DRAFT

145TH STATION AREA PLAN
SHORELINE, WASHINGTON

MARKET ANALYSIS

PREPARED FOR:

CITY OF SHORELINE

PREPARED BY:

LELAND CONSULTING GROUP

People Places Prosperity August 2014

Contents

Executive Summary

Planning for the Lynwood Link light rail extension is well under way, with a station planned at NE 145th Street in Shoreline, Washington. This market analysis has been conducted by Leland Consulting Group (LCG) as part of the 145th Street Station Subarea Plan being prepared by Otak for the City of Shoreline. The analysis is intended to identify the type, scale, and phasing of real estate development likely to be feasible within the station area, and provide a preliminary list of the actions that the City could take to encourage transit-oriented development (TOD). This executive summary explains the key findings of the market analysis; details are contained in the body of the report, which begins on page 7.

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 area 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 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 NE 145h 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 area 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 area. 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 in the station subarea. Retail demand and needs should be revisited once this scale of retail development has been realized.

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 area. 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 areas. 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 area 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 Avenue N 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 potential "neighborhood boulevard;" and protected and enhanced parks, spaces, and natural resources.

Implementation. A plan is only as effective as the capacity of an organization and its partners to implement it. Therefore, LCG offers these preliminary potential implementation actions for the City:

- Ensure that the Link light rail station is an attractive and welcoming place. The station will be a major infrastructure investment and the gateway to the larger station area. It should be a place that can act as a center within the larger subarea, and ideally include places for sitting, relaxing, enjoying music, and one or more small retail spaces.

- Make key pedestrian, bicycle, and auto improvements in the station subarea. These will help to improve the sense of place and increase developers' interest in the area. A pedestrian and bicycle bridge over I-5 should be considered, along with improved connections in the neighborhoods to the east and west, with the goal of connecting the station to Aurora Avenue N and 15th Avenue NE.

- Update the Comprehensive Plan and zoning designations to allow housing, retail, and office space of much greater scale, height, and floor-area ratios (FAR). Allowed heights may vary from a low of 45 feet to a high of about 200 feet. Consider reductions to parking requirements for these uses in recognition that the area will have excellent transit service. Consider provisions in the code that will incentivize developers to aggregate properties and build attractive infill that is compatible with adjacent neighborhoods.

- Complete this Station Subarea Plan, related environmental impact statements, and associated code revisions. This should provide considerable regulatory certainty for developers considering building in the station area.

- Communicate regularly with major property owners in the event that they are interested in redevelopment.

- Consider the formation of a Community Renewal Authority (CRA) or other authority with the capacity to buy and sell land, make investments, and take other action in the station subarea in coming decades. If appropriate, undertake targeted property acquisitions and aggregation of properties with willing sellers.

- Upon completion of this Plan, actively market the vision to community leaders, developers, business owners, lenders, appraisers, and others in the Shoreline area with the capacity to move it forward. Find and utilize your champions.

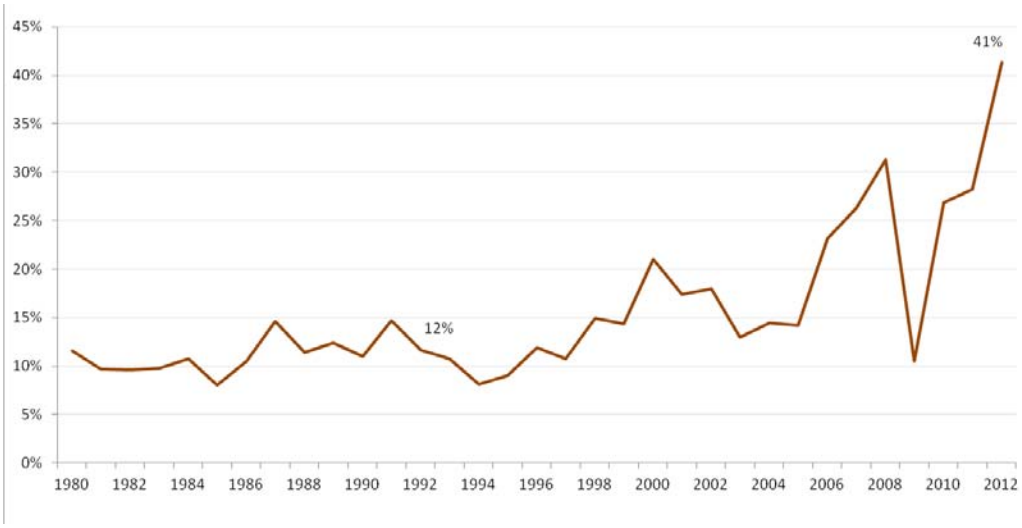
Context: TOD and Infill Development

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 1 below 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.

Figure 1. City of Seattle Capture Rate of All Puget Sound Residential Building Permits

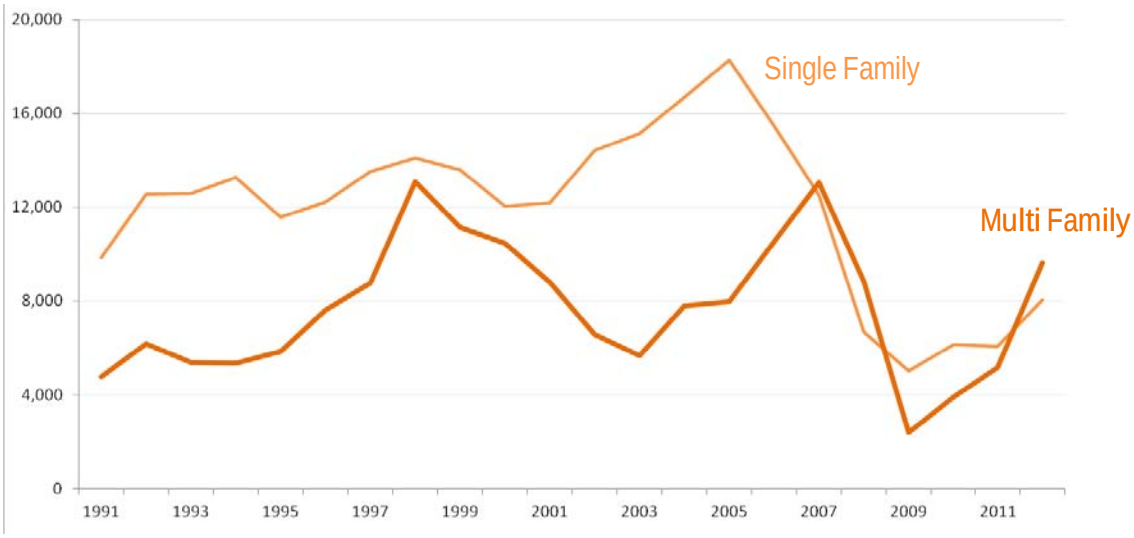


Source: United States Department of Housing and Urban Development, Leland Consulting Group.

