

1 **I. Introduction, Existing Conditions, and Land Use Connection**
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3 This element of the Comprehensive Plan articulates how the City of Mercer Island will support and grow
4 its economy through the year 2044. This element establishes policy direction for the City to build on its
5 strengths, maximize opportunities, and build resilience in the local economy to overcome challenges. By
6 many measures Mercer Island is poised to significantly grow its economy during the planning period. The
7 resident work force tends to be employed in high-wage jobs and is highly educated. Because residents
8 tend to be employed in high-earning jobs, there is a strong local customer base to support on-island
9 businesses. The arrival of light rail service will increase access to Mercer Island for off-island visitors and
10 workers. Mercer Island’s position between Bellevue and Seattle makes it a prime location for businesses
11 looking to draw workers and customers from larger surrounding cities. The Mercer Island economy is in
12 a strong position to support new growth.
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14 Mercer Island residents are employed in many high-earning industries. Over one quarter (26 percent) of
15 the population is employed in the professional, scientific, and management, and administrative and waste
16 management services industry, making it the largest employment sector. In 2021, the median annual
17 earnings for this sector were \$134,265. The next three largest employment sectors are educational
18 services, and health care and social assistance (16 percent), retail trade (13 percent), and finance and
19 insurance, and real estate and rental and leasing (12 percent). In 2021, the median earnings for these
20 three sectors ranges from between \$71,467 and \$105,913 annually. Table 1 shows the full-time, year-
21 round employed population 16 years old and over by industry.
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1 **Table 1. Mercer Island Employment by Industry Sector, 2021.**

Industry Sector	Count	Share	Median Earnings*
Full-time, year-round civilian employed population 16 years and over	8,620	100.00%	102,348
Agriculture, forestry, fishing and hunting, and mining:	0	0.00%	-
Construction	177	2.05%	76,103
Manufacturing	665	7.71%	149,219
Wholesale trade	229	2.66%	93,438
Retail trade	1,138	13.20%	88,000
Transportation and warehousing, and utilities:	212	2.46%	100,670
Transportation and warehousing	183	2.12%	91,042
Utilities	29	0.34%	152,031
Information	665	7.71%	195,729
Finance and insurance, and real estate and rental and leasing:	1,110	12.88%	105,913
Finance and insurance	675	7.83%	109,286
Real estate and rental and leasing	435	5.05%	76,563
Professional, scientific, and management, and administrative and waste management services:	2,284	26.50%	134,265
Professional, scientific, and technical services	1,998	23.18%	147,576
Management of companies and enterprises	12	0.14%	-
Administrative and support and waste management services	274	3.18%	78,241
Educational services, and health care and social assistance:	1,421	16.48%	71,467
Educational services	584	6.77%	55,724
Health care and social assistance	837	9.71%	89,688
Arts, entertainment, and recreation, and accommodation and food services:	305	3.54%	25,052
Arts, entertainment, and recreation	154	1.79%	11,678
Accommodation and food services	151	1.75%	28,370
Other services, except public administration	157	1.82%	33,750
Public administration	257	2.98%	67,745

2 *2021 median earnings are shown for the last 12 months in inflation adjusted dollars
3 Source: U.S. Census Bureau 2021 American Community Survey, Tables S2404 and B24031.
4 <https://data.census.gov/table?q=industry&g=1600000US5345005&tid=ACSST5Y2021.S2404>
5 <https://data.census.gov/table?q=earnings+by+industry&g=1600000US5345005&tid=ACSDT5Y2021.B24031>
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7 The Mercer Island population is well-educated. A little more than 82 percent of residents over the age of
8 25 have completed a college degree, having earned an associate’s degree or higher educational
9 attainment. For comparison, about 64 percent of the population over 25 in King County have an
10 associate’s degree or higher educational attainment. Table 2 shows the educational attainment for the
11 Mercer Island population aged 25 or older.
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Table 2. Educational Attainment for the Population 25 Years and Over, 2021.

Educational Attainment	Estimate	Share
Less than high school diploma	308	1.70%
Regular high school diploma	1,034	5.71%
GED or alternative credential	84	0.46%
Some college, less than 1 year	316	1.74%
Some college, 1 or more years, no degree	1,379	7.61%
Associate's degree	952	5.25%
Bachelor's degree	7,118	39.29%
Master's degree	3,781	20.87%
Professional school degree	1,791	9.89%
Doctorate degree	1,354	7.47%
Total	18,117	100%

Source: U.S. Census Bureau 2021 American Community Survey, Table B15003.

Mercer Island is located in King County between two major economic hubs in Seattle and Bellevue. Mercer Island is in the center of a high-income area that can support increased economic activity. The City’s geography places it in a prime location to grow its economy by attracting off-island customers and capital from the surrounding area. King County’s median household income is the highest in both the Puget Sound region and Washington overall. Table 3 shows the 2021 median household incomes for Washington State and selected Puget Sound counties.

Table 3. Estimated 2021 Median Household Income in the Last 12 Months, Washington State and Selected Puget Sound Counties.

Location	Median Income (Dollars)
Washington State	\$84,247
King	\$110,586
Kitsap	\$87,314
Pierce	\$85,866
Snohomish	\$100,042

Source: 2021 American Community Survey Table S1903.

Mercer Island Commercial Areas

The City of Mercer Island has three commercial areas. These areas have been zoned for commercial uses since the City incorporated in the 1960s. Each of these areas is home to different types of commercial development. Commercial developments in Town Center are predominantly older one-story strip mall development and newer mid-rise mixed-use buildings. There is a commercial area in the northeast of the island near City Hall that is primarily older one- and two-story buildings with office spaces and services such as childcare. The south end commercial area is a smaller shopping center and self-storage structure. These three distinct areas are the only places in Mercer Island zoned for commercial uses. Some limited commercial activities such as home-based businesses are allowed outside of these areas.

