

Canyon Park Market Study

May 2020 | Prepared by BERK Consulting, Inc.

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Note: This report was prepared in February 2020 using market and economic data that had not captured the ongoing impacts of the COVID-19 coronavirus pandemic facing local and regional economies across the country.

Study Area and Purpose

The study area for the Canyon Park Subarea Plan represents a major regional employment hub in the City of Bothell. The primary focus of this has been the Canyon Park Regional Growth Center (RGC) located within the study area, which was designated by PSRC in 1995. See Figure 1. This has meant that the neighborhood has been identified to help fulfill regional targets for both residential density and employment intensity in the city and county. To date, significant employment has been supported by the 300-acre Canyon Park Business Center, including light manufacturing and scientific businesses related to biotechnology and medical equipment. The Thrasher's Corner Community Activity Center to the north also provides significant neighborhood and regional commercial uses at the junction of SR 527 and SR 524.

In 2018, PSRC approved a Regional Centers Framework Update. Each RGC like Canyon Park will be redesignated as a center subject to the following requirements:

- An adopted center plan (subarea plan, plan element or functional equivalent) is completed by 2020.
- Designation of the regional center in the adopted local comprehensive plan and countywide planning policies.

This market study is meant to address the Centers requirement to redesignate a center in part with the following information and will support the pending Canyon Park Subarea Plan Update:

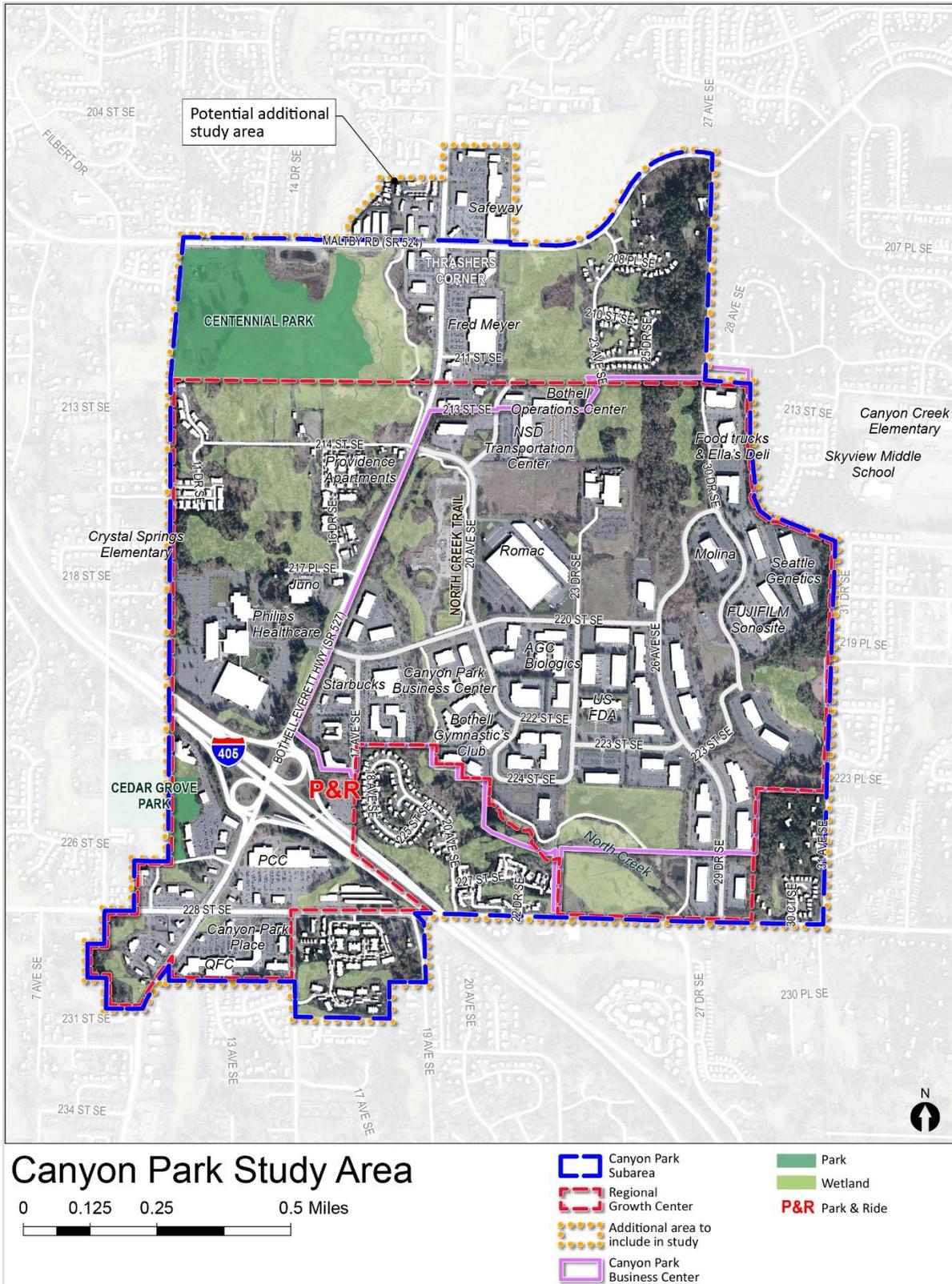
RGCs that have existing density levels below the level required for new regional centers at the time of the review must complete a market study to evaluate the potential for and opportunities to best support center growth. The market study must consider a planning horizon reasonably far beyond the monitoring period (2025). The market study should show how the center can meet targeted levels of growth within the planning period. The jurisdiction should demonstrate its work to address opportunities identified in the market study.

