

ECONOMIC DEVELOPMENT SUB-ELEMENT

INTRODUCTION

Purpose

The purpose of this Element is to provide economic development policies for the City of Kenmore, as the community's economic base changes over time in response to market forces and in response to the vision of the Kenmore community.

Growth Management Act

The Growth Management Act (GMA) includes a specific goal regarding economic development:

- Economic development – Encourage economic development throughout the state that is consistent with adopted comprehensive plans, promote economic opportunity for all citizens of this state, especially for unemployed and for disadvantaged persons, and encourage growth, all within the capacities of the state's natural resources, public services, and public facilities.

GMA does not require an economic development "element," but economic issues are a key factor in developing the Land Use Element where the distribution of land use, including industry, commerce and other uses, must be shown.

Countywide Planning Policies

The Countywide Planning Policies include many related to economic development. Policy *concepts* are summarized below:

- Jurisdictions shall provide infrastructure and public services, promote education and protect the environment in a way that contributes to the economic sustainability of the County.
- Jurisdictions shall support the development of a regional economic development strategy consistent with the Countywide land use pattern. (Countywide Planning Policies promote urban centers, manufacturing/industrial centers, and activity areas.)
- Jurisdictions shall include economic development policies and an economic development element in their comprehensive plans which must address local concerns and the regional context. Estimates of the type and number of jobs need to be provided. Policies and plans must address the following topics:
 - Strengthen, expand and diversify the economy
 - Environmental protection as an economic value
 - Human resources - economically disadvantaged citizens and neighborhoods, job training and education
 - Direct governmental actions - land supply, infrastructure and permitting
 - Private/public partnerships

These concepts have been considered during the formulation of the Kenmore Comprehensive Plan.

EXISTING CONDITIONS

Introduction

The Existing Conditions information below is based on the “Kenmore Downtown Plan Market Study,” May 2005, prepared by Property Counselors, in association with, Mizrahi And Associates / CB Richard Ellis. While the study focused on Downtown, it created a context for the analysis using citywide information. The information in the study built on prior studies and information noted in Chapter 3, Demographics and Economics, and Chapter 4-B Downtown Sub-Element. While some of the information below is more current than in those chapters, the data does not conflict among them.

Economic and Demographic

The City of Kenmore has an estimated population of 19,170 (as of April 1, 2004), an increase of 380, or approximately 2 percent, since 2001. The population of the larger market area extending approximately three miles in each direction, which the city’s businesses could serve, was approximately 180,000 in 2000, and is projected by the Puget Sound Regional Council (PSRC) to grow to 232,000 by 2030, an increase of 18 percent. The City of Kenmore is projected to grow at half that rate.

There were approximately 4,500 jobs in Kenmore in 1999, and about 4,261 in 2003, slightly fewer than in 1999. As of 1999, total jobs represented 0.26 jobs per capita, well below the County-wide average of 0.60, Bothell of 0.60 and Kirkland of 0.67. Kenmore still serves largely as a bedroom community for surrounding employment centers.

The Kenmore area has an income level estimated to be \$31,600 per capita in 1999, compared to approximately \$29,521 for the County as a whole.

Refer to **Section 3, Demographics and Economics**, for more detailed information about Kenmore’s existing demographics and economy. To summarize, however, the following describes the number of current jobs and the community’s largest employers:

- Based upon all employees “covered” under the State’s unemployment insurance act, approximately 4,261 jobs are located in the City (as of 2003), similar to the number of jobs found in 1999 at 4,472.
- As of 2000, Kenmore’s largest private employers include Bastyr University, American Bowling, Kenmore Air Harbor and Safeway. In 1999 results were similar in that Bastyr University and Kenmore Air Harbor were the larger private employers. In terms of sales revenue, a mix of FIRE (Finance, Insurance and Real Estate) and manufacturing companies are the highest ranked. Relatively speaking, Kenmore has more retail and service businesses than other types of businesses.

FUTURE TRENDS

Kenmore, particularly in the four quadrants of Downtown, is expected to capture additional economic growth. The Downtown area will capture a share of City-wide development based on several key characteristics of these areas.

- Central location.
- Location on major highways/arterials.
- Location on Lake Washington and the Sammamish River.
- Existing development ranging from low intensity industrial development to moderate intensity commercial development.

Retail Demand

Taxable sales for retail trade grew by 9.6 percent over the period 2000 to 2004, while taxable service sales increased by 5 percent per year. The largest retail sectors in absolute terms are eating/drinking, miscellaneous retail, food, and gas stations. Kenmore retail largely serves a local market area. Even within this area, the city retail captures only a small share of resident expenditures. According to an analysis of retail leakage¹, city businesses capture only \$105 million out of \$337 million retail gross sales in estimated city-resident spending, and \$32 million out of \$55 million in gross sales for services. While it is not unusual for a small community to experience leakage in categories such as general merchandise, apparel, and auto sales, Kenmore businesses captured only \$32 million for groceries out of \$54 million.