Town Center

Town Center is located south of Interstate 90, north of Mercerdale Park, west of Island Crest Way, and east of 74th Avenue Southeast. The Town Center has experienced the most development of all the commercial areas in the City in recent years. Most of the recent developments have been mixed-use development combining first floor commercial space and parking with residential uses on the upper floors.

1 Older development in Town Center is lower-intensity, one-story, ‘strip mall’ development with surface
2 parking in front of the commercial space.

3

4 **Northeast Commercial Area**

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

13

14 **South End Commercial Area**

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

21

22 **Land Use Connection**

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

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

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

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1 **Relationship to Other Comprehensive Plan Elements and Other Plans**

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

4
5 **Housing**

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

19
20 **Transportation Element**

21 Transportation infrastructure is integral to the local economy. The Transportation Element establishes
22 the goals and policies that guide how the City will maintain, improve, and expand the transportation
23 network to account for growth throughout the planning period. The goals and policies of the
24 Transportation Element aim to maintain adequate levels of service at high traffic intersections, reinvest
25 in existing infrastructure, increase transportation choice in the City, and provide connectivity between the
26 light rail station and the City's commercial areas. Transportation networks allow businesses to access
27 markets in neighboring cities, make it easier for customers from outside the City to patronize local
28 businesses, and enable local businesses to draw from the regional labor force.

29
30 **Utilities**

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

34
35 **Capital Facilities**

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

39
40 **Shoreline Master Program**

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

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1 **Other Plans**

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

- 5
- 6 • **The Arts and Cultural Plan** – Directs the provision of artistic and cultural infrastructure that draw
7 both residents and shoppers to commercial areas. Artistic and cultural infrastructure and events
8 in the community improve the quality of life. Well executed, they can attract local and off-island
9 residents to commercial areas where they may be more likely to shop. It may also attract workers
10 to the island, who in addition to contributing to the employment base, may shop here.
- 11 • **The Pedestrian and Bicycle Facilities Plan** – Establishes strategies maintaining and improving
12 pedestrian and bicycle infrastructure to provide multimodal connections throughout the City.
- 13 • **Parks, Recreation and Open Space Plan** – Plans for the maintenance, improvement, and
14 development of parks and open space.
- 15 • **Climate Action Plan** – Establishes the strategies the City will use to reduce greenhouse gas
16 emissions and address the impacts of climate change.
- 17 • **Capital Improvement Plan** – Lists the capital investments the City will make through 2044.
- 18 • **Transportation Improvement Program** – Lists the Transportation Element implementation
19 projects the City will undertake throughout the life of the Comprehensive Plan.
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21 **Employment Growth Target**

22 The King County Countywide Planning Policies (CPPs) establish growth targets for all of the jurisdictions
23 within King County. The CPPs were initially adopted in 1992 and have been amended several times since
24 then. Elected officials from King County, the cities of Seattle and Bellevue, and the Sound Cities Association
25 meet as the Growth Management Planning Council. This Council makes recommendations to the County
26 Council, which has the authority to adopt and amend the CPPs. King County amended the CPPs in 2021,
27 updating the growth targets for cities and towns throughout the County. The updated growth targets
28 extended the planning horizon through the year 2044. Mercer Island’s current employment is
29 approximately 7,700 jobs; the growth target is 1,300 new jobs by the year 2044.
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31 **I.B Strengths, Weaknesses, Opportunities, and Threats**

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33 The advantages and challenges the City plans to encounter in the next twenty years can be divided into
34 strengths, weaknesses, opportunities, and threats. Strengths are those things already existing in the local
35 economy that the City can build on to grow the economy. Weaknesses are existing conditions in the local
36 economy that could impede or otherwise challenge economic growth through the planning period.
37 Opportunities are foreseeable changes that can give the City a stronger competitive advantage in the
38 coming years. Threats are external events or factors that have the potential to negatively affect economic
39 growth. The selected strengths, weaknesses, opportunities, and threats discussed in this section were
40 identified during public participation and data review conducted during the drafting of this element.
41

42 **Strengths**

43 Strengths are the cornerstones of the economy. These are the aspects of the local economy that are
44 advantageous for economic growth. Strengths are factors that contribute to the prosperity, environment,
45 and social cohesion of the City and as such represent topic areas the City can support or expand to
46 overcome weaknesses and threats. Some of the principal strengths identified are listed and discussed
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High Quality of Life

The high quality of life on Mercer Island is a considerable strength. The Island’s parks, open space, high quality public schools, safe and walkable neighborhoods, and cultural amenities helps attract new businesses and workers alike. Community input gathered during the drafting of this element often pointed to the high quality of life in Mercer Island as an asset the City can build upon to strengthen the local economy. Quality of life may also serve as a draw for off-island visitors to patronize local businesses. Since this high quality of life is a considerable strength, it must be protected. [No consensus Planning Commission asked Chris Goelz to draft an amendment]

High-Income Residents

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

Table 4. Household Income and Benefits, 2021.

