Market Outlook and Economic Development Potential

4

145th Street Station Subarea Plan

Summary of Key Findings of Subarea Market Assessment

A market assessment was completed in August 2014 by Leland Consulting Group (LCG) to inform the subarea planning process. The analysis is intended to identify the type, scale, and phasing of real estate development likely to be feasible within the station subarea, and provide a preliminary list of the actions that the City could take to encourage transit-oriented development (TOD).

Key findings of the market assessment included:

- **CONTEXT: TOD AND INFILL DEVELOPMENT.** Over the past decade, there has been a major national trend favoring TOD and infill—urban development that takes place within the fabric of existing cities and suburbs. According to the US Census and Wall Street Journal, "many U.S. cities are growing faster than their suburbs for the first time in decades, reflecting shifting attitudes about urban living." A new generation of Americans (Generation Y) is seeking out active and exciting urban neighborhoods, while America's biggest generation (the Baby Boomers) is now retiring, and also in many cases, looking for a more compact, connected, and urban lifestyle. While urban central city locations will continue to fare well, places that mix the best of suburban and compact, mixed-use qualities may be the most desirable. Transit is important to all demographic groups, with 52 percent of those polled nationwide stating that access to transit is an important factor in their choice of where to live. These demographic and consumer preference trends are very much in play in the Puget Sound region, where development trends during and following the recession have swung dramatically towards infill in places like Seattle, Bellevue, Mill Creek, and Bothell. Leland Consulting Group (LCG) expects these demographic demand drivers to remain in place for many decades, as the 145th Street Station Subarea redevelops.
- **THE STATION SUBAREA.** The station subarea benefits from the fact that Shoreline is a desirable community, with a reputation for good neighborhoods, parks, trails, schools, and safety. The Link light rail will also create a convenient connection to key destinations, notably the region's most important jobs center, downtown Seattle, as well as SeaTac Airport, the University of Washington, Northgate Mall, and other communities to the north.

- However, there will be challenges to development in the station subarea as well. These include a high degree of parcelization (many small properties in diverse ownership), little "center" or sense of place as yet, a pedestrian and bicycle network that is disconnected in some key locations, topography, and a challenging transportation and pedestrian environment on 145th Street. Similar challenges have been overcome elsewhere and can be overcome in Shoreline with the right plan, implementation strategy, investment, and time.
- **HOUSING MARKET.** Housing—including townhouses, apartments, and condominiums—is the most prevalent land use in TOD outside of central cities. One reason is that most transit trips are home-to-work trips, and people choose to live where they can take transit to work or school. Because Shoreline and the primary market area are projected to grow through 2035 and beyond, and because Shoreline should continue to attract medium- and higher-income households that can afford new housing, the station subarea has the potential to capture between 500 and 800 dwelling units during the first 20 years of development; over a 50 year period, the station subarea could attract between 1,300 and 2,000 housing units. In the first 20 years of development, new housing types are likely to range from two- and three-story townhouses to five- to seven-story mixed use mid-rise projects. In later years, taller projects may be possible. Thus, there will be demand for housing. However, the main challenges for this and other types of development summarized below will be land supply, and "place making"—creating an interesting, vibrant, people-oriented place at the station or nearby that will attract those looking for housing.
- **RETAIL MARKET.** As the population in the station subarea and throughout Shoreline continues to grow, these new households will generate new demand for retail and commercial services. In addition, there will be some potential to capture retail spending that is currently "leaking" out of Shoreline, and to replace obsolete retail space. Within a 20-year timeframe, most retail is likely to be "pulled" into place as part of mixed-use projects, with housing above and some retail on the ground floor. Such retail and commercial space can provide a tremendous benefit, as restaurants, coffee shops, dry cleaners, day care, financial services, and other small tenants can enable residents and workers to accomplish many errands within one trip or a short walking distance, and create a sense of place in the station subarea. Over the long term (20 years or more), there will be potential to add larger scale retail: a grocery, pharmacy or small general merchandise store, along with more of the "in-line" retailers mentioned above. High quality access from arterial roads, sizeable floor plates (likely between one and two acres), and parking are very important to these types of retailers, and therefore a large site with immediate access to 145th Street and the station would be needed, which underscores the current challenges of land supply. Such larger scale retail would also take place as part of a mixed use project. Over 20 years, between 67,000 and 100,000 square feet of retail could be captured at the station subarea. Retail demand and needs should be revisited once this scale of retail development has been achieved.
- **OFFICE MARKET.** The Northend, stretching from Shoreline to Everett, has historically captured very little of the Puget Sound office market. Looking forward, there are a number of factors that suggest that it will be difficult to attract a significant amount of Class A or B office space to the station subarea. Office development tends to locate at the highest volume transportation nodes in a given region, such as downtown Seattle or major suburban freeway interchanges. In suburban locations, office parking requirements tend to be high, and therefore difficult to accommodate in land-scarce station subareas. Finally, the current suburban office development outlook is not promising, with virtually all new office development taking place in downtown Seattle and the Eastside.

Given this context, LCG recommends that plans for the station subarea focus on attracting ground floor "commercial office"—financial services, medical and dental offices, architecture and design firms, etc.—that have modest space demands, a local service area, and can fit in next to retailers. Such office space is assumed in the retail capture figures above. Second, the City should look to larger-scale development sites on Aurora or 15th Avenue NE for significant office development. Finally, the City should revisit the potential for additional office space once a dynamic place has been established through the development of significant housing, retail, and public spaces.

- **OTHER USES.** Major heath care facilities, higher or primary education, government facilities, and other uses are also potential candidates for the station subarea, but are not "market-driven." These uses typically depend on independent decisions made by local institutional leaders, and LCG did not review the potential for these uses as part of this analysis.
- **EMERGING VISION.** While a specific vision has not yet been adopted for the station subarea, LCG's understanding is that the findings and recommendations summarized above are consistent with input that has been gathered from City Council and community events. This input has focused on concentrated nodes of development, improved east-west connectivity, Fifth Avenue NE as a "neighborhood boulevard," and protected and enhanced parks, spaces, and natural resources.

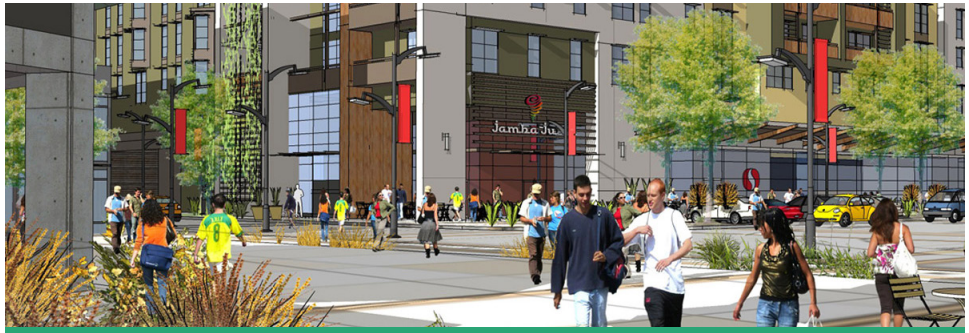
Each of these key findings are described in more detail on the following pages. Implementation recommendations of the Market Assessment are provided in Chapter 7.

Context: Transit Oriented Development (TOD) and Infill Redevelopment

Beginning in the 1990s and continuing to the present, the geographic focus of real estate development nationally has shifted from outward expansion towards transit oriented development (TOD) and infill—urban development that takes place within the fabric of existing cities. While lower-density, single use development will continue for the foreseeable future, a greater share of investment and development is likely to happen in places like Shoreline's 145th Street Station Subarea. According to Alan Ehrenhalt, author of The Great Inversion:

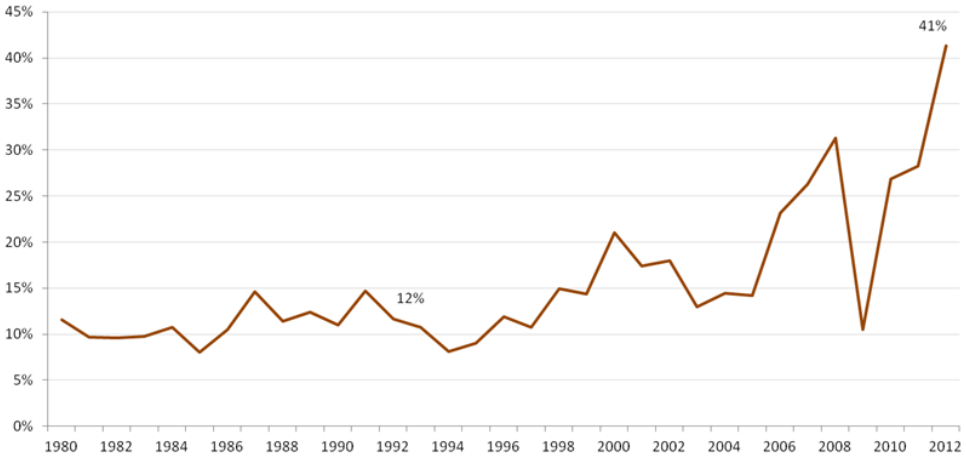
Between 1990 and 2007, central cities increased their share of housing permits within their metropolitan areas by more than double, the Urban Land Institute found. This continued after the housing recession caused the number of permits to plummet in the outer suburbs. What is more, statistics show, housing in cities and inner suburbs held their value during the recession far better than their exurban counterparts. There is a thirst for urban life among Millennials. It shows up in polls, in anecdotal conversation, in blogs and other casual writing. It is not based primarily on watching television shows such as Friends or Seinfeld, though those should not be discounted.

Figure 4-1 to the right shows the impact of the "great inversion" trend in the Puget Sound region through the City of Seattle's "capture rate" of all residential building permits issued region-wide by year. During the 1980s and 1990s, Seattle's capture rate hovered between 10 and 15 percent. Beginning in the late 1990s, this rate began to increase rapidly. In 2012 (the most recent year for which data is available from the federal government), Seattle captured 41 percent of all regional housing permits. This is just one indication of the demand for urban living; other examples are visible in Bellevue, Bothell, Mill Creek, and other cities in the region.



Hayward Station transit-oriented development concept, Bay Area, CA
Source: BAR Architects and Bay Area Economics

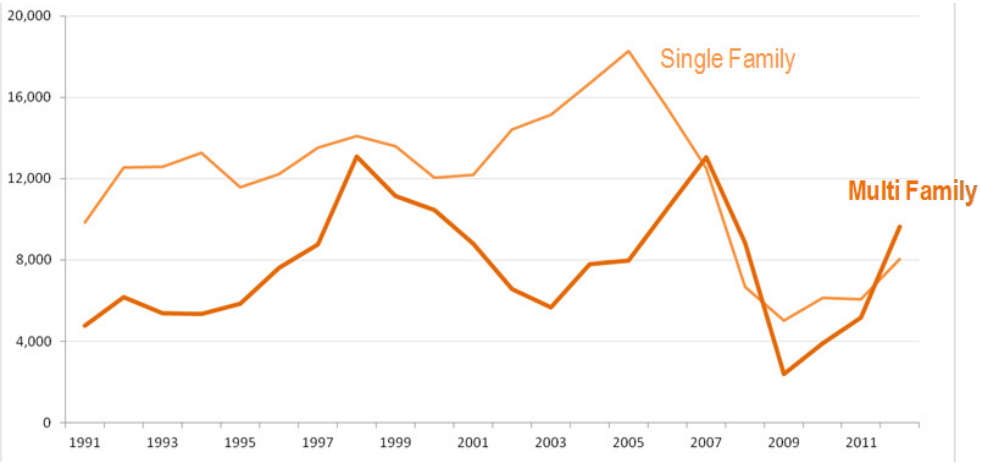
FIGURE 4-1: City of Seattle Capture Rate of All Puget Sound Residential Building Permits



Source: United States Department of Housing and Urban Development, Leland Consulting Group.

