



MAYOR ED MURRAY'S
**COMMERCIAL
AFFORDABILITY**

ADVISORY COMMITTEE
RECOMMENDATIONS REPORT



LETTER FROM MAYOR ED MURRAY



Seattle is experiencing unprecedented growth. Tens of thousands of people are moving here to forge careers, enjoy our natural beauty and to find a progressive refuge.

While there is tremendous wealth and prosperity, that wealth is only possible because Seattle has a long history of being a place where dreamers can afford to dream. Today's multibillion-dollar corporations had their roots in workshops, garages and small spaces tucked away throughout our city. Affordability was key to their success.

Seattle's unique culture depends on affordable space. No one would love Seattle as much if it became a cookie cutter of every other strip mall in the world. It is the diversity of small businesses, the imagination of people from all over the world, and the spirit of ingenuity that makes the streets of Seattle ones worth walking.

As Seattle grows, our city's future success depends on the decisions we make today. Do we want a city where immigrants and refugees can afford to open a restaurant or retail shop? Yes. Do we want a music scene that defines the tastes of a generation? Absolutely. Do we want to be surprised and delighted by new cultural experiences and organizations that dare to push open new doors? We do.

That's why this spring I asked the Office of Economic Development to assemble a Commercial Affordability Advisory Committee to examine policy and best practices to ensure Seattle's entrepreneurs can still act on their dreams, today and well into the future.

I sincerely appreciate their recommendations and will work with the Seattle City Council, my policy team, City Departments, and the Seattle community, small businesses and developers to fulfill the vision of this committee. While we may not be able to solve every challenge so thoughtfully addressed in their report, we will make serious strides that build upon my commitment to support small businesses in Seattle.

There are some actions that we can announce today. They are contained in this document. This action plan is just the beginning, and as we continue to hear from the community and evaluate the feasibility of the proposals, more will be done.

Affordability is vital to Seattle's future. Whether we ensure people can make a living wage, afford to live where they work or whether they can afford to create something new, we must address affordability from every direction.

Once again, thank you to the committee for your thoughtful recommendations.

Sincerely,

Mayor Edward B. Murray

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94% of
businesses in
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50 employees.⁶

The Seattle small business community adds immeasurable value to our neighborhoods and to the culture of Seattle. Aside from their significant economic impact, our small business owners and employees are stewards who invest in our neighborhoods and our neighbors. They inspire our young people to dream and pursue new opportunities. Small businesses are pathways to opportunities for diverse communities at all income levels. Small businesses are essential to Seattle's future.

In purely economic terms, businesses with 20 or fewer employees make up 89.7% of all U.S. employer firms.¹ In fact, over 50% of the U.S. working populations (120 million people) are employed by small businesses and small businesses have generated more than 65% of net new jobs since 1995.² Small businesses are responsible for 52% of all U.S. sales and contribute about 21% of all manufactured U.S. exports.³ According to the Small Business Administration, small businesses pay 44% of the U.S. payroll.⁴ Small businesses donate 250% more than larger businesses to non-profits and community causes.⁵

94% of businesses in Seattle have between 1 and 50 employees.⁶ Seattle's economy has benefitted significantly from the contributions of small businesses. The Seattle area is currently ranked as the number one U.S. metro area for small business job growth.⁷ Moreover, according to local economist Dick Conway, "The Puget Sound region added 234,000 jobs between 2010 and

1. United States Census Bureau, Statistics of U.S. Business (SUSB) <http://www.census.gov/programs-surveys/susb.html>

2. "16 Surprising Facts About Small Business", Jason Nazar, Forbes, September 9, 2013, <http://www.forbes.com/sites/jasonnazar/2013/09/09/16-surprising-statistics-about-small-businesses/#349859a23078>

3. National Telecommunications and Information Administration, United States Department of Commerce, Small Business Facts, <https://www.ntia.doc.gov/legacy/opadhome/mtdpweb/sbfacts.htm> <https://www.ntia.doc.gov/>

4. "How Important Are Small Businesses to Local Economies?" J. Mariah Brown, studioD, the Houston Chronicle, <http://smallbusiness.chron.com/important-small-businesses-local-economies-5251.html>

5. Seattle Good Business Network

6. US Census County Business patterns

7. Paychex HIS Small Business Index <http://www.paychex.com/jobs-index/index.aspx>



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The Committee represents a diverse range of expertise, including small business owners, community leaders, developers, commercial brokers, arts developers and economic professionals.

2015, posted an employment growth rate higher than the national rate (2.5 percent per year to 1.7 percent), and returned to its prerecession employment peak in the third quarter of 2013, three quarters ahead of the nation."⁸

At the same time, the rapid pace of growth has caused significant commercial affordability challenges for small businesses, making it critical to create opportunities for all to share in the benefits of economic growth. Mayor Ed Murray assembled the Commercial Affordability Advisory Committee in April 2016 to address the rising cost of commercial space for small businesses, develop opportunities to activate public spaces for entrepreneurs, and identify strategies to expand economic development throughout Seattle.

"Small businesses are essential to the economy of our city," said Mayor Murray, at the April press conference to announce the formation of the committee. "Many of Seattle's greatest companies got their start in small, affordable storefronts, garages, food trucks or simple coffee shops. We will work with the small business

8. Conway, Dick, 2016 Economic Outlook: We're Slowing Down, Seattle Business Magazine, January 2016. <http://www.seattlebusinessmag.com/article/2016-economic-outlook-we%E2%2580%2599re-slowing-down>

"Small businesses are essential to the economy of our city. Many of Seattle's greatest companies got their start in small, affordable storefronts, garages, food trucks or simple coffee shops. We will work with the small business community to encourage affordable spaces for existing businesses and develop new opportunities for those ready to launch their dream."

- Mayor Ed Murray
April 2016

community to encourage affordable spaces for existing businesses and develop new opportunities for those ready to launch their dream."

The Committee represents a diverse range of expertise, including local small business owners, community leaders, non-profit developers, for-profit developers, commercial brokers, arts industry experts, and business development and economic professionals, all of whom are dedicated to finding incentive-based solutions to support small businesses. The Committee has been meeting since April 2016 with the goal of focusing on solutions with lasting impact, but that are viable in the near term. The recommendations are designed to engage both the public and the private sectors.

The Committee has also identified a series of long-term issues that are beyond the Committee's scope of work but remain of interest in supporting small businesses and business districts. These considerations are described later in this document, and the committee recommended they be addressed during future policy development.

The proposals presented in these recommendations span the full life cycle of businesses and buildings, identifying policy, permitting, financing and technical assistance initiatives. Through these recommendations, the City is working to create an equitable sense of place that honors both Seattle's history and its future.

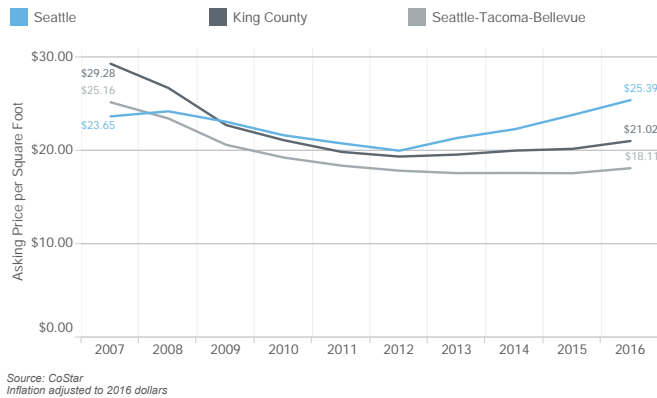
The Mayor's Commercial Affordability Advisory Committee was tasked with creating long-term, sustainable support for businesses at high risk of being disproportionately impacted by rapidly changing market forces. Specifically, these recommendations are intended to:

- Strengthen and reduce displacement of existing and legacy small businesses
- Activate the ground-level public realm of our pedestrian-oriented neighborhoods
- Enable space for business incubation, including light craft manufacturing
- Increase the overall economic and cultural vitality of our neighborhoods
- Make it more viable for emerging businesses, artists and organizations to thrive

Commercial affordability involves a complex and interrelated set of issues that affect small businesses in a variety of ways. Both financial and environmental pressures can stifle emerging entrepreneurs and contribute to the displacement of established legacy businesses. Not only are Seattle's businesses experiencing higher rent prices for commercial space, but they also face an inventory that may not fit their needs, low vacancy rates that make it difficult to shop for the right space, inequitable access to small business loans, and the environmental pressures that accompany multiple construction projects in close proximity to storefront businesses.

The Committee has identified the following citywide indicators to illustrate the challenges Seattle's small businesses face. The research appendix contains city-wide and local data, as well as additional indicators.

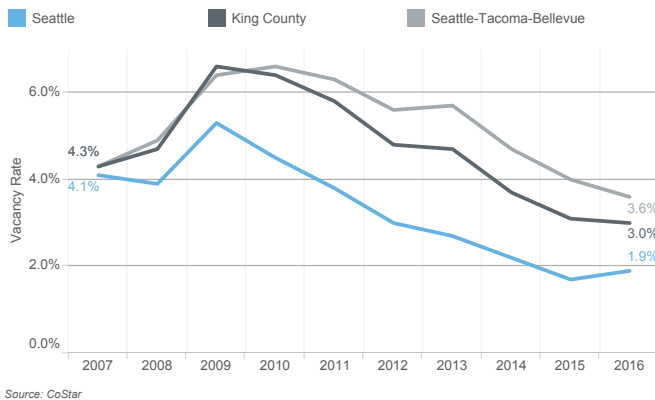
RETAIL RENT ASKING PRICES



SPACE IS BECOMING MORE EXPENSIVE

In the city of Seattle, asking retail rents are 7 percent higher than before the recession and 28 percent higher than their post-recession low in 2012.⁹ In contrast, inflation-adjusted asking prices declined in both King County and the Seattle-Tacoma-Bellevue Metropolitan Statistical Area.