Detailed criteria for redesignated centers are included in Attachment A.

This market study is organized to provide the following information:

1. Executive Summary
2. Purpose
3. Existing Conditions
4. Growth Trends and Scenarios
5. Development Feasibility/Proforma Analysis

Figure 1. Canyon Park Study Area



Source: City of Bothell, 2018; MAKERS, 2019.

Existing Conditions

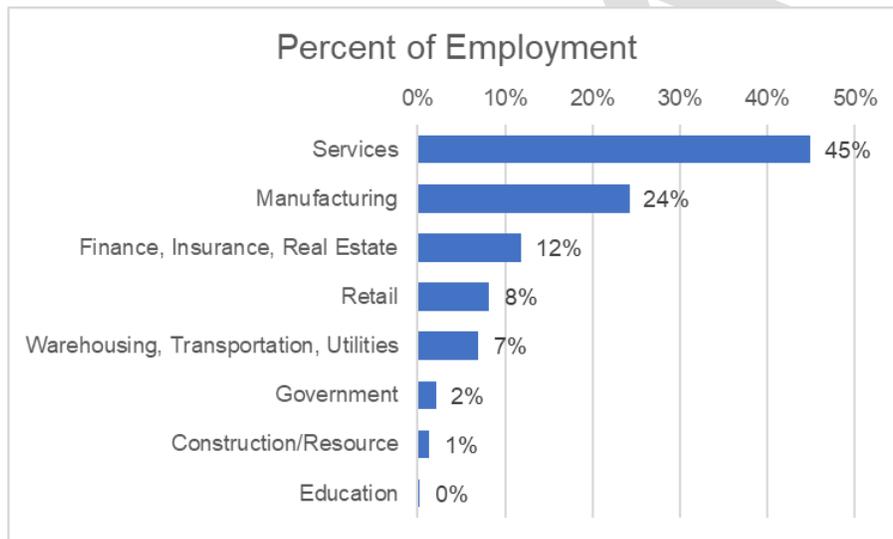
EMPLOYMENT AND INDUSTRIES

The Canyon Park Business Center is a part of a growing regional life sciences sector. According to a 2017 report by Life Science Washington, growth has been strong across the entire life science industry, with employment in the medical device industry, a subsector of life sciences, increasing by 14.2 percent in the two years from 2015-2017. The largest number of life science businesses are located in Seattle, Bellevue, Bothell, and Redmond.

A growth driver for the region's life sciences sector is the convergence of life science and computing. Canyon Park plays a distinct role in this trend and the regional ecosystem through its pool of relatively affordable office and flex space. This allows biotechnology companies access to the larger physical footprints required for manufacturing, complementing research and development facilities in South Lake Union.

The total employment of the study area was estimated to be approximately 11,767 jobs in 2017 according to employment estimates, or about 38% of the total employment in the City of Bothell (PSRC, 2017). A breakdown of employment in the study area by sector is provided in Figure 2.