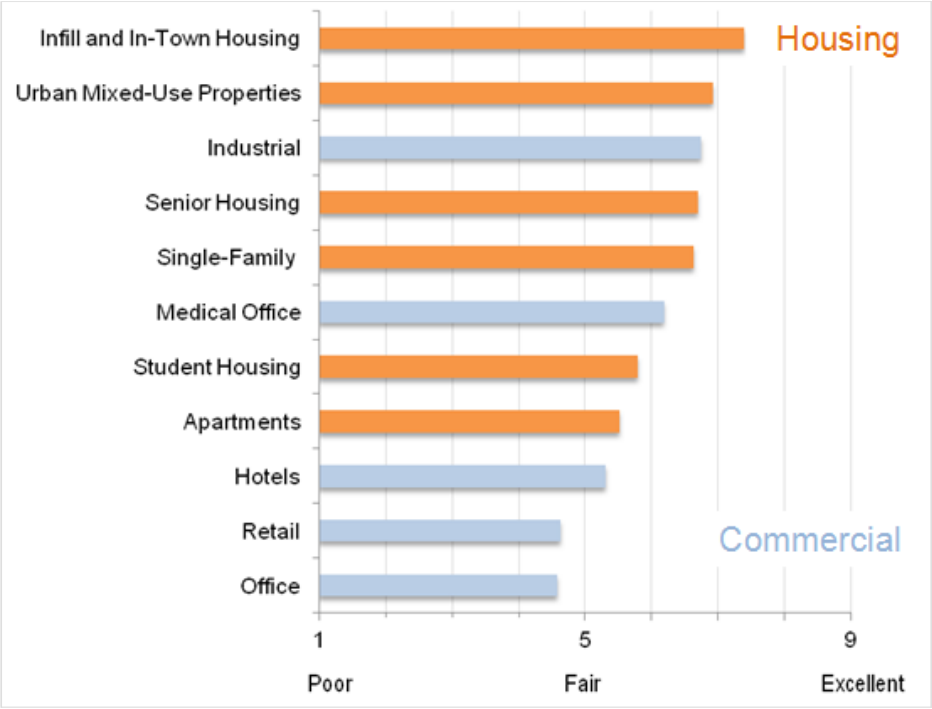
Figure 4-2 shows another indicator of shifting residential demand, with the number of multifamily housing permits overtaking single family housing permits in 2012. This likely represents both a short-term cyclical phenomenon and a longer-term consumer preference trend. While single family permits are likely to once again surpass the number of multifamily permits, multifamily is likely to capture a larger share of development than it did in the early 1990s and early 2000s.

FIGURE 4-2: Single Family and Multifamily Building Permits, Puget Sound Region



Source: United States Department of Housing and Urban Development, Leland Consulting Group.

FIGURE 4-3: Development Prospects by Property Type, 2014



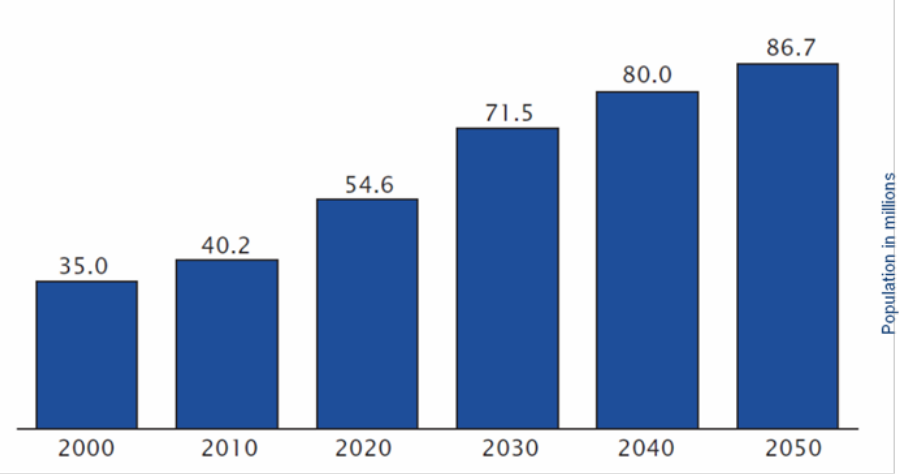
Source: Urban Land Institute, Leland Consulting Group.

Figure 4-3 shows the a 2014 forecast of "development prospects" by the Urban Land Institute (ULI), a national professional organization for developers, real estate investors, and land use professionals. Consistent with all years following the recession, infill product types such as infill housing and urban mixed use properties are viewed as the most promising development prospects.

Senior housing, student housing, and apartments—all of which may be good fits for the station subarea—are viewed as fair or above. Single use properties, particularly hotels, retail, and office, are generally viewed as the most risky type of development given today's market conditions. Single family housing development has come back dramatically after being viewed as a very poor prospect for about five years.

As **Figure 4-4** shows, the number of Americans 65 years old and older will be growing dramatically in coming decades; in almost all metropolitan regions, the largest amount of population growth will come from these 65 and older households in the next two decades. The location preferences of these households varies widely: some will move to sunnier climes and others will stay in their current homes indefinitely.

FIGURE 4-4: Population Aged 65 and Over, United States



Source: Urban Land Institute, Leland Consulting Group.

However, most research shows that, on the whole, those in the Baby Boom generation and older will be relocating to smaller, lower-maintenance homes in locations that have more services close by. According to *Age-Related Shifts in Housing and Transportation Demand*: "When older householders do move, they are more likely to move into higher density housing than middle-age adults… There are a number of indications… that baby boomers are more likely than younger adults to have a preference for more walkable locations, public transit, and higher density living." This trend is very important for Shoreline, which already has a high percentage of older households.

Figure 4-5 shows some results of "American in 2013: Focus on Housing and Community," a national survey conducted by the Urban Land Institute. The figure shows the percentage of all adults, and members of Generation Y as a subset of all adults, who ranked various neighborhood features as "important" or "very important" (6 or more on a scale of 1 to 10). This survey and others like it reveal two findings. First, access to transit is important to a majority of Americans, particularly younger Americans. Second, it is one among a large number of neighborhood characteristics that influences where people decide to live and work. One takeway for station subarea planning is that cities and their partners need to make sure that many of these attributes are in place in order to realize true TOD.

FIGURE 4-5: Development Prospects by Property Type, 2014

Community Attribute	% who say it's important:	
	All Adults	Gen Y
Convenience to public transit	52	57
Neighborhood Safety	92	88
Quality of Public Schools	79	87
Space between neighbors	72	69
Short distance to work or school	71	82
Distance to medical care	71	73
Walkability	70	76
Distance to shopping/entertainment	66	71
Distance to family and friends	63	69
Distance to parks/recreational areas	64	68

Source: American in 2013: Focus on Housing and Community, Urban Land Institute, 2013.

Light Rail Stations/Transit Oriented Development adjacent to Interstate Highways

As a component of this market analysis, LCG was asked to review comparable light rail stations and surrounding transit oriented development that are located within highway rights of way, and the development that has taken place in surrounding station subareas. LCG studied a wide variety of station subareas. The figures on this page and on the following page show the two station subareas with the most relevant lessons for the 145th Street Station Subarea.

Center Commons, a 4.9-acre development pictured in **Figure 4-6**, was developed immediately south of the NE 60th Avenue light rail station in Portland, Oregon. The station boarding platform is within the Interstate 84 right of way, essentially at the grade of highway traffic, and below the grade of surrounding streets. Despite the lack of appeal or ambiance at the station subarea, Center Commons and other nearby development has been successful. Center Commons includes five different development components, including market-rate rental, ownership, senior, and affordable housing at a variety of different scales, from two to five stories. The shared public spaces are also of high quality, and the southeast corner of the block is occupied by a historic building and restaurant that was retained. The City of Portland (Portland Development Commission) and the regional government (Metro), were both involved in land acquisition, land value write-down, land sales, and other elements of the project. The project contains a total of 288 units at an average density of 65 units per net acre. Metro estimates that the project results in a net increase of approximately 45,800 transit trips per year.

Several key lessons learned are:

- Attractive and successful transit-oriented development adjacent to a freeway is possible.
- Most development at Center Commons is oriented towards the surrounding neighborhood and away from the freeway and station. The most attractive and successful public places are also somewhat distant from the freeway. It may be important to buffer development from the freeway.
- Proactive public sector agency involvement can help to spur development.

FIGURE 4-6: NE 60th Avenue Station and Center Commons, Portland, Oregon

Source: American in 2013: Focus on Housing and Community, Urban Land Institute, 2013.

Figure 4-7 shows the Hollywood light rail station area in Portland, Oregon, about one mile west of the NE 60th Avenue Station shown above. The station boarding platform is also within the Interstate 84 right of way, essentially at the grade of highway traffic, and below the grade of surrounding streets.

Key lessons learned from this station are:

- A pedestrian and bicycle bridge/highway crossing was built, separate from the primary arterial roadway (39th Avenue), which significantly improves the non-auto connectivity in the area. This station would be far less accessible without the pedestrian and bicycle bridge.
- A wide variety of infill development has taken place in this station subarea, ranging from townhouses to mid rise (generally five story) mixed use projects.

[1] Leland Consulting Group site visits, and Center Commons Project Profile, Metro http://www.oregonmetro.gov/sites/default/files/centercommons_final.pdf

Shoreline and the Station Subarea

Figures 4-8 and 4-9 on the following page summarize some of the key demographic attributes of Shoreline, the 145th Street Station Subarea's residential "primary market area," King County, and the Puget Sound region (Seattle Metropolitan Statistical Area or MSA). The primary market area includes the City of Shoreline and parts of Lake Forest Park and North Seattle, and is the area from which new housing development at the station subarea is most likely to draw residents. Some key takeaways from **Figure 4-8** include:

- Median household incomes in Shoreline, the market area, and King County are all above $65,000 per year. This indicates a large population of middle- and upper-income households with the capacity to rent or buy new housing and spend retail dollars in the station subarea.

FIGURE 4-7: Hollywood Light Rail Station Subarea, Portland, Oregon

Source: American in 2013: Focus on Housing and Community, Urban Land Institute, 2013.

- Shoreline and the market area both have high percentages of households in the 55+ and 65+ age categories. As stated above, this is an important demographic group for TOD and infill development. Many of these households will be looking to downsize and "age in place" near where they already live. Shoreline should be ready to keep many of these residents local, either in market rate infill or age-restricted development.
- By contrast, Shoreline has a low share of 25 to 34 age households, and these types of households, which tend to locate in higher density environments, may be more difficult to attract to the City and station subarea. However, the light rail represents a promising opportunity to attract more younger households because it will provide a direct rail connection to University of Washington and North Seattle Community College.
- 64 percent of Shoreline households, and 68 percent in the market area, have one or two people, which are the most likely to chose TOD or infill development. This is a very large market: more than 38,000 households in the current market area.

Some key takeaways from **Figure 4-9** below include:

- All the geographical areas reviewed have highly educated populations, particularly the primary market area and King County. About two-thirds of the households in the City, market area, and King County are employed in white collar work. Both education and white collar employment are correlated with interest in urban living.
- 63.5 percent of the households in Shoreline are owners, more than the other areas compared. This is likely also a reflection of the older households in Shoreline and prevalence of single family homes. There should be an opportunity to add rental housing stock to the mix, particularly to the degree that 55+ households can be retained and younger households added.

Key: Lower — Higher Compared to the other geographical areas shown below.

