio of building value to total value of 25% or less. Source: Metroscan, 1996.				

Within Commercial Business zones, there are currently two vacant parcels; one is 0.3 acres and one is 0.63 acres in size. In the area designated Commercial Business-Downtown, there are six vacant parcels totaling 3.46 acres. The parcels range in size from 0.17 acres to 1.22 acres, with an average size of 0.58 acres and a median size of 0.43 acres. Similar to other areas of the City, field survey of these parcels indicated that several have been developed since 1996. The Cascade Elite Gymnastics Center was recently completed at 56<sup>th</sup> Avenue West and 231<sup>st</sup> Street SW and a previously vacant lot on 55<sup>th</sup> Avenue West is being used for outdoor storage. A vacant parcel on 244<sup>th</sup> Street SW near 56<sup>th</sup> Avenue West was recently sold and owners of a vacant parcel on 56<sup>th</sup> Avenue West and 232<sup>nd</sup> Street SW are actively seeking a tenant.

There are also a number of developments underway or proposed on several other vacant parcels. The largest is the 7-story Mountlake Terrace Corporate Center currently under construction at 61<sup>st</sup> Avenue West and 219<sup>th</sup> Street SW. Other plans call for construction of a 30,000 square foot office at 66<sup>th</sup> Avenue West and 220<sup>th</sup> Street SW on a previously vacant parcel.

Within the area zoned for Freeway/Tourist development (Gateway Place), there was one vacant parcel in 1996. Current plans for that site call for development of a 6-story office building and parking garage.

In the area zoned Light Industrial/Office Park there are 18 vacant parcels ranging in size from 0.2 acres to 9.4 acres, with an average size of 1.7 acres and a median size of 0.79 acres. The parcels are in varied ownership. While vacant land represents the best opportunity for new development, many of the largest contiguous parcels are located in areas with identified landslide and erosive soils hazards or in areas with possible wetlands. While this does not preclude development, it may restrict total development potential. In addition, a number of these parcels are being actively marketed.

## V. POTENTIAL DEVELOPMENT CHALLENGES

There are several potential challenges to expanding the commercial base within Mountlake Terrace. These are:

- ◆ Limited vacant, developable land;
- ◆ Small parcels -- assembly problems;
- ◆ Zoning limitations;
- ◆ Transportation and access issues;
- ◆ Sales tax equalization;
- ◆ Community vision; and
- ◆ Community image.

As indicated in Section IV, there is little vacant or redevelopable land within the City, particularly in zones designated for commercial development. Infill is occurring on vacant parcels throughout the City and some of the remaining vacant parcels are small and/or have environmental constraints that limit development. In addition, most of the existing commercial buildings within the City are of an age and condition that precludes near term redevelopment (i.e. current market rents would not support the costs of redevelopment).

Property ownership patterns, particularly in the downtown core, are dominated by small parcel size and multiple ownership. Much of the current pattern of development in the area zoned for Commercial Business/Downtown consists of single-family residential lots along the east side of 56<sup>th</sup> Avenue W from 240<sup>th</sup> to 232<sup>nd</sup> Streets W and between 56<sup>th</sup> and 58<sup>th</sup> Avenues W from 236<sup>th</sup> to 234<sup>th</sup> Streets SW. Within the core commercial area, around the intersection of 56<sup>th</sup> Avenue W and 232<sup>nd</sup> Street SW, land use is dominated by a church that occupies the former antique mall. Future development may be hindered in that small parcel size may be inadequate to accommodate required parking and parcel assembly may be difficult. In addition, the shallow lot depth of many parcels may make development infeasible.

Land assembly, demolition and redevelopment is a longer and more complicated process than development of vacant land. In particular, factors that can make parcel assembly difficult are negotiating with numerous property owners, and property-owners' unwillingness to sell. It should be noted that many of the single-family homes along 56<sup>th</sup> Avenue West provide affordable living opportunities to local residents. While redevelopment to a higher valued commercial use may seem attractive, there may be concern by some home-owners about the ability to remain in the community (due to lack of supply of single-family homes or similarly affordable homes in Mountlake Terrace) or that the net return may be insufficient for home-owners to relocate in other neighborhoods that have higher home values. These types of issues could make parcel assembly more difficult.

While the Commercial Business/Downtown zone allows a greater variety of uses than other commercial zones within the City, several requirements of the zone could limit near-term development potential. Small allowable lot coverage, limited building heights and requirements for structured parking as a condition of increasing lot coverage may make near-

term development financially infeasible. The maximum structural coverage in the BC/D zone (35%) is quite low, restricting the size of development. While the provision of structured parking can increase the amount of allowable coverage (up to 60%), this requirement significantly increases the cost of development and may prove to be a disincentive. The allowable height limit (35 feet) is quite low and may render new development economically infeasible, particularly if structured parking is required to achieve workable lot coverage.

Mountlake Terrace receives sales tax equalization payments of approximately \$1 million annually. The actual amount distributed each year can vary dramatically due to population changes, incorporations, annexations, and other factors outside the control of the receiving jurisdiction. Equalization payments are funded through the motor vehicle excise tax and distributed by a formula such that each jurisdiction earns from retail sales within its city limits plus its equalization payment, on a per capita basis, 70% of the statewide average. Currently, approximately 0.84% (or 0.0084) of local sales and use tax revenues generated within Mountlake Terrace are returned to the City (Washington State Department of Revenue, 1999). The City would need approximately \$120,805,230 in additional sales tax revenues (or approximately 558,714 square feet of retail development based on median sales per square foot earnings of \$216.22 presented in Table 3-2) to equal what it currently receives in equalization payments. This estimate is conservative (i.e. likely understates actual square feet) because not all sales are subject to sales tax.

