Economic Comparative Analysis

Tacoma Mall Neighborhood Subarea Plan

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Submitted to:
City of Tacoma

Submitted by:
Community Attributes Inc. tells data-rich stories about communities that are important to decision makers.

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INTRODUCTION

Background and Purpose

The City of Tacoma has developed a draft subarea plan for the Tacoma Mall Neighborhood (see the Tacoma Mall Neighborhood Subarea Plan). CAI has contributed to the development of the subarea plan by providing real estate market analysis and an initial existing conditions assessment. The City now seeks to gain a better understanding of how proposed actions and investments called for in the subarea plan will impact the neighborhood, with a focus on economic impacts and indicators. In particular, the City desired an assessment of how proposed regulations and investments may impact the neighborhood economically. The analysis will in turn help guide policy level decisions related to the subarea plan and its adoption. Key ideas and priorities discussed with City staff included:

- Existing property owners need more information regarding the actions proposed through the subarea plan
- Work should provide additional context for policy makers and property owners
- The action should focus on the potential value created by the subarea plan and the proposed actions that it includes for the future
- The City has a package of proposals – infrastructure, regulations, new roadways through connectivity requirement – and wants to illustrate the potential value of these changes for stakeholders and land owners

In response to the City's aforementioned needs, the following analysis attempts to accomplish three things:

1. Illustrate the impacts of actions taken in other communities in the region
2. Provide examples of how other cities have implemented similar actions
3. Provide lessons and observations from other market areas to guide future implementation of the proposed subarea actions studies in the analysis

Methodology and Approach

The approach to this work focuses on evaluating the proposed actions for the Tacoma Mall Neighborhood Subarea and providing context and data, through detailed case studies, on how such investments have impacted other neighborhoods and cities. The case studies examine the effects of City-led infrastructure investments on rents, property values, development opportunities and other metrics where possible. The projects studied through the case study analysis are selected based on their similarity to the investments called out in the Tacoma Mall Neighborhood Subarea plan. They
are intended to provide a more definitive picture of potential impacts and illustrate how such investments can affect the local market area.

This report relies on analysis of existing and published data sources, supplemented by custom data queries of economic data by local government officials, and supplemented by interviews with expert stakeholders in industrial land for Pierce County and the region.

The methodology is based on the following framework:

1. Establish high-level objectives for the comparative case study analysis:
   a. Identify key factors that have affected the successes, challenges and barriers to effective implementation of similar actions in other comparable areas
   b. Assess the extent to which similar projects in other comparable areas were able to achieve their key objectives

2. Establish a set of criteria to help guide selection of 2-3 final case studies for each action
   a. Economic – land use and employment mix, household income distribution etc.
   b. Socio-demographic – population, connectivity etc.
   c. Real-estate market conditions – vacancy rates, property values etc.

3. Establish a set of criteria for evaluation
   a. Objectives and design
   b. Implementation and efficiency
   c. Effectiveness and results

**Study Limitations.** The analysis is not an appraised valuation. Community Attributes is not a licensed appraiser and this analysis is not intended to be used as a valuation of property in the Tacoma Mall Neighborhood Subarea or intended for investment purposes. The analysis is an attempt to provide context regarding the economic impacts of infrastructure improvements and other investments called for in the Tacoma Mall Neighborhood Subarea Plan.
Organization of Report

The report is organized as follows:

- **Action Review.** The section describes the evaluation and selection process of actions selected for analysis.

- **Comparative Analysis.** The section is broken into the following components:
  - *Review of Tacoma Mall Neighborhood Existing Conditions.* Provides context for case study examples and conditions.
  - *City Action and City Profile.* For each City, the section is divided into a profile of the actions taken in that City followed by a summary of indicators that describe changes in the local economy and real estate market.
  - *Addition Connectivity Analysis.* Provides additional research on the connectivity requirement.

- **Key Observations and Findings.** Summary of findings from the comparative analysis and their application to the City of Tacoma.
ACTION REVIEW

Action Review and Evaluation

The City and CAI worked collaboratively to review the subarea plan proposed actions. The process included a workshop with the City’s project team as well as a stakeholder representative to review and select projects for further study. A formal survey of the workshop attendees was also conducted to help inform the action selection process. The survey and workshop were leveraged to narrow the analysis down to several actions that the City has identified. Exhibit 1 illustrates the initial snapshot of actions reviewed through the staff workshop and follow up survey.

Exhibit 1. Initial Actions Reviewed, Tacoma Mall Neighborhood Subarea Plan, 2017

<table>
<thead>
<tr>
<th>Qualitative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish a coherent attractive neighborhood structure</td>
</tr>
<tr>
<td>Foster a positive identity for the Tacoma Mall Neighborhood</td>
</tr>
<tr>
<td>Support community engagement efforts</td>
</tr>
<tr>
<td>Upfront EIS</td>
</tr>
<tr>
<td>Permit streamlining - no project level SEPA review</td>
</tr>
<tr>
<td>Data available on stormwater and transportation infrastructure</td>
</tr>
<tr>
<td>Certainty that utilities will be available with planned development.</td>
</tr>
<tr>
<td>Public infrastructure investments</td>
</tr>
<tr>
<td>Near, mid, and long-term transportation projects</td>
</tr>
<tr>
<td>Regional bus service, high capacity transit, and a new central transit station</td>
</tr>
<tr>
<td>Complete streets design guidelines for public and private streets</td>
</tr>
<tr>
<td>Area-wide stormwater and green streets investments</td>
</tr>
<tr>
<td>Development regulations</td>
</tr>
<tr>
<td>Zoning changes that create transitions in scale, establish 2 residential areas, add industrial area to the Center</td>
</tr>
<tr>
<td>Commercial and residential design standards updates</td>
</tr>
<tr>
<td>Connectivity requirement for large-scale development</td>
</tr>
<tr>
<td>Zoning flexibility through Development Regulation Agreements</td>
</tr>
<tr>
<td>Funding actions</td>
</tr>
<tr>
<td>Strong case for getting grants</td>
</tr>
<tr>
<td>Calls for new funding sources (e.g. City catalytic fund, impact fees)</td>
</tr>
<tr>
<td>Public agencies focus</td>
</tr>
<tr>
<td>City community and economic development programs, cleanups, enforcement</td>
</tr>
<tr>
<td>WSDOT, transit agencies focus</td>
</tr>
<tr>
<td>Redevelop Madison School as a community hub</td>
</tr>
<tr>
<td>Focus efforts on catalyst sites</td>
</tr>
<tr>
<td>Parks improvements and new parks construction</td>
</tr>
</tbody>
</table>
The following section describes the actions selected for further study. In addition, it provides context on the selection of case study examples and the framework though which examples were selected.

**Actions for Review**
The comparative analysis is centered on the following actions selected for further study. The previously described framework for the analysis provides for a review of similar actions taken in communities with the Puget Sound Region. **Exhibit 2** describes the actions selected for analysis within the study.