Demographic Attribute	City of Shoreline	Primary Market Area	King County WA	Seattle MSA (Tacoma, Bellevue, Seattle)
Population	55,001	129,353	2,016,956	3,579,892
Number of Households	22,445	56,616	824,051	1,413,782
Family Households (2010 Census)	61%	55%	59%	62%
Household Size (Average)	2.39	2.24	2.40	2.48
Household by Size (2010 Census)				
1 - 2 person household	64%	68%	64%	62%
3 - 4 person household	29%	26%	28%	29%
5+ person household	7%	6%	8%	9%
Median Household Income	$68,069	$60,745	$71,992	$66,838
Per Capita Income	$35,102	$35,752	$39,014	$35,056
Population by Age				
0 to 24	26%	26%	30%	32%
25 to 34	13%	15%	16%	15%
35 to 44	13%	14%	15%	14%
45 to 54	15%	14%	14%	14%
55 to 64	16%	15%	13%	13%
65+	17%	17%	12%	12%
Median Age	43.4	41.7	37.8	37.5

Source: ESRI Business Analyst, US Census, Leland Consulting Group

FIGURE 4-8: Demographic Summary

Demographic Attribute	Shoreline City WA	Primary Market Area	King County WA	Seattle MSA (Tacoma, Bellevue, Seattle)
Education and Employment				
Less than High School	8.1%	7.9%	7.9%	8.5%
High School or Equivilent	17.1%	16.2%	17.0%	21.3%
Associate's or some college	31.5%	29.9%	29.1%	32.7%
Bachelor's or Advanced Degree	43.3%	45.8%	45.9%	37.5%
Occupation				
"White Collar"	66.8%	68.2%	69.1%	65.1%
"Blue Collar"	15.7%	14.4%	14.9%	17.9%
Housing				
Median Home Value	$375,245	$399,840	$421,752	$347,693
Household Tenure				
Owner Occupied Housing Units	63.5%	55.7%	57.2%	59.7%
Renter Occupied Housing Units	36.5%	44.3%	42.8%	40.2%

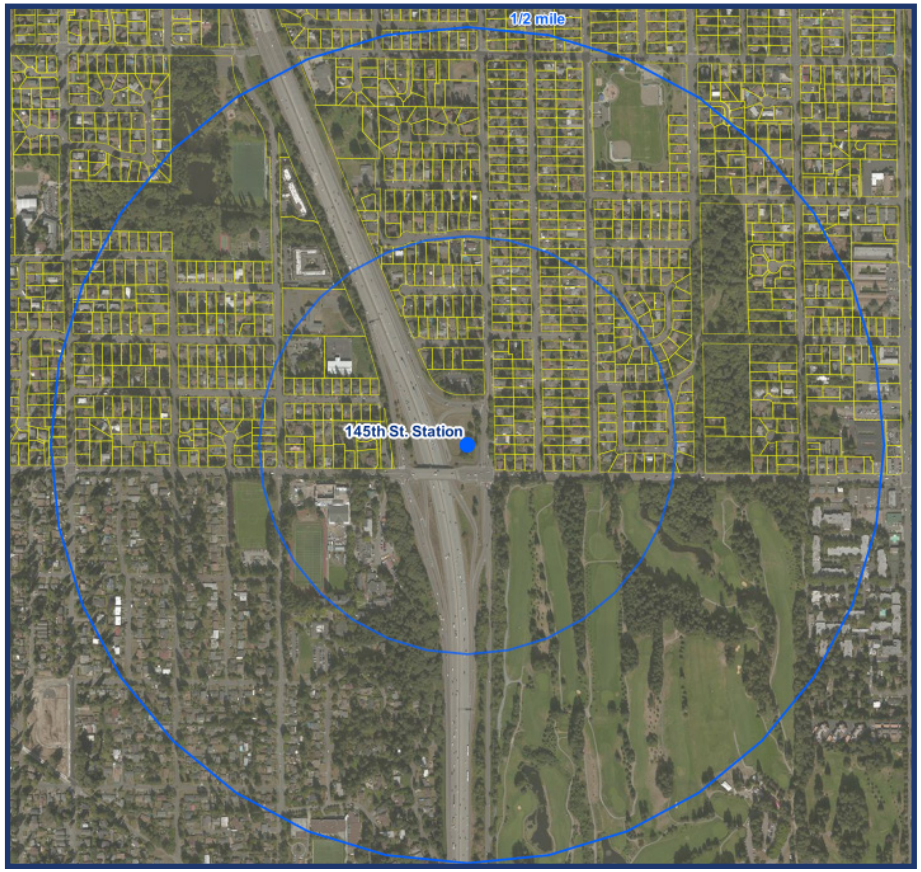
Source: ESRI Business Analyst, US Census, Leland Consulting Group

FIGURE 4-9: Demographic Summary (Continued)

The Station Subarea

Figure 4-10 shows the 145th Street Station Subarea with a one-quarter-mile circle (smaller blue circle), which represents about a 5 minute walk, and a one-half-mile circle, which represents a 10 minute walk. Most walk-in transit users tend to come from within this half-mile circle, and about 60 percent of transit users walk to transit.

FIGURE 4-10: The 145th Street Station Subarea



Source: Leland Consulting Group

A key feature of the station subarea is that the north half is located in the City of Shoreline and the south half is located in the City of Seattle. While this is a very important distinction in terms of the provision of services and jurisdictional control, the market—potential residents, shoppers, business tenants, and other users who drive real estate demand—is typically less attuned to this distinction. In addition, the urban environment in Seattle will, for better or worse, influence users' perceptions of the station subarea in Shoreline.

Parcel Sizes

Figure 4-11 shows a key feature of the station subarea vis-à-vis large scale redevelopment: a majority of properties are relatively small. In **Figure 4-11**, all lots that are 8,500 square feet or less are highlighted. Most of the other single family residential lots are approximately 10,000 square feet in size.

Diverse property ownerships, relatively small property sizes, and relatively high improvement (home) values present challenges for large scale development projects. A modest sized mixed use project can easily be 1.5 acres, which would require the acquisition of eight contiguous single family home lots within a narrow timeframe, and in the right location. This can be very time consuming and logistically challenging, and therefore developers will seek out large lots when possible. Zoning and regulation can encourage higher density development and provide density or other incentives for larger projects.

There are five large-lot properties (ranging in size from about one to three acres) to the northwest of the station and across I-5. These are the most obvious large-scale "development opportunity sites" in the ½ mile station subarea. The three southern properties are occupied by religious institutions; the two northern properties are occupied by Aegis, an assisted living provider. While they are opportunity sites, they are also privately owned, on the opposite side of I-5 from the station, and cannot be accessed to the south except via 1st Avenue NE.

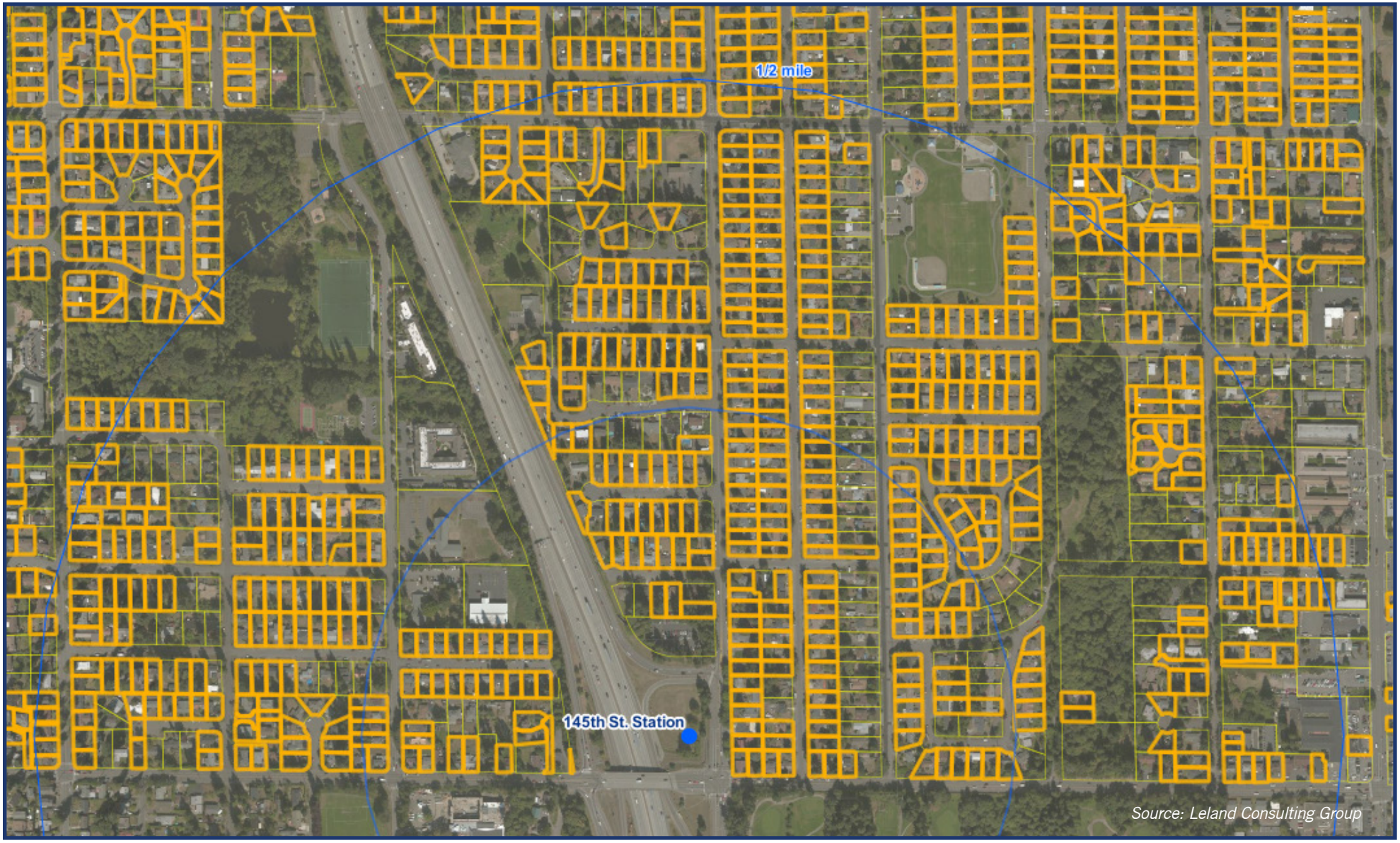


FIGURE 4-11: 145th Street Station Subarea: Lots of 8,500 Square Feet or Less Highlighted

Figure 4-12 shows the view from 145th Street, looking northwest, with the future Link light rail station just to the north. This photograph shows that Interstate 5 creates a significant east-west division in the station subarea that will be difficult to bridge. 145th Street is a high volume arterial with narrow sidewalks. Urban streets that are most welcoming for mid- or high-rise development typically have wide sidewalks (eight to 15 feet) that include trees/planter strips, and on street parking. Through the 145th Street Corridor Study, the City examined ways to make 145th Street more functional for all modes of travel, including pedestrian, bike, and transit. 145th Street slopes up to the west, which will make ground-floor retail on this street challenging; developers only build retail on sloped streets in the most high-density urban districts.

FIGURE 4-12: Looking Northwest from 145th Street/ Link Light Rail Station

Source: Leland Consulting Group
Note: the station location is approximate

These station-area challenges underscore the importance of looking to side streets such as 5th Avenue NE to create the most active, pedestrian friendly places. Side streets gain some exposure to the traffic on 145th Street, which will benefit retail, while having a naturally more pedestrian friendly character.

Key Concepts for a Strong Station Subarea

Five key concepts have helped to shape the 145th Street Station Subarea Plan, and these concepts are generally consistent with the findings of this market analysis.

- **CONCENTRATED DENSITY IN NODES OF DEVELOPMENT:** The subarea has capacity to support greater housing density, mixed use and transit-oriented development. Interest was expressed in focusing the highest density of development and redevelopment around key assets and key intersections, while retaining the residential neighborhood character of much of the subarea.
- **IMPROVED EAST-WEST CONNECTIVITY FOR PEDESTRIANS AND BICYCLISTS:** Improved routes and connectivity for pedestrians and bicyclists have been expressed as a top priority by the community. Three important points were raised: the idea of an enhanced bus feeder system connecting activity centers to the light rail station; the prioritization of East-West transit connections along NE 145th Street and other key streets; and an East-West pedestrian and bicycle bridge spanning I-5.
- **5TH AVENUE AS A NORTH-SOUTH NEIGHBORHOOD BOULEVARD:** Viewed as an important corridor linking the 145th Street Station and the 185th Street Station subareas, 5th Avenue was envisioned by many as a distinct, walkable and human-scale neighborhood boulevard and commercial corridor, anchored by higher-density mixed-use development at key nodes.

Housing Style Opportunities

- **PROTECTED & ENHANCED PARKS, SPACES AND NATURAL RESOURCES:** Preserving and protecting existing parks and open spaces, while creating new public gathering places, parks and "green infrastructure" was viewed as an important principle for planning, serving as public amenities as well as a means of improving area water quality.
- **GREEN NETWORK LINKING PARKS, SPACES, AND FUTURE DEVELOPMENT:** An overall concept relating to the four noted above was to create a Green Network of trails, pedestrian and bicycle facilities, green space, landscaping, trees, and elements of green infrastructure (such as green roofs and other Low Impact Development facilities) – connecting parks, open spaces and activity centers throughout the community.

