



SUSTAINING A LIVABLE LAKE FOREST PARK: THE FUTURE OF OUR TOWN CENTER

ECONOMIC AND MARKET ANALYSIS SUMMARY TASK FORCE MEETING: JUNE 17, 2004

THE SITUATION AND THE COMMUNITY OPPORTUNITY

- Property is in private ownership and will be for sale in the near future
- Task Force has the opportunity to articulate a community vision and desires to potential buyers
- City's optimal role: make the project as attractive to a good developer as possible, within community values and vision
 - Act on what is in the City's control
 - Remove regulatory barriers to redevelopment
- The City needs to walk a fine line:
 - Define vision;
 - Address impediments to property acquisition; and
 - "Do no harm" to potentially good project.

ECONOMIC & MARKET ANALYSIS

Population and Demographic Trends: Declining City Population

- Current City population: 12,750 compared with 12,871 in 2000 (U.S. Census)
- After removing the effects of annexations, from 1997-2003 City population declined an average of 0.1% per year
- King and Snohomish Counties have been growing an average of 1.5% per year and neighboring communities (Bothell, Kenmore, Edmonds) have grown

Lake Forest Park Residents are Somewhat Older than in Neighboring Areas

- Lake Forest Park residents 55-64 years of age comprise 11% of the population (versus 11% for Edmonds, 9% for Shoreline, 8% for Lynnwood and Kenmore; 8% for King and Snohomish Counties are 8%)
- In the age group 65 and older, City residents are 13% of City population (versus 17% in Edmonds, 14% in Shoreline and 10-12% in most other neighboring communities)

Household Income is Higher Than in Surrounding Areas

- Median income levels in Lake Forest Park (\$75,199 in 1999, compared to \$53,157 in King County and \$53,060 in Snohomish County) are found only in a few other neighboring communities: Mill Creek, Woodway and the waterfront areas along Lake Washington

Jobs: Relatively Few Residents Work in the City

- Lake Forest Park is definitely a "bedroom community," with a 2002 jobs/housing rate of 0.3; the average for cities the size of Lake Forest Park is 0.9
- Lake Forest Park has more than 1,400 jobs, heavily concentrated in Retail and Services

HOUSING & ZONING ASSESSMENT

Predominance of Single-Family Zoning Makes the City Relatively Sparsely Populated

- The City is largely (80%) zoned single-family residential; only 36 acres (2%) in the City are zoned multifamily
- Very low density – compared with Seattle, Shoreline, Mountlake Terrace and other neighboring jurisdictions – results from the City’s large amounts of single-family zoning and years of development in previously unincorporated areas
- Limited supply of housing and developable land in the City primarily explains lack of recent housing and population growth (and forecasted)
 - From 1992-2002, 163 new homes were built and nine multifamily units (six in 1997; three in 2002) were developed in Lake Forest Park; relatively low level of development compared with surrounding areas
 - At the same time, Bothell (King County only), Kenmore and Shoreline combined to add 1,560 new multifamily units (1,171 in Bothell; 265 in Kenmore; 124 in Shoreline)

Rental Housing is in Even More Limited Supply

- No new construction of larger rental properties has occurred in the City for many years
- Renting in Lake Forest Park and Shoreline is relatively more affordable than in neighboring areas
- Affordability is largely due to rental units that are relatively older than those in other cities; newer properties typically command higher rents

HOUSING MARKET & DEMAND

Both Renter-Occupied and Owner-Occupied Multifamily Housing Would be in High Demand at Town Center

- Zoning policies elsewhere in the City, combined with lower vacancy rates and few multifamily housing options, suggest that housing would be in demand at Town Center
- Higher density housing near the Town Center would appeal to residents given pedestrian access to:
 - Grocery stores, drug stores, restaurants and the shopping center
 - Excellent bus service to Downtown Seattle for work
- Demand for multifamily housing is from empty nesters, seniors, professionals without children and single-parent professionals

Market Would Likely Support a 150-250 Multifamily Housing Complex at the Town Center

- Long-term demand for housing in area and the City’s housing targets suggest 540 new housing units by 2020;
- PSRC forecasts suggest 333 new units between now and 2020;
- Both the targets and forecasts are constrained to some extent by City policy, indirectly through buildable land estimates and zoning; and
- Major caveat to this conclusion: costs specific to building construction at the Town Center.

RETAIL SALES ANALYSIS

Town Center is More Than a Neighborhood Center, But Not Thriving as a Community Center

- Town Center is positioned between a neighborhood shopping center and a community shopping center: it serves some day-to-day needs of immediate area as a neighborhood center; but it is sized as a community center
- The regional Third Place Books' draw, and presence of Albertsons and Rite-Aid fall in line with the definition of a community center, but the layout of the space and access to the site prevent the Center from attracting typical community center tenants
- Long-standing vacancies suggest that potential anchors may have saturated the Center's market for anchors typically found in community centers

Definitions for different types of centers:

- **Neighborhood Center** includes sales of convenience goods (foods, drugs and sundries) and personal service (laundry and dry cleaning, barbering, shoe repairing) for the day-to-day living needs of the immediate neighborhood. Built around a supermarket as the principal tenant, typically contains a gross leasable area of about 60,000 s.f., though in practice it may range in size from 30,000 to 100,000 s.f.
- **Community Center** includes a wider range of soft lines (wearing apparel for men, women and children) and hard lines (hard-ware and appliances). Built around a junior department store, variety store, super drugstore, or discount department store as the major tenant, in addition to a supermarket. Typical size is about 150,000 s.f. of gross leasable area – in practice, it may range from 100,000 to 500,000 s.f.