Figure 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.

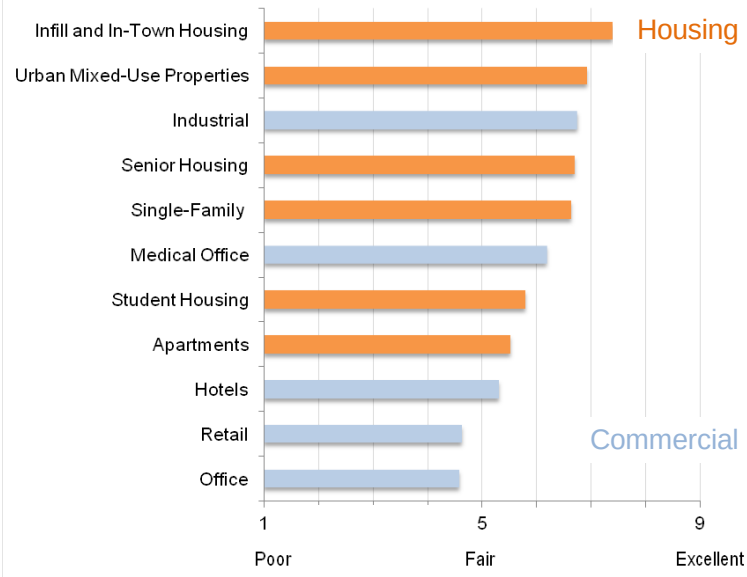
Figure 2. Single Family and Multifamily Building Permits, Puget Sound Region



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

Figure 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.

Figure 3. Development Prospects by Property Type, 2014



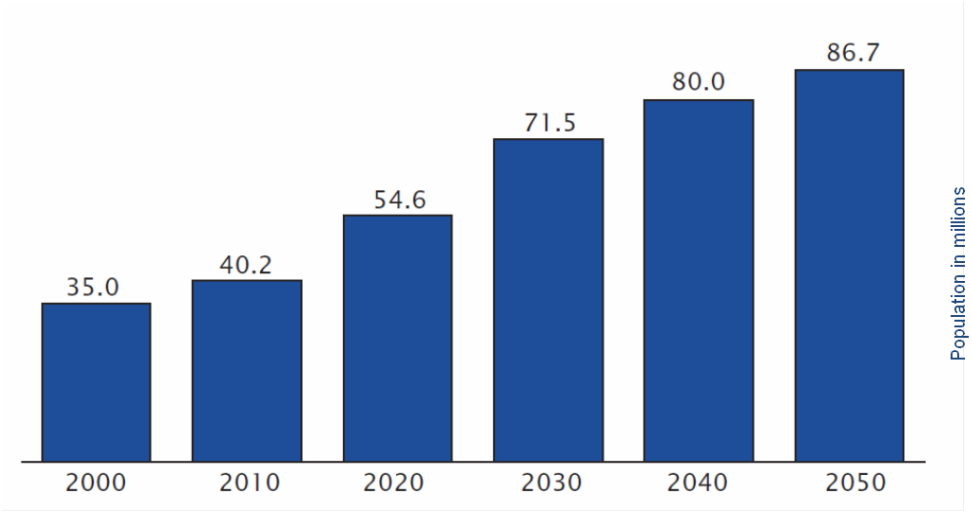
Source: Urban Land Institute, Leland Consulting Group.

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 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 vary widely: some will move to sunnier climes and others will stay in their current homes indefinitely.

Figure 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 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 takeaway 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 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.

TOD and Interstates

As a component of this market analysis, LCG was asked to review comparable light rail stations that are located within highway rights of way, and the development that has taken place in surrounding station subareas. While a wide variety of station areas were reviewed, the figures below and on the following page shows two stations that we believe provide the most relevant lessons for the 145th Street Station Subarea.

Center Commons, a 4.9-acre development pictured in Figure 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 area, 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.[1]

Figure 6. NE 60th Avenue Station and Center Commons, Portland, Oregon

Several key lessons learned are:

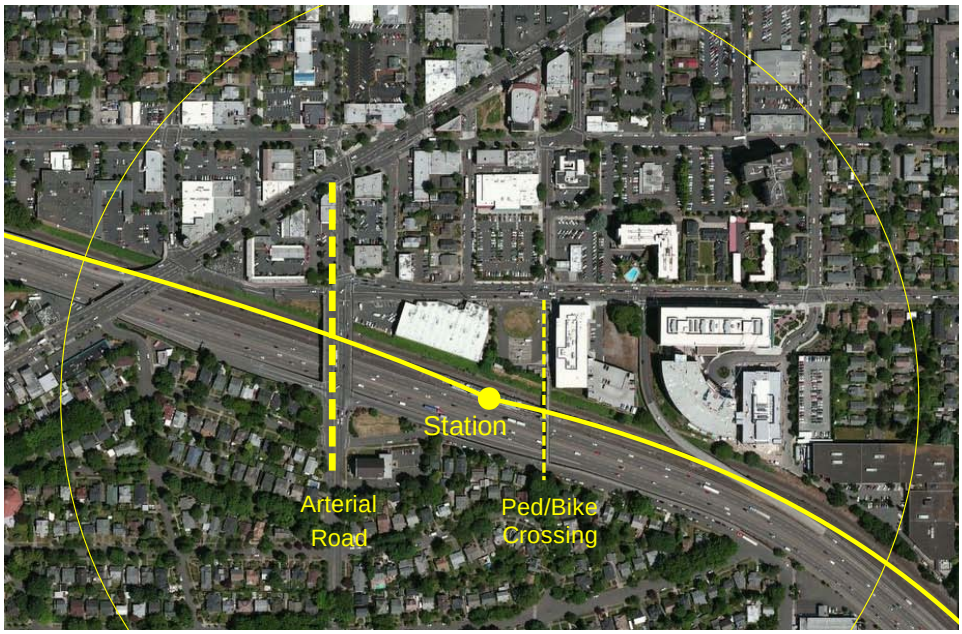
- Attractive and successful transit-oriented development adjacent to a freeway is possible.
- Most development at Center Commons is oriented towards the surrounding neighborhood and away from the freeway and station. The most attractive and successful public places are also somewhat distant from the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

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

- Proactive public sector agency involvement can help to spur development.