Figure 2. Proportion of Local Covered Employment by Major Sector, 2017



Source: PSRC, 2017.

Major employers in the area include:

- Philips/Advanced Technology Laboratories, Inc. (medical ultrasound systems)
- Seattle Genetics (biotechnology and cancer therapy)
- Romac (water and wastewater pipe products)
- AGC Biologics (biotechnology and protein-based therapeutics)
- Pacific Medical Centers (healthcare services)
- Juno Therapeutics (biotechnology and manufacturing)
- Astarte Biologics (biotechnology and medical research product manufacturing)
- Lockheed Martin (aerospace and defense)
- Leviton Network Solutions (home electronics)
- US Food and Drug Administration (regulatory agency)
- Ventec Life Systems (medical product manufacturer and respiratory care)
- T-Mobile (phone and telecommunications)
- Element (materials testing)
- Fred Meyer (general retail)

Key characteristics of local employment in the study area include the following:

- This area includes a distinct biotechnology cluster, with a significant proportion of employment in the area in both manufacturing and professional/technical services. These activities are related primarily to the production of biotechnology and medical products, including therapeutic treatments in oncology and immunology. Recognizing the specific needs of businesses in this cluster and developing new amenities and services to support these industries can help to promote the economic health of this job center.
- A wide spectrum of other businesses is also located within the Canyon Park Business Park, which is situated inside of the broader study area. Many of the uses found in the Business Park are likely drawn by the need for flex space and available rents. These include businesses such as See Kai Run (children's clothing), Bothell Gymnastics Club (children's athletics), Grand Event Rentals (party equipment rental), 3Wire Group (food service equipment repair), and Xcelerate Driving School (driving education). An evolution towards higher quality office space in this area could potentially displace these types of businesses, especially as many rely on the lower leasing costs of flex space in the Business Park.
- Retail commercial businesses in the study area are found primarily in centers close to the SR 527 / I-405 junction and to the north of the study area in Thrashers Corner. However, these businesses are not well connected to much of the Business Park, and there are limited retail and restaurant offerings found within the Business Park itself.

Within the full Canyon Park Subarea Plan Update Study Area the Employment Security Department (ESD) has identified covered employment (jobs eligible for unemployment insurance) as 11,767 as of 2017. Over 92% of these covered jobs are estimated to be located in the current RGC boundary that equals about 733 acres. The proposed RGC boundary under consideration would include these same employment lands (excluding large wetlands and state rights of way) and include the northern retail area containing the Fred Meyer Shopping Center that largely includes an estimated 609 jobs. The area studied north of Maltby Road in the county is estimated to have another 326 jobs. See Table 1 below for covered employment estimates.

Table 1. Covered Employment PSRC 2017

Regional Growth Center	Subarea (non RGC)	Additional Study Area	Full Study Area
10,833	609	326	11,767

Source: ESD Covered Employment, 2017, accessed from PSRC.



REAL ESTATE MARKET DATA

A summary of the total amount of commercial real estate in the study area is provided in Table 2. Information on the real estate market conditions for the area is provided in Figures 3 and 4, with 5-year average growth rates of lease rates provided in Table 3. Comparisons to these local conditions are provided using broader statistics from the Seattle metro region.

Key elements from these real estate statistics include the following:

- The primary role of the Canyon Park area has been a job center, accommodating business activity in available office and flex space in the neighborhood. Rents for office space tend to be slightly lower, with slightly higher than average rents for flex space. The area has a notable number of scientific, research, and light manufacturing uses that may require a larger amount of cheaper space.
- Flex space in the study area, which largely accommodates light manufacturing and professional and scientific service businesses in the area, draws slightly higher rents than regional market averages, but has consistently had higher vacancy rates than other flex space in the regional market.
- Office space in the Canyon Park area tends to have lower rents than the regional average. While vacancy rates have generally been higher, these rates were lower than regional averages for 2014–2016 and have very recently declined below the regional average.
- Overall, growth in local lease rates over the past five years has been notable but slightly lower than the regional average, especially with respect to office space. Relatively affordable office space in Canyon Park promotes economic diversity in the life science sector, offering proximity to similar companies, and a labor pool for startups that want to scale up and commercialize ideas by moving from research and development to early-stage manufacturing and marketing.
- Coupled with these regional trends, local lease rates also indicate that this area may be less competitive in attracting higher-end tenants into available spaces. Investors may be likely to retrofit lower-rent office space to attract a range of tenant types.
- Vacancy rates for retail space in the area have been consistently lower than the regional average, with rents higher than the regional average. This development type is primarily associated with the uses to the north of the study area along SR 527, within and just outside of Thrashers Corner.
- Vacancy rates below 2% indicate a constrained supply of retail in the area. Demand for new retail is likely driven by activity growth in the area. The combination of low vacancy rate and high local retail rents suggest that mixed-use development in the neighborhood could be feasible and profitable, especially with restaurant and retail uses that complement existing uses in the area.
- Plans to promote new development in the neighborhood should balance the appeal of more intensive mixed-use development with the need to retain affordable space for businesses like the current tenants of the Business Park and surrounding areas. The conversion of flex space and increases in rents could result in the loss of affordable space for tenants, including startups and small businesses, and increase turnover in the area.