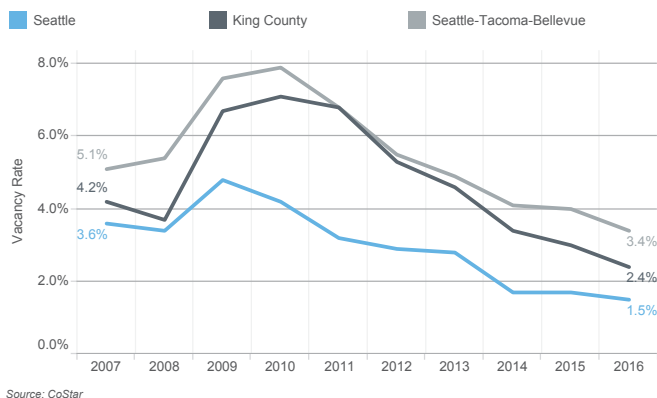
RETAIL VACANCY RATE



SPACE IS HARDER TO FIND

Seattle's retail vacancy rate in the third quarter of 2016 was 1.9 percent, down from a prerecession vacancy rate of 4.1 percent. Industrial vacancy decreased from 3.6 percent to 1.5 percent in the same time period. Decreased availability of commercial space across the city creates challenges for small businesses. They are not able to find space that is suitable for small business use, and what little space that is available has experienced dramatic rent increases as a result of limited selection.

INDUSTRIAL VACANCY RATE



⁹Retail Lease and Vacancy Rates are from CoStar and reflect the history for existing space. Retail space in office buildings is not included.

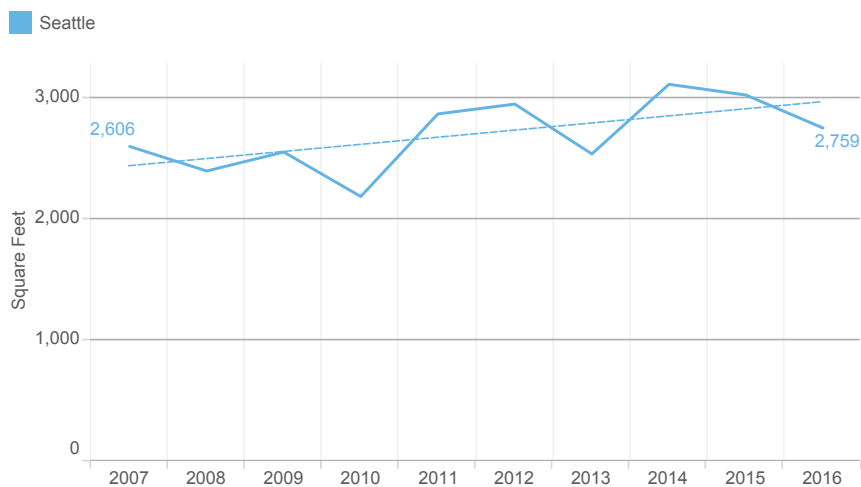
AVAILABLE SPACE IS GETTING LARGER

Many small businesses need small spaces, but the size of leased retail spaces is increasing. This compounds the affordability challenge for many business owners who may not be able to find appropriately sized spaces.

Among existing buildings, 25 percent have available spaces under 1,000 square feet. Of the buildings that will come online in the future (those listed as proposed, under construction, or under renovation) the count falls to 20 percent. With only 1 in 5 planned buildings renting spaces under 1,000 square feet it may become harder for small businesses to find smaller spaces.

The market may also incentivize building owners to lease to larger, non-local, credit tenants because they are considered to be less risky by owners and investors who finance the development of commercial space.

AVERAGE SQUARE FOOTAGE PER LEASE



Source: CoStar, author calculations

BUILDINGS WITH AVAILABLE SPACE(S) UNDER 1000 FT²

- Buildings without available spaces under 1,000 s.f.
- Buildings with available spaces under 1,000 s.f.

Existing



Proposed, Under Construction, and Under Renovation

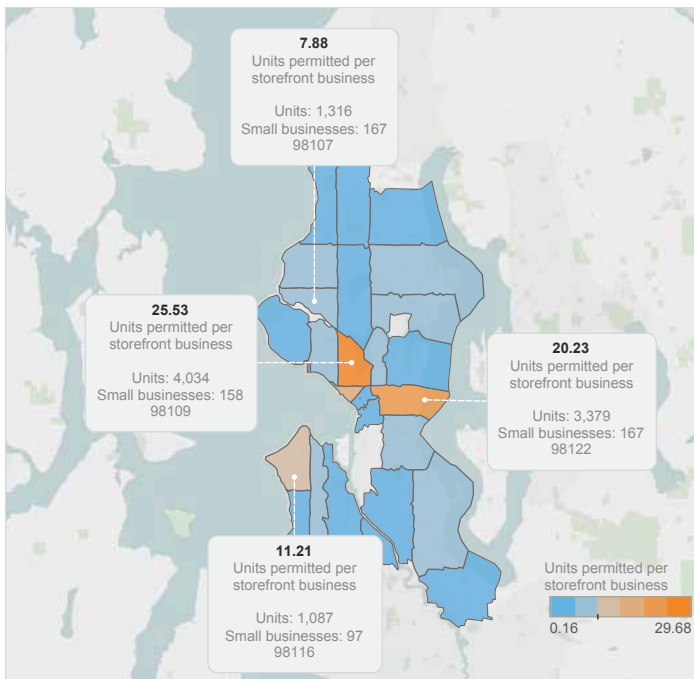


Source: CoStar. Includes buildings with available retail space as of August 31, 2016.



THE AMOUNT OF NEW CONSTRUCTION IS IMPACTING SMALL STOREFRONT BUSINESSES

PERMITTED RESIDENTIAL UNITS PER STOREFRONT BUSINESS



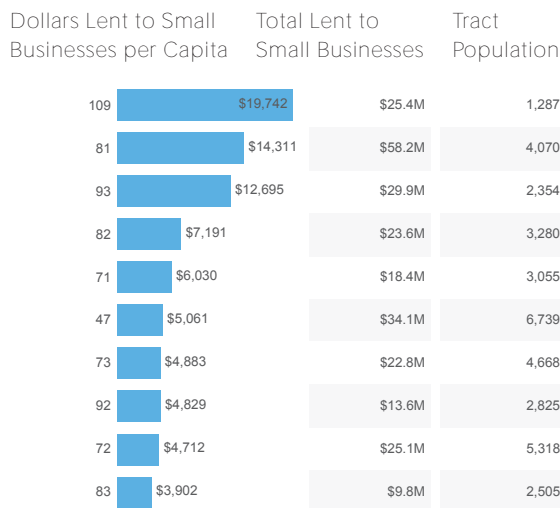
Neighborhoods experiencing concentrated redevelopment and construction are an indicator of Seattle’s booming economy. However, the volume of development can negatively affect and ultimately displace small business by driving up neighborhood rents and creating challenges for small businesses, including street closures, dust and debris, loss of parking, and lack of foot traffic. For example, in the zip code that includes much of Capitol Hill and the Central Area (98122) over 20 residential units were permitted in 2014 and 2015 per storefront business. By this measure of construction intensity, it ranks second among Seattle zip codes, while also experiencing one of the largest percentage increases in retail rent.

SMALL BUSINESSES ARE HAVING DIFFICULTY OBTAINING ACCESS TO LENDING CAPITAL

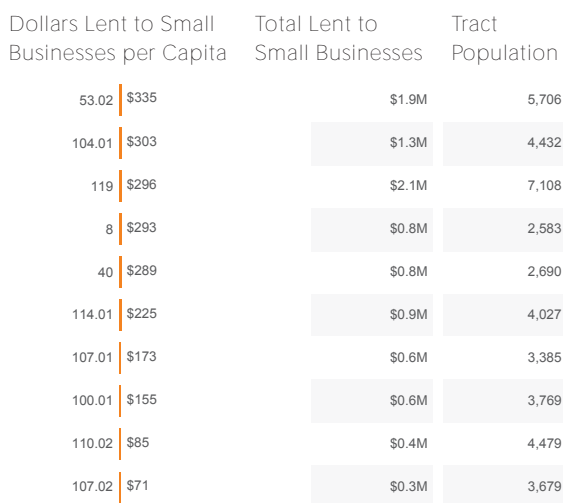
Many small businesses rely on loans from banks and financial institutions to start and grow. An analysis of small business lending data reveals disparities in the availability of capital to small businesses throughout Seattle.

When ranked in order of dollars lent per capita, the top 10 census tracts received \$7,228 per capita in small business loans from 2010 to 2014, more than 30 times more than the bottom 10 tracts, which received \$230 per capita in small business loans in the same time period. These bottom ten census tracts are located in neighborhoods of the city including Rainier Beach, Beacon Hill, Delridge, and Lake City, all areas with concentrations of low-income, minority and immigrant-owned businesses and households, highlighting the need to expand technical assistance programs and outreach to underserved communities.

TOP 15 CENSUS TRACTS



BOTTOM 15 CENSUS TRACTS



Source: Federal Financial Institutions Examination Council, author calculations

The recommendations are focused on the businesses that meet specific criteria. The Committee has defined those criteria as:

- New and existing/legacy, locally-owned, small businesses, defined as non-formula/national chain businesses with fewer than 50 employees and under \$5 million in annual revenue (in aggregate, across all associated establishments)¹⁰
- One-off small, locally owned restaurants that are affiliated with a larger collection of restaurants that, in aggregate, would not meet the above small business criteria
- Businesses located throughout all Seattle neighborhoods, but with a particular emphasis in high-risk neighborhoods where mounting economic pressures are threatening to displace existing and limit new businesses
- In areas where landlords (building owners) do not have the resources to make existing spaces available, desirable or viable for the market
- In areas where commercial spaces for any other reason remain vacant or underutilized
- In pedestrian-oriented areas across all sectors, provided they are publicly accessible and contribute to the vitality at the ground level in their neighborhood. This includes artists and makers, non-profits and organizations to the extent they are available to the public and

¹⁰The Committee believes restrictions of 50 employees and \$5 million in revenue best reflect the small emerging, existing and legacy businesses that this report intends to support. The Committee noted that there are various and conflicting definitions of small business across City, state and federal guidelines. Even within the City of Seattle, different metrics are used by different department and in different policies. The Small Business Administration definition is 500 employees but the Committee believes this is too large given the intention of this initiative and the specific challenges we face in the Seattle market.



Lillian Hill, Brown Sugar Baking Company

contribute to ground floor vitality. It does not include businesses such as back-office professional services (e.g., accounting, legal) that do not contribute to ground floor neighborhood vitality

- In non-pedestrian oriented areas, small businesses in sectors that make significant contributions to Seattle's economy and demonstrate need for affordable opportunities (e.g., small business manufacturers that have a demonstrated need for small sized/incubator spaces)

IDENTIFYING THE PROBLEM

There are specific issue areas which challenge small businesses and/or the owner of the property from whom small businesses lease space.

The impacts of new development include construction disruption to neighboring businesses, displacement (either temporary or permanent) during construction, significant increases in rent and/or associated costs, and tenant selection of large-scale established business over local small businesses.