**Exhibit 2. Subarea Plan Actions Selected for Study**

<table>
<thead>
<tr>
<th>Proposed Actions</th>
<th>Findings and Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NEAR, MID, AND LONG-TERM TRANSPORTATION PROJECTS</strong></td>
<td>Examining projects that improved circulation and in incorporated new roads in existing urban areas</td>
</tr>
<tr>
<td><strong>CALLS FOR NEW FUNDING SOURCES</strong></td>
<td>Reviewing funding strategies and implementation at the subarea and city-wide level, including mechanisms similar to Tacoma’s Catalytic Fund</td>
</tr>
<tr>
<td><strong>CONNECTIVITY REQUIREMENT FOR LARGE-SCALE DEVELOPMENT</strong></td>
<td>Focused on understanding how other cities have incorporated connectivity and circulation requirements on large block developments</td>
</tr>
<tr>
<td><strong>PERMIT STREAMLINING – PLANNED ACTION EIS</strong></td>
<td>Many cities have incorporated this as a development tool and incentive with varying levels of impact</td>
</tr>
</tbody>
</table>
**Comparative Analysis**

**Case Study Selection Framework**  
Case studies were selected based on the following criteria:

- Actions- Types of actions and investments made by the City  
- Timeframe – when were the actions implemented  
- Economic Activity – Has the area attracted recent investment  
- Implementation – What role did the City play in implementation

Exhibit 3 illustrates the cities and evaluation process leveraged to select comparisons for the Tacoma Mall Neighborhood Subarea. Many communities are implementing similar efforts across the region.

**Exhibit 3. Case Study Evaluation by City**

<table>
<thead>
<tr>
<th>Action Type</th>
<th>Kent</th>
<th>Bothell</th>
<th>Bel Red Corridor (Bellevue)</th>
<th>Federal Way</th>
<th>Northgate (Seattle)</th>
<th>Downtown Tacoma</th>
<th>Mountlake Terrace</th>
<th>Totem Lake (Kirkland)</th>
<th>Tukwila</th>
<th>Everett</th>
<th>Northgate (Seattle)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permit streamlining - no project level SEPA review</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Near, mid, and long-term transportation projects</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Connectivity requirement for large-scale development</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Calls for new funding sources (e.g. City catalytic fund, impact fees)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
For the purposes of the analysis Bothell, Kent and Bellevue were selected based on their alignment with the aforementioned criteria. In addition, Bellevue and the BelRed Subarea was selected because of its recent implementation of large block connectivity requirements (Exhibit 4).

**Exhibit 4. Case Study Example by City**

<table>
<thead>
<tr>
<th>Action Type</th>
<th>Kent, WA - Downtown and Kent Station</th>
<th>Bothell, WA - Bothell Crossroads and Landing</th>
<th>Bellevue, WA - Bel-Red Subarea Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permit streamlining - no project level SEPA review</td>
<td>Downtown Subarea Action Plan</td>
<td>Bothell Crossroads Plan Action EIS</td>
<td></td>
</tr>
<tr>
<td>Near, mid, and long-term transportation projects - <em>Loop road/road realignment</em></td>
<td></td>
<td>Bothell Crossroads Plan Action EIS</td>
<td></td>
</tr>
<tr>
<td>Connectivity requirement for large-scale development</td>
<td>Kent Station Plan/Ramsay Way</td>
<td>Bothell Landing Downtown Development Requirements</td>
<td>Bel-Red Subarea Plan Connectivity</td>
</tr>
<tr>
<td>Calls for new funding sources - <em>Impact Fees</em></td>
<td>Transportation impact fees</td>
<td>Transportation impact fees</td>
<td>TIF program</td>
</tr>
</tbody>
</table>

The following section provides more detail on each case study. The section begins with an overview of Tacoma existing conditions, which can be referred to as context when evaluating the applicability and relative market position of each community studied,
TACOMA CURRENT CONDITIONS

CAI initiated the analysis with a cursory review of real estate conditions in the subarea and Tacoma Market. CAI completed an existing conditions analysis at the outset of the plan and recently completed a feasibility assessment for the planning effort as well. As such, the focus of the existing conditions update was on real estate indicators to test whether conditions had changed significantly since the previous analysis was completed. In addition, the baseline data provides a comparison for the comparative analysis provided later in the report.

Development History

The subarea’s commercial stock is generally older than its multifamily stock (Exhibits 5 and 6). After the Mall was built in the 1960s, the most productive time for commercial development in the subarea, there was still fairly strong development through the 1990s. This has since tapered. Most of the multifamily development in the subarea has taken place since 2000, though a significant portion occurred in the 1970s.

Exhibit 5. Commercial Dev. Sq. Ft., Tacoma Mall Neighborhood Subarea, 1930-2016


Source: CAI, 2017; CoStar, 2017
Industrial and Retail

Across Tacoma, industrial rents average $6.28 per square foot and the average vacancy rate is 2.6%. Retail vacancy rates have fallen from just over 10% in 2016 to around 7% in Q1 of 2017.

Exhibit 7. Industrial Vacancy Rate and Rents, Tacoma Mall Neighborhood Subarea, 2007-2017

![Graph showing industrial rent and vacancy rate over time](image1)

Source: CAI, 2017; CoStar, 2017

Exhibit 8. Retail Vacancy Rate and Rents, Tacoma Mall Neighborhood Subarea, 2007-2017

![Graph showing retail rent and vacancy rate over time](image2)

Source: CAI, 2017; CoStar, 2017
Office and Multifamily

The current office market in the subarea is very similar to that of the larger Tacoma area, where office rent currently averages $21.05 per square foot and vacancy is at 7.3%. Across Tacoma and across all unit types, the average multifamily vacancy rate is 4%.

Exhibit 9. Office Vacancy Rate and Rents, Tacoma Mall Neighborhood Subarea, 2007-2017

Source: CAI, 2017; CoStar, 2017

Exhibit 10. Multifamily Vacancy Rate and Rents, Tacoma Mall Neighborhood Subarea, 2007-2017

Source: CAI, 2017; CoStar, 2017
Market Absorption

Retail absorption has experienced a few dramatic swings over the past decade, with otherwise minimal activity. Net office absorption has not experienced the same swings in this period.


Source: CAI, 2017; CoStar, 2017


Source: CAI, 2017; CoStar, 2017
Exhibit 13 shows how median home sale values per square foot (both single and multifamily) in South Tacoma, home to the Tacoma Mall Neighborhood Subarea, compare to those in nearby neighborhoods over the 20 years. As shown, values have been low compared to neighbors, but have been steadily rising since 2012.

In 2015, there were an estimated 9,996 jobs in the Tacoma Mall Neighborhood Subarea, 9.3% more than in the previous year (Exhibit 14). Despite the proximity of the South Tacoma Manufacturing and Industrial Center, the focus of employment in the study area is primarily as a retail center anchored by the Tacoma Mall. Services, particularly accommodation and food services, as well as government services are also key sectors for employment in the neighborhood. The services sector has added more than 700 jobs between 2014 and 2015, an increase of over 26%.


<table>
<thead>
<tr>
<th>Industry</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td>3,473</td>
<td>2,754</td>
</tr>
<tr>
<td>Retail</td>
<td>3,293</td>
<td>3,184</td>
</tr>
<tr>
<td>Government</td>
<td>1,846</td>
<td>1,804</td>
</tr>
<tr>
<td>WTU</td>
<td>627</td>
<td>574</td>
</tr>
<tr>
<td>FIRE</td>
<td>348</td>
<td>366</td>
</tr>
<tr>
<td>Cons/Res</td>
<td>250</td>
<td>158</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>146</td>
<td>213</td>
</tr>
<tr>
<td>Education</td>
<td>55</td>
<td>54</td>
</tr>
</tbody>
</table>

*Source: Puget Sound Regional Council, 2017.*

*Note: Certain industries are suppressed in the PSRC data for this geography; approximate values estimated from larger geographies, control totals.*

*Definitions: Warehousing, Transportation and Utilities (WTU), Finance, Insurance, Real Estate (FIRE)*
Bothell Action Profile

The following section provides a profile of application actions studies in the City of Bothell, WA.