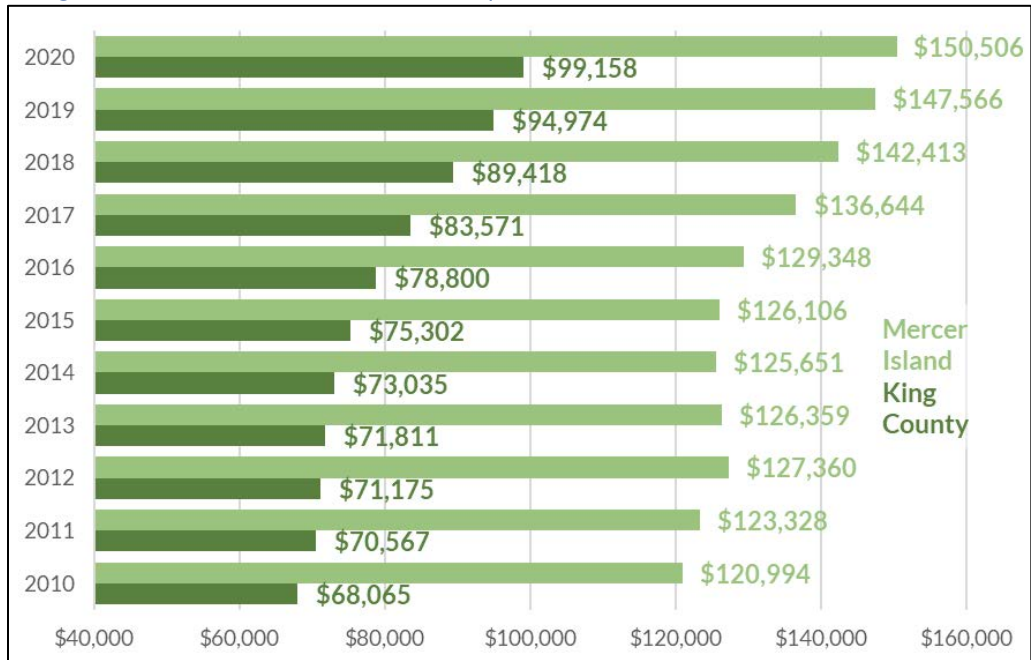
Income and Benefits in 2021 Inflation-Adjusted Dollars		
	Mercer Island	King County
Total households	9,758	924,763
Less than \$10,000	3.3%	4.7%
\$10,000 to \$14,999	0.5%	2.4%
\$15,000 to \$24,999	4.0%	4.3%
\$25,000 to \$34,999	5.1%	4.2%
\$35,000 to \$49,999	4.3%	7.4%
\$50,000 to \$74,999	8.3%	12.2%
\$75,000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

Source: U.S. Census Bureau, Table CP03.
<https://data.census.gov/table?q=employment+income&g=1600000US5345005&tid=ACSCP5Y2021.CP03>

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



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

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Having an existing high-income customer base is a considerable advantage for entrepreneurs and can draw firms from off-island to do business in the city. The financial resources of the community on Mercer Island can also help with business formulation and business attraction. The key to building on this strength is focusing on giving residents more opportunities to shop on-island and broadening prospects for entrepreneurs and businesses to invest capital in the Mercer Island economy.

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Location of the City

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

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Weaknesses

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

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Permitting and Regulatory Environment

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Permitting challenges, difficulty navigating the development code, and protracted permitting processes can increase financial risk when starting a new business or expanding an existing one. This increased financial risk can adversely impact business formation and retention. Public input indicated that the City’s development code and permitting processes can be complicated and make starting a business more difficult. Permit fees and the time spent on permit review are also challenging factors related to starting

1 a new business. As the City considers permit fees, impact fees, and other regulatory requirements it can
2 assess how those changes might add to or reduce the cost of starting a new business. The City can address
3 this weakness by auditing its regulations and permit processes to ensure that they do not unnecessarily
4 restrict or complicate the process of starting or expanding a business. Another way for the City to address
5 this weakness is to engage the business community in the legislative process.

6 7 **Business Climate and Culture**

8 Public input gathered during the drafting of this element indicated that the business climate and culture
9 on Mercer Island are underdeveloped. Some business owners cited limited formal opportunities to
10 connect with the larger business community on Mercer Island. Commenters suggested that most business
11 networking was through informal networks rather than a concerted effort to help businesses cooperate
12 and share expertise. Other comments indicated that competition for limited on-island customers and a
13 corresponding lack of off-island patrons fostered competition amongst local businesses. The City can
14 begin to address this weakness by working with partners to facilitate formal communication and
15 collaboration between business owners.

16 17 **Lack of Visitor Customer Base**

18 Public input gathered during the drafting of this element highlighted low numbers of off-island customers
19 as a weakness. Many comments suggested that Mercer Island businesses sometimes struggle to connect
20 with customers outside of the city. Given the city's location near large metropolitan cities, there is a large
21 off-island customer base to draw from and attract. To begin addressing this weakness, the City can
22 explore opportunities to support the business community and community organizations such as the
23 Chamber of Commerce to reach customers outside of Mercer Island.