Income and/or cost out of balance issues directly affect small business. These impacts include a lack of access to financial tools that are generally available for affordable housing but are not available to address issues of commercial affordability, lease terms that are unfavorable or unsustainable, size of commercial space that does not meet the needs of a small businesses (in general, spaces built too large for successful small businesses), necessary improvements that are too costly for either the business or the property owner, difficulty in raising credit (unreasonable terms, insufficient collateral, etc.) and the high cost of doing business in Seattle.

Small businesses are disproportionately affected by knowledge or skills gaps, primarily due to lack of resources. Small businesses have a greater challenge adapting to an evolving market, negotiating fair and/or favorable lease terms, or running the business in a sustainable model. They have limited access to essential networks (loan officers, real estate brokers, equity sources, business assistance and consulting, alternative supply chains, etc.). Language barriers for landowners, property managers and/or businesses can and do create another layer of access issues. Finally, property owners and/or



Sub Pop Records

businesses may lack an understanding of how the quality of retail design supports their businesses long term success.

Lapses in the City's permitting process and the city's design review process also have adverse effects on the small business community. There is a strong desire for local neighborhood needs and wants to interact with property owner choices. Use-oriented land-use code is insufficient at influencing design and tenant selection (e.g., ground level retail design that stymies tenant success; poor tenant selection). The permitting process is debilitating (timely and costly) to business, and there is an insufficient follow-up on the execution of permitted designs that do not allow for closing of loopholes in the code. Policy amongst various community agencies (e.g., LURC's historic neighborhood districts and Design Review Boards) are often inconsistent and uncoordinated, resulting in gaps and inconsistencies in the review process. Design guidelines and Design Review Boards do not have the purview and/or skills to influence important decisions that support neighborhood small business success (quality of retail design, tenant selection by owner, etc.).

RECOMMENDED SOLUTIONS

In evaluating the problems that challenge small businesses, the Committee identified several types of solutions. The Committee identified actionable items that can be launched in the near term. They have described these actionable items below at a high level with the intent that these solutions be vetted through outreach internally within the various City departments and externally through the city's partners including residents, neighborhood organizations and developers. This outreach process will further flesh out the details of the solutions and vet them for feasibility and implementation.

The Committee also identified additional items that are tied to other long-term policy discussions that have not been finalized. For these recommendations, the Committee feels that these solutions are outside of the scope of what can be achieved in the near term. These additional solutions should be given consideration after the long-term policy discussions have been completed. These other solutions are identified in a separate section, Long Term Solutions.

Finally, the Committee considered a separate group of solutions but did not include them in the final body of the recommendations. These solutions are described in the section, Other Considerations.

The Committee identified five major categories of actionable solutions.

Provide real estate support services for local small businesses and small-scale building owners.

1. LAUNCH NEW ENTITY FOCUSED ON COMMERCIAL AFFORDABILITY

Create an entity focused on providing support services citywide for local small businesses and small-scale building owners. The entity would serve as a central hub for all things related to small business with the following functions:

- Provide resources and technical assistance to strengthen and support small businesses;
- Assist small businesses and small scale property owners in navigating real estate issues and city processes;
- Create and manage a commercial affordability funding resource supportive of small businesses, sustained through private, corporate or foundation funds;
- Acquire or manage public agency-owned (City, county, Sound Transit, etc.) property to make better use of available assets for local small businesses;
- Coordinate with building owners, developers, architects and those involved in code and design review to advocate for policy and to share best practices that improve the small business environment.

This entity could involve the creation of a public development authority (PDA), a private entity, a non-profit, or some other entity or partnership between existing organizations. This entity could address small business concerns in neighborhoods lacking organizations that provide these services. It could also work with existing PDAs and neighborhood organizations to complement their efforts and allow neighborhood-specific PDAs to leverage this larger citywide resource. The entity would



Connect small
businesses
and landlords
to existing
City, County,
State and
private sector
resources.

require startup and operating capital from private and/or public sources. Further vetting of this concept would develop a sustainable business model for the entity that identifies a scalable scope of function and ensures broad representation across all Seattle neighborhoods and fair distribution of services and funding.



CASE STUDY: INSCAPE

Photo credit: AJ Carl

In 2011 the Seattle Office of Economic Development provided almost \$9 million in federal financing with New Markets Tax Credits and a HUD 108 loan to finance the development of the Inscape Arts and Cultural Center, located adjacent to the International District. The city's low cost financing made it feasible to rehabilitate the historic former INS Building into much needed affordable commercial space. It is the largest creative industries enclave in Seattle, consisting of 77,000 square feet of space and up to 125 units for a wide range of creative professionals such as architects, ceramic artists, graphic designers, musicians, painters and photographers. The co-location of these various disciplines in one building creates a dynamic creative community that is collaborative in nature. Moreover, the project's small businesses build connections to neighboring residents and businesses in Chinatown-ID and Pioneer Square through frequent public open house events.

As with many projects of this nature, funding is very limited to support developers that want to create affordable space for small, local businesses. Developers must create projects that are financially feasible in terms of both

construction and operation. This puts pressure on developers and building owners to develop space for larger and lower risk tenants that can generate more rental income. Unfortunately, this translates to a loss of affordable space for small local businesses, like the ones in Inscape. The affordable art space would have simply not been created if it weren't for the city's financing. Unfortunately, there are limited funds available and the city does not have a reliable source of funding to support additional, similar projects. The Committee's proposed Commercial Affordability Small Business Fund could be such a source of reliable financing to support these types of projects. An Incremental Property Tax Adjustment could also be a valuable tool for the sustainability of this and similar projects. It would tie a project's property tax to building income, not property value, allowing the owner to maintain affordable rents for the long term. The city was fortunate to have financing available at the time that Inscape was developed. There are many projects similar to this that are waiting for flexible financing that may never take shape because of a lack of resources or appropriate tools.

Create policy
that allows
qualifying
businesses to
offset property
taxes.

2. INSTITUTE NEW FINANCIAL INCENTIVES

Explore financial incentives that make it advantageous for property owners to support local small businesses in various ways. Foster collaboration among City departments, neighborhood business organizations, small businesses, owners, developers and other impacted partners to propose policy recommendations. Specific policy recommendations include:

- **Commercial Affordability Tax Abatement**

Advocate for state legislative changes that would enable a commercial equivalent to the Multi-Family Tax Exemption (MFTE) program. This policy would provide property tax exemption for a specified number of years to property owners who provide a defined combination of benefits to qualifying local small businesses as their tenants. These benefits can include the following: creating tenant spaces with size and design features that align more with small and locally owned businesses; creating condominium ownership opportunities for small business owners; creating and promoting shared or incubator space; providing below market rents; providing tenant improvements; and curating small business tenants that are coordinated with neighborhood commercial district priorities.

- **Incremental Property Tax Adjustments**

Advocate that King County tie property tax assessment to a property owner's building income rather than the general market value of the surrounding neighborhood where the property is located. This would provide an incentive for property owners to maintain rents at affordable levels.



Megan Jasper, Sub Pop Records

- **Commercial Affordability Small Business Fund**

Stimulate a private equity or grant-based fund that would provide alternative financing options for both small businesses and small property owners. This fund would be managed by a small business focused public or private entity as described in the first solution. This fund would provide low-cost loans and other financial assistance with the intent of supporting local small businesses with their property or tenant improvement related expenses.



CASE STUDY: OTHELLO FAÇADE IMPROVEMENTS

Photo credit: Daimian Lix

In 2014 the Seattle Office of Economic Development (“OED”) partnered with HomeSight and On Board Othello coalition to provide façade funding to a commercial strip consisting of 10 storefront businesses facing the Othello light rail station. The storefronts themselves are located at the heart of the Othello Neighborhood Business District and many of the businesses are owned by minority and immigrant families, representative of the neighborhood. Prior to the façade investment, the storefronts were in ill repair. More than half of the storefronts had security bars on the windows and tree wells along the narrow sidewalk were overgrown, full of garbage and created a safety hazard to pedestrians. Several of the awnings were ripped, faded or not representative of what was actually in the stores, and paint was chipped and peeling on most of the façades with no coordinated style or color unifying the strip. With OED’s \$42,800 grant, HomeSight was able to leverage \$52,000 in Community Cornerstone grant funds, plus additional matching funds from a property owner, to pay for the design and planning work, the replacement of security bars with security glazed windows, the replacement of awnings, exterior paint, new signs and improvement of the tree wells. An additional benefit of this project included the increased outreach through a partnership with the Department of Neighborhoods to engage and coordinate the various business and property

owners, many of whom are Vietnamese, through the Public Outreach and Engagement Liaison program. The business owners are very happy with the results as the improvements have dramatically improved the look and feel of the area, creating a more positive pedestrian experience, and providing a point of pride for the neighborhood.

This façade investment was made available by fees earned from OED’s federal New Markets Tax Credit program. It is an extremely flexible use of funding that did not burden the small businesses and small scale owners with regulatory compliance, as many other financing sources available for this type of work often do. However, there are limited funds available and the city does not have a reliable source of funding for similar projects. The availability of additional, flexible financing for façade and tenant improvements is critical to support these types of projects, and the Committee’s proposed Commercial Affordability Small Business Fund could be such a source of funding. Other recommendations include expanding Technical Assistance Programs, creating a Small Business Consulting Team, and coordinated outreach and development, all of which would be critical for these small businesses and small scale building owners as they navigate the development process and any ongoing operating needs.

Affordable commercial spaces are integral and complementary uses to affordable housing, contributing to the overall livability of our neighborhoods.

3. CHANGES TO PUBLIC POLICY

Introduce land-use policy changes to support small businesses across all sectors and neighborhoods of Seattle. These recommendations look to improve existing policy by creating more specific guidance and definitions supportive of small businesses, where they may be placed, and their associated building form. Foster collaboration among City departments, neighborhood business organizations, small businesses, owners, developers and other impacted partners to propose policy recommendations. Specific policy recommendations include:

- **Sale/Lease of Public Property**

Committee recommends the City institute policy that, where appropriate, prioritizes the long-term lease or sale of underutilized City and other public agency (e.g., SDOT, Sound Transit) assets to small local businesses or entities that will provide long-term solutions for small local businesses. This policy would augment existing processes for the management or divestment of the City of Seattle's surplus properties to ensure small businesses have a priority position to gain access to these assets where it is appropriate. The entity described in the first solution could own, lease, develop or manage these assets.