- Near, mid and long term transportation projects
- Connectivity Requirements

Near, mid, and long-term transportation projects – Bothell Crossroads

The Bothell Crossroads project is part of Bothell’s Downtown Revitalization Plan launched in 2006 that capitalizes on the historic charm of the City's Main Street, bringing new residential, retail, office, mixed-use and an expanded park system in the downtown district.

Background and objectives

The Bothell Crossroads project was generated by the community through a long and intensive public process. This process began with interaction between Kenmore and Bothell to define the corridor needs within their city limits. In 2003 and 2004 a public planning effort concluded with the City of Bothell’s Council’s endorsing Alternative G (also known as the Bothell Crossroads). During the 2006 and 2007 Bothell Downtown Plan visioning process, Bothell Crossroads was solidly endorsed by both the public and Council. The project was central to the vision that emerged: a pedestrian friendly downtown with a vibrant Main Street that is not overshadowed by the nearby highway.

Previously, downtown Bothell was bisected by two state routes (SR 527 and SR 522) which served as barriers to local traffic, as well as pedestrian and bicycle circulation. The downtown was invisible to passing motorists and had a poor entrance to welcome visitors to Bothell. It was also disconnected from the historic Sammamish River waterfront that includes the regional Sammamish Rivers/ Burke Gilman Trail system. The critical intersection of SR 522/ SR 527 / Main Street was experiencing high levels of peak-hour traffic congestion and was projected to degrade further without any improvements. All of this made creating a cohesive downtown core difficult which, in turn, inhibited economic development and sustainability.

The Bothell Crossroads project aimed to provide remedies to the existing conditions by realigning State Route 522 to the south between Hall Road and 102nd Avenue NE. This creates a new grid of downtown blocks, eliminates physical barriers and reduces heavy traffic congestion during peak hour on a major commute corridor around Lake Washington. Despite the two highways running through the community, the changes allow residents to easily walk
and cycle in an attractive setting between the downtown amenities. The project also integrates community expectations related to promoting economic revitalization and sustained urban land use.

**Costs and funding**
The City of Bothell has completed public investments of over $150 million as part of the revitalization of the downtown: $50 million has been spent on buying property and another $100 million was spent on infrastructure. To facilitate the effort, Bothell brought together approximately 15 people from departments across the City to form a dedicated project and management team. These staff members were supplemented by external consultants who worked with the City team on downtown planning efforts ($300,000); marketing and economic studies ($150,000), environmental impacts study, engineering and design of parks, open space, five major roadways, etc. *(Source: Association of Washington Cities, 2011 Municipal Excellence Awards Submission, City of Bothell Downtown Redevelopment; City of Bothell Media Release, State Highway 522 Realignment Opens - Significant Regional Transportation and Downtown Redevelopment Project)*

The Crossroads project is one of the highest ranked economic development projects proposed by the State Community Economic Redevelopment Board and is included in the City’s $150 million public infrastructure improvements. The project was developed in three phases. Crossroads Phase I was completed for a total cost of $339,224. Crossroads Phase II had a final project cost of $2,094,747, with $1,135,048 allocated to the Downtown Contaminated Soil and Groundwater Cleanup project.

Crossroads Phase III costs included: predesign ($62,000), design ($6,779,000), ROW acquisition ($25,615,000) and construction ($20,747,000). The breakdown of Phase III estimated project funding is shown in the table below *(Exhibit 15)*. The main source of funding was the city's Capital Improvement Fund which covered approximately 42% of total project costs for this phase.
**Exhibit 15. Crossroads Phase III Estimated Costs and Funding Sources ($ Mil)**

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Total Secured Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Improvement Fund (Real Estate Excise Tax)</td>
<td>$20,816</td>
</tr>
<tr>
<td>Capital Improvement Fund (Traffic Impact Fees Transfer)</td>
<td>$1,373</td>
</tr>
<tr>
<td>Arterial Street Fund</td>
<td>$1</td>
</tr>
<tr>
<td>Bond Anticipation Note</td>
<td>$9,635</td>
</tr>
<tr>
<td>Grant Awarded (CTED)</td>
<td>$6,980</td>
</tr>
<tr>
<td>Grant Awarded (TIB)</td>
<td>$3,671</td>
</tr>
<tr>
<td>State Contribution (WSDOT Overlay)</td>
<td>$500</td>
</tr>
<tr>
<td>Mitigation - Brightwater</td>
<td>$650</td>
</tr>
<tr>
<td>Public Works Trust Fund</td>
<td>$7,994</td>
</tr>
<tr>
<td>Utilities - Sewer</td>
<td>$518</td>
</tr>
<tr>
<td>Utilities - Water</td>
<td>$835</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$52,973</strong></td>
</tr>
</tbody>
</table>

*Source: Crossroads Phase III Estimated Costs and Funding Sources, City of Bothell*

**Implementation**

The project started in 2010, finished in 2014, and was implemented in three stages:

1. Phase I of the work began in 2010 and was physically completed later that year. This phase of the project involved demolishing fourteen buildings in the area of the future SR 522 alignment, hazardous materials abatement and utility disconnections.
2. Phase II started the same year (2010) and was physically completed later that year. This phase included site clearing, stockpiling of preload material and contaminated soil cleanup.
3. Phase III began in 2012 and finished 2014. This third and final phase of Bothell Crossroads consisted of site grading, roadway construction, utility installation and landscaping.

Several important actions taken by the city of Bothell over the last eight years have contributed to the current success in transforming its downtown: *(Source: Association of Washington Cities, 2011 Municipal Excellence Awards Submission, City of Bothell Downtown Redevelopment; City of Bothell Media Release, State Highway 522 Realignment Opens - Significant Regional Transportation and Downtown Redevelopment Project)*
– To create a funding account for future downtown investments, in 2005, City leadership established a policy that required all its one-time revenues to be set aside. These revenues would be used only for one-time expenses, such as infrastructure and facility improvements. Money from the fund has significantly shaped the revitalized downtown core.

– To create developer interest and market demand for Bothell’s downtown parcels, the City of Bothell has taken on the role of master developer. The City purchased 25 acres of land within the Downtown. Seven of those acres were set aside for parks and infrastructure while the rest was to be sold to developers. The city used its ability to apply for state money and grants to install the necessary infrastructure and conduct environmental cleanup of the properties before selling back to developers.

– To provide a framework for the downtown redevelopment, City leadership focused first on the design, development and funding of important roadway infrastructure projects such as the Bothell Crossroads project. In 2007 the City of Bothell applied for, and was awarded the opportunity to participate in the Local Infrastructure Financing Tool (LIFT) Program pilot, a limited form of tax increment financing that provides up to $1 million/year (for 25 years). This allowed the City of Bothell to invest $53 million in acquiring property and design projects to catalyze private investment in the City’s downtown redevelopment.