24 25 **Affordability and Availability of Commercial Space**

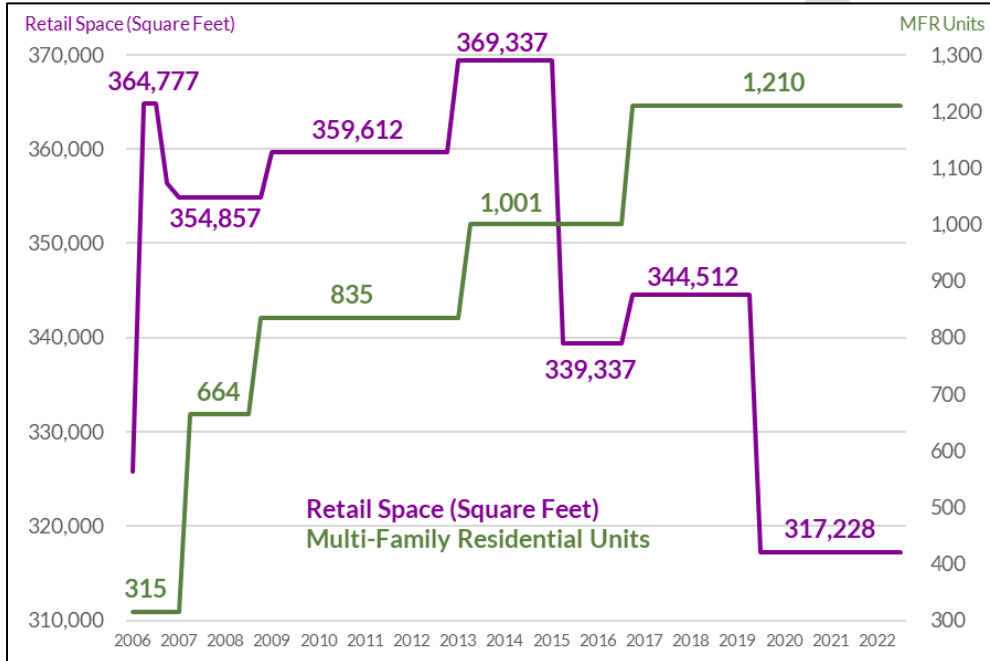
26 The lack of commercial space in the city and its cost can be a challenge for new business formulation and
27 expansion of existing businesses. Under the current zoning, commercial activities are largely limited to
28 three areas in the city. The largest of these areas, Town Center, is a mixed-use area where development
29 is allowed to be a combination of commercial and residential space. Over the last two decades,
30 redevelopment in this area has favored residential space, with minimal commercial space along certain
31 street frontages. As a result, there has been a limited amount of new commercial space added to Town
32 Center in recent years, a trend the City Council has begun working to reverse.

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

45
46 Figure 2 compares the change in commercial square footage and residential units in Town Center between
47 2006 and 2022. The retail space referred to in the figure is commercial store fronts that could be retail or

1 restaurant space. From 2006 to 2022, the multi-family residential units increased by 895 units to a total
 2 of 1,210 (Figure 1). In that same period, the square footage of commercial space initially increased to a
 3 peak of about 369,000 square feet in 2013, before decreasing to about 317,000 square feet in the third
 4 quarter of 2019. This may be the result of a demolished building at 2431-2441 76th Ave SE. Although all
 5 development in Town Center is interconnected due to the mixed-use zoning in the area, this data does
 6 not mean that the amount of commercial space and number of residential units in Town Center are
 7 proportional or causal. From 2006 to 2022, the amount of commercial space has decreased by
 8 approximately 2.5% while the number of multi-family residential units have increased by nearly 75%.
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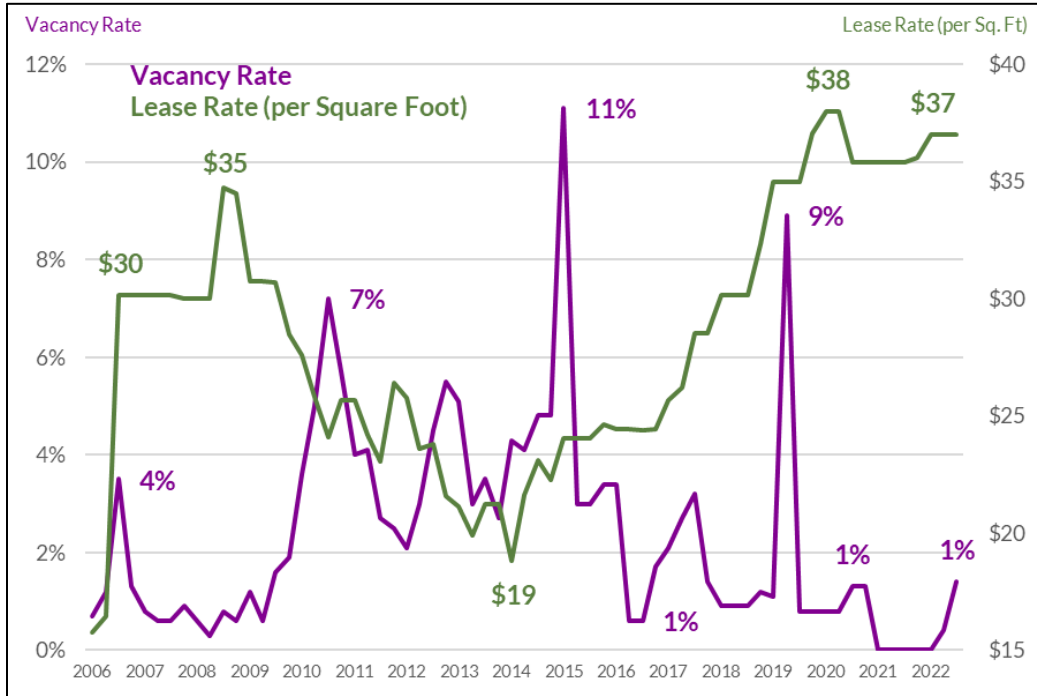
10 **Figure 2. Change in Retail Space and Multi-Family Residential Units, Town Center, 2006 to 2022**



11 Source: CoStar, 2022; CAI, 2022.

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



2 Source: CoStar, 2022; CAI, 2022.

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

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13 **Opportunities**

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

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20 **Additional Transportation Connections**

21 The flow of goods and people is a major component of any city’s economy. Transportation infrastructure
22 can be even more impactful for an island community where moving people and goods is complicated by
23 lack of an overland route. For this reason, the East Link Light Rail station has the potential to be one of
24 the most transformative transportation developments on Mercer Island since the construction of the first
25 bridge to the island. The arrival of light rail will increase access to Mercer Island for off-island people. The
26 potential to draw more off-island visitors to increase the customer base for local businesses is an
27 opportunity to boost economic growth in the city. Leveraging the arrival of light rail will require some
28 active steps to ensure that this opportunity is maximized, and impacts are adequately addressed. The City
29 can help connect transit riders with local businesses to take advantage of the arrival of light rail.