The Center has Struggled to Keep Space Rented While Additional Commercial and Retail Space in the Region has Grown

- Town Center now has a 21% vacancy rate, it is competing for retail tenants with Mountlake Terrace and Lynnwood (vacancy rates of 2%)
- Demand for retail regionwide has been very strong in recent years, with concentrations of new development in Lynnwood, Woodinville and North Seattle
- New growth in other areas, in spite of Town Center's struggles, suggests:
 - Developer and retail tenant markets prefer other locations;
 - Tenants have missed opportunities in Town Center; or,
 - Development conditions and/or site characteristics of Town Center have constrained growth.

Lake Forest Park Retailers Capture 23% of Residents' Spending

- Retail sales in Lake Forest Park are low compared to other communities on a per capita basis; residents have more discretionary incomes than other regional neighbors
- Much of residents' spending occurs in Shoreline, Lynnwood, Woodinville, Seattle and Bellevue
- Local food sales capture the equivalent of 45% of local spending, excluding convenience stores
- Local bars and restaurants capture 21% of local spending on eating and drinking

Solid Demographics Would Support More Retail Sales; Suggests Site Limitations Hold Back Mall Performance

- In 2003, local residents spent an estimated \$212.4 million on retail items in other cities
- Capturing one-third of the out-of-town spending by local residents would support:
 - More retail space (100,000 s.f., not including absorption of current vacancies)
 - More grocery store space (20,000 s.f., not enough for another store)
 - More restaurants (possibly two family-oriented restaurants)

Factors Limiting Retail Performance at Town Center, Include (except for Third Place Commons):

- Quality of tenants
- Look and feel of shopping experience
- Physical configuration and Mall layout
- Local access to the site
- On the “wrong” side of the street for many shoppers

TOWN CENTER PLANNING

Becoming a Quality Community Center Requires Collaborative Planning, Investments and Potential Repositioning

- Interviews yield recurring theme: Town Center has too much retail space. Limited population growth and strong regional competition suggest Center might succeed better by serving the community as a strong, full-service community center.
- Serving local customers presents greater potential because:
 - Local residents are passionate about the community space in the Mall
 - Third Place Books is succeeding very well
 - City Hall will continue to provide day-time traffic
 - Albertsons will continue to serve as grocery anchor
- In a stronger community center, existing tenants and additional retailers (more clothing, home furnishings, hardware) would be supported by local spending
- Attracting higher quality tenants will require collaboration, perhaps facilitation, too

Becoming a Vibrant Town Center Would Include Multifamily Housing On-Site

Housing would serve many purposes:

- Would provide vibrancy in Town Center
- Would address the current problem of too much retail space, given the mall’s market position
- Citywide and regional demand supports at least 150 - 250 multifamily housing units
- Increased parking needs can be addressed through urban design
- Would provide increased demand for retailers on site
- Would help meet regional growth management housing targets
- Provides housing opportunity for empty-nesters, seniors and professionals
- Would foster enhanced transit connectivity

OFFICE USES

Opportunities for Lake Forest Park: Serve Small Businesses and Home-Based Businesses that Seek Day-Time Amenities while Avoiding Larger Business Parks

- Of the 260 private employer records identified in Lake Forest Park, 190 are located in residential areas; these jobs account for nearly half of the City's 1,190 private sector jobs
- If current trends continue, people will continue to work at many of the new jobs out of their homes as proprietors of small companies
- Plan for small amount of office space (30-50,000 s.f.) to support small, home-based and growing businesses
- Supplementing the office shells with business services, such as copying and print shops, business supplies and financial services would develop a dynamic center to foster local, small business growth

LAND USE & ECONOMIC DEVELOPMENT POLICIES

Town Center Economic Development Regulations Serve to "Encourage Neighborhood and Community Scale Developments and Uses which Create Interesting and Vital Places for Residents"

- Current policies that constrain the economic and redevelopment potential of the Town Center site:
 - Size limits - no more than 60,000 s.f. per business
 - Limitations on use in Town Center (including residential density limits)
 - Height limits and bulk standards - maximum height of 30 feet (two stories); with residential, 40 feet (three stories)
 - Setback requirements - minimum of 20 feet along side, rear and front of buildings
 - Maximum building coverage - 45% of Town Center
 - Sign Ordinance - formula based on business' linear street frontage and restricts illumination
- Parking – 1.5 spaces per multifamily dwelling unit; 1 space per 200 s.f. of gross retail floor area
- Business Tax - only eight among King County's 39 cities impose B&O taxes; neighboring cities that the City competes with do not charge B&O taxes (Shoreline, Lynnwood, Mountlake Terrace, Kenmore, Bothell, Woodinville)

FISCAL ANALYSIS RELATED TO TOWN CENTER

Town Center Provides Property, Sales and Business Tax Revenues to the City - Comprising 5.5% of the City's General Fund Revenues

- Approximately 35% of the City's sales tax revenues (10% of General Fund revenues) come from Town Center sales
- As much as 45% of the City's business tax revenues (3% of overall City General Fund revenues) come from Town Center tenant businesses
- About 1.3% of the City's property tax revenues (45% of General Fund revenues) come from Town Center

Doubling Town Center's Revenue Would Bring the City an Additional \$245,000 but Would Not Resolve City's Operating Forecasted Budget Deficit