One of the biggest challenges of the Crossroads project as mentioned by Ryan Roberts, the project engineer, was coordinating with all the different government, regional, and utility agencies and to meet their needs. This was resolved by developing lines of communication early on with all key agencies and addressing all issues and concerns as quickly as possible. (Source: Walkable Washington Case Study - Bothell Crossroads Project, Feet First)

Outcomes
In a three year comprehensive process, Bothell city and its citizens defined a clear vision for the City’s future. Their efforts to create a vibrant downtown have not gone unnoticed and have proven influential in the recruitment of major businesses. On the heels of the planning process, McMenamins, an Oregon based company known for repurposing historically significant buildings as hospitality hubs agreed to purchase and redevelop the historic Anderson School in downtown Bothell. The company created a complex that includes a hotel, a movie theater, a brewery, three bars and three restaurants and a community pool. The public-private partnership with McMenamins gives Bothell citizens free access to the pool, meeting space and garden for 15 years.
Other private developers followed as more parcels were sold and redeveloped into retail, office and residential space. The Bothell Downtown Development map shows the pending or completed city parcel sales in purple together with information on the buyer and the proposed development for each parcel. Other developments are highlighted in blue.

Exhibit 16. Bothell Downtown Development Map

Source: Downtown Revitalization Plan, City of Bothell, May 2017

Due partially to the positive energy created by the redevelopment, existing business centers outside of downtown, including Canyon Park and North Creek, are becoming more desirable locations for firms in biotech, information and other related industries. This is a case where a major planning process focused on creating an excellent sense of place is retaining and attracting key firms and industry clusters and improving local business viability (Source: Economic Development Roadmap for Washington Cities, Washington APA Support Economic Development Working Group).
An economic impact study of the downtown redevelopment reports the following potential impacts over 25 years of development:

- $668 million in private investment is prompted by the proposed public projects catalyzed by the Crossroads and other public investments here;
- 2,700 diverse housing unit types providing high-quality work force housing;
- 250,000 sq. feet of new Class A office space providing an attractive lure to employers;
- 400,000 sq. feet of new retail space adding amenities and convenience to downtown;
- 1,600 net new permanent jobs – FTE engineers, scientists, attorneys, financial analysts, health care, retail and food service jobs being created;
- Estimated net new State and Bothell taxes generated by development within the RDA is a combined total of $190,129,000.

Bothell Crossroads was a primary catalyst project of the downtown revitalization plan. Crossroads created a better connection between the new downtown development to the historic Main Street and safer pedestrian access to this area. It also stimulated business development with its two new blocks for retailers that were created after the construction. Crossroads also improved traffic and freight flow by eliminating a bottleneck and is expected to improve transit ridership and provide more reliability.

The Crossroads project triggered other important transportation improvements in the area such as: the SR 527 Multiway Boulevard, that creates a pedestrian-friendly boulevard with street parking while maintaining arterial traffic volumes; the Main Street Extension, that creates a vital east-west connection and completes the city street/block grid; the Main Street Enhancement, that rebuilds the entire streetscape to allow the street to compete with the new development.
Connectivity Requirements for Large Development

Without proper internal circulation, large block developments can exacerbate traffic issues and create inefficient routing patterns by establishing the need to travel around the development rather than straight through along the existing grid. These challenges will be especially acute for pedestrians and cyclists, who may have to physically travel much further.

Background and objectives

Connectivity Requirements are an effort to avoid these issues by requiring that certain new developments provide internal road and/or pedestrian circulation. This can be accomplished as part of a development agreement or formalized in the zoning code.

There are two broad approaches to setting connectivity requirements, depending on project intent. If there are a few specific connections required, these can be established and mapped as new pre-located streets or pedestrian paths, with specific locations and standards set to be provided by the developer of the property. If there is a broader goal in breaking up large blocks or encouraging finer-grained street networks, tools like a connectivity index standard or setting a maximum parcel perimeter for new development can be considered for subdivision regulations. A connectivity index is calculated by dividing the number of nodes (intersections) by the number of links (street segments between nodes). Cities can establish minimum index values by zone. Maximum parcel perimeter rules establish that parcels over a certain maximum perimeter must be divided with new streets to create parcels under the maximum perimeter. These tools give the developer flexibility in where they decide to place new streets and pedestrian pathways.

Before implementation of Bothell Crossroads, there was a lack of connections from Bothell Way to the neighborhoods on its western side. In addition, there were several very large parcels ready for development. The City desired a walkable downtown district, which would require a finer-grained street network.
Implementation

To achieve this goal, Bothell deployed both approaches to ensuring adequate connectivity in new development. First, it established the critical need for a specific connection from Bothell Way to the west. This new street was laid out in the new downtown regulations, as shown with a purple dashed line in Exhibit 17.

To also ensure the rest of the development in the district supported the desired urban fabric, the City implemented a maximum parcel perimeter of 1500 feet. Beyond this point, a new street is required.

Outcomes

The City was able to sell the property to a developer willing to build according to their vision. The new connection was built, along with new high quality mixed use buildings. New development since this action was codified includes more than 200 multifamily housing units, with more than 700 to come online shortly.
**Bothell City Profile**

The Bothell City profile includes analysis and data on the following indicators:

**Economic and Demographic Conditions**
- Population Density (Persons per Square Mile), 2010 – 2016
- Median Household Income
- Mean Quintile Household Income
- Covered Employment
- Change in Industry Employment

**Real Estate Market Conditions**
- Multifamily Rents and Vacancy Rates
- Multifamily Development History and Pipeline
- Office Rents and Vacancy Rates
- Office Development History and Pipeline
- Retail Rents and Vacancy Rates
- Retail Development History and Pipeline
**Land Use and Development**

The City of Bothell features two major commercial centers with divergent character – its downtown, located within the study area tract shown above, and Canyon Park, located to the north and east of the City. Downtown Bothell represents the City’s historic core, with shops and restaurants catering to local residents, while Canyon Park is home to business centers and light industrial campuses for a range of internationally-known businesses.

*Exhibit 18. Land Use by Parcel, City of Kent, 2017*
Bothell Economic and Demographic Conditions


<table>
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</tr>
</tbody>
</table>


Exhibit 21. Mean Quintile Household Income, 2010 - 2015


Sources: Office of Financial Management, Forecasting and Research Division, 2017; U.S. Census Bureau, American Community Survey 5-Year Estimates, 2017; Puget Sound Regional Council (PSRC), Covered Employment Estimates, 2017; CAI, 2017
Bothell Real Estate Market Conditions

Exhibit 24. Multifamily Rents and Vacancy, 2008-2017

Exhibit 25. Multifamily Development History & Pipeline


Exhibit 27. Office Development History & Pipeline

Exhibit 28. Retail Rents and Vacancy, 2008-2017

Exhibit 29. Retail Development History & Pipeline

Source: CAI, 2017; CoStar, 2017
Demographics

The population of the study area neighborhood in downtown Bothell was approximately 4,700 persons in 2015, which represents 11% of the total population of the City of Bothell. The downtown neighborhood population increased by 1.1% on average per year between 2010 and 2015, compared to 4.9% for the city’s population. The area is more densely populated than the City of Bothell, with almost 3,700 persons per square mile in 2015. Future residential development resulting from the Bothell downtown revitalization could lead to even stronger growth in population density.