1 **Arrival of a Large Employer in Town Center**

2 Riot Games acquired an office building in Town Center in 2022. Their use of this office space is expected
3 to eventually add a couple hundred jobs to Town Center. This opportunity overlaps with the planned
4 arrival of light rail. This influx of workers is expected to increase demand for goods and services from
5 neighboring businesses in Town Center. The arrival of a large employer is also expected to generally spur
6 economic growth. The City should explore partnerships and programs to begin encouraging commuters
7 to spend more time in Town Center and shop locally.
8

9 **More Islanders Working From Home**

10 One of the changes prompted by the Covid-19 pandemic is the transition to more work-from-home
11 options for commuters. The extent to which commuting workers will spend their workdays on-island
12 instead of traveling to work off-island remains unclear. What seems increasingly likely is that workers will
13 commute less often than they did before the pandemic. Changes in commuting could lead to new demand
14 for different services in the city's commercial areas or increased demand for existing services.
15

16 **More Housing Priced in the Middle Range**

17 Recent legislation will encourage the development of more housing priced in the middle range, most of it
18 in and near the Town Center. Residents of this housing will be located near the commercial area, will be
19 less likely to own a car, and will be more likely to shop locally. The arrival of more residents in these
20 locations will likely spur economic development.
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22 **Threats**

23 Threats are external events or factors that have the potential to impede, slow, or otherwise negatively
24 affect economic growth. Whereas weaknesses are existing conditions in the City that might challenge
25 growth, threats are potential future concerns. Threats are topic areas where the City can focus attention
26 to prepare for possible challenges and build resilience in the local economy.
27

28 **Economic Uncertainty**

29 There currently is a high degree of uncertainty about the future in the regional, national, and global
30 economy. The unknown future of market forces such as inflation, supply chain difficulties, labor
31 shortages, stock market volatility, and rising transportation costs obfuscate the economic outlook ~~in~~ for
32 the coming years. Many of these market forces are beyond the reach of City policies, however the City
33 can prepare for positive and negative swings in the regional, national, and global economy by planning
34 for economic resilience. Policy interventions that look to build on the local economy's strengths,
35 overcome its weaknesses, and capitalize on expected opportunities can build resilience in the local
36 economy. Policies that establish contingency plans for economic downturns can also help position the
37 City to be responsive to changing conditions in uncertain times.
38

39 **The Changing Nature of Retail**

40 Retail commerce is undergoing a transition as online retailers compete with brick-and-mortar stores. This
41 change appears to have been accelerated during the Covid-19 pandemic as more shoppers opted to order
42 goods online. Comments indicate that this could mean that retail will need to focus more on location-
43 specific or experiential retail to differentiate their goods and services from those more readily available
44 in online marketplaces. Some comments proposed a shop local campaign and adaptive reuse regulations
45 for commercial spaces as possible measures to help local businesses respond to changes in demand.
46

1 **Affordability in the Region**

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

9
 10 Housing affordability can impact workforce availability. Labor is an important input for local businesses.
 11 As housing prices increase, filling middle and lower wage positions can potentially become more difficult
 12 as many workers commute from outside the city. The majority of people employed on Mercer Island
 13 commute from outside the city. In 2019, 87 percent of workers employed on Mercer Island live outside
 14 the city. Only about 13 percent of workers employed in the city also live on Mercer Island. On the other
 15 hand, 91 percent of workers living on Mercer Island commuted to jobs outside the City in 2019. Table 5
 16 shows the inflow and outflow of Mercer Island workers as tracked by the U.S. Census Bureau in 2019.

17
 18 **Table 5. Worker Inflow and Outflow, 2019.**

	Count	Share
Workers Employed in Mercer Island		
Employed in Mercer Island	7,071	100%
Employed in Mercer Island but living outside Mercer Island (inflow)	6,157	87.1%
Employed and living in Mercer Island	914	12.9%
Workers Living in Mercer Island		
Workers living in Mercer Island	10,123	100%
Living in Mercer Island but employed outside Mercer Island (outflow)	9,209	91%
Living and employed in Mercer Island	914	9%

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

20
 21 Many workers commute from off-island to fill middle and lower wage positions. In 2019, more than half
 22 of jobs in Mercer Island paid less than \$3,333 a month or about \$40,000 a year. The low earnings for on-
 23 island jobs can make it difficult for workers to afford to live near Mercer Island and could make finding
 24 workers difficult given that all of metro King County has a higher cost of living. Table 6 shows the earnings
 25 for on-island jobs as tracked in 2019 by the U.S. Census Bureau.