Figure 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.

Figure 7. Hollywood Light Rail Station Area, Portland, Oregon



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 area, ranging from townhouses to mid rise (generally five story) mixed use projects.

Shoreline and the Station Subarea

Figure 8 below and Figure 9 on the following page summarize some of the key demographic attributes of Shoreline, the 145th Street Station 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 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.

- 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.

Figure 8. Demographic Summary

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.

- 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 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.

Figure 9. Demographic Summary (Continued)

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

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%

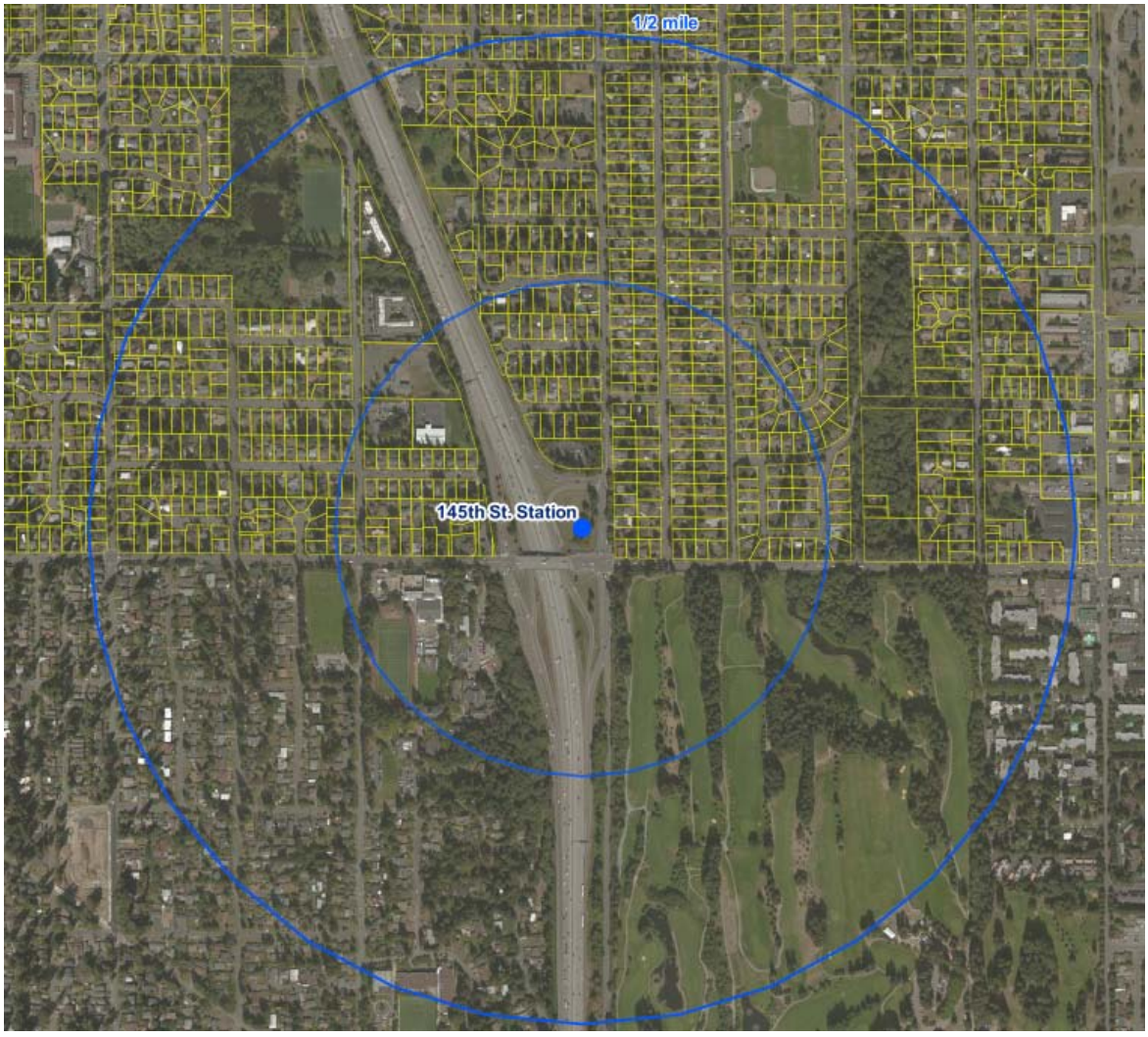
Source: ESRI Business Analyst, US Census, Leland Consulting Group.

The Station Subarea

Figure 10 shows the 145th Street Station Subarea. The ¼ mile circle (smaller blue circle) represents about a 5 minute walk; the ½ mile circle represents a 10 minute walk. Most walk-in transit users tend to come from within this ½ mile circle, and about 60 percent of transit users walk to transit.

A key feature of the station area 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.

Figure 10. The 145th Street Station Subarea



Source: Leland Consulting Group.