- **Commercial Space in Affordable Housing Projects**

For mixed-use projects with affordable housing that receive City of Seattle funding, prioritize affordable commercial space as an essential component of the development. This policy is based on the premise that affordable commercial spaces are integral and complementary uses to affordable housing, contributing to the overall livability of our neighborhoods consistent with the city's Housing Affordability and Livability Agenda. The Committee understands that technical and financial



assistance would need to support these participating developers to ensure they have knowledge and resources to properly develop and manage the commercial components of their affordable mixed-use residential projects. The Committee recommends the City integrate commercial affordability priorities within the affordable housing funding process and explore ways to expand the use of affordable housing funding for retail space in affordable housing projects, without minimizing unit development goals.

- **Co-locating Affordable Commercial Uses within Public Properties**

This policy improves the use of these spaces often managed by government or public agencies by promoting opportunities for affordable, small retail spaces in places like Sound Transit stations and major Metro bus and Streetcar interchanges. This policy would be coordinated with all public agencies within Seattle to create spaces with size and design features that align with small business use in designated zones.

- **Promote Small Scale Commercial Pockets**

Introduce zoning to encourage small-scale pockets of light-impact, neighborhood-oriented commercial uses in residential zones. Through this policy, properties with a prior or historic commercial use could be allowed to



reinstate commercial use without the need to undergo the typical Change of Use permit process. Commercial use would be done in scale with the adjacent neighborhood and approval would be conditioned on sufficient mitigation of any nuisance concerns for residential zones such as noise, parking demand, deliveries, etc.

- **Reduce Small Business Displacement**

Institute policies that reduce scenarios where chain or big box retail can displace local small businesses. In understanding that formula retail can create a negative impact on local small businesses by occupying large frontages, attracting other non-local credit tenants and driving up rents, thereby “choking-out” smaller competitors, the Committee recommends considering policies that have worked in other cities to dissuade formula retail. Other cities have adopted policies including sign-code requirements that limit franchise companies, special permit requirements to prove there are no other comparable local providers, and limitations to the total length of store frontage allowed by a single tenant.



CASE STUDY: INDUSTRY SPACE SEATTLE

Photo credit: Johnny Bianchi

In 2016 the Seattle Office of Economic Development provided funding in support of the development of Industry Space Seattle, a manufacturing/industrial incubator. Manufacturing and industrial businesses are currently experiencing increasingly limited options for space. Additionally, rents have been escalating since the end of the recession and are now at levels higher than prerecession. Small and emerging industrial and manufacturing businesses are especially vulnerable to these negative impacts. The city, committed to supporting this sector as a vital contributor to the local economy, identified some limited resources that were awarded to a development through a competitive process where a recipient was selected based on the ability to pass this benefit along to its small business tenants. Industry Space Seattle consists of up to 12 individual suites in a single 47,500-square-foot warehouse and is unique for Seattle in that it creates several shared efficiencies that are a benefit to its small business tenants. Tenants can take advantage of shared space and equipment, reducing the cost burden for these smaller or emerging businesses. The project owner is committed to selecting tenants with complementary skills and products desired by other tenants in the building as well as recruiting women- and minority-owned businesses. The project represents an example of how the

city can partner with the private sector to create affordable space for emerging and existing small manufacturers, allowing them to grow and collaborate, and ultimately retain and create employment in the manufacturing and industrial sectors.

Unfortunately, there are limited funds available for these types of projects, demonstrating the need for additional funding, tools and policy to support these types of small businesses. A Commercial Affordability Tax Abatement could be a tool used as a financial incentive for more owners to create additional similar projects for this and other sectors, including arts, the creative industries and food and beverage manufacturers. A Commercial Affordability focused entity could be particularly instrumental for this project as a resource for connecting the project to small businesses and also as an entity that could quickly acquire land before real estate costs escalate, ensuring feasibility of the project. Expedited permitting can be an additional tool that enables small businesses to have access to affordable commercial space much quicker. An expanded technical assistance program can be an ongoing valuable resource for the project owner and its tenants as they grow out of the space. With these additional tools, the city can help cultivate more projects like this.

4. IMPROVE THE PERMITTING PROCESS

Improve the permitting process to reduce barriers to entry for small local businesses, provide for higher functioning commercial designs, and enable greater neighborhood input on tenant selection. Specific improvements to the permitting process include:

- **Fast Track Permitting**

Reduce permitting requirements for qualifying small business projects determined to be “light” in impacts or use, including historic use and tenant improvement projects (TI’s) below a certain cost threshold. If qualified, the applicant would have a “fast-track” permitting option, reducing time and costs associated with permitting, benefiting both the small business itself and their small-scale landowners. Further vetting of this recommendation would evaluate the number of small businesses that can potentially benefit, against the cost of implementation within the context of expedited permitting provided to other uses.

- **Small Business Design Guidelines**

Strengthen design guidelines that are supportive of creating successful small business and retail spaces. These guidelines would specifically address retail space height, scale and location of structural elements; routing of mechanical systems; façade design including amount, type and location of glazing; and location and design of entrances. Additional vetting of this concept will require working with the City’s Office of Planning and Community Development (OPCD) and Seattle Department of Construction and Inspections (SDCI) to identify the appropriate points in the predevelopment process in which to communicate, encourage, integrate and regulate small business design guidelines with

“Fast-track”
permitting
benefits small
businesses and
small-scale
landowners by
reducing the
time and cost
associated with
the permitting
process.

developers and building owners. The purpose would be to ensure best practices are being designed into new commercial spaces to provide small businesses with the greatest opportunity for success. These guidelines should additionally be aligned with neighborhood or historic district priorities and overlays.

- **Coordinated Development**

Identify various channels for effective and consistent communication of small business priorities and resources. Development projects can coordinate with the City's Department of Neighborhoods and Office of Economic Development to identify relevant neighborhood organizations for their community outreach. The purpose is to align neighborhood priorities with upcoming development opportunities. This could be accompanied by a check-list within the MUP process at SDCI that verifies the applicant has performed the requisite steps toward reasonable efforts to provide for small businesses. This verification would ensure developers are aware of the incentive programs and options associated with small business support. This process will be particularly important for developers located outside of Seattle and unfamiliar with local market conditions and individual neighborhood dynamics.

5. EXPAND TECHNICAL ASSISTANCE PROGRAMS

The City of Seattle Office of Economic Development already provides a range of resources for small businesses. The Committee recommends expanding these services significantly to support and strengthen both new and legacy local small businesses, as well as small-scale property owners. Expanded technical assistance could be a function of, or coordinated by, the entity described in the first solution, and would include:

- **Commercial Affordability Consulting Team**

Create a commercial affordability consulting team comprised of third-party, non-City of Seattle experts that would assist both small businesses and small-scale property owners/landlords with real estate and operating concerns. Technical assistance can range from developing business plans, basic startup guidance, feasibility analyses in rehabilitating existing buildings, and guidance around designing tenant spaces for small businesses.

- **Coordinated Outreach**

The consulting team would also need to coordinate with any City and local neighborhood outreach efforts. This network connection will also generate referrals of qualifying small businesses to the consulting team. A critical component of this technical assistance team would be outreach to business and property owners to offer assistance on a “push” basis, understanding that many small businesses do not know Seattle offers this support resource.



- **Diversified Outreach**

Expanded technical assistance would provide assistance in more languages so as to reach more diverse and under-served populations. Additionally, assistance would be delivered in more diverse and accessible platforms including local events that introduce businesses to technical assistance providers, workshops, one-on-ones, online training, etc., making the program more available to a broader target base within the qualifying small-business community.

- **Small Business Marketplace Exchange**

The technical assistance program could generate a "Marketplace Exchange" for the small business and property owner community. This Marketplace Exchange would be an online resource for tenants, brokers, building owners, business chambers and others interested in the small-scale local commercial economy. This creates a network that facilitates the exchange of information (property owners can find tenants and vice versa, tenants can connect with contractors for TI's, etc.)

LONG TERM SOLUTIONS

The Committee believes that there are a number of additional solutions available to the city in solving the issue of commercial affordability but understands that these are tied to other ongoing policy discussions. It is the Committee's expectation that the City consider these solutions in the near future when these policy changes become more concrete.

- **Unreinforced Masonry Ordinance Relief**

If and when an ordinance passes requiring mandatory improvements of unreinforced masonry (URM) structures, the Committee recommends ensuring that the ordinance is made equitable to assist small local businesses and existing small and local property owners who may not be able to fund the improvements.

- **Public Housing/Commercial Space and Livability**

The limitation of public housing dollars means that funding does not include essential livability related commercial spaces that are directly associated with the success of affordable housing projects in a mixed-use environment.

- **Industrial Land Policy**

The committee understands that there are potentially many viable spaces within existing or formerly industrial lands and surrounding neighborhoods which could support small businesses, particularly those engaged in craft and light manufacturing. However, there are larger challenges at play in addressing how Seattle will manage its industrial lands. The Mayor recently created an Industrial Lands Advisory Panel to support the city's maritime and manufacturing base and address development pressure on industrial lands while also balancing the needs of



residents. The Committee appreciates the opportunity that some portion of these lands could be supportive of commercial affordability.

- **Increased Development Capacity**

Provided the current code and market can support and tolerate additional height, the Committee recommends the City explore zoning that could encourage developers to voluntarily build or lease space in ways that make it affordable for local small businesses. This program would need to balance the other existing requests for incentives such as green building, character structure, open space and historic designation. Current zoning provides a four-foot building height bonus in certain designations when providing “generous retail” ceiling heights of at least 13 feet floor-to-ceiling. Policy changes could expand that incentive through an FAR exemption or additional height allowance in specified zones or urban villages, if the developer were willing to create benefits for small businesses that could include: prioritizing a portion of commercial space for qualifying small business tenants, creating commercial space that is appropriately sized for small businesses, reduction in rent, provision of tenant improvements, and prioritizing leasing for existing businesses that have been displaced.



- **Safety and Security**

Sustained attention on public safety and security, vandalism and overall right of way cleanliness in our neighborhood business districts.

- There are other solutions that can have an impact on commercial affordability but because they are constrained by Washington state law, they are beyond this Committee's scope and purview. These solutions include the implementation of Tax Increment Financing (TIF) tools and creating flexibility in providing direct financial support with public funds (currently prohibited by the State law regarding the gifting of public funds). It is the Committee's recommendation that elected officials and policy staff address these as part of any holistic solution to encourage a thriving local economy and to continue to advocate for more flexible tools supportive of small business.