26
 27 **Table 6. Mercer Island Jobs by Earnings, 2019.**

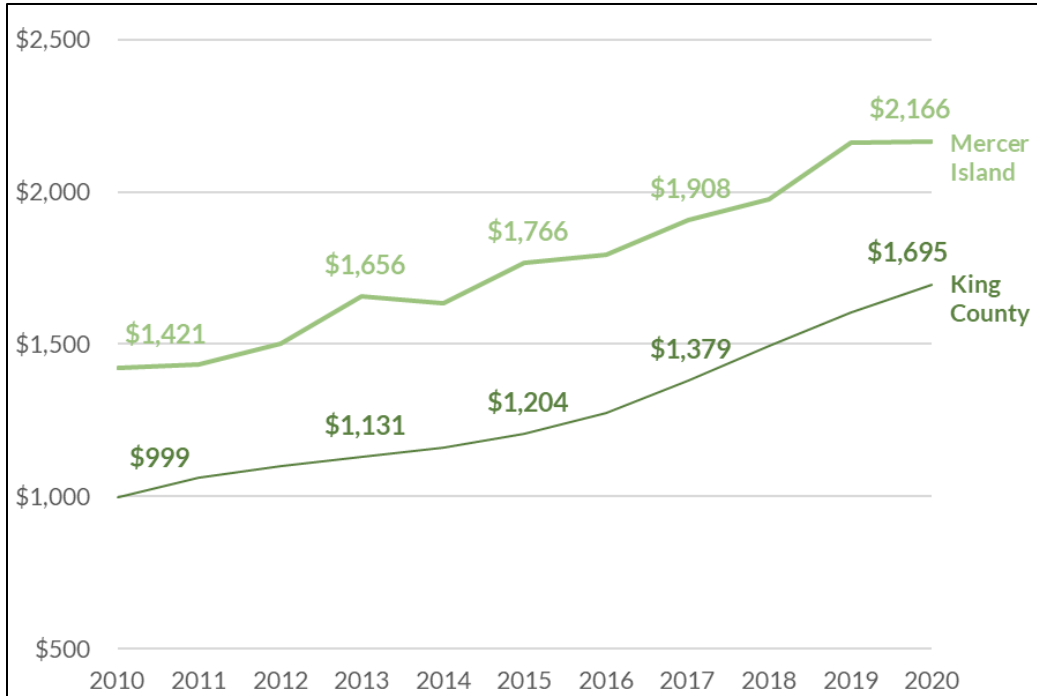
Earning Range	Mercer Island		King County	
	Count	Share	Count	Share
\$1,250 per month or less (\$15,000 annually)	1,738	24.6%	188,902	13.7%
\$1,251 to \$3,333 per month (\$15,012 to \$39,996 annually)	1,995	28.2%	299,798	21.7%
More than \$3,333 per month (more than \$39,996 annually)	3,338	47.2%	891,181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

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

29
 30 While many jobs on Mercer Island pay relatively lower wages, the cost of housing is rising. Figure 4 shows
 31 that in 2020, the median rent in Mercer Island was \$2,166 a month. Assuming that housing costs should
 32 be around 30 percent of a household’s income, this would require a monthly income of roughly \$6,498 or
 33 \$77,976 annually to be affordable. Expanding to the county level, the 2020 median rent in King County

1 was \$1,695. The King County median rent would require a monthly income of about \$5,085 or \$61,020
2 annually to be affordable. As highlighted earlier, many jobs on Mercer Island pay \$40,000 a year or less.
3 If rent outpaces wage growth, many workers may choose to live or work in more affordable cities or
4 regions. Difficulty in attracting workers can hinder economic growth as greater competition for workers
5 can drive up wages and costs to businesses.
6

7 **Figure 4. Median Rent, Mercer Island and King County, 2010 to 2020.**



8
9 Source: American Community Survey, 2020; CAI, 2022.

10
11 **Displacement During Redevelopment**

12 The City’s commercial areas are largely developed. This causes most new commercial development on
13 the Island to occur through redevelopment of existing commercial buildings, which can displace
14 businesses in older developments. Displacement risk increases as sites redevelop because commercial
15 spaces in redeveloped sites can have higher rents, construction can interrupt business, and new spaces
16 might not fit existing business’ needs. The City can monitor the supply of developable commercial land
17 to determine whether the availability of commercial space is not increasing the displacement risk for local
18 businesses.
19

20 **Climate Change**

21 Climate change has the potential to have negative effects upon the economy. Business establishment
22 and success as well as customer spending patterns may be affected. Though many of the impacts of
23 climate change may be out of the control of local government, Mercer Island should implement and
24 market the success of climate mitigation and adaptation strategies included in the Climate Action plan to
25 attract businesses and shoppers. Businesses may want to locate where they can minimize their impact
26 upon the climate and where their employees may be more comfortable. Shoppers may seek commercial
27 areas that are more comfortable in a warmer climate.
28
29

1 **II. Business Ecosystem Goals and Policies**

2
3 **Goal 1 – The City of Mercer Island actively fosters a healthy business ecosystem.**

4
5 Policies

- 6
7 1.1 Partner with local, regional, state, and federal economic development agencies to increase
8 resources available for business owners and entrepreneurs.
9
10 1.2 Dedicate one staff position to coordinating the implementation of the Economic Development
11 Element.
12
13 1.3 Support local economic development nongovernmental organizations to grow their capacity to
14 support local businesses, attract new investment, and maintain a healthy business ecosystem.
15
16 1.4 Analyze commercial development capacity periodically to evaluate the type and quantity of
17 commercial development possible given existing development, zoning, and regulations.
18
19 1.5 Develop a citywide retail strategic plan. The citywide retail strategic plan should include
20 actionable steps the City can take to support existing retail businesses, attract new retail
21 businesses, and diversify the local economy.
22
23 1.6 Analyze the feasibility of establishing a Parking and Business Improvement Area (PBIA) or Local
24 Improvement District (LID) in one or more commercial areas to fund improvements for economic
25 development.
26
27 1.7 Partner with community organizations such as the Chamber of Commerce to market Mercer
28 Island as good place to do business.
29
30 1.8 Study the feasibility of relocating City Hall facilities to Town Center. The study should consider
31 creation of a public park, establishing City Hall as a gateway from the Sound Transit Light Rail
32 Station, public access to City services, and accessibility for all Mercer Island residents.
33

34 **Goal 2 – Mercer Island’s healthy business ecosystem attracts entrepreneurs, businesses, and**
35 **investment.**

36
37 Policies

- 38
39 2.1 Partner with nongovernmental organizations and neighboring economic development agencies
40 to market Mercer Island as a prime location for businesses and investment.
41
42 2.2 Partner with community organizations to target the following types of businesses and investment
43 when marketing the City as a prime location for business:
44
45 2.2.A A complementary and balanced mix of retail businesses and restaurants;
46 2.2.B High wage employers; and
47 2.2.C Satellite offices and coworking spaces.