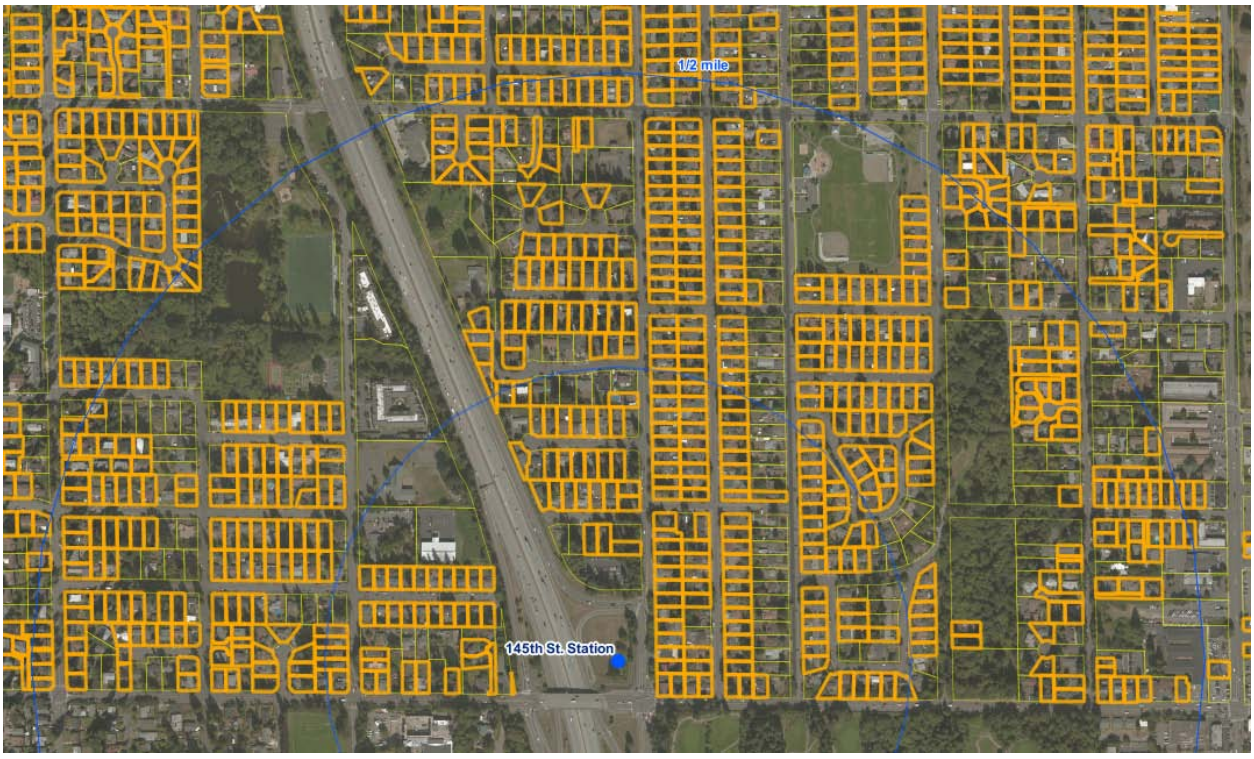
Parcel Sizes

Figure 11 shows a key feature of the station subarea vis-à-vis large scale redevelopment: a majority of properties are relatively small. In Figure 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 time frame, and in the right location. This can be very time consuming and logistically challenging, and therefore developers will seek out large lots when possible. The City has at least two options available to encourage large scale redevelopment. First, zoning and regulation can encourage higher density development and provide density or other incentives for larger projects. Second, the City could actively acquire or option (obtain the right to buy) properties with the goal of aggregating and selling them to a selected developer. Both of these options should receive strong community support before being implemented.

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 area. 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. In order to be redeveloped, these owners would probably need to be willing sellers, to the City or a private developer.

Figure 11. 145th Street Station Subarea: Lots of 8,500 Square Feet or Less Highlighted



Source: Leland Consulting Group.

Figure 12 shows the view from NE 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 area that will be difficult to bridge. 145th 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. The City of Shoreline is currently looking at ways to make NE 145th Street more pedestrian and development friendly. NE 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.

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, which will benefit retail, while having a naturally more pedestrian friendly character.

Within this view of the station area, the station itself is likely the most promising site for place making and/or real estate development since it is a single site that will be developed at one time, is large enough to create a sense of place and contain some retail or other uses, and also be partially buffered from the freeway.

Figure 12. Looking Northwest from 145th St / Link Light Rail Station

Station location is approximate.

Source: Leland Consulting Group.

Project Vision

The 145th Street Station Subarea Plan is in the early stages of development—a work in progress. The first series of community workshops were held in June, 2014. As a result of these workshops, five key concepts emerged that will help form the vision to guide subarea planning for the 145th Street Station. These concepts are summarized below, and 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 and other key streets; and an East-West pedestrian and bicycle bridge spanning Interstate 5.

- **5th Avenue as a North-South Neighborhood Boulevard:** Viewed as an important corridor linking the 145th Street Station and the 185th Street Station, 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.

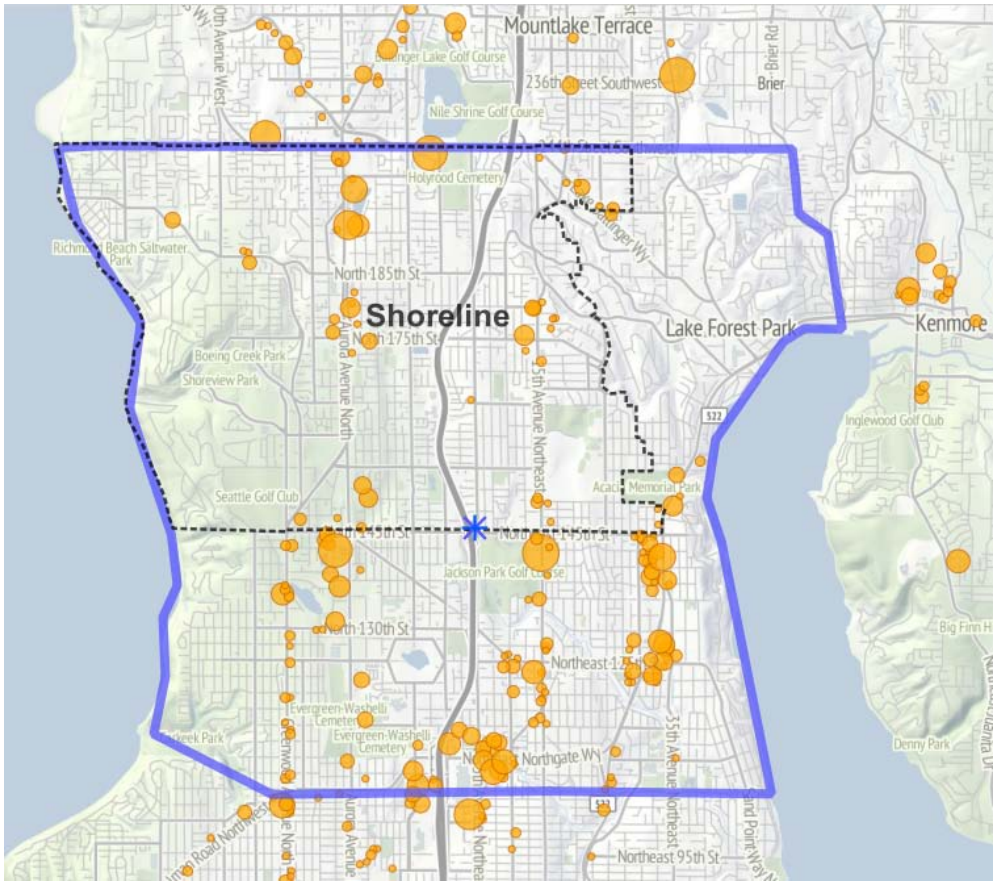
- **Protected & Enhanced Parks, Spaces and Natural Resources:** Preserving and protecting existing parks and open spaces, while creating new public gathering places, parks and "green infrastructure" was viewed as an important principle for planning, serving as public amenities as well as a means of improving 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 stormwater facilities) – connecting parks, open spaces and activity centers throughout the community.