OTHER CONSIDERATIONS

Several additional potential solutions were discussed in detail by the Committee but are not part of their recommended set of solutions. They are as follows:

LEGACY BUSINESS PROGRAM

The Committee appreciates the value of our city's legacy businesses and supports solutions that assist legacy businesses. Legacy businesses are a fundamental component of the target defined by this initiative. The Committee has looked at other cities, such as San Francisco, that have committed to provide promotional support and tax/financial incentives for legacy businesses (defined as businesses with at least 20 years of operations). However, the Committee noted that direct financial support using City funds would generally be restricted in Washington due to the state's lending of credit/gifting of public funds prohibition. The Committee does recommend promotional support for legacy businesses and encourages their full engagement with the broader solutions recommended within this document. As an example, the City of San Francisco utilizes a legacy business registry to track, promote and provide technical assistance to these businesses.

COMMERCIAL RENT CONTROL

The Committee understands rent control to be a mandatory cap or limit of the total rent (rent, triple net, other costs) allowed to be charged by the landlord. The Committee does not support rent control as a solution for commercial affordability for the following reasons:

- + Rent control may have inadvertent negative consequences by reducing income to landlords while costs continue to rise. This can lead to deferred maintenance, depreciating the building and surrounding neighborhood which will, in turn, diminish the success of the businesses which rent control attempts to support
- + Rent control has the potential to perpetuate business models that are unsustainable, a blunt tool that artificially maintains equitable affordability
- + Rent control does not solve any of the underlying problems that the Committee has identified including lack of favorable financing, technical skills, impacts of permitting or supply of quality spaces that support healthy business models
- + Commercial rent control may inadvertently create greater pressure on residential rents as landlords lose income from their commercial spaces and look to offset that loss with a rise in residential rents
- + The impact that commercial rent control aims to have is embedded within several of the recommended solutions within this report

Moving forward, the Committee recommends the following:

- Unify the definition of small locally-owned business across all City agencies (SCL, SDOT, etc.).
- Conduct research to further quantify and qualify the value of local small businesses; define their failure rate and the reasons for that failure. Moreover, additional research should be conducted to identify “at-risk” areas where small businesses have greater vulnerability to affordability issues. This information will be essential for tailoring solutions that are deployed in the right locations and at the proper scale, as well as tracking future positive impacts this program may have as it supports them.
- Establish metrics for success – specific criteria – and levels of improvement by which this program would be deemed successful.
- Define the thresholds associated with various programs related to commercial affordability (e.g., actual rent levels that are considered affordable for qualifying entities).
- Create a small, interdepartmental team funded by the City to vet recommendations within this document and create specific operational action plan for each solution. The Committee recommends each solution be evaluated for scope of impact, risk, and cost to execute. Categories to explore would include:
 - + Program purpose
 - + Target definition



- + Problem to solve
- + Scope of likely impact
- + Detail on program operations
- + How to implement
- + Precedents/best practices
- + Staffing required (if any)
- + Total cost to launch the solution(s)
- + Source of funds
- + Stakeholders
- + Hurdles and risks

CONCLUSION

The City of Seattle has a steadfast commitment to an economy that supports small business. Our small businesses are an essential factor in our city's health and well-being and small businesses succeed and grow when they are surrounded by a strong ecosystem. That system must provide them access to resources, opportunities, and public policy that is mindful of the challenges inherent in small business culture. It must be responsive and helpful.

It has been the Advisory Committee's intention from its very first conversations around the challenge of Commercial Affordability to provide recommendations that are proactive, incentive-based and informed by the street level experiences of small business owners and their partners. These recommendations speak to our values as a city: equity, inclusion and economic development that benefit all.

At the core of this recommendations report is a commitment by the City of Seattle to play an integral role in achieving a robust set of objectives that invest in proven and innovative strategies. Over the coming months, the City will forward the conversation within its departments and with its partner organizations to implement a timeline and roadmap to launch these efforts.

Seattle supports small business. These recommendations will complement other City priorities and bolster that support which will, in turn, strengthen Seattle's economy and enhance vibrancy throughout the city.

RESEARCH APPENDIX

To help stakeholders and policy makers understand the complexity of the challenges Seattle's small businesses face today, we researched several mounting pressures. The following is a series of data points which demonstrate that no single pressure affects all small businesses and no single intervention will answer the commercial affordability question. In fact, the data in this appendix demonstrate that the pressures extend beyond affordability in its most basic definition, price. While Seattle's businesses are experiencing higher rent prices for commercial space, they are also challenged by an inventory that may not fit their needs, low vacancy rates that make it difficult to shop for the right space, inequitable access to small business loans, and the environmental pressures that accompany multiple construction projects in close proximity to storefront businesses.

The following report is divided into two categories of challenges that small businesses face, [financial challenges](#) and [environmental challenges](#).

METHODOLOGY AND DATA LIMITATIONS

Data are taken from public and private sources, including CoStar, the U.S. Census Bureau, and the Seattle Department of Construction and Inspections. When possible, we present city-wide and local statistics, but in some cases sufficient data were unavailable to analyze at a local level.

In local analyses, we used zip codes as the geographic unit. While we understand that zip codes do not align perfectly with neighborhoods or business districts, we chose to use zip codes for consistency between sources

and to avoid a perception of data manipulation that could come with creating custom boundaries. This presents a challenge in the West Seattle Junction where the boundary between 98116 and 98126 separates the California Ave. and Fauntleroy Way sections of the business district. We address this in the analysis of retail rent asking prices.

Because zip codes are not easily recognizable by most readers we include some commonly used neighborhood names located within zip code boundaries. References to neighborhoods are intended to be illustrative, not definitive.

Retail lease and vacancy rates are from CoStar and reflect the history for existing space. Retail space in office buildings is not included. All 2016 data from CoStar are current as of the third quarter.

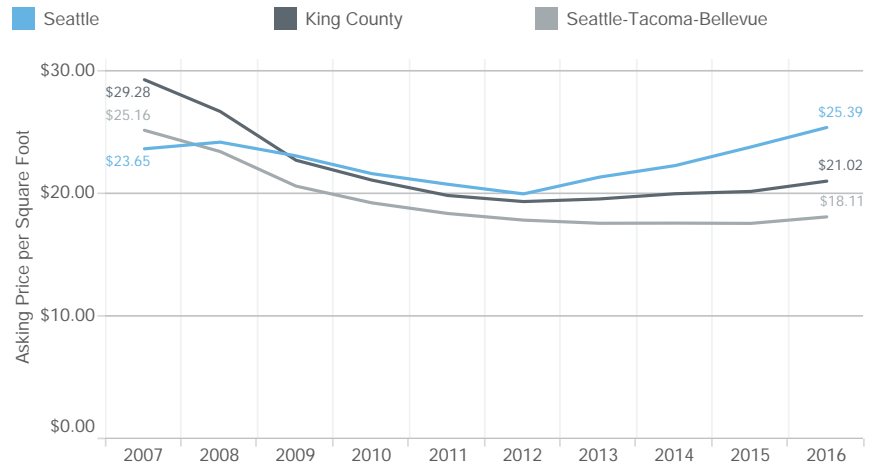
FINANCIAL CHALLENGES

PRICE

In the city of Seattle, asking retail rents are 7 percent higher than before the recession and 28 percent higher than their post-recession low in 2012.¹

In contrast, inflation adjusted asking prices declined in both King County and the Seattle-Tacoma-Bellevue Metropolitan Statistical Area (MSA).

RETAIL RENT ASKING PRICE

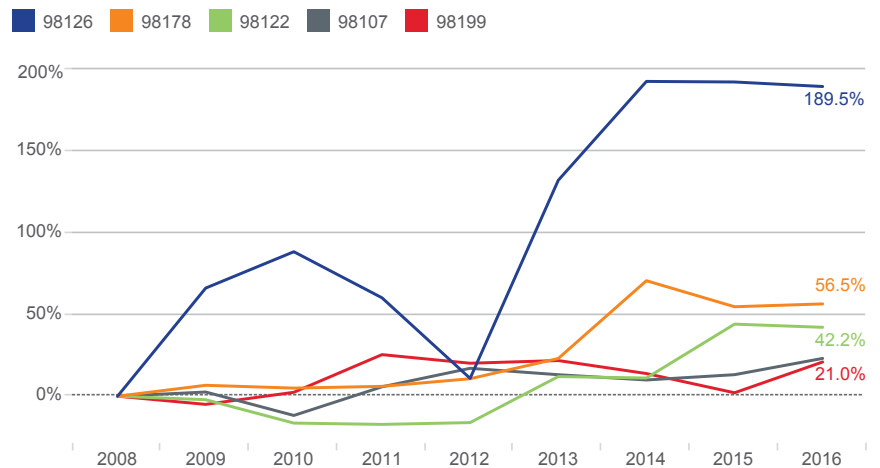


Source: CoStar
Inflation adjusted to 2016 dollars

While overall asking prices for retail rent have risen in the city, the changes vary by geography. Based on the percent change since 2008*, areas with the largest increases include:

- 98122
Capitol Hill/Central Area/
Leschi
- 98126
West Seattle
- 98178
Rainier Beach
- 98107
Ballard, Frelard
- 98199
Interbay, Magnolia

PERCENT CHANGE IN RETAIL RENT ASKING PRICES SINCE 2008



Source: CoStar
Inflation adjusted to 2016 dollars

*2007 data were not available for all zip codes.