- 1
- 2 2.3 Partner with community organizations to develop a guide to doing business on Mercer Island to
- 3 help entrepreneurs navigate City processes and find additional resources available to assist in
- 4 starting a new business.
- 5
- 6 2.4 Partner with community organizations to facilitate a mentorship program that connects Mercer
- 7 Island business owners, entrepreneurs, and retirees with people interested in starting new
- 8 businesses.
- 9
- 10 2.5 Conduct a food truck pilot program to attract new entrepreneurs to Town Center. The pilot
- 11 program can include but is not limited to the following:
- 12
- 13 2.5.A Designated food truck parking on public property, including rights of way;
- 14 2.5.B Informational materials provided to existing food truck operators to attract them to
- 15 Mercer Island;
- 16 2.5.C Partnerships with food truck organizations in the region;
- 17 2.5.D Outreach to existing restaurants to consider the impacts of the pilot program on existing
- 18 businesses; and
- 19 2.5.E A report providing recommendations for potential programmatic and regulatory changes.
- 20

21 **Goal 3 – Existing Businesses thrive as the cornerstone of Mercer Island’s business ecosystem.**

22

23 Policies

- 24
- 25 3.1 Convene an annual business owners’ forum to create a continuous feedback system during which
- 26 City elected officials and staff gather input from business owners. This input should inform City
- 27 decision making that affects the business community.
- 28
- 29 3.2 Facilitate periodic business roundtables with community organizations, local business owners,
- 30 and City staff.
- 31
- 32 3.3 Periodically distribute a business newsletter to local business owners and community
- 33 organizations.
- 34
- 35 3.4 Partner with community organizations, including the Chamber of Commerce, to initiate a “Shop
- 36 Mercer Island” marketing campaign directed at drawing more residents and visitors to
- 37 commercial areas on the island. The City should fill a supporting role in this partnership.
- 38
- 39 3.5 Conduct outreach to surrounding businesses before initiating capital projects in commercial
- 40 zones. This outreach should create a two-way dialogue with businesses, offering a seat at the
- 41 table when capital projects might affect business operation.
- 42
- 43 3.6 Identify and adopt measures to reduce displacement of existing businesses as new development
- 44 occurs. Notify nearby businesses of any potential redevelopment.
- 45

46 **Goal 4 – The business ecosystem on Mercer Island is sustainable in that it meets the social,**

47 **environmental, and economic needs of residents now and in the future.**

1
2 4.1 Encourage programming that enables residents and visitors to safely gather, access spaces,
3 socialize, and celebrate in the City. Encouraging public gatherings throughout the City can
4 improve the quality of life on Mercer Island and make the City a more vibrant place for residents
5 and visitors alike, which can in turn drive increased economic activity.

6
7 4.2 Build resilience in the local economy by:

8
9 4.2.A Diversifying the goods and services available in the local economy;

10 4.2.B Being flexible when working with businesses to respond to crises such as allowing
11 temporary use of rights of way for business activity during a state of emergency like a
12 pandemic;

13 4.2.C Coordinating with local businesses to plan for disaster preparedness; and

14 4.2.D Be guided by relevant strategies in the Climate Action Plan to reduce the potential
15 negative effects of climate change on doing business in the City and to attract businesses,
16 workers and customers in a warming climate.

17
18 4.3 Consider-Climate Action Plan strategies during economic development decision making.
19

20 **Goal 5 – Mercer Island has a skilled workforce that is central to the health of the business**
21 **ecosystem.**

22
23 5.1 Partner with regional, statewide, and federal agencies to connect job seekers in the region with
24 opportunities on Mercer Island.

25
26 5.2 Partner with community organizations in the City and region to connect tradespeople and other
27 high-skilled workers with employment opportunities on Mercer Island. This work should focus on
28 communications and fostering connections between community organizations, employers, and
29 workers.
30

31 **Goal 6 – The Mercer Island economy provides residents the option to both live and work on-**
32 **island.**

33 Policies

34
35
36 6.1 Plan to increase high-wage on-island job opportunities for residents, increase on-island
37 employment options as a share of the City’s employment growth target, eliminate the need to
38 commute, and reduce vehicle miles traveled.

39
40 6.2 Coordinate with the Housing Element to increase housing opportunities for employees to live and
41 work in the community.
42

43 **III. Regulatory Environment Goals and Policies**

44
45 **Goal 7 – The City actively reduces the regulatory burden created by commercial development**
46 **regulations and permitting processes to support a healthy business ecosystem,**
47 **entrepreneurs, and innovation in business.**

1 Policies

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7.1 Audit the development code and permitting processes to identify code amendments to support businesses, improve effectiveness, and make efficient use of City resources. The following goals should be coequally considered when identifying code amendments:

- 7.1.A Lowering compliance costs for business owners;
- 7.1.B Minimizing delay and reduce uncertainty in the entitlement process;
- 7.1.C Improving conflict resolution in the entitlement process;
- 7.1.D Reducing the likelihood of business displacement as new development occurs; and
- 7.1.E Balancing parking requirements between reducing barriers to entry for new businesses and the need for adequate parking supply.
- 7.1.F Reducing greenhouse gas emissions.

7.2 Evaluate City fees imposed on development to determine their effect on business startup costs and City finances. The impact on business startup costs must be balanced with the financial needs of the City.

7.3 Evaluate additional process or code improvements on an annual basis with input from the economic development staff. This evaluation should inform the development of annual docket recommendations as needed.

7.4 Update home business regulations to support a mix of commercial uses while ensuring home businesses remain compatible with neighboring residential uses.

7.5 Establish a small-business pre-application process to help guide applicants through the permitting process.

7.6 Study allowing small scale retail outside the existing commercial districts.

IV. Business and Customer Attraction Goals and Policies

Goal 8 – The Mercer Island business ecosystem includes a diversity of goods and services enjoyed by residents and visitors.