One of the most critical aspects of a successful economic development program is community support. Through extensive outreach efforts, a number of important community issues have been raised that have the potential to influence future economic development activities within Mountlake Terrace. While most residents support additional economic development to enhance the City's tax base, many are concerned with the impacts that new development can generate. Increased traffic, loss of open space, and increased density were identified as undesirable aspects of development. Results of the spring 1999 citizen survey showed the two methods most supported for encouraging economic development are providing incentives to revitalize commercial areas and expanding existing commercial development.

Many residents specifically identified apartments and strip malls as unacceptable types of development. While there was support for mixed-use development, there were concerns for size, scale, and compatibility with the surrounding single-family residences. These issues are not insurmountable and do not imply that economic development cannot occur within the City. Rather, new development has to be planned and designed in a fashion that maintains and enhances the characteristics that the community desires, particularly the small town feel with its emphasis on the preservation of single-family neighborhoods. There are a number of urban design, transportation, infrastructure, open space and other programs and/or projects that could be undertaken to address these and other issues. Additionally, communicating to citizens what the City hopes to accomplish through economic development and its benefits to the community is vital to the programs' success.

## VI. PRELIMINARY RECOMMENDATIONS

The recommendation element of this project comes in two phases. During the Phase III report, we are providing preliminary recommendations for Citizen Advisory Committee review and comment. Within the Phase IV report, we will finalize recommendations, including Land Use and Market Niche Strategies, and General Implementation Strategies.

As part of this process, the Citizen Advisory Committee reviewed and concurred that the Statement of Purpose under which they began this study was still applicable, which is as follows:

*The purpose of the Mountlake Terrace Economic Development Market Analysis Study is to identify ways the Community can improve long-term financial stability and improve the quality of life of City residents through managed development.*

The statement of purpose is very important in this instance because it provides direction for the preliminary recommendations. For example, if we “break down” the statement of purpose into its essential parts, the direction for this project becomes very clear, as follows:

- ◆ **“identify ways the Community can improve long-term financial stability”**

This directs the recommendations toward improving the tax base of Mountlake Terrace, rather than, as in some communities, creating more jobs or family wage jobs.

- ◆ **“and improve the quality of life of City residents”**

This part of the Statement of Purpose directs the project toward improving city services, such as the provision of parks and recreation programs.

- ◆ **“through managed development”**

Finally, the Statement of Purpose says the community wants an effectively managed process, rather than one that is left up to others entirely.

Consequently, the preliminary recommendations focus on the (1) Statement of Purpose, (2) findings from this project, including citizen input, and (3) professional opinion and what can be implemented. We must emphasize that available developable land is very limited in the City of Mountlake Terrace. Therefore, the community should maximize the opportunities it has and create new opportunities in areas where development potential is greatest and impacts, to the degree possible, can be mitigated.

Preliminary recommendations include:

1. Amend the zoning code to permit greater height and bulk developments in commercial zones.

2. Develop a subarea plan that encourages the substantial redevelopment of the area east of I-5, south of 234<sup>th</sup> Street SW, west of 54<sup>th</sup> Street and north of 244<sup>th</sup> Street. The purpose of this plan will be to recommend improvements to the circulation system and revisions to the Comprehensive Plan and Zoning Map to encourage substantial commercial development (see the Proposed Redevelopment Area map at the end of this section). The existing Evergreen School site and 56<sup>th</sup> Avenue West become the primary areas of focus, with detailed evaluation of the impacts to existing residential development.

This plan should be done as a Planned Action EIS in order to eliminate as many “hurdles” for the development community as possible.

The existing Downtown, in this phase of implementation, should benefit from this and other recommendations in this section and begin the process of regeneration, particularly if the height and bulk regulations with the City’s development codes are modified.

3. Non-revenue generating uses should be prohibited from commercial zones, given the significant public investment in these zones and the City’s need to generate revenues in order to provide the municipal services resident’s desire.
4. In advance of the subarea plan, work with WSDOT and Sound Transit to see if there are joint use development opportunities for the existing park & ride lot.
5. Work the School District to evaluate mutually beneficial redevelopment opportunities for the Melody Hill Site (see maps at the end of this section).
6. Encourage the redevelopment of older residential areas, but maintain residential development as the primary goal in these areas.
7. Continue to encourage the development of existing vacant and under utilized parcels in the city, particularly in the Industrial/Office Zone.

These recommendations may seem few in number at first glance, but are significant in implication for the community. The proposed redevelopment area is sufficiently large to provide substantial additional revenues to the City under redevelopment, already has a commercial node from which to encourage further development and has an interstate interchange on both ends of the development area, which addresses a key to any development project - access.

Prohibiting non tax-generating land uses in commercial areas will not add to immediate revenues, but should eliminate the additional loss of a limited public resource in available commercially zoned and utility served property.

The current park & ride lot is approved for expansion, including a Sound Transit “fly-over.” However, this is also one of the more commercially viable properties in the City and alternatives should be explored before further public investment is committed.

Mountlake Terrace has a substantial stock of post World War II housing that provides affordable housing to the community and region. In many cases, the lots under these houses

could be developed at higher density, increasing the City's tax base with very little additional investment in infrastructure.

Finally, Mountlake Terrace is a substantially "built" community. That means that redevelopment must take place if the Statement of Purpose is to be achieved. Redevelopment is also harder to implement than building on large vacant parcels in suburban locations. Consequently, we believe the community should invest in an additional staff person to concentrate on this specific effort.