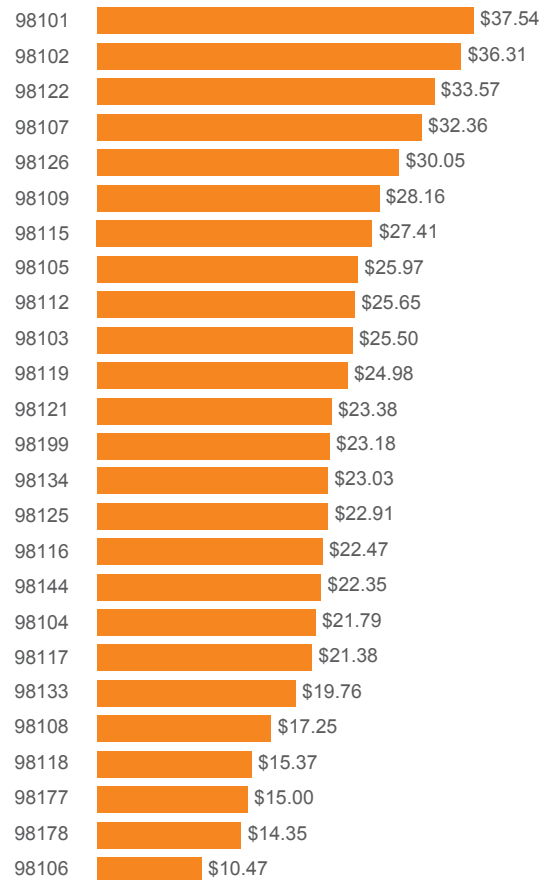
FINANCIAL CHALLENGES

PRICE

RETAIL RENT ASKING PRICES BY ZIP CODE (2016)

The areas with the largest increases in retail rent are not necessarily the areas with the highest rent. The asking rents were highest in the following areas:

- **98101**
Downtown
First Hill
- **98102**
Eastlake
Capitol Hill
- **98122**
Capitol Hill
Central Area
Leschi
- **98107**
Ballard
Frelard
- **98126**
West Seattle



Source: CoStar

Data/methodology limitation:

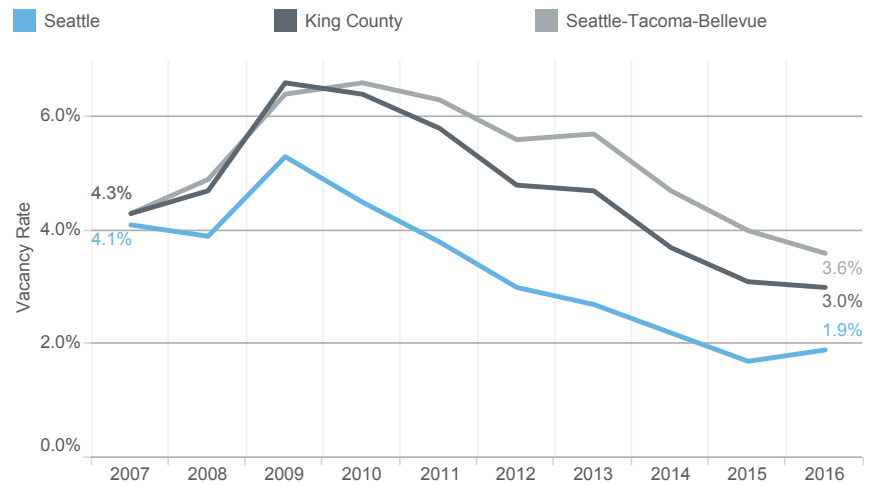
The West Seattle Junction urban village boundary straddles two zip codes, 98126 and 98116. When performing a similar analysis using the urban village boundary instead of zip codes, the Junction experienced a 78% increase in asking retail rents, from \$22.15 in 2010 to \$39.51 in 2015.

FINANCIAL CHALLENGES

AVAILABILITY

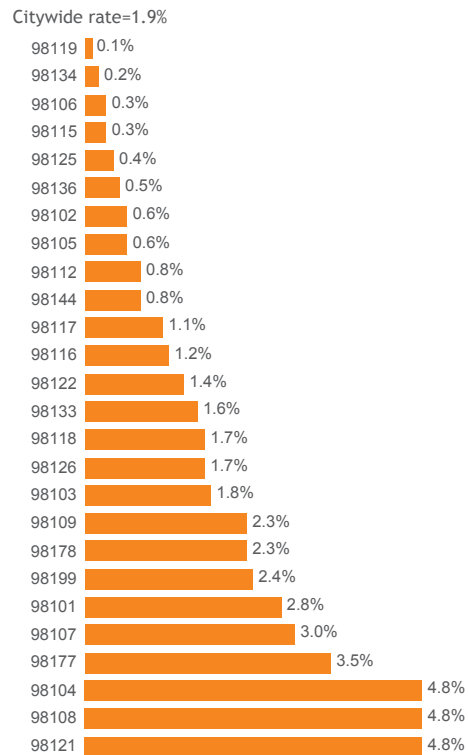
RETAIL VACANCY RATE

In addition to being more expensive, retail space is becoming more difficult to find in Seattle. Seattle's retail vacancy rate in the third quarter of 2016 was 1.9 percent, down from a prerecession vacancy rate of 4.1 percent. Industrial vacancy decreased from 3.6 percent to 1.5 percent in the same time period. Several areas of the city have vacancy rates below 1 percent, making it difficult for businesses to shop for an appropriate space in the city.



Source: CoStar

RETAIL VACANCY BY ZIP CODE (2016)

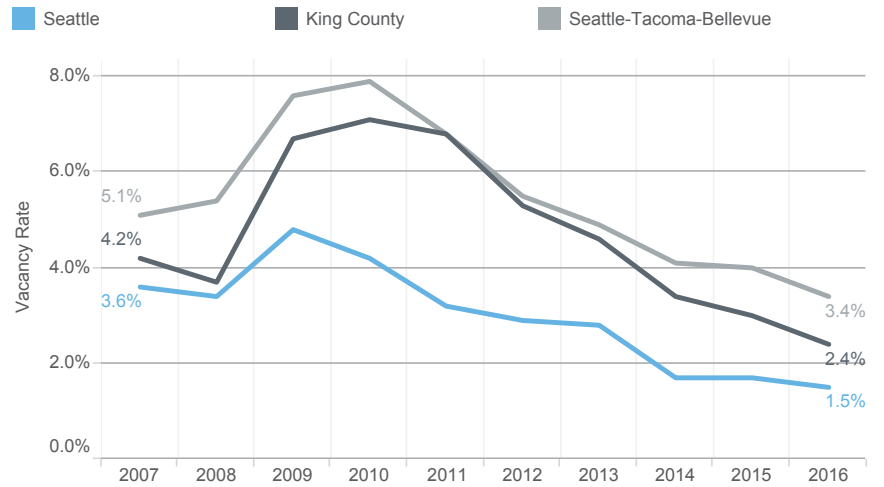


Source: CoStar

FINANCIAL CHALLENGES

AVAILABILITY

INDUSTRIAL VACANCY RATE



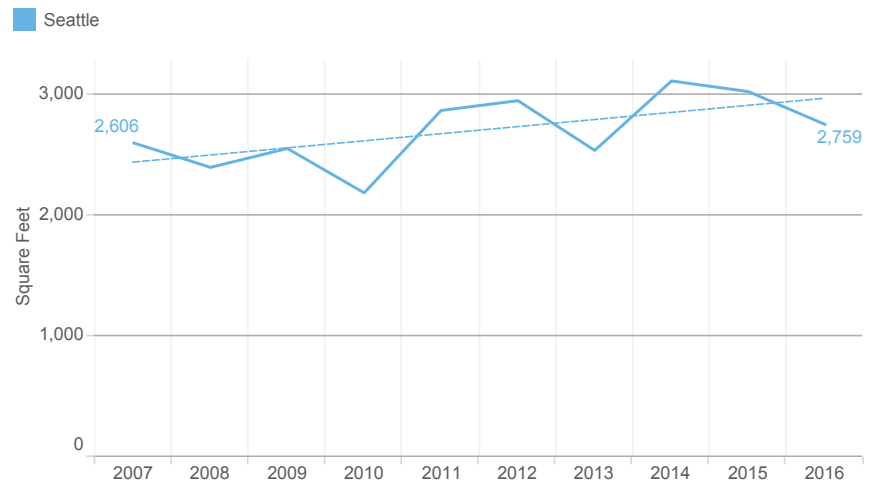
Source: CoStar

FINANCIAL CHALLENGES

SIZE

AVERAGE SQUARE FOOTAGE PER LEASE

The size of spaces is also increasing, compounding the affordability challenge for many storefront businesses. Without an appropriately sized space, a business may not be able to generate adequate sales per square foot to be viable. Using annual data on the number of leasing deals and the total square footage leased, we calculated the average number of square feet per leasing deal and found that the size of leased spaces has increased. The increase may even be larger, because CoStar only reports the history of existing spaces, potentially excluding properties with smaller spaces that have been demolished or renovated.



Source: CoStar, author calculations

FINANCIAL CHALLENGES

SIZE

BUILDINGS WITH AVAILABLE RETAIL SPACE(S) UNDER 1000 FT²

For an idea of what the future holds for storefront businesses, we analyzed the smallest spaces available for rent in existing buildings and those that will come online in the future. The sample represents all buildings in Seattle with retail space available to rent. The analysis counted buildings with available retail spaces larger and smaller than 1,000 square feet, which is the recommended size for a hair salon with 5-6 chairs.ⁱⁱ 44 percent of storefront businesses in Seattle have between 1 and 4 employees, so small spaces are presumably important to many of these businesses.

Among existing buildings, 25 percent have available spaces under 1000 square feet. Of the buildings that will come online in the future (those listed as proposed, under construction, or under renovation) the count is reduced to 20 percent. With only 1 in 5 planned buildings renting spaces under 1,000 square feet it may become harder for storefront businesses to find smaller spaces.

- Buildings without available spaces under 1,000 s.f.
- Buildings with available spaces under 1,000 s.f.

Existing



Proposed, Under Construction, and Under Renovation



Source: CoStar. Includes buildings with available retail space as of August 31, 2016.

A New Model Some developers are choosing unconventional models where retailers share common space, allowing them to rent smaller individual spaces. One property in Capitol Hill offers 8 spaces, of which more than half are smaller than 700 square feet.

FINANCIAL CHALLENGES

INEQUITY IN SMALL BUSINESS LENDING

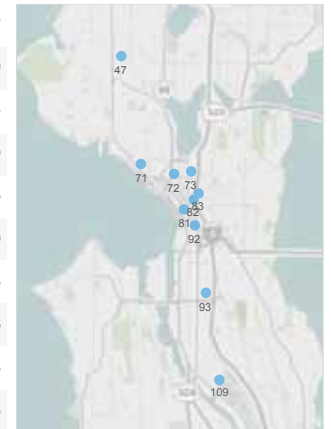
Many small businesses rely on loans from banks and financial institutions to start and grow. An analysis of small business lending data reveals disparities in the availability of capital to small businesses throughout Seattle. OED used data from the Federal Financial Institutions Examination Council to examine lending to small businesses, defined in the dataset as those with annual revenues of \$1M or less in each Seattle census tract from 2010 to 2014.^{iv}

When ranked in order of dollars lent per capita, the top 10 census tracts received \$7,228 per capita in small business loans from 2010 to 2014, more than 30 times more than the bottom 10 tracts, which received \$230 per capita in small business loans in the same time period.

Why measure per capita and not per business? Measuring per business would ignore a pattern of exclusion from financing. People start small businesses, but only if they can finance the business. If a person knows obtaining financing is unlikely, they may not attempt to start a business in the first place. Measuring per business would ignore the fact that more people may have started small businesses, if only they had access to financing.