Table 2. Commercial Inventory Square Footage, Canyon Park Study Area, 2019

Real Estate Type	Total Square Footage	% of Total
Flex	2,326,369	43%
Office	1,632,064	30%
Retail	742,103	14%
Industrial	421,594	8%
Other	338,598	6%
Total	5,460,728	

Source: CoStar 2019.

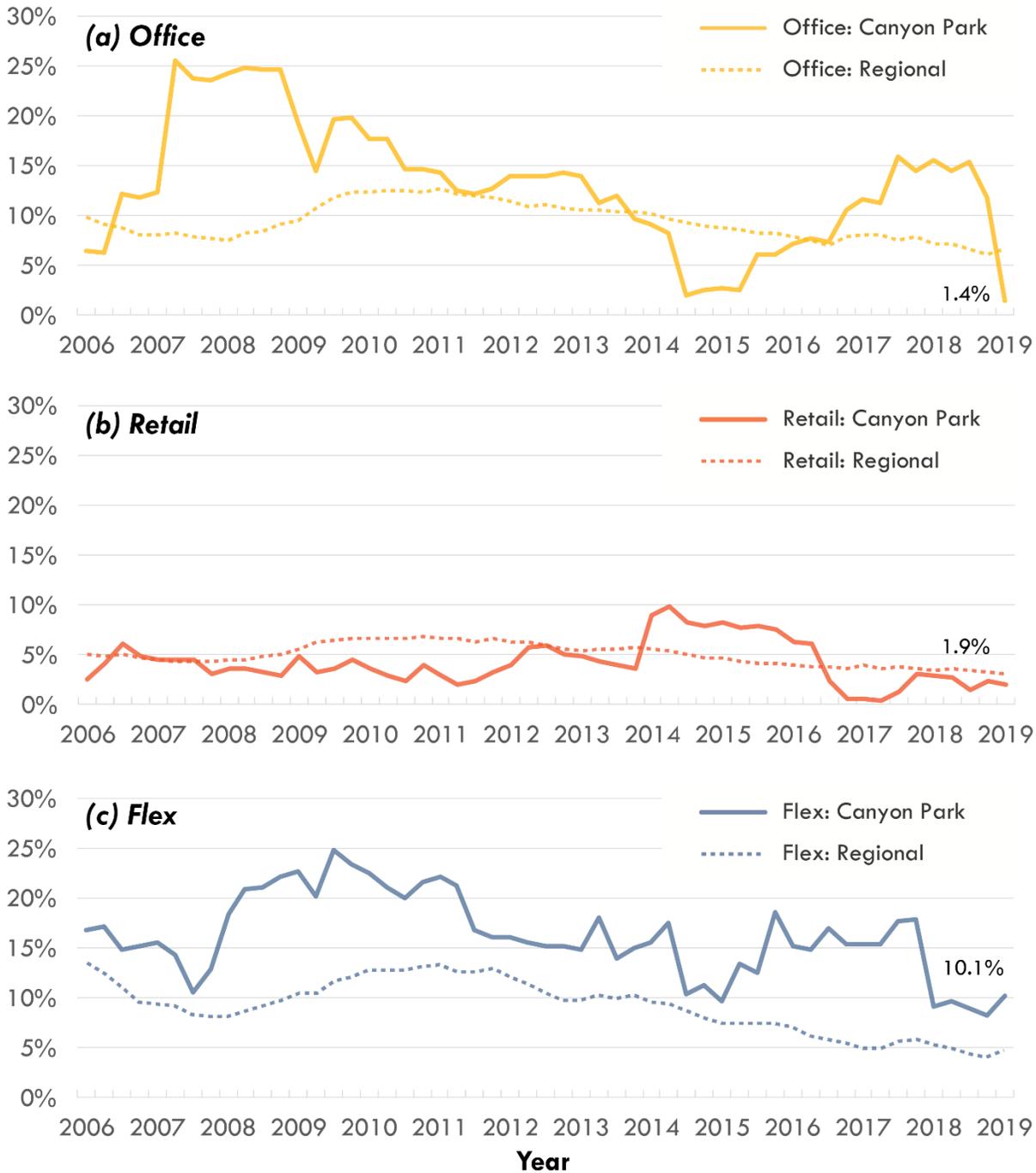
Table 3. Lease Rates and Growth, Canyon Park Study Area and Region, 2019