Median household income in the study area neighborhood has followed an upward trend between 2009 and 2015, increasing at an annualized rate of 3.1%, as opposed to 1.9% for the City of Bothell. Exhibit 21 illustrates the evolution of mean quintile household income in the study area between 2010 and 2015. Mean income grew the most for the third quintile at an average annualized rate of 4.2% and fell for the lowest quintile at an average annualized rate of 6.5%.

Employment

Employment in the study area neighborhood in downtown Bothell was approximately 2,062 jobs in 2015, which represents 7% of the total employment of the City of Bothell. While employment in the City of Bothell has experienced relatively steady growth between 2005 and 2010, the downtown neighborhood employment has dropped significantly following the recession. It has started to recover in 2013 but remains below the pre-recession level. The decline in employment was likely linked to the departure of several businesses, including a downtown grocery store which moved to another neighborhood within the City. New development activity and retail is also not likely represented in the current covered employment data, which only reflect employment levels through 2015. New restaurants and hotels (McMenamins for example), will have a significant impact on the amount of employment in the City’s downtown.

Study area employment is mainly concentrated in the services sector (51%), followed by retail (12%) and government (12%). Employment in the construction and resources industry has increased significantly between 2010 and 2015, most likely as a result of the construction work happening in the area as part of the downtown revitalization plan. More industries such as retail are expected to continue to experience a growth in employment as more developments are added to the Bothell downtown area as a result of revitalization efforts.
**Taxable Retail Sales**

Bothell City taxable retail sales have grown at an annualized rate of 2% from $396 million in 2005 to $495 million in 2016. Taxable retail sales from restaurants, hotels and entertainment have grown at a significantly faster rate (5.6%) than general retail taxable sales (0.9%).

**Real Estate Indicators**

As shown in the dashboard (Exhibits 24-29), multifamily development in Bothell has refocused downtown in the years since its revitalization efforts began. Nearly all of the currently planned multifamily development is slated for the development area as well, while new office development has yet to take hold there.

Over the past 20 years, downtown multifamily rents have tracked consistently lower relative to the City overall, while vacancy has remained close to the overall average. This trend is likely to be impacted by several large new apartment buildings about to open downtown. While there has been little office production in recent years downtown, downtown office rents have trended higher compared to the City overall and vacancy has remained lower, though there has been a recent disruption resulting from a local fire incident. Downtown retail vacancy has generally trended much lower compared to the City overall, though it has been uneven. Downtown retail rents jumped in 2016, reversing the trend in recent years.
KENT ACTION PROFILE

The following section provides a profile of applicable actions studies in the City of Kent, WA.

- Permit Streamlining
- Connectivity Requirements
- New Funding Sources

Permit streamlining - no project level SEPA review – City of Kent Station Planned Action

The City of Kent adopted planned actions in 2002, for Kent Station, and in 2014, for its downtown subarea. This profile will detail the 2002 planned action.

Background and objectives
In the late 1990s, the City of Kent was challenged with high levels of retail leakage to surrounding communities and an undiversified tax base that relied heavily on industrial uses. The downtown area lacked identity and activity.

Borden Chemical operated a glue factory downtown, Kent’s last active downtown industrial use, and was planning to expand. The City took the opportunity to negotiate with Borden to instead acquire the 20-acre property and help the company relocate. Located immediately adjacent to the Sounder commuter rail station and blocks from the historic downtown, the site was well-positioned for redevelopment as a new, modern mixed-use center.

Implementation
The City had set some specific requirements as part of its vision for the redevelopment, including connectivity requirements to maintain a public, pedestrian-friendly street through the development. In addition to its active role in acquiring the site, the City pursued a Planned Action EIS to facilitate the site cleanup.

The planned action, which was adopted in 2002, encompassed 25 acres and allowed for development capacity of 514,800 sf commercial, 200 hotel rooms, a 169,400 sf conference center, 480 housing units, 53,000 sf parks and open space and 2,932 parking spaces.

In order to attract a developer that would meet these requirements in an uncertain market, the City decided to sell the property at a below-market price. While controversial within the community, this was the critical factor in attracting a private developer to build the project as planned.
Outcomes
Kent Station was developed consistent with the City’s plans. The City’s tax base is diversifying and growing, and has attracted new types of tenants beyond retail, such as the Green River College. Following the City’s work in another public-private partnership to develop apartments near Kent Station, several multifamily developments have been built in the neighborhood.

Kent Station has become well known, and by extension, Downtown Kent has become better known and more attractive to development. According to City staff, “rooftops have followed retail” in this case, as opposed to the traditional saying that “retail follows rooftops”. There is a current challenge related to this, as some businesses in the historic downtown relocated to Kent Station, and these old spaces have remained vacant.

Land values have been rising in the area around Kent Station, though there are many legacy property owners in the area who have not been opting to sell yet. The City anticipates that it will soon attract its first hotel, which will serve the nearby convention center.

Kent’s 2002 Planned Action EIS successfully facilitated a large redevelopment, but it was not the only factor. While this project had the particular challenge of a brownfield redevelopment, a Planned Action alone is still not sufficient to overcome unfavorable economics. By selling the property below market and developing a clear vision for its use, the City was in a better position to negotiate the redevelopment.

Connectivity Requirements for Large Scale Development – Ramsay Way
While Bothell has benefited from a strong market to support the viability of new development in its Crossroads project, the City of Kent needed the Kent Station project to serve as a catalyst for its struggling downtown. As a result, the City had to take on an active role in ensuring the site was redeveloped to a higher standard to serve as a community asset.

Background and Objectives
While the City wanted to attract a single developer for Kent Station, it did not want to see a standard auto-oriented strip mall, as would likely be supported by rents at the time. It planned for a pedestrian-oriented lifestyle center than could blend into the downtown urban network. As a result, it was key to maintain a public road through the center, which would eventually be known as Ramsay Way. This street was planned to feature a quality pedestrian environment, on-street parking, and other pedestrian-friendly features. Once successfully developed and occupied, Kent Station would demonstrate that this type of development is desirable and economically viable in Kent. In addition, it would provide a better sense of identity for
downtown, which suffered from retail leakage to neighboring areas and a lack of foot traffic even from local residents.

**Implementation**
As the City was the owner of the property, it was able to negotiate directly with potential developers and set conditions on the property’s sale and redevelopment. It conceded that requiring the developer to provide public infrastructure in the form of a new street and pedestrian improvements would not be economically feasible in an emerging market. To overcome this barrier, the City decided to sell the property below market value in exchange for the public street.

**Outcomes**
The City was able to find a developer willing to work with its terms and build Ramsay Way as planned. With the public street, Kent Station provides a unique shopping experience compared to the typical suburban retail development, and has drawn more residents back to Downtown Kent.

**Calls for new funding sources – City of Kent Transportation Impact Fees**
Impact fees are one-time charges assessed by a local government against a new development project to help pay for new or expanded public facilities that will directly address the increased demand created by that development. Cities can impose impact fees for several different purposes, specifically for: transportation; publicly owned parks, open space, and recreation facilities; school facilities; and fire protection facilities.

**Background and objectives**
The primary enabling mechanism for imposing impact fees in Washington is the Growth Management Act (GMA). The GMA of 1990 specifically authorized the use of impact fees for areas planning under the Growth Management Act.