The retail inventory in the City consists of a mix of shopping centers, shopping districts (a concentration of individual buildings), highway oriented development and some stand-alone facilities. The largest concentrations are Kenmore Square (Bowling Alley) and surrounding development, Safeway and surrounding development, and Kenmore Village (near City Hall) and surrounding development. With the exception of the Safeway concentration, many of the existing retail facilities are dated in terms of configuration, appearance, and performance. The newer strip centers in Kenmore do command rents that are at or above average within the region.

The City of Kenmore has the potential to provide retail goods and services for an area beyond its own boundaries. The projected market area for Kenmore lies within an approximate 3 mile radius around the City Center, and the boundaries are further described in the Downtown Sub-Element. Future retail demand in Kenmore is estimated in terms of gross sales and supportable development based on household growth, income levels, spending factors, and capture rates. The capture rates reflect typical performance levels by sector and are significantly higher than current levels for sectors such as grocery and personal services. Through the year 2015, projected increases in sales would be sufficient to support additional retail development in the following range:

Retail Trade	8,600 – 15,600 SF per year
Services Except Lodging	3,900 – 4,700
Total	<u>12,500 – 20,600 SF per year</u>

The development would be a combination of commercial neighborhood centers, mixed use (residential and commercial) and strip centers.

These projections are dependent on two key assumptions. First, they are based on the City’s household growth target. Second, they are based on Kenmore capturing a higher share of sales in sectors normally served by neighborhood-scale centers. A project of the scale proposed at LakePointe could create demand for specialty retail in a destination setting beyond the demand forecast above.

Office Demand

The Kenmore office market is quite small in comparison to the region. As of 2005, there are only 22 buildings with a total of 107,000 square feet. The largest buildings are only 10,000 square feet. The inventory is split between general office (60 percent) and medical/dental (40 percent). In addition to the local medical community, office-using tenants include finance, insurance, real estate and services businesses serving the local area.

¹ Leakage is defined as the loss of spending by market area residents to retail centers outside the area boundaries.

Kenmore's ability to capture regional and national serving office users depends on its competitive position. Office concentrations in Bothell, Mountlake Terrace, and Kirkland are all located on major interstate highways. Kenmore does not offer that level of highway access and visibility. Kenmore does have an opportunity to capitalize on its waterfront setting, as is the case at Carillon Point in Kirkland. The space in that project commands some of the highest rents in the region. However, that opportunity is specific to LakePointe, or a development of comparable scale.

As a local-serving office market, Kenmore's growth in demand is not likely to exceed 5,000 square feet per year, excluding governmental office and civic uses. This development will occur in small increments as part of mixed-use commercial or residential/commercial structures, or stand-alone buildings.

Projected Commercial and Industrial Space based on Land Use Plan Projections

Assuming development in accordance with the adopted Kenmore Land Use Plan, the Planning Area (City plus Joint Study Areas) would achieve more commercial square feet, and a reduction in Industrial Square Feet through 2020. Refer to **Table LU-G**. Most of the increase in commercial and office square feet is due to the development of LakePointe, and a concentrated Downtown core. **Refer to Sections 4A and 4B**, Land Use Element and Downtown Sub-Element for additional descriptions.

**TABLE LU-G
EXISTING AND FUTURE COMMERCIAL DEVELOPMENT
PLANNING AREA (CITY AND JOINT STUDY AREAS)**

USE	1999	NET 2006 ²	TOTAL 2006	NET 2020	TOTAL 2020 CITYWIDE ALT. 2
Commercial Gross Square Feet ³	688,597	307,011	995,608	902,306	1,590,903
Office Gross Square Feet	143,288	205,588	348,876	803,577	946,865
Industrial Gross Square Feet	341,494	-55,813	285,681	-278,775	62,719

Source: Bucher, Willis & Ratliff Corporation

The employment square footages in **Table LU-G** would support net increases in employees of 5,485 (without deductions for the loss of industrial uses) by the year 2020. This exceeds the City's 2001-2022 employment target in the Countywide Planning Policies of 2,800⁴.

² To determine 6-year development assumptions, the amount of residential or commercial development (not including LakePointe, Bastyr potential campus plans, Downtown, Mobile Home, or Transit-Oriented (Park-and-Ride) Development) was divided by 20 to gain an annual growth number, and then multiplied by 6 to achieve a 6-year number. Pipeline developments (developments approved or applied for) including the LakePointe development were also assumed to occur in the 6-year timeframe and were added to the 6-year number. *Net* increases in Downtown development in the northwest and southeast quadrants of SR-522 and 68th Avenue NE intersection were assumed not to take place in the 6-year timeframe. Refer to **Appendix A**.

³ The amount of commercial square feet does not include hotels. Currently, there are 42 hotel units, and in the future there will be an additional 150 hotel units, primarily due to the LakePointe project.

GOALS, OBJECTIVES, AND POLICIES

Following are the economic development goals, objectives and policies.