Type	Study Area		Region	
	5-Year Growth Rate	Average Rent/SF, 2019Q1	5-Year Growth Rate	Average Rent/SF, 2019Q1
Flex	4.2%	\$19.22	5.0%	\$17.58
Office	4.6%	\$29.88	6.3%	\$35.72
Retail	3.7%	\$28.45	3.9%	\$23.78

Source: CoStar 2019.

Figure 3. Vacancy Rates, Study Area and Region, 2006–2019

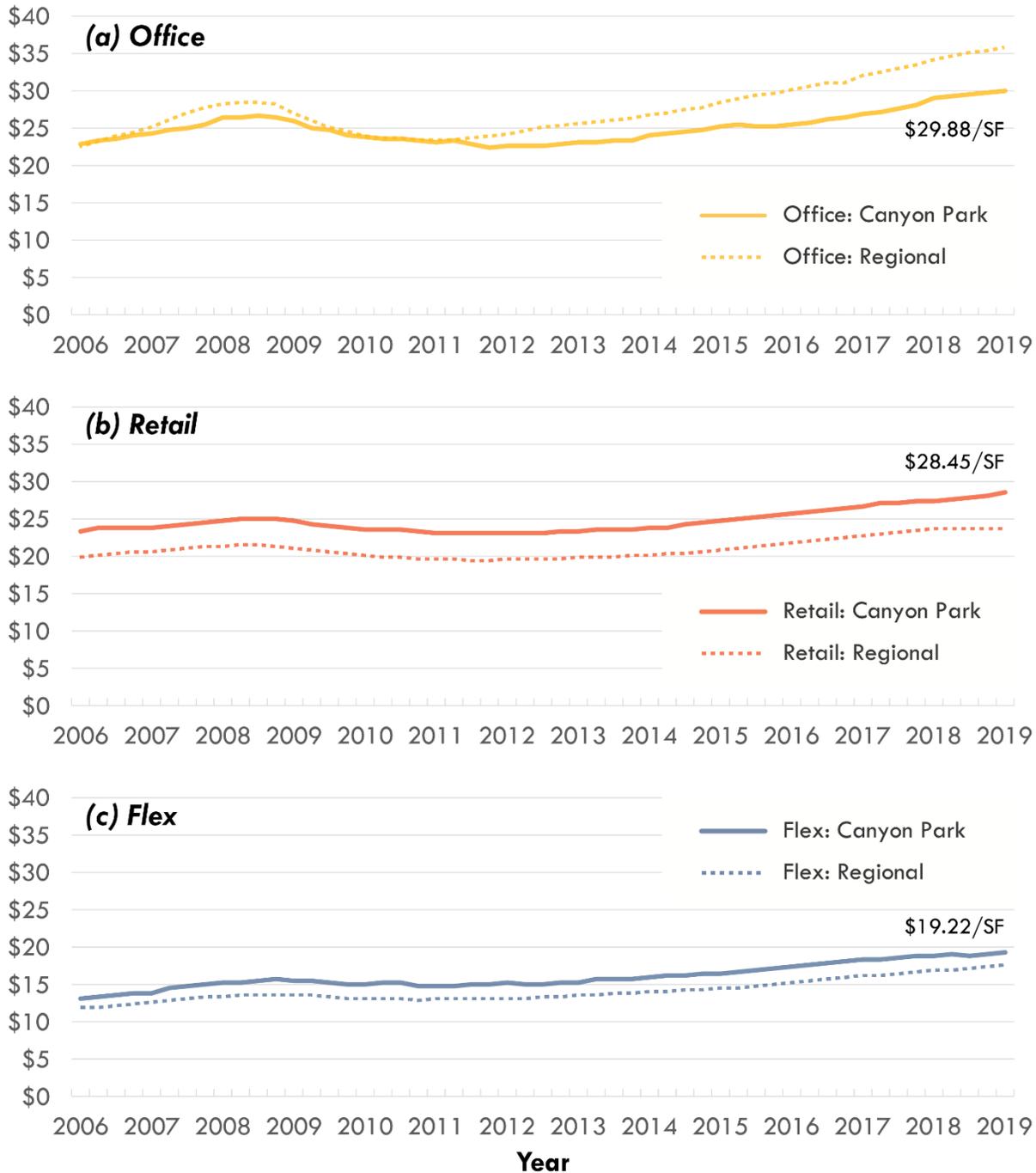
Vacancy Rate



Source: CoStar, 2019.

Figure 4. Rent Rates Per Square Foot, Study Area and Region, 2006–2019

Rent / SF



Source: CoStar, 2019.

LAND OWNERSHIP