Housing Market

Figure 4-13 shows the City of Shoreline boundary (outlined in dashed black line) and the primary residential market area defined by LCG. This market area includes the City of Shoreline as well as parts of Lake Forest Park and north Seattle, and represents the area from which the majority of future potential residents of the station subarea are most likely to be drawn. The market area also helps to understand baseline expectations about population growth and demographics. **Figure 4-13** also shows the rental multifamily housing projects in the area; the greater the number of units in the project, the larger the circle.

Several observations can be made based on the data reflected in **Figure 4-13**. First, the largest clusters of rental multifamily housing are located to the south, in Seattle, particularly around the Northgate Mall. Second, both within Shoreline and Seattle, rental multifamily is clustered along and around major arterial roads, particularly Aurora Avenue N and 15th Avenue NE. There are no multifamily housing projects located within a one-half-mile of the proposed 145th Street Station, and few located in close proximity to I-5.

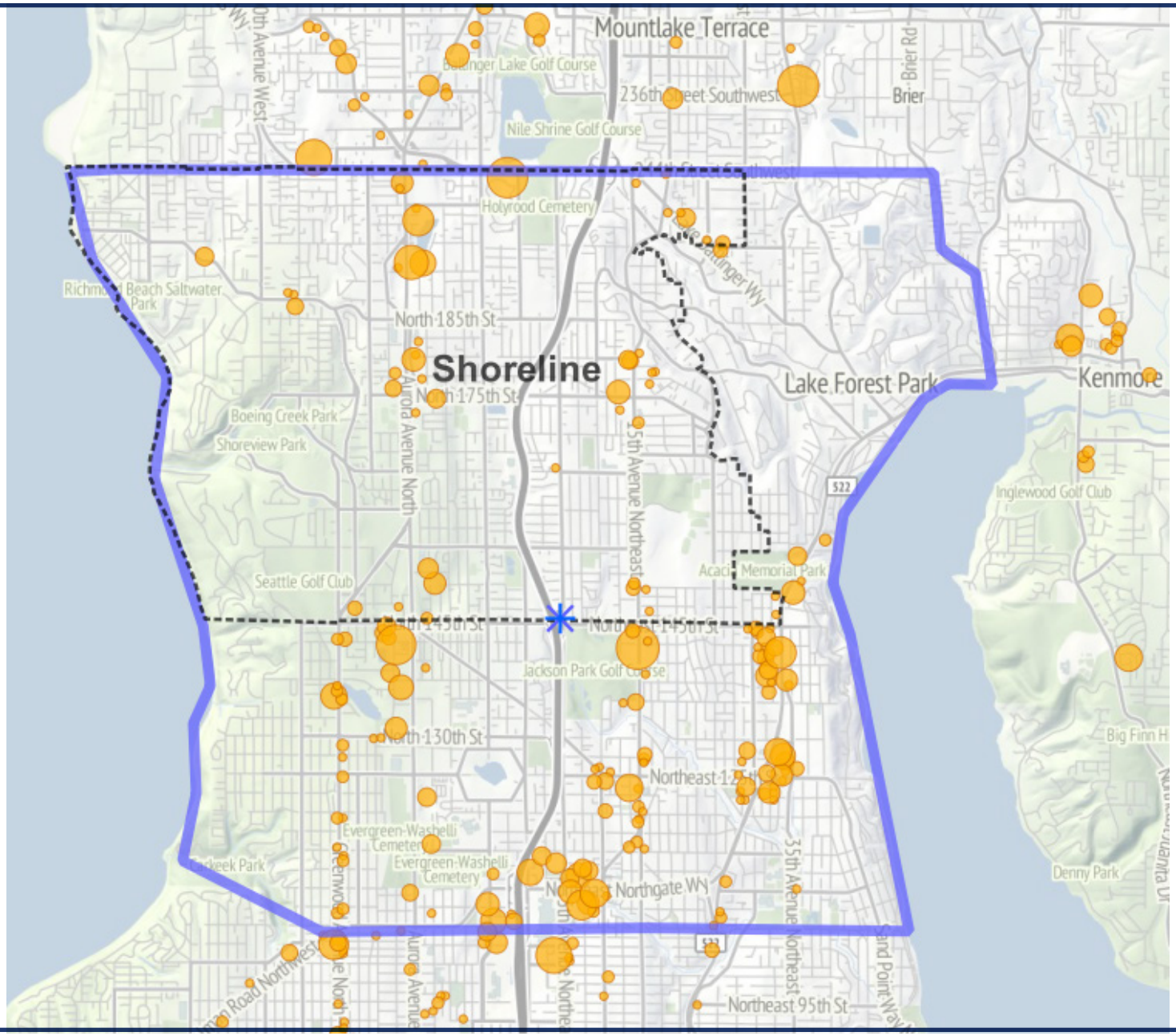


FIGURE 4-13: Primary Residential Market Area and Rental Multifamily Housing Projects

Table 4-1 shows LCG's 20 year household growth projection for the primary market area. The projection is based on Puget Sound Regional Council (PSRC) estimates for current and future households by traffic analysis zone (TAZ). However, the annual household growth rate has been adjusted slightly upwards to 1.09 percent, because current projections completed by ESRI show that the market area, King County, and the Puget Sound region are growing faster than expected (at 1.38, 1.39, and 1.25 percent respectively). **Table 1** shows a total 20-year demand for more than 13,500 new housing units. This is larger than the total household growth since a small number of units will need to be replaced each year. This provides the base amount from which the station subarea can "capture" some of the significant housing demand in the market area.

The household growth shown in **Table 4-1**, along with the positive demographics presented previously (relatively high incomes, education, percentage of one and two person households, etc.) demonstrate that that the market area in general, and the station are specifically, will see strong housing demand in the coming decades.

TABLE 4-1: 20 Year Household Growth, Station Subarea Primary Market Area

Households	2014	52,788
	2024	58,849
	2034	65,606
Household Growth	**2014-34**	12,818
Annual Growth Rate	-	1.09%
Adjusted Unit Requirement	-	**13,587**

Source: Puget Sound Regional Council, ESRI, Leland Consulting Group

FIGURE 4-14: Malmo Apartments, Shoreline

The two images on the following page show two current "mid rise" density infill projects in Shoreline. The first (**Figure 4-14**) shows the Malmo Apartments, which became available in 2015, just off Aurora Avenue N and N 152rd Street. The second (**Figure 4-15**) shows the Echo Lake Apartments, completed in 2009, which are also located just off of Aurora, north of 185th Street. Both are examples of the type of projects that will be feasible during the next two decades at the 145th Street Station Subarea under certain conditions. Both can also be considered TOD, since they are both well served by the existing Rapid Ride high frequency bus service.

The two projects have been customized to meet the demands of two of the key target markets discussed earlier: younger Generation Y renters in the case of the Malmo, and 55+ households in the case of Echo Lake. While there are similarities between the projects, this translates into different marketing approaches and amenity packages. The Malmo offers generally smaller units with open floor plans; its web site boasts of wifi throughout and access to hip restaurants and night life. The Echo Lake apartments feature larger units (including some townhouses), more subdued interior design, a community pool, and is age restricted to households 55 and older. Both market their access to the Interurban Trail, walkable access to grocery stores and shops, and quick access to Seattle and the region.

FIGURE 4-15: Echo Lake Age Restricted Apartments, Shoreline

It is important to note that both projects are "pushing the market:" they are financially ambitious, and at the time, pioneering since there were no other truly comparable projects in Shoreline. If they are financially successful, other developers and lenders will seek to build similar projects in Shoreline, potentially at the station subarea and elsewhere; if they struggle, it will be much more difficult to obtain financing and build similar projects in the future. Reports indicate that Echo Lake has struggled through the recession but may become more profitable as the economy continues to gain momentum. The $2.00 per square foot rental rate is an important rent (revenue) threshold for mixed-use, mid-rise developers. When developers can earn $2.00 per square foot per month ($1,200 per month for a 600 square foot unit), financial returns typically become strong enough to justify construction. While the Malmo's asking rents are at or above this level, it remains to be seen whether the project can consistently generate such rents as it competes against other similar properties in north Seattle and elsewhere. (This report focuses on market rate rental economics since very little condominium development is now taking place.)

Figure 4-16 shows the Avalon Towers Apartments in downtown Bellevue, Washington. This is a high-rise project (13 and 23 story towers) that is not likely to be a feasible model in Shoreline due to development economics under current conditions. The higher structural and cosmetic construction costs associated with such buildings—including multiple floors of underground parking, multi-floor concrete podium, steel and concrete structure on residential floors, more numerous elevators, core circulation, and mechanical elements, more expensive cladding and interior finishes, etc.—mean that higher rents must also be achieved in order to justify development. Typically, feasibility for such projects begins at rents of between $2.50 and $3.00 per square foot. These rents are driven by a concentration of high-income households, and a highly desirable urban environment. There are no built projects in the market area achieving such rents at this time. However, given time and the maturation of the Shoreline market, some projects of this nature may be possible in the long-term future.

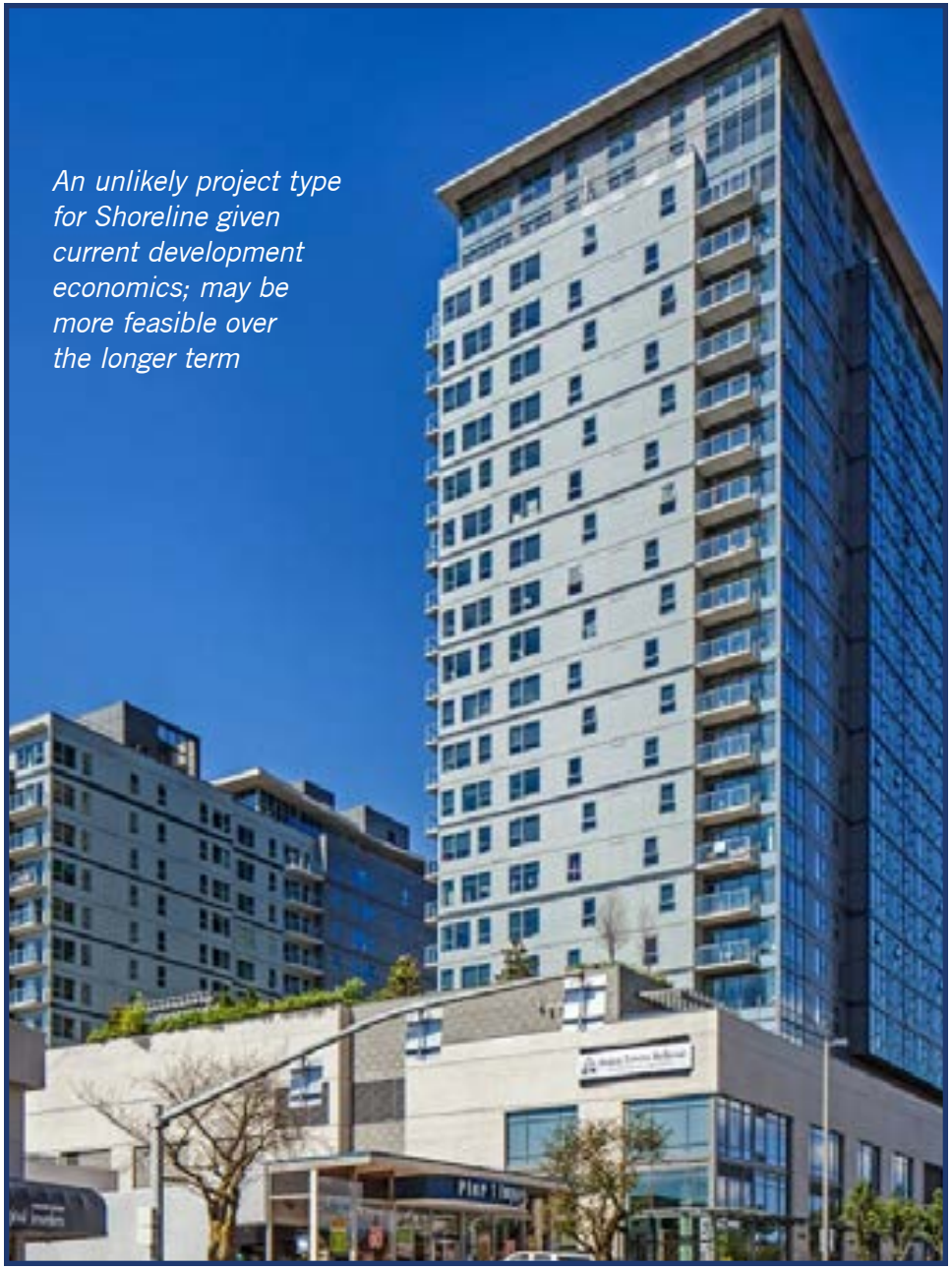


FIGURE 4-16: Avalon Towers Apartments, Bellevue

The tables below show the projected 20-year housing demand for rental housing (**Table 4-2**) and ownership housing such as condominiums and townhomes (**Table 4-3)** based on all household growth in the market area. Two station subarea "capture rates" have been estimated: a conservative and more aggressive attainable capture rate, which represents the high end of the number of units that could potentially be attracted to the station subarea. LCG projects that the station subarea could capture approximately 330 to 520 market rate rental units, and 180 to 290 ownership units over a 20-year period. This assumes that an adequate amount of land can be aggregated and acquired by developers near the station subarea for reasonable prices, and that appropriate zoning and regulations are in place, among other conditions covered later in this chapter. Some housing in the three lowest income brackets is assumed to be wholly or partially subsidized by federal, regional, or local affordable housing programs. In addition, if public policy and low-income housing financing can be aligned, some additional affordable housing units could be included in the station subarea programs. In general, however, private market rate projects drive TOD and development feasibility