These fees are collected to improve the transportation system to accommodate the higher travel demand added by new development. Local governments, in line with the Revised Code of Washington (RCW 82.02.050), use transportation fees:

- To ensure that adequate public facilities will be constructed to serve new development and growth;
- To implement a public policy that new development should pay a portion of the cost of facilities that it requires, and that
existing development should not pay all of the cost of such facilities; and
– To obtain revenue to pay for some of the cost of new public facilities.

The City of Kent adopted transportation impact fees in 2010. In addition to transportation impact fees, the City of Kent funds transportation capital projects using the General fund, Street fund, Local Improvement Districts, Business and Occupation Tax, Solid Waste Utility tax, and grant revenue from local, state and federal governments.

**Implementation**

For the City of Kent to impose GMA impact fees, the following requirements had to be met:

– The city must have an ordinance authorizing impact fees that follows the requirements of RCW 82.02.050 et seq.
– The city must establish one or more service area for fees
– A formula or other method for calculating impact fees must be established
– The fees must be based on, and used for, specific improvement projects in the Transportation Master Plan
– The projects must be “system improvements” that provide a service to users

Scoping and consultant procurement, analysis and fee development and a plan for program implementation was required to develop the transportation impact fee program. The City also needed to put in place business processes to support the operations of its impact fee program.

The development of a transportation fee program for the City of Kent followed several steps. Firstly, an impact fee project improvement list was compiled, which included selected transportation capacity projects from the City’s Transportation Element adopted in June 2008. During the development of the City's Transportation Master Plan and Comprehensive Plan Element, the City identified street and road projects needed by 2030 to meet the adopted Level of Service (LOS) standards. These capital projects form the basis for the City's impact fee project list.

This list of projects was then analyzed to determine what proportion of need is due to existing deficiencies. RCW 82.02 requires impact fees to be based on the City's Capital Facilities Plan which must identify existing deficiencies in transportation system for current development, capacity of existing transportation system available for new development, and additional transportation system capacity needed for new development. Future development cannot be held responsible for the portion of added capacity needed to serve existing development.
Cost allocation was the next step in the process. Eligible project costs were distributed either within the City and Annexation Areas or to external areas. Travel modeling and land use data were provided by the City’s travel demand model. The final step was the actual calculation of the impact fees that resulted in a fee schedule which shows fees as dollars per unit of development for different land use categories.

**Outcomes**

Impact fees, like user fees, offer a more efficient way to pay for infrastructure than general taxes, and ensure benefits to those who pay them. Academic literature suggests that the aggregate benefits of impact fees improve efficiency in the provision of infrastructure. Impact fees can directly fund vital infrastructure improvements, while increasing the supply of buildable land, improving predictability in the development process, and indirectly promoting local employment at the same time.

In some cases, impact fees can slow growth by increasing costs to developers, pushing some developers out of the market and/or putting downward pressure on land values which may reduce the number of transactions. Impact fees could also indirectly support future growth by making neighborhoods more attractive for new development through investments in infrastructure, possibly leading to more population growth and attracting additional businesses. It is difficult to predict the likelihood of these countervailing forces cancelling one another out as opposed to either dominating the other.
KENT CITY PROFILE

The Kent City profile includes analysis and data on the following indicators:

Economic and Demographic Conditions

- Population Density (Persons per Square Mile), 2010 – 2016
- Median Household Income
- Mean Quintile Household Income
- Covered Employment
- Change in Industry Employment

Real Estate Market Conditions

- Multifamily Rents and Vacancy Rates
- Multifamily Development History and Pipeline
- Office Rents and Vacancy Rates
- Office Development History and Pipeline
- Retail Rents and Vacancy Rates
- Retail Development History and Pipeline
**Land Use and Development**

Kent is one of the region’s industrial centers, and this is reflected in its land use. Most of northwest Kent consists of industrial uses. Its downtown sits on the southern tip of the City’s largest industrial concentration, and features both historic commercial streets and a newer lifestyle center, Kent Station. Two other commercial areas with big box and other auto-oriented retail lie to the east and west.

**Exhibit 30. Land Use by Parcel, City of Kent, 2017**
Kent Economic and Demographic Conditions


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Exhibit 33. Mean Quintile Household Income, 2010 - 2015

Exhibit 34. Covered Employment, 2005 - 2015

Exhibit 35. Change in Industry Employment, 2005 - 2015

Sources: Office of Financial Management, Forecasting and Research Division, 2017; U.S. Census Bureau, American Community Survey 5-Year Estimates, 2017; Puget Sound Regional Council (PSRC), Covered Employment Estimates, 2017; CAI, 2017
Kent Real Estate Market Conditions

Exhibit 36. Multifamily Rents and Vacancy, 2008-2017

Exhibit 37. Multifamily Development History & Pipeline

Exhibit 38. Office Rents and Vacancy, 2008-2017

Exhibit 39. Office Development History & Pipeline

Exhibit 40. Retail Rents and Vacancy, 2008-2017

Exhibit 41. Retail Development History & Pipeline

Source: CAI, 2017; CoStar, 2017
Demographics
The population of the study area neighborhood in Kent was approximately 3,800 persons in 2015, which represents just over 3% of the total population of the City of Bothell. The population of the study area increased by 8.2% on average per year between 2010 and 2015, compared to 5.9% for the city’s population. The area is more densely populated than the City of Kent, with almost 4,900 persons per square mile in 2015.

Median household income in the study area neighborhood has not changed much between 2009 and 2015 and has remained significantly lower than the median income for the City as a whole. Exhibit 33 illustrates the evolution of mean quintile household income in the study area between 2010 and 2015. Mean income grew at an average annualized rate of 1.6%, 2.3% and 0.6% for the second, third and fourth quintile and fell by 7.1% and 2% for the lowest and highest quintile respectively.

Employment
Employment in the study area neighborhood in Kent was 3,566 jobs in 2015, which represents 5% of the total employment of the City of Kent in that year. Following the recession, employment in the study area has dropped from 4,126 jobs in 2009 to 3,294 jobs in 2013. The start of a recovery can be observed in 2013 but employment in the study area remains below pre-recession levels. In contrast, employment in the City of Kent has recovered much sooner and at a faster rate after the recession, increasing on average by 3.3% per year between 2010 and 2015.

Study area employment is mainly concentrated in the services sector (57%), followed by government (18%) and retail (10%). The number of jobs in the service sector have been increasing steadily since 2005, as opposed to employment in the manufacturing sector which has been in decline during the same period.

Taxable Retail Sales
Kent City taxable retail sales have decreased at an annualized rate of 3% from $1,336 million in 2005 to $1,008 million in 2016. The most significant decline has been in the furniture and home furnishings sector as well as miscellaneous store retailers sector.

Real Estate Indicators
As shown in the dashboard (Exhibits 36-41), all of the City’s post-recession multifamily development has been located downtown. While retail and office deliveries have been light overall recently, the Kent Station development,
which began in 2003, represented a significant portion of the City's retail and office development from 2003-2009.