A map of land ownership in the study area is provided in Figure 5. Major owners of property in the study area include the following in Table 4:

Table 4. Major Property Owners, Study Area

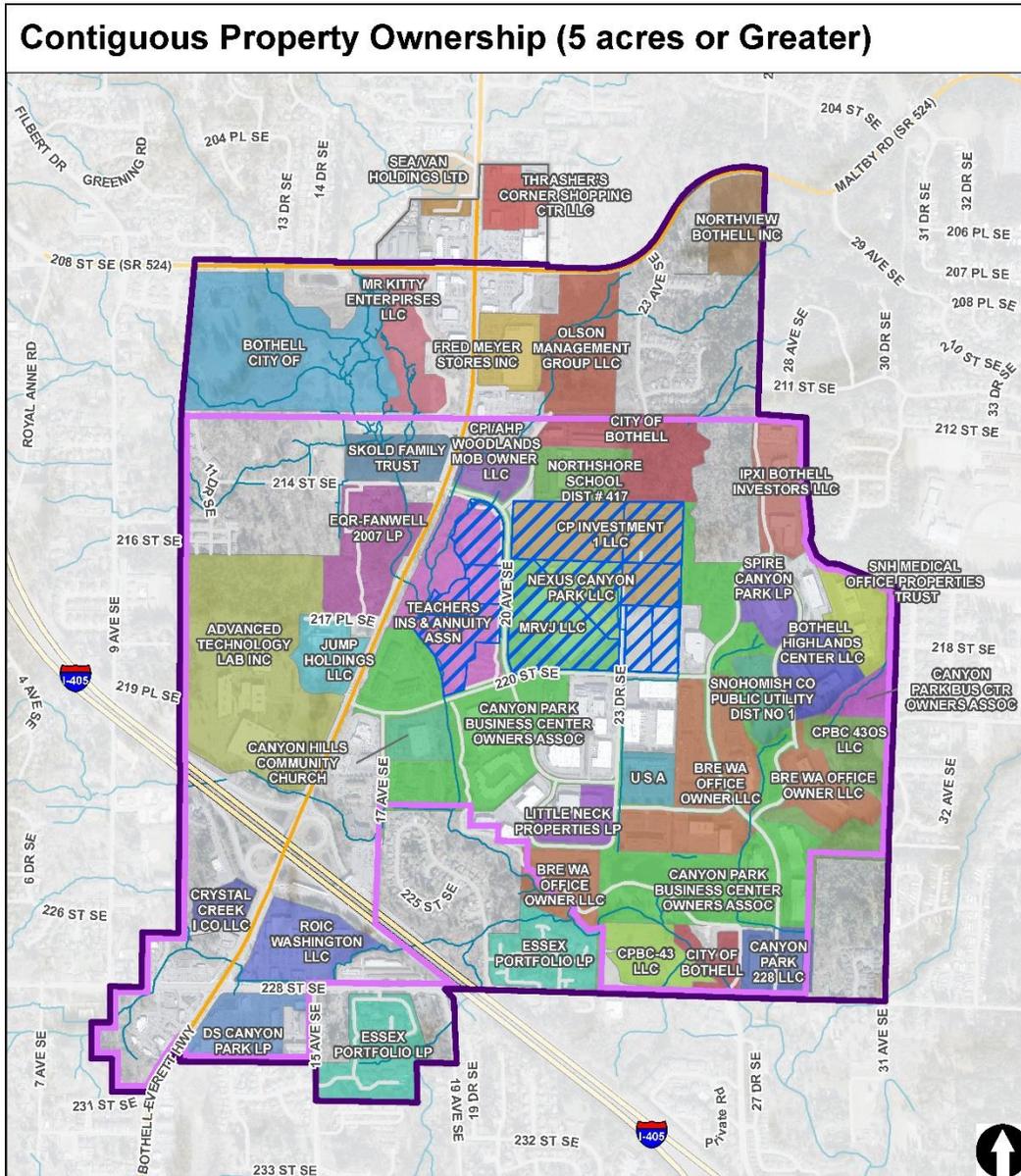
PROPERTY OWNER	ACRES
Canyon Park Business Center Owners Association	85.9
City of Bothell	74.6
Advanced Technology Laboratories, Inc.	57.1
Canyon Park Owners LLC	50.3
BRE WA Office Owner LLC	36.9
Essex Portfolio LP	30.5
Teachers Insurance & Annuity Association	28.4
Olson Management Group LLC	18.9
EQR-Fanwell 2007 LP	18.1
CPBC 43OS LLC	17.2
Northshore School District #417*	16.2
Canyon Park ROMAC LLC	16.0