TABLE 4-2: Rental Housing: 20-Year Station Subarea Housing Demand

Annual Income Range	Approx. Rent Range	Trade Area Rental Demand	Conservative Capture Rate (within rentals)	Conservative Capture (units.)	Attainable Capture Rate (within rentals)	Attainable Capture (units.)
$15-25K	$375 - $625	808	7.0%	57	11.0%	89
$25-35K	$625 - $875	761	7.0%	53	11.0%	84
$35-50K	$875 - $1,000	897	7.0%	63	11.0%	99
$50-75K	$1,000+	978	7.0%	68	11.0%	108
$75-100K	$1,000+	611	7.0%	43	11.0%	67
$100-150K	$1,000+	538	7.0%	38	11.0%	59
$150 -200K	$1,000+	98	7.0%	7	11.0%	11
over $200K	$1,000+	41	7.0%	3	11.0%	4
Totals		*4,732*	7.0%	*331*	11.0%	*521*

TABLE 4-3: Condominiums and Townhomes: 20-Year Station Subarea Housing Demand

Annual Income Range	Approx. Home Price Range	Trade Area For-Sale Demand (income $15K+)	Pct. Townhome/ Condo	Townhome/ Condo Demand	Conservative Capture Rate (within condo/ townhome)	Conservative Subject Capture (units)	Attainable Capture Rate (within condo/ townhome)	Attainable Subject Capture (units.)
$15-25K	$75 to $100K	143	50%	71	7.0%	5	11.0%	8
$25-35K	$100 to $150K	326	50%	163	7.0%	11	11.0%	18
$35-50K	$150 to $200K	734	50%	367	7.0%	26	11.0%	40
$50-75K	$200 to $250K	1,467	50%	734	7.0%	51	11.0%	81
$75-100K	$250 to $350K	1,427	40%	571	7.0%	40	11.0%	63
$100-150K	$350 to $500K	1,908	25%	477	7.0%	33	11.0%	52
$150 -200K	$500K and up	717	20%	143	7.0%	10	11.0%	16
over $200K	$500K and up	774	15%	116	7.0%	8	11.0%	13
Totals		*7,496*	35%	2,642	7.0%	*185*	11.0%	*291*

Tables 4-2 and **4-3** show a 20 year and 50 year housing demand projection for the station subarea. A very long-term (100-year) demand projection has been extrapolated from the 50 year projection.

During the 20 year time horizon, Leland Consulting Group (LCG) projects that the station subarea has the potential to capture a total of between 516 and 811 new housing units. We have assumed an average density of 60 dwelling units per acre, which implies a mix of mid-rise (five or more stories) and lower-scale wood frame projects (largely wood frame apartments and townhouses). This is very similar to the density of the Center Commons project, the Portland-area TOD project described earlier in this chapter. At this density, nine to fourteen acres of net buildable land would be required to accommodate this amount of development. For a sense of scale, this is equivalent to about two or three Center Commons projects. LCG assumes that no net new single family housing will be built in the station subarea, although many single family homes would probably be rehabbed and replaced.

For the financial feasibility reasons outlined above, LCG recommends that the focus for the next 10 to 20 years be on encouraging development that is between two and seven stories in scale. This scale of development is more economical in the near term, can create a strong sense of place, and can "prove" the viability of the station subarea market and therefore set the stage for higher density development in the future if desired.

Table 4-4 shows a 20 year demand projection for the subarea, for between 516 and 811 housing units. **Table 4-5** shows a 50 year demand projection for the station subarea, for between 1,291 and 2,028 housing units. The density of 80 units per acre assumes a mix of low, mid, and high-rise (10 or more stories) construction. This suggests a potential 100 year build out of between approximately 2,500 and 4,000 units—a sizeable urban neighborhood. All 50 and 100 year projections are highly speculative by nature, since technology, lifestyles and lifespans, climate, and many more factors have the potential to change dramatically in that time.

TABLE 4-4: 20 Year Demand Projection

HOUSING TYPE	DWELLING UNITS		
Rental	331	TO	521
Condo/Townhome	185	TO	291
Single Family	-	TO	-
TOTAL	**516**	TO	811
Average Density	60		
Acres Required	9	TO	14

Source: Leland Consulting Group.

TABLE 4-5: 50 Year Demand Projection

HOUSING TYPE	DWELLING UNITS		
Rental	828	TO	1,301
Condo/Townhome	462	TO	727
Single Family	-	TO	-
TOTAL	**1,291**	TO	2,028
Average Density	80		
Acres Required	16	TO	25

Source: Leland Consulting Group.

Single Family Housing Prices

Home prices in Shoreline cover a fairly broad range, as shown in **Table 4-6**. Median home prices in the past year have increased considerably in central and eastern Shoreline, at a rate nearly double that of King County; however they have remained essentially flat in the western area of Shoreline. As the housing market continues to strengthen, much of Shoreline continues to be attractive to potential homebuyers looking for a greater value than other areas in the County. Amenities, such as Shoreline's high-performing school district, RapidRide E Line BRT, and the coming Lynnwood Link extension will contribute to strengthening demand for existing and new housing in Shoreline.

TABLE 4-6: Median Home Price, Shoreline and King County, 2012-2013

	2012	2013	% Change 2012-2013	Sales Volume	% Change
King County	$349,772	$383,000	9.5%	9,982	20.3%
City of Shoreline (a)					
West - 98177	$463,950	$450,000	-3.1%	109	21.1%
Central - 98155	$260,718	$317,175	17.8%	160	18.5%
East- 98133	$261,120	$320,000	18.4%	192	17.8%

Note:
(a) Zip codes 98177, 98155 and 98133 for the city of Shoreline include portions of northern Seattle city.

Source: DQNews; BAE, 2013.

Retail and Commercial Market

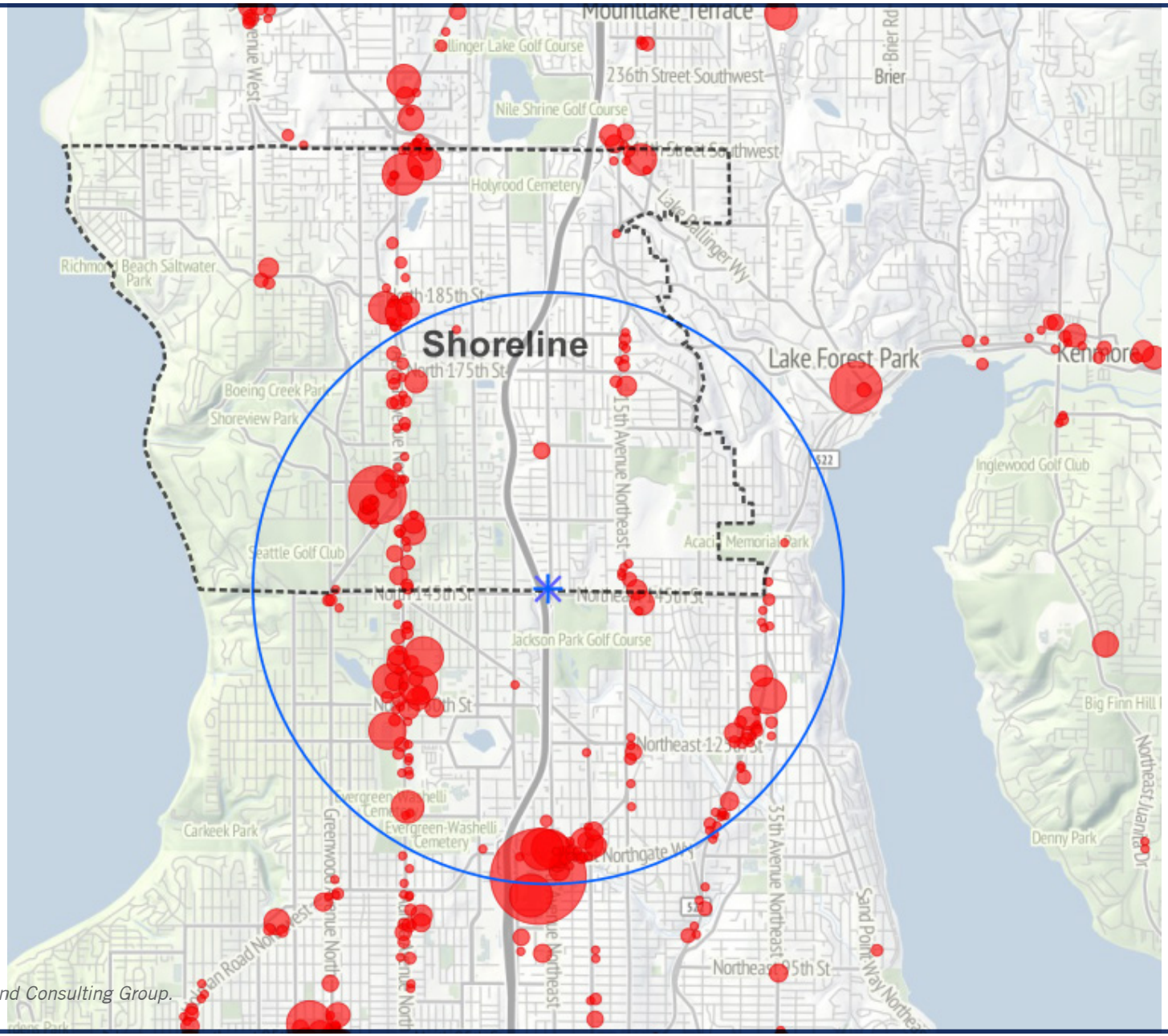
While Shoreline is home to many retail establishments, the City's Comprehensive Plan identified a significant amount of sales "leakage" in some retail categories. Leakage refers to a deficit in sales made in the city compared with the amount of spending on retail goods by Shoreline residents. This leakage suggests that there are major retail opportunities in several areas, as shown below.