Housing Market

Figure 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 area are most likely to be drawn. The market area also helps to understand baseline expectations about population growth and demographics. Figure 13 also shows the rental multifamily housing projects in the area; the greater the number of units in the project, the larger the circle.

Figure 13. Primary Residential Market Area and Rental Multifamily Housing Projects



Source: Leland Consulting Group.

Several observations can be made based on Figure 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 ½ mile of the proposed 145th Street Station, and few located in close proximity to I-5.

Table 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 area can "capture" some of the significant housing demand in the market area.

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

Table 1. 20 Year Household Growth, Station Area 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.

The two images on the following page show two current "mid rise" density infill projects in Shoreline. The first (Figure 14) shows the Malmo Apartments, which are now under construction just off Aurora Avenue N, north of 145th Street. The second (Figure 15) shows the Echo Lake Apartments, completed in 2009, which are also located just off of Aurora Avenue N, 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 website 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.

It is important to note that both projects are "pushing the market:" they are financially ambitious, and at the moment, pioneering since there are 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 in the station subarea and elsewhere; if they struggle, it will be much more difficult to obtain financing and build similar projects in the future. It is impossible to tell now how successful the Malmo will be since it is still under construction. 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 14. Malmo Apartments (Under Construction), Shoreline

Figure 15. Echo Lake Age Restricted Apartments, Shoreline

Figure 16 shows the Avalon Towers Apartments in downtown Bellevue, Washington. This is a high-rise project (13 and 23 story towers) that is not currently feasible in Shoreline due to development economics. 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. 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 16. Avalon Towers Apartments, Bellevue

The tables below show the projected 20-year housing demand for rental housing (Table 2) and ownership housing (condominiums and townhomes, Table 3) in the station subarea, 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 area. LCG projects that the station area 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 for reasonable prices, and that appropriate zoning and regulations are in place, among other conditions covered later in this report. 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 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 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*

Source for both tables: Leland Consulting Group.

The two tables below show a 20 year and 50 year housing demand projection for the station area. A very long-term (100-year) demand projection has been extrapolated from the 50 year projection.

During the 20 year time horizon, 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 shown on page 6. At this density, nine to 14 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 retained, rehabbed, or 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 area market, and therefore set the stage for higher density development in the future if desired.

Table 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

Table 5 shows a 50 year demand projection for the station area, 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 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

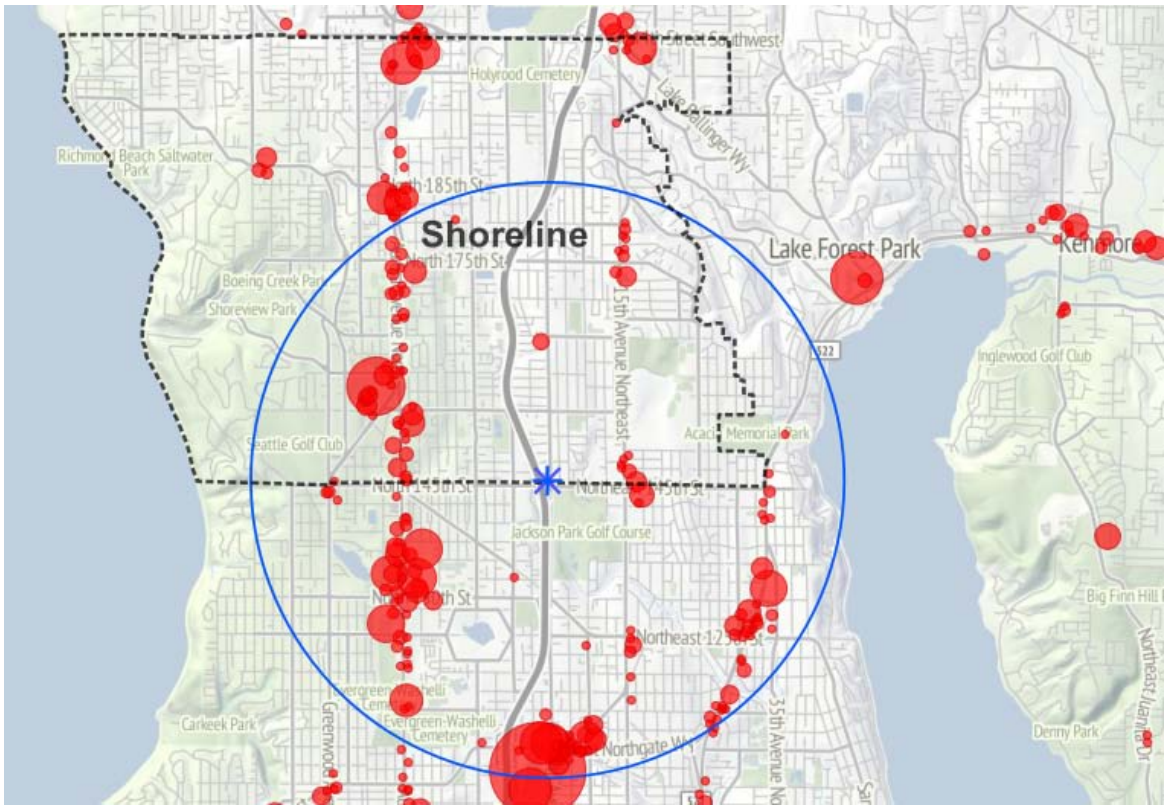
Source: Leland Consulting Group.

Retail and Commercial Market

During the near and medium term phases of development (within a 20 year planning horizon), the retail focus in the station subarea should be 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 time frame. 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 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 area 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 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.