Downtown multifamily rents suddenly climbed to rise above those across the City in 2014, while vacancy has dipped below the City average and will drop below 5% if trends continue. Downtown office vacancy has been much lower compared to the City overall, and rents have been slightly higher. Downtown retail vacancy has dropped well below overall retail vacancy in the past three years. While downtown rents have been fairly stable, rents in the City overall have dropped in recent years.
ADDITIONAL CONNECTIVITY ANALYSIS

The following section provides additional perspective on connectivity requirements.

**Connectivity Requirement – BelRed Subarea, Bellevue, WA**

The City of Bellevue adopted the BelRed Subarea Plan in 2009 after four years of community input, public meetings and analysis. Amongst many of the policy, code and capital improvements planned for the area, the City faced an existing street and block network that was a major hurdle to redevelopment. The following provides a review of the connectivity requirements developed for the BelRed Subarea with a focus on how the City has implemented the new development regulations related to large block development.

**Background and Objectives**

The BelRed Subarea was formerly an underutilized light industrial. With its proximity to downtown Bellevue and the future planned light rail line through the neighborhood, the City identified this area as a key component of the City’s future growth. As such, the plan focused on transforming the neighborhood into a mixed use center with a dense mix of housing and commercial uses. The physical character of the existing neighborhood, similar to portions of the Tacoma Mall Neighborhood Subarea, was largely defined by large block sites with little connectivity and infrastructure for pedestrians.

![Exhibit 42. Bel-Red Subarea, City of Bellevue](Source: City of Bellevue, 2017)
Implementation
The City, much like the City of Tacoma and the Tacoma Mall Neighborhood Subarea Plan, developed a comprehensive series of infrastructure improvements, with a particular focus on improving transportation and mobility for all modes of travel.

- Significant development rezones in terms of permitted density, concentrating higher densities in strategic areas\(^1\)
- Allowed existing uses to remain and transition over time\(^2\)
- Inclusion of a comprehensive incentive program to encourage development and supply of neighborhood amenities and desired uses including affordable housing\(^3\)
- Identification of key transportation infrastructure improvements needed and funding needs identified\(^4\)

Connectivity Requirement Approach. In terms of the connectivity requirement, the city is generally responsible for new and/or expanded arterials. Private land owners and developers are responsible for what are designated as “local streets” in the BelRed development code.\(^5\) Developers can obtain transportation impact fee credit for frontage improvements they make on city arterial projects. A key component of the commitment to development of new arterial roads is funding through the City’s transportation impact fees, which has been leveraged for new road development. (Source: City of Bothell, 2017)

The following three subarea policies reflect the intent of the plan and zoning regulations that were adopted to implement the plan.

\[\begin{align*}
\text{POLICY S-BR-80. Reserve the right-of-way needed for the Bel-Red public infrastructure and amenities identified in this Plan as early as practicable.}
\end{align*}\]

\(^1\) 20.25D.035 Catalyst Projects. Code provisions for certain project types that meet size, scale and master planning requirements. Provides flexibility for projects that meet these standards.

\(^2\) 20.25D.060 Existing Conditions. Code language adopted for the Bel Red area for existing and non-conforming uses and developments, including additions to existing buildings and uses.

\(^3\) 20.25D.090 FAR Amenity Incentive System. Code provisions for an FAR bonus/amenity incentive program tailored for the Bel Red area.

\(^4\) 20.25D.130 Bel-Red Development Standards. Code provisions related to building placement, use requirements and overall development form and relationships to public rights of way.

\(^5\) 20.25D.140 Bel-Red Street Development Standards. Requirements and provisions for new streets and streetscapes, including provisions for public and privately developed roads. The section includes requirements for new internal/local streets as well as larger arterials. See Section A. Required Local Streets for specific language on connecting roads required to be developed by new development.
POLICY S-BR-82. Require the dedication and improvement of local streets at the time of development, consistent with Figure S-BR.2, to enable development of frontage improvements and a local street pattern that provides for access and loading, and improved transportation connectivity.

POLICY S-BR-83. Encourage master planned developments and other processes that better coordinate and integrate this Subarea Plan’s objectives rather than individual development of small parcels. Consider mandatory use of master planned development approval for large sites, to facilitate site planning for vehicle access and pedestrian needs.
**Required Local Streets.** The development code itself is clear in its requirement for local streets within the Subarea. The intent of the City’s connectivity requirement is to...*introduce a public right-of-way system that improves mobility by increasing access for local vehicular and pedestrian traffic throughout the Bel-Red District.* In addition, the language provides for flexibility in terms of how the local streets are implemented over time, allowing the City to *approve modifications to the local street grid to respond to specific site conditions, property ownership, and phasing considerations.* (Source: City of Bellevue Municipal Code, 2017). Exhibit 43 from the City’s municipal code illustrates the street grid proposed in the Subarea and relative street designations.

**Exhibit 43. Required Local Streets, City of Bellevue, 2017**

*Source: City of Bellevue, 2017*
Outcomes
The Bellevue economy, much like other major urban centers in King County, has experienced tremendous growth since 2009. Broader market context is important to consider when evaluating the impact and success of the BelRed Subarea Plan and the level of development occurring at this time. The following outcomes reflect both the relative impact of the planning effort as well as the broader economic climate in the City of Bellevue.

- 1,700+ housing units built or permitted through 2016
- Approval of Master Plan for the Spring District and construction of initial phases
- Planned relocation of REI headquarters to the BelRed Subarea
- Implementation of 3,700 feet of roadway improvements with more under construction or design

Exhibits 44 and 45 illustrate the current and planned development activity in the BelRed Subarea. The amount of investment occurring in the area is reflective of both market conditions and the planning efforts made by the City.

Exhibit 44. Multifamily Development History and Pipeline, BelRed Subarea


Exhibit 45. Commercial Development History and Pipeline, BelRed Subarea

Key Observations and Findings

The following is a summary of key observations related to the analysis of actions taken in the cities of Bothell and Kent. Key findings and observations related to economic performance as well as implementation are include for each case study example.

Implementation
A description of the key decision points, methods and results associated with the case studies analyzed. The observations and findings are intended to provide guidance to Tacoma policy makers and clarity on what lessons can be taken away from each example.

Economic and Market Observations
Also included are summaries of the economic, demographic and market changes experienced within the study areas selected. Local and regional economic conditions influenced the changes experienced in each City and study area. It is important to note that the actions taken by each City undoubtedly impacted the local economy and level of private investment but are not solely attributable to the actions studied herein.