Percentage of Shoreline Resident Retail Dollars Spent Elsewhere (Leakage):

- HEALTH AND PERSONAL CARE STORES: 41.2 percent
- CLOTHING AND CLOTHING ACCESSORIES STORES: 90.5 percent
- GENERAL MERCHANDISE STORES: 71.2 percent
- FOOD SERVICE AND DRINKING PLACES: 36.5 percent

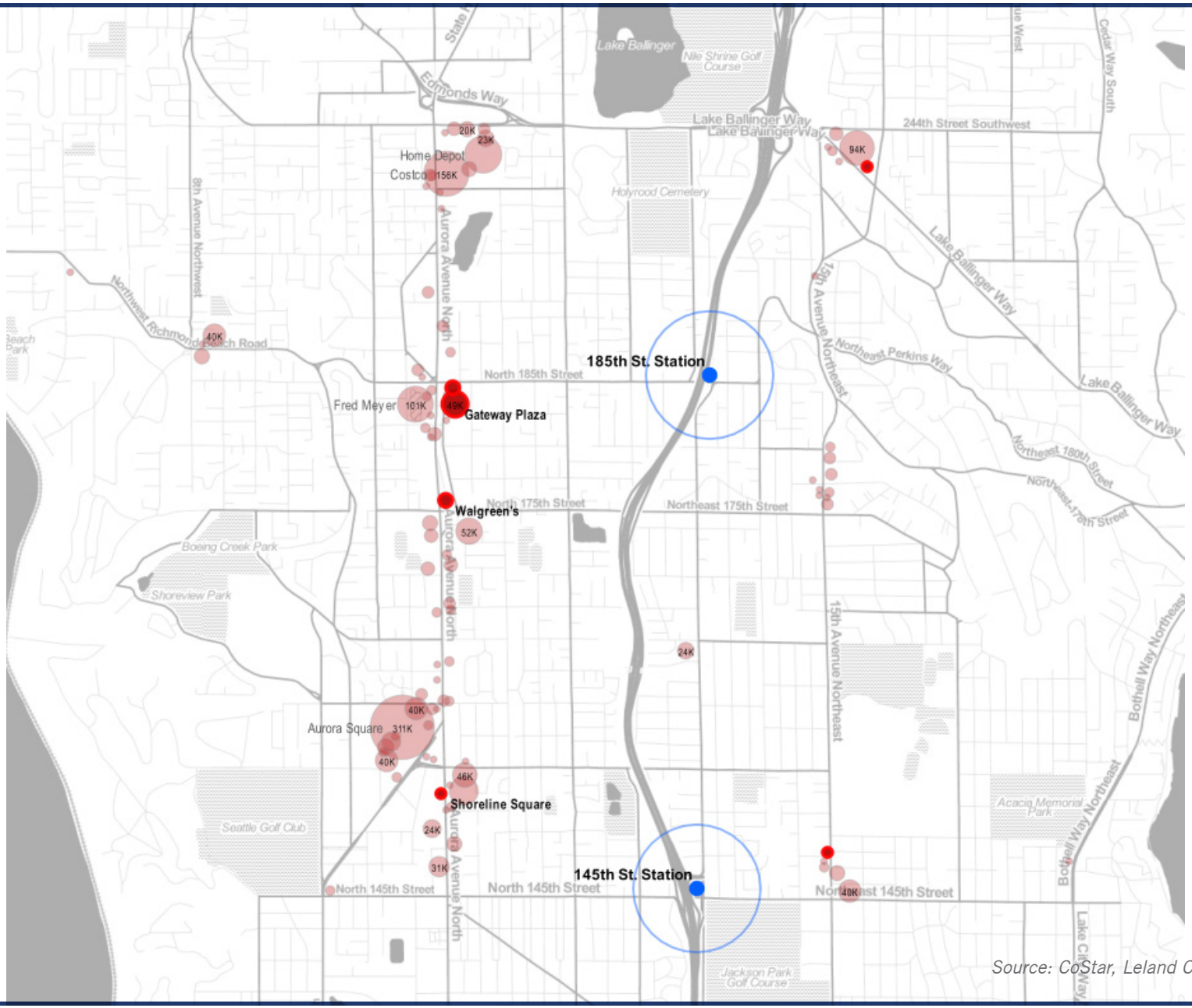
While addressing leakage and associated opportunities related to the type of retail is important to consider, during the next twenty years, the retail focus at the station subarea should focus on establishing quality of place and providing services for local residents rather than quantity of retail space. Under the right conditions, retail can be pulled into place along with other types of development, particularly housing, during this timeframe. Without significant development of other kinds, it will be difficult for developers to justify retail- or commercial-only development, regardless of what is allowed under comprehensive plan and zoning rules.

As **Figure 4-17** shows, the environment for large-format retail is very competitive, and nearly all retailers are located on high-traffic arterial roads, particularly Aurora Avenue N, and also 15th Avenue NE and other streets. The Northgate Mall is another major retail center that is just on the edge of the two-mile station subarea radius (shown as a blue circle below). The retail centers shown in red below are scaled to show their total square footage; larger retail centers are shown as larger red circles. Regional and sub-regional retail types, such as fashion, home decoration and furniture, major entertainment, and beauty supplies will almost



Source: CoStar, Leland Consulting Group.

FIGURE 4-17: Current Retail Locations, Shoreline and Vicinity



Source: CoStar, Leland Consulting Group.

FIGURE 4-18: Current Retail Locations and Half-Mile Station Subareas, Shoreline

certainly continue to locate in these corridors and nodes, or others like them. The "community" and "neighborhood" retail environment is also very competitive. Grocery stores and pharmacies typically anchor this scale of retail, and are complemented by a variety of other stores including restaurants, salons, banks and financial services, etc.

Two grocery-anchored centers are located just over a half-mile away from the station subarea: The Aurora Village Shopping Center on Aurora just north of NE 145th Street is anchored by Safeway, and a QFC grocery anchors a neighborhood center on NE 145th Street and 15th Ave. NE. Most grocers seek locations where they are at least a mile from the closest completion, and therefore, a grocery anchor is unlikely until such time as the station subarea has developed considerably. Most retail is located on north-south oriented arterials, since this tends to follow the work-to-home commute, when a large share of spending at neighborhood retail centers takes place.

Figure 4-18 shows retailers within a smaller geographical area. In addition, retail properties that have been developed since 2004 have been highlighted in darker red. This reveals a prevalent trend in development over the past decade: retail (as well as other types of commercial) development have slowed considerably. This is due to short term factors such as the economy, but also major long term factors, such as increasing online shopping, "just in time" inventory, and therefore the diminishing need for large retail floor spaces. LCG projects that the pace of retail development in the coming decades will also be slower, and smaller in scale, than in the past.

Near and Medium Term Retail and Commercial Demand

A small restaurant and retail space are shown in **Figure 4-19**. While the total retail area of such retailers is typically 1,000 to 3,000 square feet, they can provide important goods and services, a sense of place, and a social hub for an infill neighborhood. Such small commercial tenants can include restaurants, coffee shops, other food vendors, salons, small medical offices, title companies and real estate offices, pet stores, and electronics. While these tenants prefer locations alongside anchor retailers such as grocery stores and pharmacies, a small number could be located at the station subarea in the first ten or more years of development, assuming that housing can also be attracted. These total retail area is likely to be no more than 25,000 square feet.

As these retailers will not have the benefit of a neighborhood retail anchor, they will benefit from high traffic exposure on 145th Street, a high volume of transit users, and a significant local population if properly located with accessibility to each of these markets.

FIGURE 4-19: Restaurant and Small In-line Retailer in Mixed Use Project

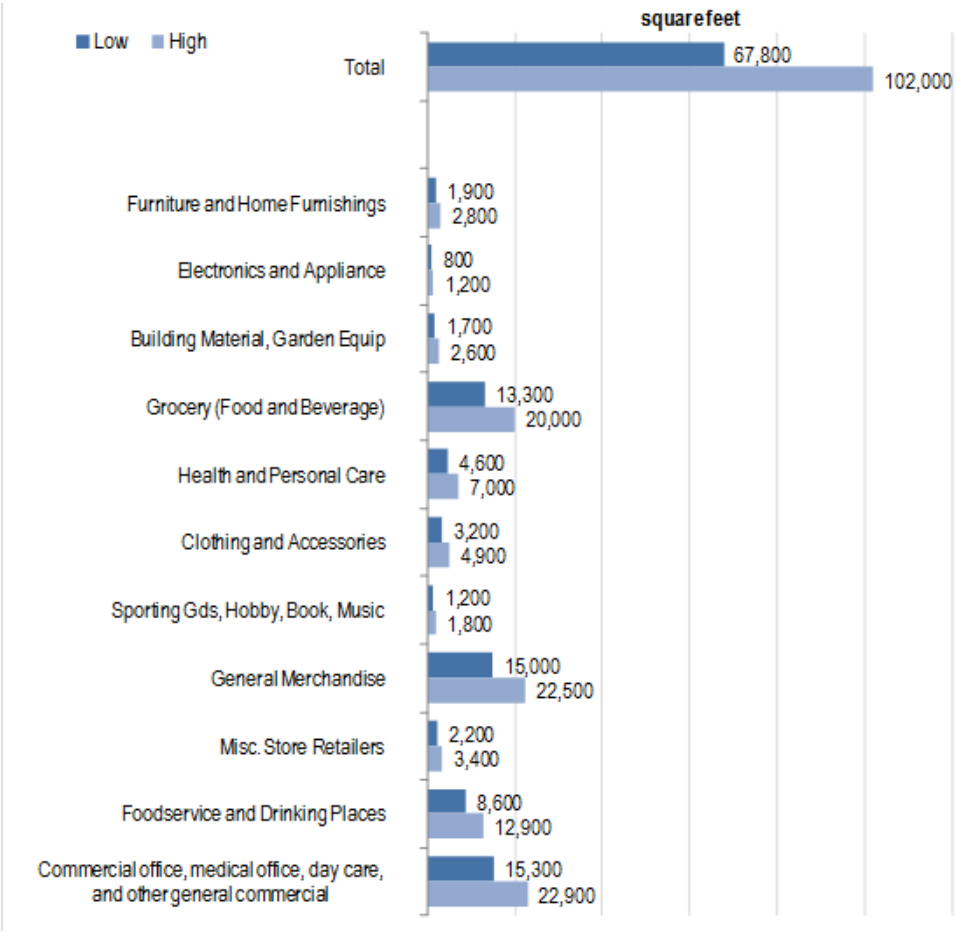
Long Term Retail and Commercial Demand

Table 4-6 shows a potential long-term retail program that could be contemplated once significant residential development has occurred (800-plus units), some retail is in place, and the public realm around the station subarea (pedestrian and bike connections, sidewalks, and station-area plaza) has been improved. This retail program should not be attempted or expected until this development is in place. This retail program would also require one to two acres of ground-floor site area for the primary retailers, as well as a comparable amount of space for underground parking. It would be built as part of a mixed use project, with housing and other uses on upper floors. The site should front onto N-NE 145th Street, the street that carries the most passersby, and therefore has the greatest visibility.

Over the long term retail in the station subarea will benefit from ongoing population growth within Shoreline and the station subarea, and therefore increasing demand (consumer spending). In addition, there will be some potential to capture retail spending that is currently "leaking" out of Shoreline, and to replace obsolete retail space. As shown below, anchor tenants or tenant groups in this space would be grocery (food and beverage), general merchandise (e.g. pharmacies), food service (restaurants), and commercial office/general commercial. The total demand would be for between 67,800 and 102,000 square feet of retail and commercial space.

As suggested earlier in this chapter, there will be challenges to attracting this scale of retail. These include local (Aurora Avenue N and 15th Street NE) and regional competition; the difficulty of providing easy ingress and egress from both directions on 145th Street; smaller parcel sizes in the station subarea compared to those needed for large scale development; and orientation on an east-west rather than one of the north-south arterials, which carry the majority of work-to-home commute traffic.

TABLE 4-7: Median Home Price, Shoreline and King County, 2012-2013



Source: CoStar, ESRI, Leland Consulting Group.

Office Market

Figure 4-20 shows the amount of office space that is existing and under construction within the five major Puget Sound region submarkets tracked by CoStar, a commercial real estate data provider. Shoreline is included in the Northend submarket, and the data is from the first quarter of 2014. Downtown Seattle dominates the regional market for office space, with the Eastside a strong and growing competitor. The Northend (which also includes Northgate, North Seattle, Lynnwood, Edmonds, and Everett), Southend, and Tacoma, are secondary office markets.

Office development tends to locate at the highest volume transportation nodes in a given region, such as downtown Seattle or major suburban freeway interchanges. In suburban locations, office parking requirements tend to be high (three spaces per 1,000 square feet), and therefore difficult to accommodate in land-scarce station subareas.