Figure 17. Current Retail Locations, Shoreline and Vicinity

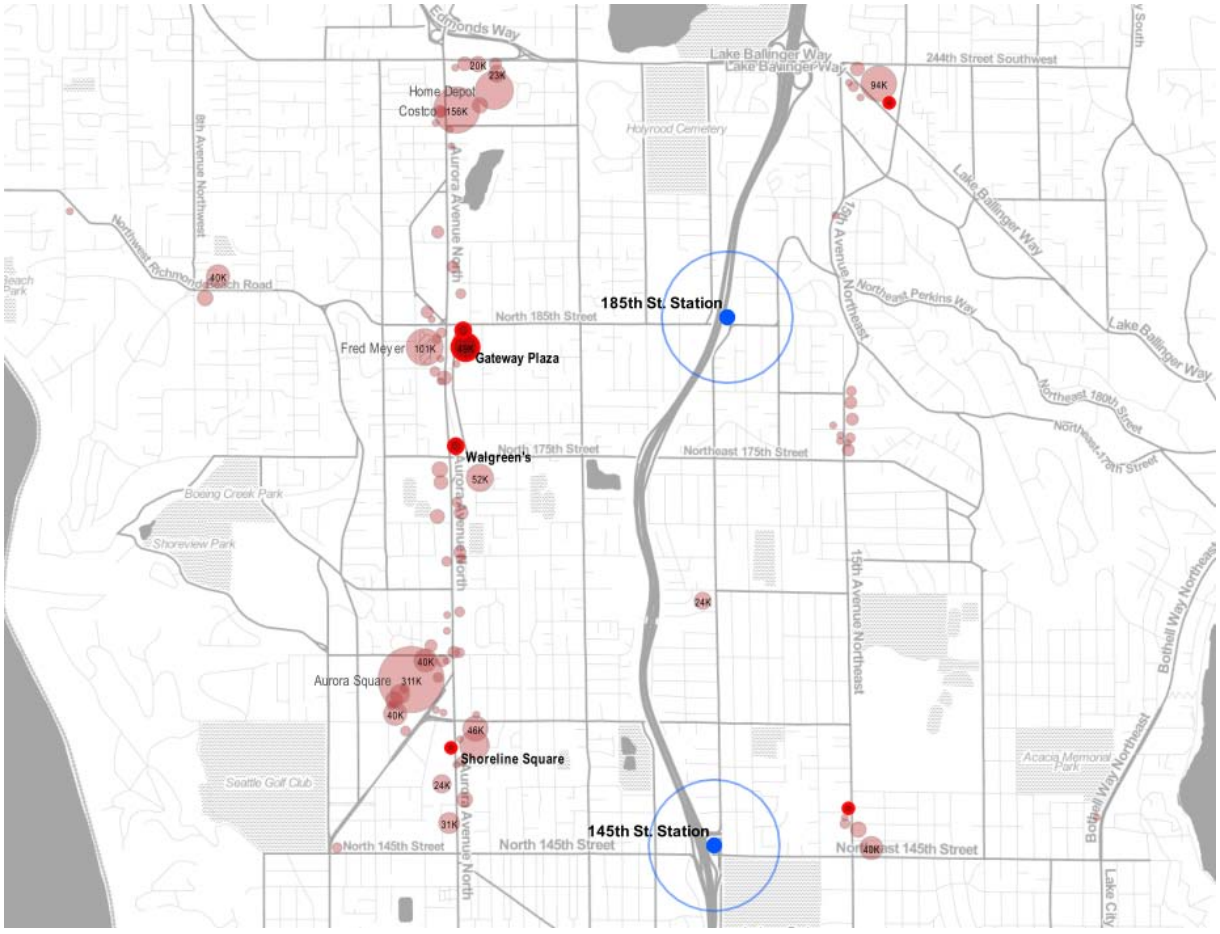


Source: CoStar, Leland Consulting Group.

Two grocery-anchored centers are located just over a half-mile away from the station area: The Aurora Village Shopping Center on Aurora Avenue N, just north of 145th Street is anchored by Safeway, and a QFC grocery anchors a neighborhood center on 145th Street and 15th Avenue 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 area 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 18 shows retailers within a smaller geographical area. In addition, retail properties that have been developed in the past decade (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.

Figure 18. Current Retail Locations and Half-Mile Station Areas, Shoreline



Source: CoStar, Leland Consulting Group.

Near and Medium Term Retail and Commercial Demand

A small restaurant and retail space are shown in Figure 19 below. 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 in 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 NE 145thStreet, a high volume of transit users, and a significant local population if properly located with accessibility to each of these markets.

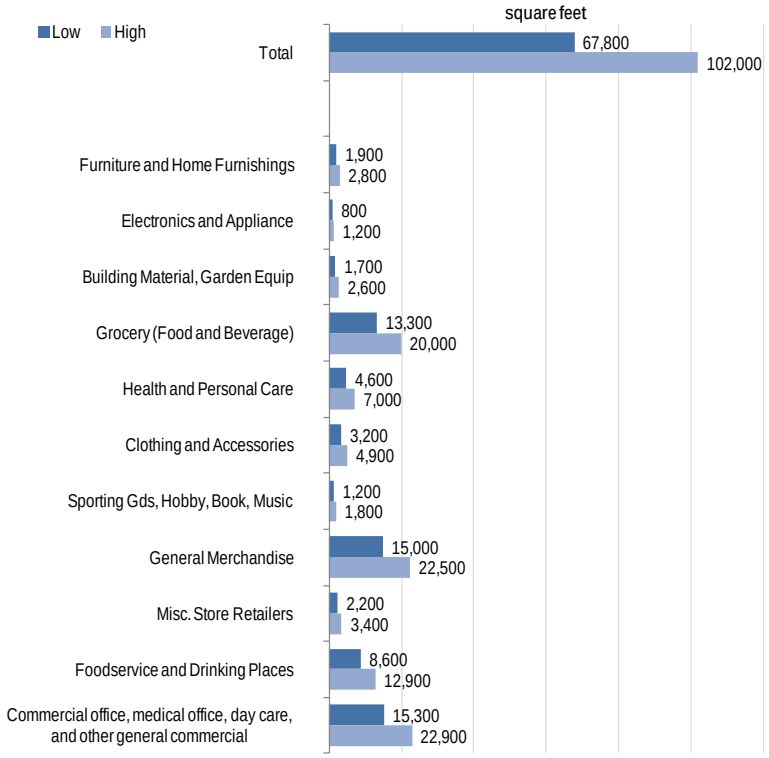
Figure 19. Restaurant and Small In-line Retailer in Mixed Use Project

Long Term Retail and Commercial Demand

Table 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 area (pedestrian and bike connections, sidewalks, and station-area 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 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 at the station area, 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. Walgreens), 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.