*In addition NSD has acquired a site at 2020 224th ST SE.
Source: Snohomish County Department of Assessments, 2018.

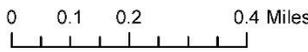
Current property ownership patterns indicate the following:

- The City of Bothell is the largest public land holder in the area. These properties include Centennial Park, the City Operations Center, and areas around North Creek. Other institutional landowners are also present in the area, including the Northshore School District, Snohomish Public Utility District No. 1, the US Food and Drug Administration, and the Washington State Department of Transportation.
- The Canyon Park Business Center Owners Association is the largest private landholder in the area, with about 86 acres of land within the study area. These lands reflect a significant portion of land within the Canyon Park Business Park, and includes lands which could be positioned for redevelopment. Note that this includes the private street network, surface water facilities, and open space areas under common ownership.
- The second-largest private property holder in the area, Advanced Technology Lab Inc., currently holds the Phillips site in the western portion of the subarea. Although these holdings are significant, there are wetland and critical area concerns on this site that may limit future horizontal expansions of facilities on these properties.
- In addition to the Phillips site, there are several other properties in the area that are owner-occupied. This includes the 16-acre ROMAC property and other smaller properties within the Canyon Park Business Center. Businesses on owner-occupied sites are less impacted if rents in the area increase, and they are more likely to remain given this type of shock in the local market.
- Although the Canyon Park Business Center Owners Association and other real estate owners are major landholders in this area, there are several properties that are also controlled by regional and national real estate investment companies. This includes the largest holder of commercial rental property in the study area: BRE WA Office Owner LLC (Equity Office Properties Trust).

Figure 5. Property Ownership, Contiguous Properties of Five Acres or More, 2018.



Canyon Park Subarea



- Canyon Park Subarea
- Regional Growth Center
- Additional Area to Include in Study
- Residences Permitted by CC&Rs
- Rivers and Streams

Map represents parcel ownership and configuration as of January, 2019 based on Snohomish County Assessor property database.

Source: City of Bothell, 2018.

- The land area identified for the Northshore School District does not include the recent purchase of property at 2020 224th St SE.
- Companies in the area also control a significant amount of residential property in the study area, including Equity Residential and Essex Portfolio LP, which hold major multifamily developments.