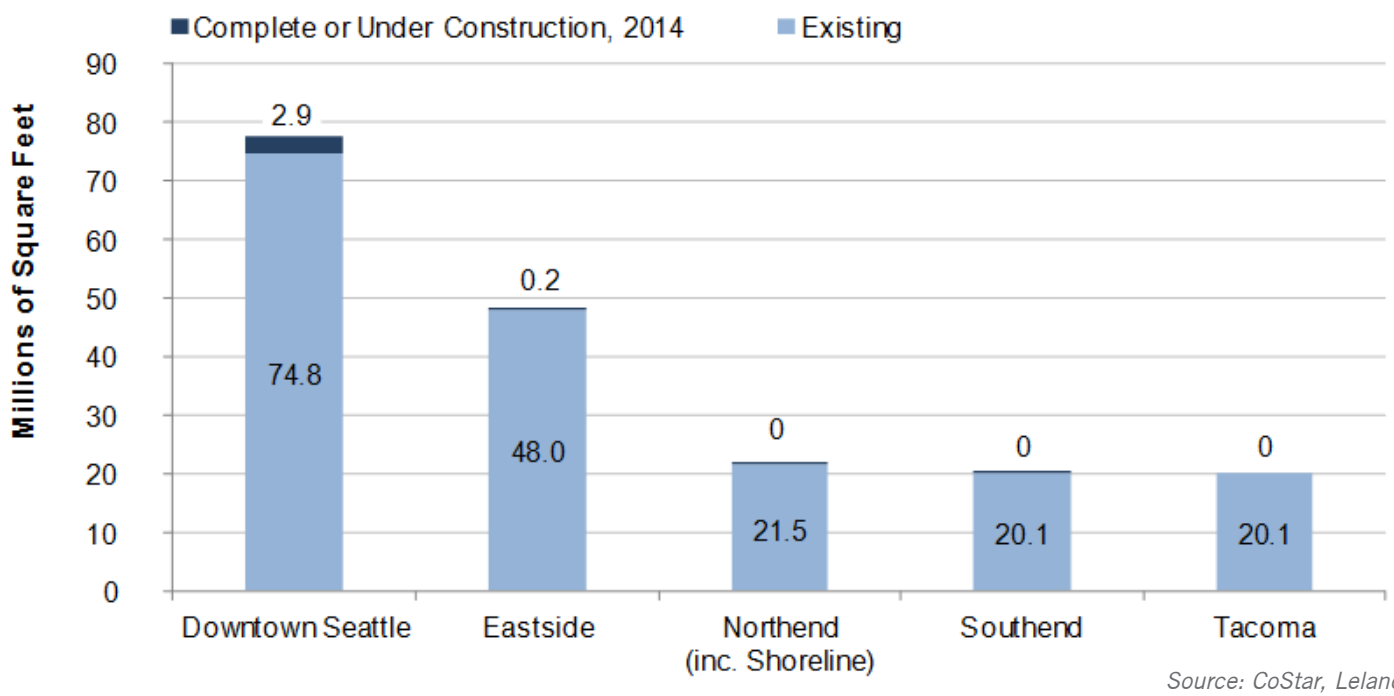
Figure 20 also shows that office development is slow, particularly outside of downtown Seattle and the Eastside. As of early 2014, 4,000 square feet of office space was under development in the Northend, representing an annual growth rate of less than one tenth of one percent. (This amount is rounded to zero in the figure below).

As shown in **Figure 4-5** earlier in this chapter, new office development nationwide generally continues to be viewed as a poor prospect. This is true for a number of reasons. Many companies shed space during the recession, which continues to be refilled. Companies continue to downsize their total space, and the amount of space occupied per person, as hard-wall offices are eliminated and replaced by open floor plans. In addition, employees can work from home or in coffee shops. Many office fixtures that required space, particularly extensive paper files, are being eliminated. Finally, companies hurt by the recession are highly reluctant to take on additional space and operating costs. While some of these factors will change as the economy improves, others

are long-term trends that LCG and other market analysts expect will significantly dampen the demand for new office development over the long term.

Figure 4-21 shows the office space currently located in Shoreline. Office locations, shown as blue circles, are scaled to the size (square feet) of office space. Darker blue circles represent office built in the past decade (since 2004). The largest office space built in the city in that time period is Shoreline City Hall. Similar to retail spaces, office development in Shoreline is clustered along Aurora Avenue N and 15th Avenue NE.

Given this context, LCG recommends that plans for the 145th Street Station Subarea focus on attracting ground floor "commercial office" space—financial services, medical and dental offices, realtors, small architecture firms, and other uses—that have modest space demands, a local service area, and can fit in next to retailers. Such office space is assumed in the retail capture figures noted above. Second, the City should focus efforts to attract large scale employers to the larger-scale development sites on Aurora or 15th Avenue NE. Finally, the City should revisit the potential for significant office development at the station subarea once a dynamic place has been established through the development of significant housing, retail, and public spaces.



Source: CoStar, Leland Consulting Group.

FIGURE 4-20: Puget Sound Regional Office Space: Existing and Under Construction, Q1 2014

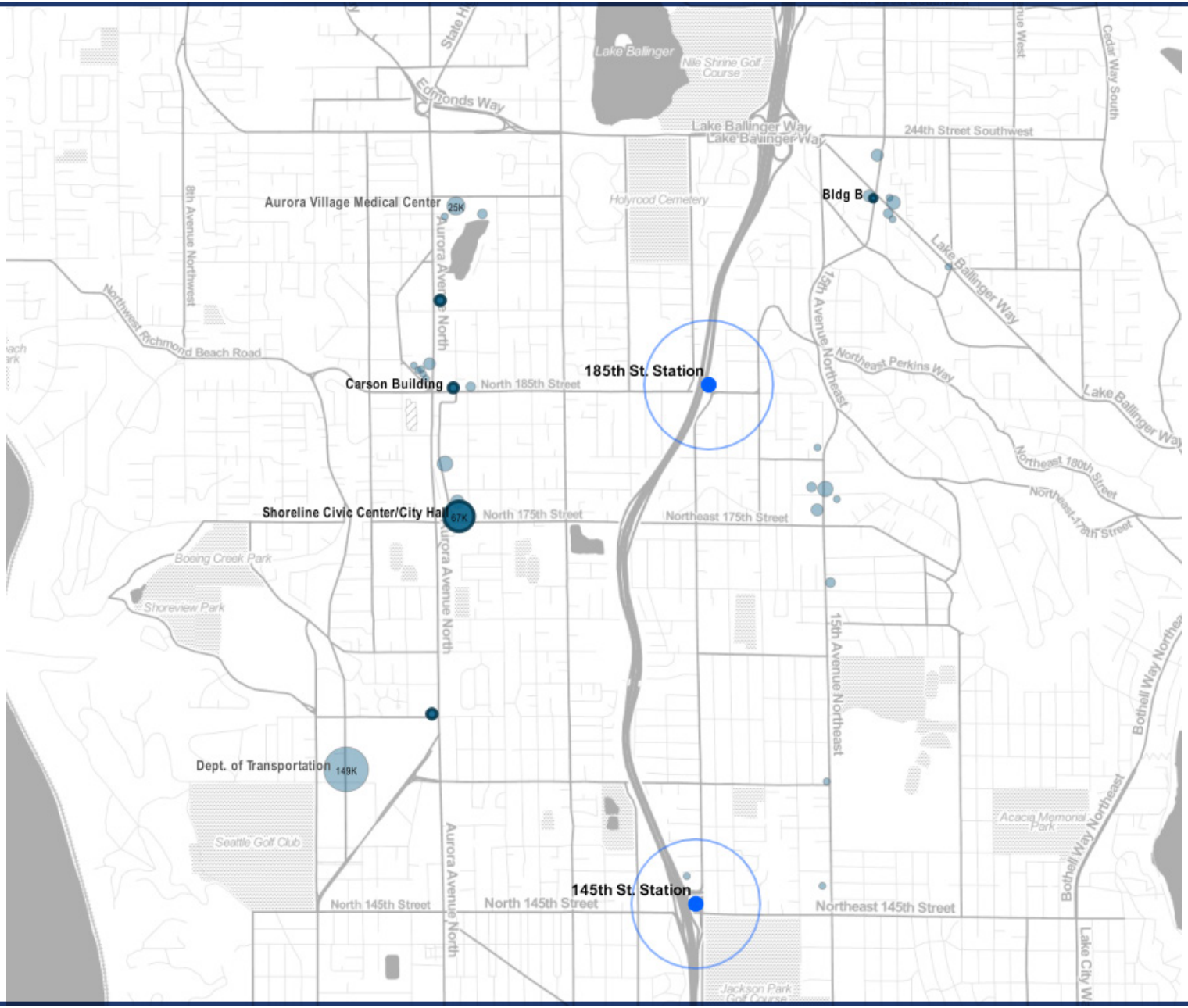


FIGURE 4-21: Current Office Locations and Half-Mile Station Subareas, Shoreline

Key Sites and Assets

Figure 4-22 shows the areas where LCG recommends that the City, other public agencies, and private developers focus their efforts for realizing higher density transit-oriented development in the station subarea. The City's redevelopment focus should be very close to the station—immediately to the west, east, or north. The direction may depend partially on where opportunities emerge through willing sellers or blocks of aggregated properties.

One set of development opportunities (Area A, See **Figure 4-22**) is on the west side I-5. This includes a northern section composed of three large houses of worship/church properties totaling that total 9.1 acres. However, this area is difficult to get to from the station on foot. If it could be combined with additional properties in the 7.3 acre area immediately south that is currently occupied by single family homes, it would improve prospects for redeveloping the entire 16-acre area with a mix of two to seven story housing and mixed use development.

The station itself is a development site. It should be a place where residents of the surrounding neighborhoods and Shoreline community want to go, even if they are not catching a train. Any plazas or public spaces should be of high quality, and include water features, places to sit and relax, and potentially public art. The City and Sound Transit should strongly consider at least one small retail space at the station where coffee, grab-and-go food, and sundries can be sold, even if such space is rented at below-market rates. The quality of the station as a gateway, plaza, and place has the potential to encourage or discourage new housing and mixed use development immediately around it, since open space and retail are among the top amenities that potential urban residents are looking for. Care should be taken to soften the presence of any parking structures here through quality exterior materials, vertical landscaping, interesting design at the ground level, or other features. The station itself is likely to be the largest public investment made in the station subarea within the next decade, and it should be done right.

Sound Transit will host a series of three workshops when they reach different phases of design to share current information and get feedback from the City and residents. The City also developed a set of Guiding Principles for light rail facility design for use in evaluating Sound Transit's proposals. A PowerPoint presentation from an Open House hosted by the City in January 2016 about Sound Transit's design process and the City's Guiding Principles for said design is available here: *http://www.shorelinewa.gov/home/showdocument?id=25055.*

Immediately to the east and north of the station, the 62.6 acre triangle (Area B, See **Figure 4-22**) surrounding 5th Ave. NE is a development opportunity area. If properties of adequate size can be assembled, and regulation encourages higher densities, the area could redevelop with a mix of two to seven story housing and mixed use development over time.

The intersection of 5th Avenue NE and NE 145th Street may have the greatest near-term potential for some retail/commercial hub, since there will be considerable passersby on foot, bike, and car. However, traffic circulation at this intersection could deter those at the station from patronizing retail on the east side of 5th Avenue NE. The first 500 feet of 5th Avenue itself could attract some of the retail/commercial spaces described above since it will also have moderate visibility from NE 145th Street and the station, and is also much more pedestrian friendly than NE 145th Street.

There is a small, publicly-owned pump station at the corner of 5th Avenue NE and NE 145th Street that could be redeveloped in the event the pump station was moved.

Over the long term, the Jackson Park Golf Course (to the south, outside the City of Shoreline and in the City of Seattle) as a potential development opportunity site. Fewer Americans are playing golf every year, and by some reports, 300 golf courses around the county have closed in the past decade. While the City of Shoreline cannot control the future of this course, it should continue to monitor the site and be prepared partner with Seattle in the event it becomes available for reuse in part or whole.