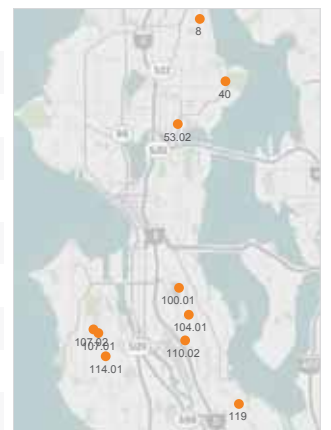
TOP 10 CENSUS TRACTS

	Dollars Lent to Small Businesses per Capita	Total Lent to Small Businesses	Tract Population
109	\$19,742	\$25.4M	1,287
81	\$14,311	\$58.2M	4,070
93	\$12,695	\$29.9M	2,354
82	\$7,191	\$23.6M	3,280
71	\$6,030	\$18.4M	3,055
47	\$5,061	\$34.1M	6,739
73	\$4,883	\$22.8M	4,668
92	\$4,829	\$13.6M	2,825
72	\$4,712	\$25.1M	5,318
83	\$3,902	\$9.8M	2,505



BOTTOM 10 CENSUS TRACTS

	Dollars Lent to Small Businesses per Capita	Total Lent to Small Businesses	Tract Population
53.02	\$335	\$1.9M	5,706
104.01	\$303	\$1.3M	4,432
119	\$296	\$2.1M	7,108
8	\$293	\$0.8M	2,583
40	\$289	\$0.8M	2,690
114.01	\$225	\$0.9M	4,027
107.01	\$173	\$0.6M	3,385
100.01	\$155	\$0.6M	3,769
110.02	\$85	\$0.4M	4,479
107.02	\$71	\$0.3M	3,679



Source: Federal Financial Institutions Examination Council, author calculations

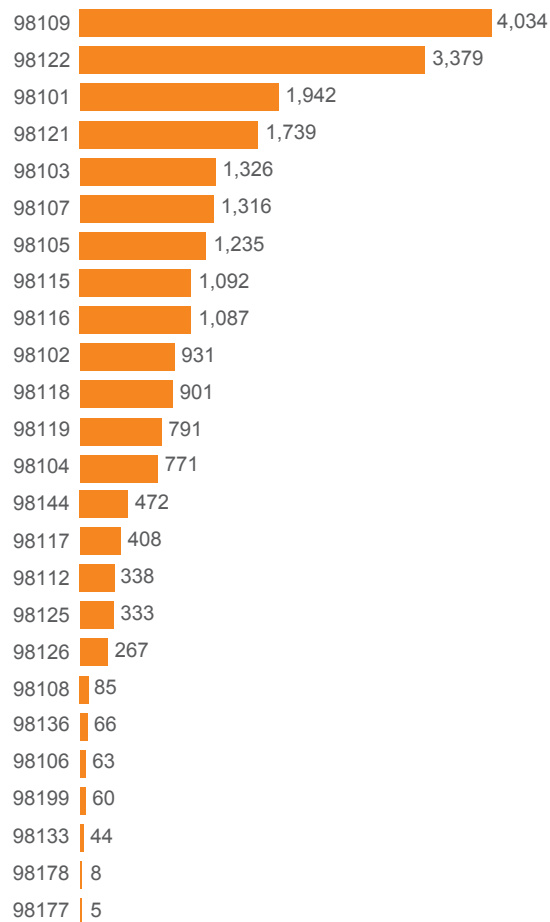
ENVIRONMENTAL CHALLENGES CONSTRUCTION IMPACTS

The previous section on financial challenges focused primarily on factors that affect the cost of starting, running or growing a business. This section focuses on factors in the environment directly surrounding business that can detract from revenue, mainly the impact of neighboring construction projects on business that rely on foot traffic.

PERMITTED RESIDENTIAL UNITS BY ZIP CODE (2014-2015)

As a measure of the physical impact and scale of current construction we used data provided by the Seattle Department of Construction and Inspections to count the number of residential units permitted in 2014 and 2015. We counted multifamily, commercial, and institutional projects and excluded single family projects due to the much smaller impact of building a home vs. a larger building. Areas with the most units permitted in 2014 and 2015 include:

- **98109** Queen Anne, South Lake Union
- **98122** Capitol Hill, Central Area, Leschi
- **98101** Downtown, First Hill
- **98121** Belltown, Denny Triangle
- **98103** Fremont, Wallingford, Phinney Ridge, Greenwood



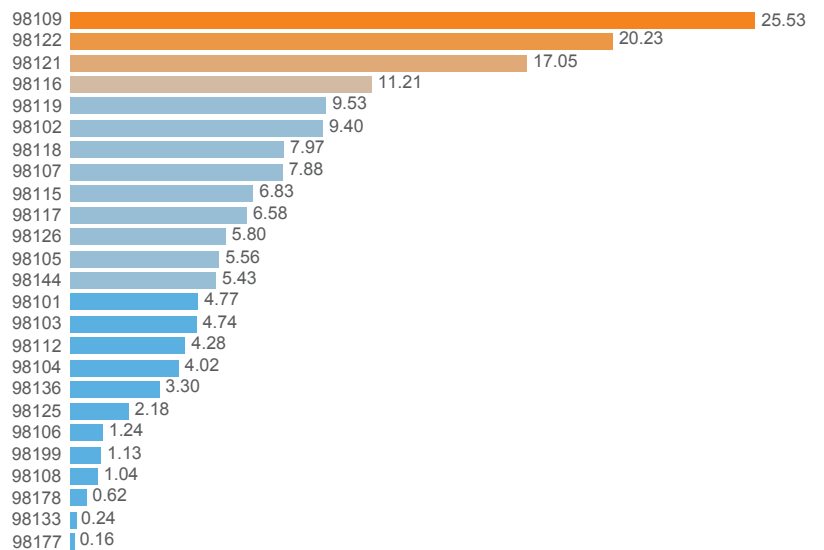
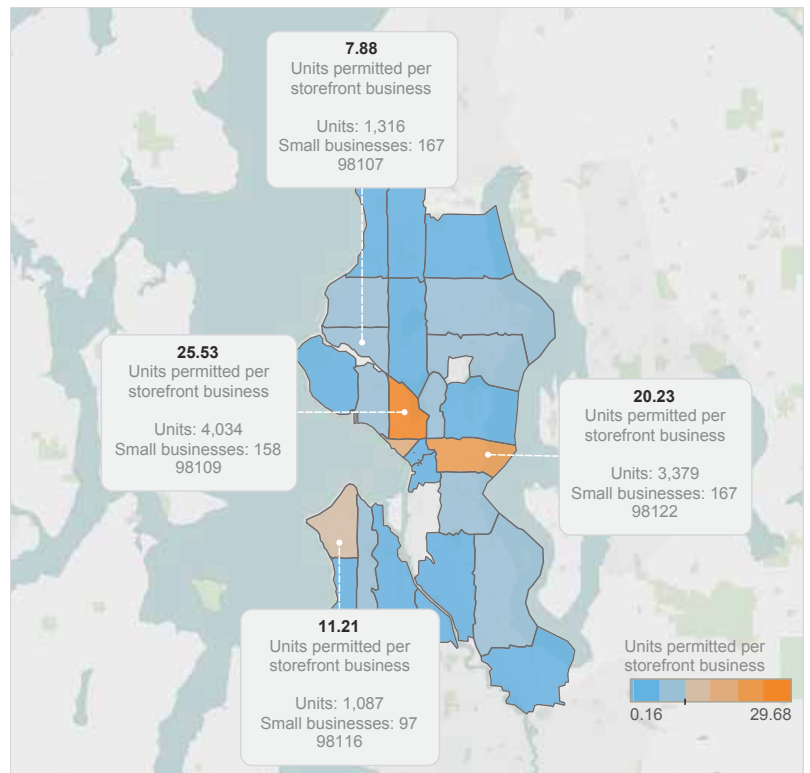
Source: Seattle Department of Construction and Inspections

ENVIRONMENTAL CHALLENGES CONSTRUCTION IMPACTS

PERMITTED RESIDENTIAL UNITS PER STOREFRONT BUSINESS

For a clearer picture of how the construction described above impacts storefront businesses, we added estimates from the most recent U.S. Census Bureau's County Business Patterns data to determine the ratio of residential units permitted per existing storefront business with 50 or fewer employees. The list of industries included in the count of "storefront businesses" is adapted from the list used in City Observatory's April 2016 report, The Storefront Index. Adapting the list required us to "convert" the SIC codes used in The Storefront Index to NAICS codes used in the County Business Patterns data, which is an inexact process. A complete list of NAICS codes used in the analysis is included in the endnotes^{vi}. The areas with the most units added per storefront businesses include:

- **98109**
Queen Anne
South Lake Union
- **98122**
Capitol Hill
Central Area/Leschi
- **98121**
Belltown
Denny Triangle
- **98116**
West Seattle
- **98119**
Queen Anne, Interbay



Notes: Calculations for zip codes that include areas outside city limits are not exact. In those zip codes, the number of businesses may be slightly inflated.

Sources: U.S. Census County Business Patterns, Seattle Department of Construction and Inspections

ENVIRONMENTAL CHALLENGES NEIGHBORHOODS BY THE NUMBERS

Two areas appear in multiple analyses above, the zip code that includes Capitol Hill, the Central Area and Leschi, as well as the zip codes that cover West Seattle. To provide readers an idea of what businesses in these two areas face, we have compiled all zip code-based statistics presented in the report.

	Capitol Hill Central Area Leschi 98122	West Seattle 98116 98126
Retail Rent Price per Square Foot	33.57 3rd most expensive	30.05 5th most expensive
Percent Increase in Retail Rent, 2008-2016	42.2% 3rd largest increase	189.5% 1st largest increase
Retail Vacancy Rate 2016	1.4%	1.2%
Permitted Units 2014-2015	3,379	1,087
Storefront businesses	167	97
Construction Intensity Rank as Measured by Permitted Units per Storefront Business	2nd	4th

DATA END NOTES

¹Farrell, Maureen, How to Run a Beauty Salon: Costs, 2007, Forbes Magazine, accessed at http://www.forbes.com/2007/04/20/beauty-salon-aniston-ent-fin-cx_mf_0420fundsalonexpenses.html

and

Collins Manufacturing Company, Solon Planning Tips, accessed at <http://www.collinsmfgco.com/products/salon%20planning%20tips.pdf>

²This analysis is based on a 2015 report by the National Community Reinvestment Coalition titled, Home Mortgage and Small Business Lending in Baltimore and Surrounding Areas, which identified lending patterns and concluded “that while majority white neighborhoods are sites of robust lending activity, majority black neighborhoods are consistently excluded from lending activity.” The report can be accessed at: <http://www.ncrc.org/resources/reports-and-research/item/1098-home-mortgage-and-small-business-lending-in-baltimore-and-surrounding-areas>

³Federal Financial Institutions Examination Council, Community Reinvestment Act Data Products, accessed at <https://www.ffiec.gov/cra/craproducts.htm>

⁴This analysis does not include 98134 because there were no units permitted in 2014 or 2015.