GOAL 25. ESTABLISH AN ECONOMIC BASE THAT PROVIDES FOR THE NEEDS OF CITIZENS AND A RANGE OF EMPLOYMENT OPPORTUNITIES.

OBJECTIVE 25.1 Strengthen the economy in a manner that creates job opportunities for all citizens, protects environmental quality, and utilizes public/private partnerships.

- Policy LU-25.1.1 Classify an adequate amount of land for commercial and business use.
- Policy LU-25.1.2 Recognize the environment as a key economic value in the community that must be protected.
- Policy LU-25.1.3 Through cooperative planning efforts with other agencies, support community-based actions to involve minorities, women and economically disadvantaged individuals in improving their economic future.
- Policy LU-25.1.4 Develop and maintain accurate and up-to-date capital facility plans for transportation, surface water, and parks.
- Policy LU-25.1.5 Foster the development and use of private/public partnerships to implement economic development policies, programs, and projects.

OBJECTIVE 25.2 Create a climate that fosters business creation and retention, positively contributing to the City's quality of life.

- Policy LU-25.2.1 Actively support the retention and expansion of the local and regional economic base.
- Policy LU-25.2.2 Work with economic development groups, such as the Northshore Chamber of Commerce, to coordinate recruitment and marketing of business opportunities.
- Policy LU-25.2.3 Use zoning, strategic infrastructure investment, and public facilities to stimulate business revitalization, retention, and creation.
- Policy LU-25.2.4 Allow existing industrial developments to continue and make modest investment in their businesses until such time as market forces lead to commercial or mixed-use redevelopment opportunities.
- Policy LU-25.2.5 Allow for home occupations within residential zones consistent with the residential character.
- Policy LU-25.2.6 Encourage adequate child care and adult care facilities to support a diverse work force.

⁴ Assumes 311 square feet per employee for commercial and office uses (an average of retail, restaurant and office uses in the Urban Land Institute's Business and Industrial Park Handbook, 1988).

OBJECTIVE 25.3 Encourage the retention and provision of commercial services that support residents and local businesses.

- Policy LU-25.3.1 Support private reinvestment in local-serving shopping centers and businesses through business improvement districts, loan or grant matching, or other mechanisms to revitalize commercial centers.
- Policy LU-25.3.2 Reinforce private reinvestment through regular maintenance and improvement of the City's streets, sidewalks, surface water facilities, and park opportunities.
- Policy LU-25.3.3 Encourage mixed-use areas where small-scale commercial development can occur.

OBJECTIVE 25.4 Improve the visual appearance of new and existing commercial development in terms of design, signage, landscaping and maintenance.

- Policy LU-25.4.1 Improve the visual appearance of Downtown, SR-522, and other commercial districts through public and private measures for beautification, façade improvements, and maintenance.
- Policy LU-25.4.2 Improve the appearance of parking areas with landscaping and maintenance.
- Policy LU-25.4.3 Implement sign standards that create a distinct image for the Downtown, SR-522, and other commercial nodes, and which orient to pedestrians as well as drivers.

OBJECTIVE 25.5 Identify and support Kenmore's Downtown as a focal point for commercial and economic revitalization and growth.

- Policy LU-25.5.1 Promote a diversity of uses within the Downtown which support the activity base by providing employment, civic, cultural, recreational, residential, and a variety of commercial activities.
- Policy LU-25.5.2 Use zoning and infrastructure incentives to achieve redevelopment and infill in the Downtown.
- Policy LU-25.5.3 Create zoning districts, regulations, incentives and strategic investment that, in conjunction with market forces, result in an inviting and vital central core that is self-supporting.

OBJECTIVE 25.6 Support regional economic development strategies consistent with the Kenmore vision.

- Policy LU-25.6.1 Cooperate in efforts to establish regional economic diversification and development goals, strategies, and actions. Participation should be encouraged by other jurisdictions, labor, education, environment, and business interests.
- Policy LU-25.6.2 Continue to cooperate on a countywide and regional basis with other counties, cities, other governmental agencies and the private sector to inventory, plan for and monitor the land capacity for commercial, institutional, resource, critical area, open space and residential uses, estimated for six- and 20-year time periods.

IMPLEMENTATION STRATEGIES

The Economic Development Sub-Element policies would require new or increased commitments of City resources to prepare new regulations, review/amend existing regulations, create educational or incentive programs, or coordinate with adjacent jurisdictions.

New programs, rules, or regulations would be needed to address:

- Incentives to stimulate business revitalization, retention, and creation
- Creation of one or more Downtown zones.

A review of existing programs, rules and regulations would be needed to ensure they meet the policies, including:

- Removal of the Industrial Zone
- Review of home occupation standards
- Review of design, landscape, and signage standards.

Additional or continuing efforts would need to be made to coordinate with adjacent jurisdictions or participate in regional programs, including:

- Cooperative efforts with other agencies to support economic development activities for the disadvantaged
- Coordination with economic development groups, such as the Northshore Chamber of Commerce or others
- Cooperation on a regional basis towards economy diversification and land capacity monitoring.