Finally, a series of potential transportation improvements are highlighted in **Figure 4-22**. These include two potential I-5 pedestrian/bicycle bridge alignments; connectivity improvements to the west and east of the station; and improvements on NE 145th Street. These improvements, largely to pedestrian and bicycle infrastructure, can improve transit use, the vitality of the neighborhood, and development prospects—particularly ground floor retail.

FIGURE 4-22: Opportunities for Future Development

Other Economic Considerations

2012-2017 ECONOMIC DEVELOPMENT STRATEGIC PLAN

The City of Shoreline's Office of Economic Development Strategic Plan for 2012-2017 seeks to achieve sustainable economic growth by supporting placemaking projects. The plan acknowledges Shoreline's two planned station subareas as key economic development opportunities.

TRANSIT-ORIENTED DEVELOPMENT POTENTIAL REPORT BY SOUND TRANSIT

Sound Transit retained Kidder Mathews to prepare the Lynnwood Link Extension Station Area Transit-Oriented Development Potential report in 2013. This report included a preliminary market assessment of the demand for office space, multifamily housing, retail space, and lodging. The findings of the TOD Development Potential report were generally consistent with the findings of the 145th Street Station Subarea Market Assessment.

THE POTENTIAL IMPACT OF TRANSIT ON PROPERTY VALUES AND PROPERTY TAXES

How implementation of light rail and rezoning might affect property values and property taxes in the subarea was a common question of existing homeowners during the planning process.

The potential for a new transit station to increase land values for properties adjacent to it is a topic that has been researched extensively over the past two decades in conjunction with the construction of numerous light rail and heavy rail systems across the US, often in the context of determining a "value premium" that can be "captured" to contribute to system financing. While use of "value capture" for financing is not envisioned for the Lynnwood Link extension, the research that has been conducted on this topic provides information to address questions raised by Shoreline residents near the new station site as to what impact the station might have on their property values, and potentially their property taxes.

VALUE PREMIUM IMPACTS

A substantial amount of research and analysis has been undertaken by policy experts to track and document the effects of fixed guideway transit systems (e.g., term includes heavy rail and light rail) on property values. This topic has commanded so much attention because many policymakers believe that fixed guideway transit systems create a value premium, i.e. an increase in property values or related economic factors as a result of the increased access and desirability of the land served by the fixed guideway transit. If increased value can be linked to the transit investments, a portion of this increase sometimes has the potential to be "captured" up front in the transit development process, and converted to a funding source for public improvements that support the transit system.

Numerous studies have used statistical models and other methods to examine whether premiums exist for real estate prices or lease rates near transit stops, particularly for commuter and light rail systems. A summary of various fixed guideway transit value premium studies was published in 2008 by the Center for Transit Oriented Development, a non-profit organization associated with Reconnecting America.

Entitled *Capturing the Value of Transit*, the publication reviews the concepts associated with this topic, and summarizes the findings of more than 20 analyses of the effect of fixed guideway transit on different land uses around the US. Many of these studies, in turn, identified a range of value premiums associated with fixed guideway transit, and utilized a variety of techniques to come to this conclusion. The range of findings from the wealth of literature indicates that this topic presents challenges in distilling conclusions applicable directly to other locations. As shown below, *Capturing the Value of Transit* found the reviewed studies to conclude the following, as shown in **Table 4-8**.

TABLE 4-8: Range of Value Premiums Associated with Transit

	Range of Property Value Premium		
Single Family Residential	**+2% w/in 200 ft of station** *(San Diego Trolley, 1992)*	to	**+32% w/in 100 ft of station** *(St. Louis MetroLink Light Rail, 2004)*
Condominium	**+2% to 18% w/in 2,640 ft of station** *(San Diego Trolley, 2001)*		
Apartment	**+0% to 4% w/in 2,640 ft of station** *(San Diego Trolley, 2001)*	to	**+45% w/in 1,320 ft of station** *(VTA Light Rail, 2004)*
Office	**+9% w/in 300 ft of station** *(Washington Metrorail, 1981)*	to	**+120% w/in 1,320 ft of station** *(VTA Light Rail, 2004)*
Retail	**+1% w/in 500 ft of station** *(BART, 1978)*	to	**+167% w/in 200 ft of station** *(San Diego Trolley, 2004)*

Notes:
VTA Light Rail is the Santa Clara, CA Valley Transportation Authority
BART is Bay Area Rapid Transit
Source: Capturing Value from Transit (Center for Transit Oriented Development, November 2008)

While **Table 4-8** focuses on those studies that found a premium, the report also describes a study that found negative impacts on value associated with fixed guideway transit. A 1995 study, by Dr. John Landis at the University of California, Berkeley, found that values for single family homes within 900 feet of light rail stations in Santa Clara County were 10.8 percent lower than comparable homes located further away, and no value premium could be identified for commercial properties within one-half mile of BART stations in the East Bay of the San Francisco Bay Area. Compared to other research though, the potential for decrease in values is rare and likely influenced by other factors.

One of the most thorough analyses conducted after 2000, when contemporary fixed guideway transit systems had established their resurgence as a modern, desirable form of transportation in urban America, was conducted by Dr. Robert Cervero at the University of California, Berkeley. This study, a survey of other studies covering only housing value premiums associated with fixed guideway transit, found that among the seven locations (Philadelphia, Boston, Portland, San Diego, Chicago, Dallas, and Santa Clara County), value premiums ranged from 6.4 to over 40 percent. The authors concluded that value premiums depended on a variety of factors, including traffic congestion, local real estate market conditions, and business cycles.

Transit in Europe can also provide insight to ways of measuring value capture. A study of 15 light rail systems in France, Germany, the United Kingdom, and North America measured housing prices, residential rent, office rent, and property values in each of the cities, concluding that there was a positive value premium in all but two cities. These two cities initially experienced negative value impacts from fixed guideway transit due to the noise associated with the light rail system. Technological improvements have since reduced noise levels and most modern light rail systems are fairly quiet.

One key aspect of the literature is the separation of fixed guideway transit's impacts on existing real estate versus its impacts on new development. In many situations, once a fixed guideway transit system is planned, local governments also increase zoning densities or implement policies that densify allowable development. This makes sense, because fixed guideway transit allows the movement of people without commensurate automobile traffic impacts. However, studies of value premiums often face the challenge of controlling the analysis for changes in zoning (to allow for denser development) and the effects of related development policies. Conversely, increases in allowable development through denser zoning, even in the absence of fixed guideway transit, will almost always result in a higher land value, because a developer can build more units on the same site under the increase in allowed density.

Based on the analysis of value premiums, and considering the range of outcomes for previous projects, it would be reasonable to assume a potential value premium ranging from five percent up to 10 percent for properties located within one-half mile of the new transit station (one-half mile is considered the point at which resident interest in walking to a transit station substantially decreases). This value premium would represent a one-time increase in values that would be associated with a new transit station, and would also capture the benefit of changes in zoning and other City implementation actions to encourage TOD projects.

REVENUE BASE—SALES TAX AND PROPERTY TAX

The revenue base of the City is another measure of the strength of the local economy. A strong revenue base supports necessary public facilities and services for an attractive place to live and work. Two major elements of the revenue base are taxable retail sales and the assessed valuation for property taxes. A review of Shoreline's taxable sales and assessed valuation compared with other cities yielded the following observations.

- Compared to the peer cities and King County, Shoreline has a relatively low revenue base. Among peer cities, Shoreline had the second lowest per capita taxable sales and second lowest per capita assessed valuation in 2010.

- Growth in assessed valuation has been moderate over the past decade, averaging a 6.7 percent annual increase. This could be due to a relative lack of new construction in comparison to a younger community, such as Marysville.
- Retail sales growth has averaged 1.5 percent annually. This is the second highest rate of increase among the peer cities and higher than King County as a whole.

OTHER REVENUE SOURCES

Other sources of revenue for the City include the gambling tax, utility tax, permit fees, grants, and impact and other fees. Gambling taxes are collected at a rate of 10 percent of gross receipts for card rooms in the city. Projected gambling tax revenue for 2012 equals 6 percent of the total forecasted general fund operating revenues. Thirteen percent of total forecasted general operating revenues are expected to come from the utility tax, and 8 percent from license and permit fees. This compares to 32 percent from property taxes, and 20 percent from sales taxes. The remaining revenue comes from contract payments, state and federal grants, and other sources.

PROPERTY TAX IMPACTS

An increase in property values does not result in a proportional increase in property taxes (e.g., a five percent increase in property value leading to a five percent increase in property taxes) due to the overlapping effects of three state constitutional and statutory measures:

- **ONE-PERCENT CONSTITUTIONAL LIMIT:** the State Constitutions limits the regular combined property tax rate for all agencies to one percent, except for voter approved levies for schools or other agencies (such as the increase in the tax rate approved by Shoreline voters in 2010);
- **LEVY INCREASE LIMIT:** Taxing districts, such as cities, are limited to a levy limit (limit on increase in property tax revenues) of no more than one percent of prior year property tax revenues, except for increases due to new construction, annexation, or voter approved increases; and
- **LEVY AMOUNT LIMIT:** There is a statutory limit on the maximum total levy for various types of taxing districts. The current maximum amount for cities is 0.59 percent of assessed value, excluding any voter-approved additional levies.

King County reassesses properties to fair market value on an annual basis. However, because of the One-Percent Constitutional Limit and Levy Amount and Levy Increase Limits, an increase in property values and assessed values does not automatically lead to an equivalent increase in property taxes.

For example, each taxing district must on an annual basis adjust its levy (property tax) rate so that the increase in property taxes, excluding new construction, annexations, or voter-approved increases, does not exceed one percent. Other adjustments to levy rates may need to be made to stay within the One-Percent Constitutional and Levy Amount limits.

As described previously, there may be a potential for a one-time increase of between five to ten percent in property values within one-half mile of the 145th Street Station. The one-time increase in property values will need to be evaluated against overall changes in Shoreline property values to determine how it would impact property taxes for homeowners around the new light rail stations. For example, if the new stations lead to a five percent increase in value, but this occurs in a hot real estate market where property values are increasing at a faster rate on an annual basis, the increase in assessed values for properties around the station may be driven more by market conditions than the new transit station.

Only in a flat market could homeowners around the new station possibly experience a one-time increase in property tax rates that could approach the rate of increase in property values. It should be noted that an increase in property values represents a 100 percent increase in homeowner equity.

Art and Swim Camp at Shoreline

Because of the complexity of the overlapping limits, it is not possible to make a specific forecast for how much property taxes might increase around the station subarea. Instead, one would need to run a series of multiple scenarios with varying assumptions for market-based increases in property values, the increase in the value of properties around a new transit station, and evaluation of how the constitutional and statutory limit affect Shoreline to come up with a projection for a range of possible outcomes.

For homeowners who might be severely affected by a property tax increase, King County operates several programs to assist homeowners who may face difficulty paying property taxes for any reason. This includes a property tax exemption for senior citizens and disabled persons, based on household income, that freezes valuation and can create some exemptions from regular property taxes.

Another program provides property tax deferrals for homeowners with limited income. The State also provides a property tax deferral program, administered by county assessors, that allows for full or partial deferral of property taxes. Another State program provides means-tested direct grant assistance for property tax payments to seniors and disabled persons who are widows or widowers of veterans, which for eligible households could help offset an increase in property taxes if it occurs.

Conclusion

The market assessment shows potential demand for multifamily residential housing and neighborhood-supporting retail in the subarea over the next twenty years.

Property values likely will increase at levels of 5 to 10 percent within one-half mile of the light rail station once it is operating.

This increase in property value will not necessarily translate to increases in property taxes for everyone. Many factors influence property tax assessments. With the regional economy gaining strength, experts are forecasting that there will be growing employment opportunities as well as ongoing increased demand for housing and jobs in the coming decades.

With the neighboring City of Seattle being one of the fastest growing cities of its size in the US and the attractiveness of living along the light rail line, Shoreline station subareas should experience market pressure for redevelopment. This will be tempered by the availability of sites large enough to support TOD, which in turn will be contingent upon owners' willingness to sell their properties and to aggregate with other property owners.

Although overall, the outlook is positive, these forces will moderate redevelopment activity, and as such, it is expected to take many decades for the station subarea to reach full build-out of the proposed zoning.