Table 6. Long Term Retail Demand at Full Station Area Build Out



Source: CoStar, ESRI, Leland Consulting Group.

As suggested above, 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 NE 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.

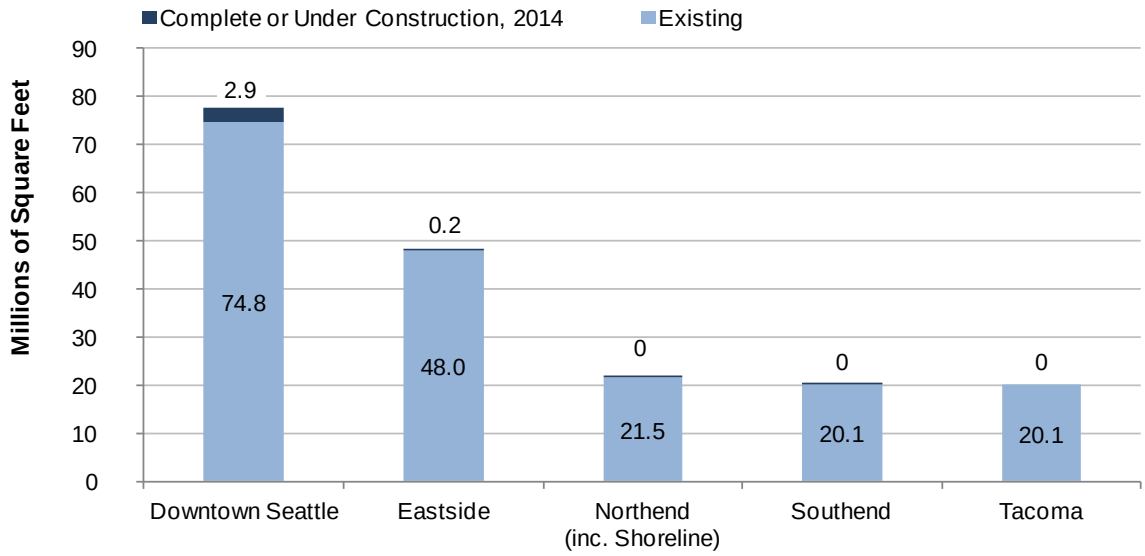
Office Market

Figure 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 areas.

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).

Figure 20. Puget Sound Regional Office Space: Existing and Under Construction, Q1 2014



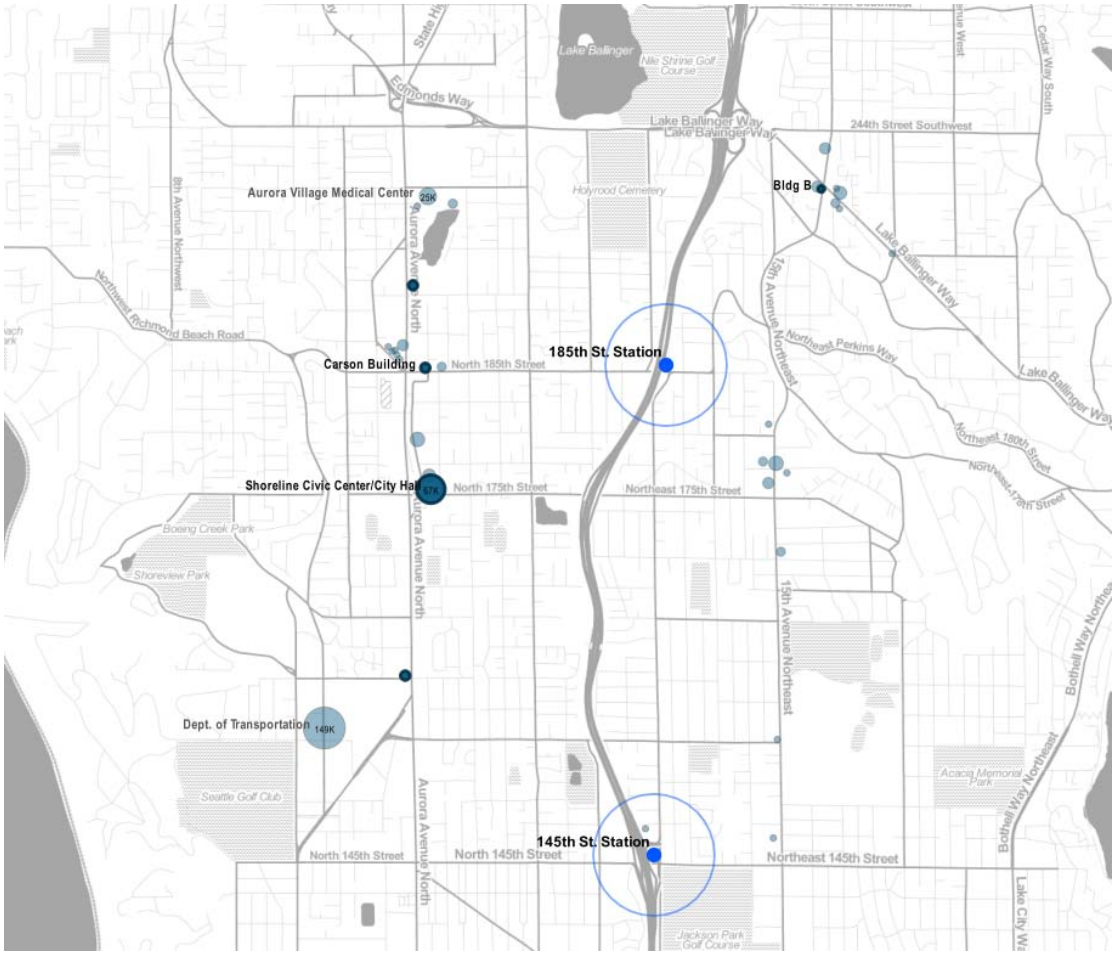
Source: CoStar, Leland Consulting Group.