<table>
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<tr>
<th>Overall</th>
<th>Lessons for Tacoma - Implementation</th>
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<tbody>
<tr>
<td></td>
<td>• Many cities have prioritized similar connectivity and circulation requirements and projects</td>
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<td>• Understanding the potential economic impact of such requirements is an important step for their design and implementation, which the City of Tacoma has brought into its planning process</td>
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<td>• A first step in this process could be to identify specific opportunities for the City to potentially purchase blighted or catalyst properties to facilitate development</td>
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<td>• Additional transportation investments and connectivity requirements are important to support the type of development and growth proposed in the neighborhood</td>
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<td>• The types of development and growth proposed for the Tacoma Mall neighborhood are consistent with the vision for Regional Growth Centers (RGC), as outlined by the Puget Sound Regional Council. This subarea planning effort is an important component of maintaining the RGC designation, which provides for a significant funding mechanism for future transportation improvements.</td>
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<tr>
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<td>• In both Kent and Bothell, the City spearheaded both revitalization/subarea efforts through the purchase and disposition of land within the subarea</td>
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<tr>
<td></td>
<td>• In both cases, private investment was initially made through collaboration and partnership with the City through the purchase and sales of land and close collaboration and partnership on future uses</td>
</tr>
<tr>
<td></td>
<td>• Partnerships with local developers and landowners were key in all examples</td>
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<tr>
<td></td>
<td>• Clear mechanisms to allow for collaboration and negotiation between the City and private investors were critical in these cases, especially in those where the City did not own or acquire land. These mechanisms were made possible by clarity of vision and scope on the Cities’ part.</td>
</tr>
<tr>
<td></td>
<td>• Funding mechanisms are needed to support greater infrastructure development</td>
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<td></td>
<td>• The Cities indentified other upcoming major investments by other public entities (Sound Transit for example) and leveraged these as opportunities to rethink their neighborhoods</td>
</tr>
</tbody>
</table>
Case Study | Lessons for Tacoma - Implementation
---|---
City of Bothell | **NEAR, MID, AND LONG-TERM TRANSPORTATION PROJECTS**
- The City engaged the Bothell community in a multi-year planning process to define a clear vision for the City’s future.
- The City of Bothell used the SR 522 alignment to provide an east-west connection with future development that extends historic Main Street, create new city blocks for development and complete the city’s downtown street grid.
- The City actively purchased properties within the Downtown, invested in infrastructure and environmental cleanup and then solicited development opportunities, all under the City's role as a master developer.
- The City relocated/aided 32 businesses and tore down 30 buildings, turning back decades of auto oriented/strip mall development to make way for a re-imagined Downtown.
- The City led major road and pedestrian infrastructure improvements that cut through traffic, reduced commute times, encouraged local shopping and entertainment, and created a place where the community will interact.

**CONNECTIVITY REQUIREMENT FOR LARGE-SCALE DEVELOPMENT**
- Bothell used two approaches to connectivity requirements downtown, both formalized in code.
- One of these approaches was to define a specific “pre-located street” needed to establish a key connection, while the other places limits on parcel perimeter anywhere in the district. The second approach requires new roads to break up large parcels and allows for more flexibility in how developers place new roads.
- While multiple new connections were desired, the City placed the most emphasis and the most strict requirements on the most important new connection. The success of this node may serve as a catalyst for development elsewhere in the district.
- The City was able to find a developer to build the pre-located street and fully develop the parcel as envisioned. The City took an active role in this process.

**ECONOMIC AND MARKET IMPACTS**
- The population of the downtown study area neighborhood increased by 1.1% on average per year between 2010 and 2015, compared to 4.9% for the city’s population.
- Median household income in the study area neighborhood has followed an upward trend between 2009 and 2015, increasing at an annualized rate of 3.1%, as opposed to 1.9% for the City of Bothell.
- The City of Bothell has added more than 7,000 jobs between 2005 and 2015. While employment in the City of Bothell has experienced relatively steady growth following the recession, employment in the downtown study area neighborhood has dropped from 2,200 jobs in 2009 to 1,950 jobs in 2013.
- The fastest growing industry in the downtown study area neighborhood between 2010 and 2015 was Construction and Natural Resources, most likely as a result of the construction work happening as part of the Bothell Revitalization Plan.
- Bothell City taxable retail sales have grown at an annualized rate of 2% from $396 million in 2005 to $495 million in 2016.
- 1,684 units of multifamily have been built in Bothell since the Crossroads project began, 12% of which were in the study area. 58% of the 1,292 multifamily units currently in the pipeline are located in the study area.
CONNECTIVITY REQUIREMENT FOR LARGE-SCALE DEVELOPMENT

- The Kent Station development took place on contaminated former industrial land in an area without a strong retail market. In order to encourage high-quality development in this environment, the City had to identify appropriate incentives for development to overcome serious economic hurdles.
- The City was highly particular in terms of where the new street was to be located and how the pedestrian environment would look. The new street had an entirely new form for the area. The City was able to negotiate these terms because it owned the land and could choose to sell the land below market rate.
- In cases where there is not a bargaining chip this strong, standards for the new street connections may need to be scaled back accordingly.

PERMIT STREAMLINING

- The City of Kent’s two planned actions have been successful in facilitating new types of development for the area – a lifestyle center and mixed use apartment buildings.
- These planned actions were effective as part of a coordinated strategy. While they facilitate development, they are not sufficient to overcome adverse economic conditions. Supplementary incentives should be considered based on the level of challenge.

FUNDING SOURCES

- Scoping and consultant procurement, analysis and fee development and a plan for program implementation was required to develop the City of Kent transportation impact fee program. The City also needed to put in place business processes to support the operations of the program.
- Impact fees can provide a revenue stream directly proportional to the amount of development occurring in the City.
- One of the primary concerns surrounding impact fees is who ultimately bears the cost of the fee. There is a practical limit on how much cost can be added to development without causing significant distortions in the marketplace.
- Impact fees are complementary funding sources by design and it is unlikely they could be wholesale substitutes for any other funding source. This is because impact fees cannot be used to address existing facility deficiencies.

ECONOMIC AND MARKET OBSERVATIONS

- The population of the study area increased by 8.2% on average per year between 2010 and 2015, compared to 5.9% for the city’s population.
- Median household income in the study area neighborhood has not changed much between 2009 and 2015 and has remained significantly lower than the median income for the City as a whole.
- Employment in the study area neighborhood in Kent was 3,566 jobs in 2015, approximately 560 jobs less than in 2009. Employment for the city has surpassed pre-recession levels and increased by over 10,000 between 2009 and 2015.
- The number of jobs in the Services sector in the study area neighborhood in Kent has almost doubled since 2005.
- Kent City taxable retail sales have decreased at an annualized rate of 3% from $1,336 million in 2005 to $1,008 million in 2016.
- The Kent Station development included more than 183,000 square feet of retail, which represented nearly half of the total retail development across the City of Kent since 1997. Over 75,000 square feet of office was developed in 2009 in the Kent Station area, the largest single year delivery across the City over the same period.
### City of Bellevue

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<tr>
<th><strong>Connectivity Requirement for Large-Scale Development</strong></th>
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<td>- The City implemented strong master plan and catalyst development incentives that have been leveraged for large block development (Spring District for example). Such provisions provided flexibility and allowances for negotiating inventive requirements and transportation infrastructure improvements.</td>
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<tr>
<td>- The City is responsible for major arterial road improvements, while developers/land owners are responsible for “neighborhood streets” that are required to be developed per the transportation and circulation plan developed for the area. The City has taken the lead in funding these major road improvements while being clear about the responsibility of property owners and their requirements on “neighborhood roads.”</td>
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<td>- The City has clearly defined how and when new arterial roads will be implemented.</td>
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<td>- The City has provided flexibility in terms of the final alignments and location of new neighborhood through streets for sites that are being developed in phases.</td>
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### Economic and Market Observations

- Neighborhood development and revitalization has been spearheaded by the master planned development known as the Spring District. |
- Bellevue’s market conditions vary greatly from those found in Tacoma and the Tacoma Mall Neighborhood Subarea, meaning much of the success of the plan can be linked to strong market demand for the development products under developed. |
- A key component of the market demand in the area is the future implementation of transit in the form of light rail, which is a major catalyst for developer interest.