Policies

8.1 Ensure land use regulations in commercial zones allow a diversity of commercial uses.

8.2 Encourage commercial offices to locate in Mercer Island to bring more potential daytime customers to the Island without displacing existing retail space.

Goal 9 – The commercial areas in Mercer Island, and especially the Town Center, are lively, vibrant gathering places for the community and visitors.

Policies

- 1 9.1 Encourage arts and cultural activities in commercial zones to draw the community to commercial
- 2 areas.
- 3
- 4 9.2 Partner with community organizations to develop a program to activate Town Center in the
- 5 evening. The program should include strategies such as:
- 6
- 7 9.2.A Evening events to draw people to Town Center;
- 8 9.2.B Focusing on arts and cultural experiences;
- 9 9.2.C Engaging local nonprofits; and
- 10 9.2.D Incorporating existing community events.
- 11

12 **Goal 10 – Commercial areas are attractive and inviting to the Mercer Island community and**

13 **visitors.**

14

15 Policies

- 16
- 17 10.1 Focus on public safety as an important component of a thriving business community.
- 18
- 19 10.2 Activate public spaces in commercial areas by establishing design standards that encourage
- 20 walkability and active use of street frontages in new development using strategies such as:
- 21
- 22 10.2.A Emphasizing spaces that are human-scaled, safe and comfortable for walkers and bikers;
- 23 10.2.B Incorporating principles of crime prevention through environmental design (CPTED);
- 24 10.2.C Increasing wayfinding;
- 25 10.2.D Incorporating public art;
- 26 10.2.E Increasing street furniture/public seating provided it is designed with a specific purpose
- 27 or function; and
- 28 10.2.F Increasing the amount of public space, including parklets.
- 29
- 30 10.3 Review street standards including the streetscape manual in Town Center, considering the
- 31 following:
- 32
- 33 10.3.A On street parking;
- 34 10.3.B Time-limited public parking;
- 35 10.3.C Public safety;
- 36 10.3.D Pedestrian improvements;
- 37 10.3.E Electric vehicle charging; and
- 38 10.3.F Bike parking and infrastructure.
- 39

40 **Goal 11 – Public space in Town Center is plentiful, providing residents and visitors places to**

41 **gather, celebrate, and socialize.**

42

43 Policies

- 44
- 45 11.1 Establish regulations for outdoor dining and temporary uses that allow flexible use of street
- 46 frontages and public rights of way for public space to gather, celebrate, and socialize.
- 47

1 11.2 Seek to create more community gathering spaces when considering development standards in
2 Town Center.

3
4 11.3 Maintain the existing City program to beautify Town Center with landscaping, street trees and
5 flower baskets.

6
7 **Goal 12 – Mercer Island residents and visitors can safely access commercial areas.**

8
9 Policies

10
11 12.1 Ensure multimodal transportation options are available for workers to access on-island
12 employment and customers to access goods and services.

13
14 12.2 Reduce car dependence without compromising existing available parking in commercial areas by
15 prioritizing the following when considering regulatory amendments and capital improvements:

16
17 12.2.A Bike safety, parking, and infrastructure;

18 12.2.B Access to transit;

19 12.2.C Pedestrian safety;

20 12.2.D Traffic calming; and

21 12.2.E Human scale design.

22
23 12.3 Prioritize capital investment in creating robust pedestrian and bicycle connections between the
24 park and ride, light rail station, Town Center and surrounding residential areas.

25
26 12.4 Ensure that sufficient parking is provided as commercial areas redevelop. Interpretation of the
27 policies in this element should not lead to a reduction in parking,

28
29 12.5 Align the development of public space with all City functional plans, including the Pedestrian
30 and Bicycle Facilities Plan, to create safe walking and cycling routes that connect residential
31 areas with public spaces.

32
33 **IV. Implementation Goals and Policies**

34
35 **Goal 13 – The City takes specific actions and provides resources to implement the policies and**
36 **achieve the goals of this Economic Development Element. Progress toward achieving**
37 **Economic Development Element goals is regularly monitored and reported to the City**
38 **Council and public.**

39
40 Policies

41
42 13.1 Utilize federal, state, regional, and King County resources to implement this element.

43
44 13.2 Encourage public-private partnerships to achieve the goals of this element.

45
46 13.3 Seek grant funding for programs and activities that implement the policies of this element.

- 1 13.4 Appropriate funding for the implementation of this element through the City budget process.
2 Funds should be allocated at the same time projects are added to City department work plans to
3 ensure programs and projects are adequately funded to achieve the goals of this element.
4
- 5 13.5 Prepare a biennial report tracking implementation of the Economic Development Element. The
6 report will be provided to the City Council prior to adoption of the budget.
7
- 8 13.6 Establish an implementation timeline for this element each budget cycle. The implementation
9 timeline can be updated and amended each budget cycle to reflect the resources available to
10 accomplish actions to implement this element. The implementation timeline should detail the
11 following:
12
- 13 13.6.A Actions from this element to be added to department work plans for the upcoming
14 budget cycle;
 - 15 13.6.B Actions from this element that should be added to work plans in the next three to six
16 years; and
 - 17 13.6.C Actions from this element that should be added to future work plans in seven or more
18 years.
- 19
- 20 13.7 Respond to potential budget shortfalls for actions to implement this element with the following
21 strategies in descending order of priority:
22
- 23 13.7.A Alternate funding sources;
 - 24 13.7.B Public-private partnerships;
 - 25 13.7.C Reducing project or program scope to align with current budget constraints;
 - 26 13.7.D Delaying projects to the next budget cycle; and
 - 27 13.7.E Amending the policies of the Economic Development Element to reflect the City's capacity
28 to implement the element.