⁵City Observatory, The Storefront Index, accessed at http://cityobservatory.org/wp-content/uploads/2016/04/Storefront_Index_April_2016.pdf

⁶The following NAICS codes are included in the estimates of storefront businesses.

NAICS code	Description
311811	Retail Bakeries
337110	Wood Kitchen Cabinet and Countertop Manufacturing
337121	Upholstered Household Furniture Manufacturing
337122	Nonupholstered Wood Household Furniture Manufacturing
339113	Surgical Appliance and Supplies Manufacturing
339115	Ophthalmic Goods Manufacturing
441310	Automotive Parts and Accessories Stores
442110	Furniture Stores
442291	Window Treatment Stores
443142	Electronics Stores
444130	Hardware Stores
444220	Nursery, Garden Center, and Farm Supply Stores
445110	Supermarkets and Other Grocery (except Convenience) Stores
445120	Convenience Stores
445210	Meat Markets
445220	Fish and Seafood Markets
445230	Fruit and Vegetable Markets
445291	Baked Goods Stores
445292	Confectionery and Nut Stores
445299	All Other Specialty Food Stores
446110	Pharmacies and Drug Stores
446120	Cosmetics, Beauty Supplies, and Perfume Stores
446130	Optical Goods Stores
446191	Food (Health) Supplement Stores
446199	All Other Health and Personal Care Stores
447110	Gasoline Stations with Convenience Stores
448110	Men’s Clothing Stores
448120	Woman’s Clothing Stores
448140	Family Clothing Stores
448150	Clothing Accessories Stores
448190	Other Clothing Stores
448210	Shoe Stores
448310	Jewelry Stores
451110	Sporting Goods Stores
451120	Hobby, Toy and Game Stores
451130	Sewing, Needlework, and Piece Goods Stores
451140	Musical Instrument and Supplies Stores
451211	Book Stores
452111	Department Stores (except Discount Department Stores)
452112	Discount Department Stores
452910	Warehouse Clubs and Supercenters
452990	All Other General Merchandise Stores
453110	Florists
453210	Office Supplies and Stationery Stores

453220	Gift, Novelty, and Souvenir Stores
453310	Used Merchandise Stores
453910	Pet and Pet Supplies Stores
453920	Art Dealers
453998	All Other Miscellaneous Store Retailers (except Tobacco Stores)
454390	Other Direct Selling Establishments
487110	Scenic and Sightseeing Transportation, Land
487210	Scenic and Sightseeing Transportation, Water
487990	Scenic and Sightseeing Transportation, Other
512131	Motion Picture Theaters (except Drive-Ins)
532230	Video Tape and Disc Rental
532292	Recreational Goods Rental
561599	All Other Travel Arrangement and Reservation Services
611511	Cosmetology and Barber Schools
611620	Sports and Recreation Instruction
611699	All Other Miscellaneous Schools and Instruction
711110	Theater Companies and Dinner Theaters
711130	Musical Groups and Artists
711190	Other Performing Arts Companies
711310	Promoters of Performing Arts, Sports, and Similar Events with Facilities
711320	Promoters of Performing Arts, Sports, and Similar Events without Facilities
711510	Independent Artists, Writers, and Performers
712110	Museums
712120	Historical Sites
713210	Casinos (except Casino Hotels)
713290	Other Gambling Industries
713940	Fitness and Recreational Sports Centers
713950	Bowling Centers
713990	All Other Amusement and Recreation Industries
722310	Food Service Contractors
722320	Caterers
722410	Drinking Places (Alcoholic Beverages)
722511	Full-Service Restaurants
722513	Limited Service Restaurants
722514	Cafeterias, Grill Buffets, and Buffets
722515	Snack and Nonalcoholic Beverage Bars
811430	Footwear and Leather Goods Repair
812111	Barber Shops
812112	Beauty Salons
812113	Nail Salons
812320	Dry cleaning and Laundry Services (except Coin-Operated)
812990	All Other Personal Services

ACKNOWLEDGEMENTS

ADVISORY COMMITTEE

The Advisory Committee is charged with reviewing existing City policies and making recommendations to support affordable commercial spaces so that Seattle remains a competitive marketplace for small neighborhood businesses. The committee is directed to emphasize incentive-based solutions, resulting in affordable opportunities that help retain longtime businesses and encourage entry of new businesses. They will submit their recommendations by the end of September 2016 to the Executive for consideration.

The Advisory Committee represents a diverse range of expertise including neighborhood business owners, developers, real estate professionals, and arts and music businesses.

COMMITTEE MEMBERS

Don Blakeney is the VP of Advocacy and Economic Development for the Downtown Seattle Association, where he oversees a variety of economic development initiatives and programs that shape public policy, planning, and efforts to improve the quality of life and economy of downtown Seattle. He also co-founded Storefronts Seattle, a storefront activation and small business incubator project that partnered downtown property owners with artists and creative businesses.

Shanti Breznau is a retail and restaurant recruiter for Seattle's Chinatown/International District/Little Saigon business district. She assists property owners with vacancies and helps businesses seeking space to find the right fit and open successfully. Shanti was previously a

principal with Strategic Economics and project manager for the City of San Francisco's Neighborhood Marketplace Initiative.

John Chelico is a leasing and sales broker with JSH Properties, a property management and brokerage firm whose client base includes major developers, pension fund advisors, and real estate partnerships. During his 20 year real estate career, John has built many strong landlord and tenant relationships while completing more than 3 million square feet of lease transactions.

Dennis Comer is a retired military officer and co-owner of Brown Sugar Baking in the Central Area of Seattle. He is a member of both the Central Area Land Use Review Committee and the Central Area Collaborative, two community groups comprised of residents and business community stakeholders who work to ensure commercial vitality and a collaborative approach to development in the Central Area.

Solomon Dubie is the owner of Café Avole, an Ethiopian coffee shop in southeast Seattle. His goals for Avole are to share and innovate Ethiopian coffee culture, grow the market for Ethiopian products, and build community locally and globally. Solomon has helped organize community events in his neighborhood and has engaged local youth to gain on-the-job training at his café.

Liz Dunn is the owner of Dunn & Hobbes, LLC, a developer whose mixed-use projects in urban village neighborhoods aim to create intimate urban places and unique retail opportunities for local entrepreneurs. Liz serves on the board of Capitol Hill Housing, the Capitol Hill EcoDistrict Steering Committee, the Lid-15 Committee, and the national Reuse and Redevelopment Council of the Urban Land Institute.

Sam Farrazaino has combined 28 years of construction industry experience and 30 years of working in and with the arts to found Equinox Development Unlimited LLC. Equinox's mission is to partner with public and private entities, to facilitate the creation and preservation of affordable arts and cultural spaces, and to support the communities that sustain those spaces.

Mariela Fletcher is the owner of MANILA MANILA, an Asian grocery in Lake City that specializes in Filipino products and cuisine. She is also a seasoned real estate broker with RE/MAX Metro. Prior to immigrating to the U.S., Mariela owned a manufacturing and exporting business in the Philippines. She serves in leadership roles with the International Drop-In Center, Lake City Future First, National Federation of Filipino American Associations, and Seattle's St. Matthew Parish.

Frank Gross applied his lifelong passion for vintage instruments and a decade of experience in the instrument retail field to found Thunder Road Guitars in 2011. Initially started as a web-based business, Thunder Road quickly grew, enabling Frank to open a storefront the following year and then move in 2015 to a larger space at the West Seattle Junction with expanded offerings like guitar repair and lessons.

Megan Jasper is CEO of Sub Pop Records. Her first stint with Sub Pop was in 1989; she returned in 1998 and has since been instrumental in the label's growth and success. Megan has served on the Board of Directors for SCBWI (Society of Children's Books Writers and Illustrators), The Service Board, and the Vera Project.

Matt Landers is the Public Policy & Communications Manager for the Greater Seattle Business Association (GSBA), North America's largest LGBT and allied

Chamber. For the past four years Matt has represented GSBA's small businesses on a local, state, and federal level. He has served on the board of Out for Sustainability and on the advisory council of the NW chapter of Out & Equal Workplace Advocates.

Mark Morel is VP Sales & Marketing at Morel Industries, Inc., which he co-owns with his brother Steve. Morel Industries has a proud reputation for the manufacturing and machining of quality aluminum, brass/bronze, iron, and zinc castings for companies in the Puget Sound region and worldwide. Mark and Steve are third-generation foundrymen based in Seattle.

Tam Nguyen is co-owner of Tamarind Tree and Long Provincial restaurants. He is also president of Friends of Little Saigon, a nonprofit whose mission is to promote, enhance, and showcase the cultural and economic vitality of Seattle's Little Saigon district. Tam's dream is to build the first Vietnamese American cultural community center in Little Saigon.

Susanna Tran is a commercial real estate broker who specializes in retail leasing at West Coast Commercial Realty. Prior to real estate, she had a long career in the day spa and salon industry, as both a technician and business owner. Susanna serves on the boards of SouthEast Effective Development (SEED), Mercy Housing Northwest, On Board Othello, Celebrate Asia at the Seattle Symphony, MLK Business Association, and Ethnic Business Coalition, and as a Rainier Valley representative of Communities of Opportunity.

Karen True is the Director of Business Development for the Alliance for Pioneer Square. Her approach to business development is part retail recruitment, part matchmaking, part business consultation, and full-time community

building. She currently serves as Member Leader of the ULI Northwest Thriving Communities Task Force.

[Maiko Winkler-Chin](#) is Executive Director of the Seattle Chinatown International District Preservation and Development Authority (SCIDpda), whose mission is to preserve, promote, and develop the Chinatown-International District as a vibrant community and unique ethnic neighborhood.

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FIX (Form in Context)

CITY OF SEATTLE DEPARTMENTS

Department of Neighborhoods

Office of Arts and Culture

Office of Housing

Office of Planning and Community Development

Office of Policy and Innovation

Seattle Department of Construction and Inspections

SPECIAL THANKS

[Lillian Hill](#)

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