As shown in Figure 5 on page 9, 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 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.

Figure 21. Current Office Locations and Half-Mile Station Areas, Shoreline



Source: CoStar, ESRI, Leland Consulting Group.

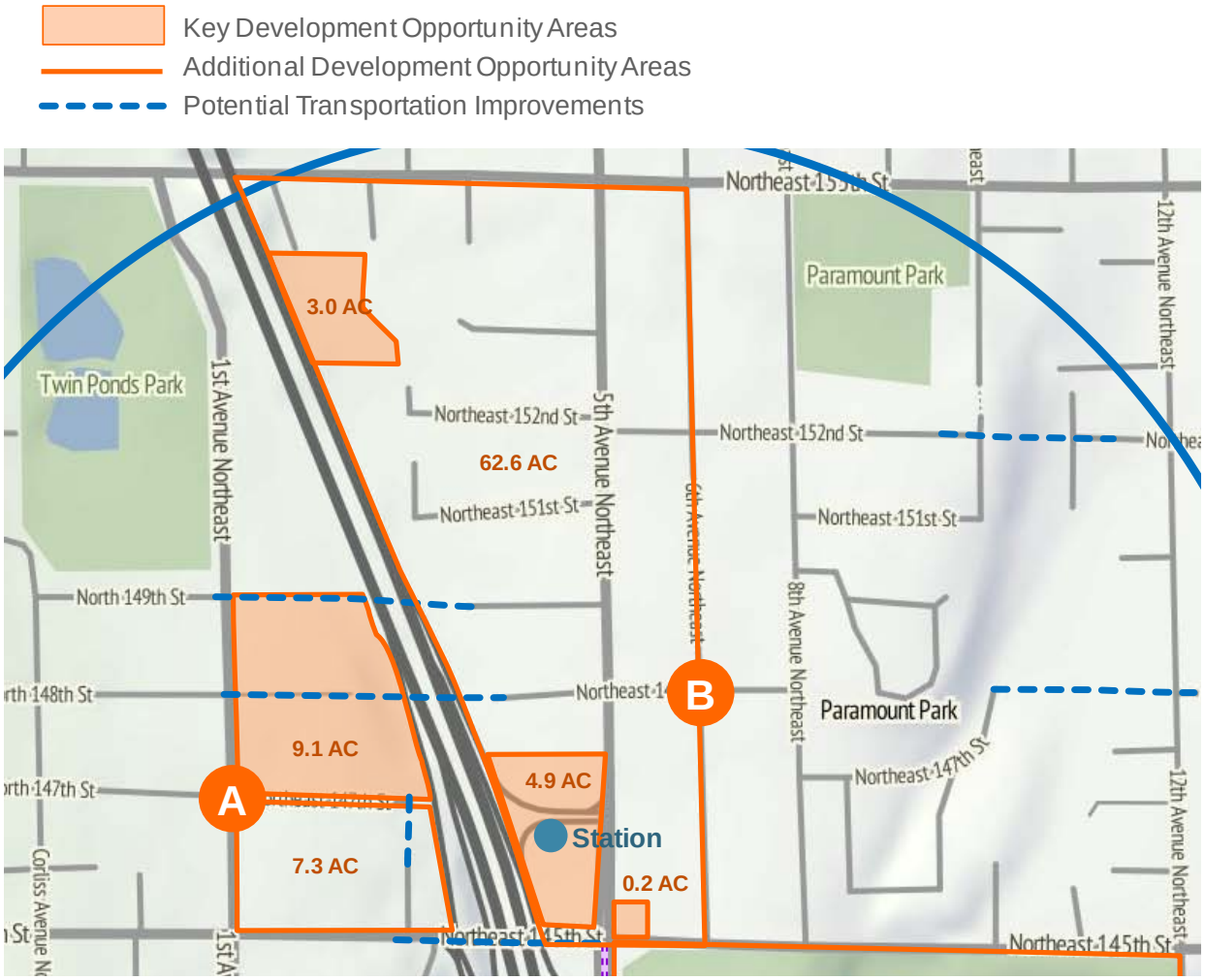
Given this context, LCG recommends that plans for the 145th Street Station Subarea focus on attracting ground floor "commercial office" space—financial services, medical and dental offices, realtors, small architecture firms, etc.—that have modest space demands, a local service area, and can fit in next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

Key Development Opportunities

Figure 22 below 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 area. 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**, below) is on the west side I-5. This includes a northern section composed of three large 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.

Figure 22. Opportunities for Future 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.

Immediately to the east and north of the station, the 62.6 acre triangle (**Area B**, above) surrounding 5th Avenue 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, LCG sees Jackson Park Golf Course 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 to 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 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.

Implementation

A plan is only as effective as an organization's capacity to implement it. Therefore, LCG offers these preliminary potential implementation actions for the City:

- Ensure that the Link light rail station is an attractive and welcoming place. The station will be a major infrastructure investment and the gateway to the station subarea. It should be a place that can act as a center to the station subarea, and potentially include areas for sitting, relaxing, enjoying music, and one to three small retail spaces.
- Make key pedestrian, bicycle, and auto improvements in the station subarea. These will help to improve the sense of place and increase developers' interest in the area. A pedestrian and bicycle bridge over I-5 should be considered, along with improved connections in the neighborhoods to the east and west, with the goal of connection the station to Aurora Avenue N and 15th Avenue NE.
- Update the Comprehensive Plan and zoning designations to allow housing, retail, and office space of much greater scale, height, and floor-area ratios (FAR). Allowed heights may vary from a low of 45 feet to a high of about 200 feet. Consider a reasonable reduction to parking requirements for these uses in recognition that the area will have excellent transit service. Consider provisions in the code that will incentivize developers to aggregate properties and build attractive infill that is compatible with adjacent neighborhoods.
- Complete this Station Area Plan and related environmental impact statements. This will provide additional regulatory certainty for developers considering building in the station area.
- Communicate regularly with major property owners in the event that they are interested in redevelopment.
- Consider the formation of a Community Renewal Authority (CRA) or other authority with the capacity to buy and sell land, make investments, and take other action in the station subarea in coming decades. If appropriate, undertake targeted property acquisitions and aggregation on properties with willing sellers.
- Upon completion of this Plan, actively market the vision to capable community leaders, developers, business owners, lenders, appraisers, and others in the Shoreline area with the capacity to move it forward.