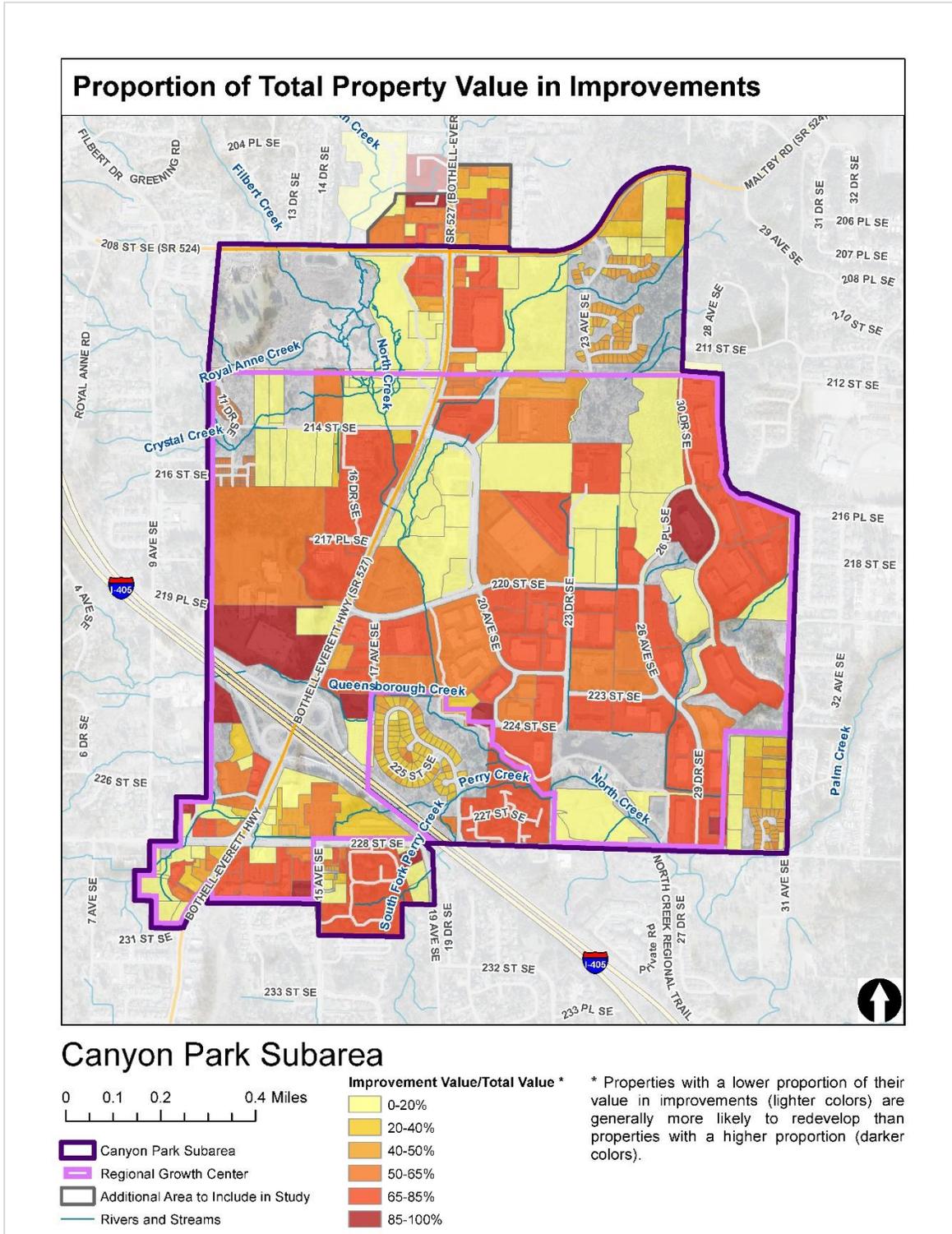
LAND AND BUILDING VALUE ASSESSMENT RATIOS

Figure 6 provides an assessment of the proportion of the total value of a developed site determined to be from improvements. This is intended to show sites where lower levels of improvement value would suggest development and/or redevelopment opportunities, which are indicated by the lighter colors on the map. Darker colors indicate areas with significant improvement values, where additional infill and intensification may be possible, but existing development is likely to be maintained.

The distribution of improvement value in the area indicates the following:

- There are underbuilt parcels located within the Business Park towards the center of the study area. Note that many of these sites are where residential development is now permitted under 2018 amendments to the Covenants, Conditions, and Restrictions (CC&Rs) for the Business Park and include sites where development applications are currently approved or interest in development has otherwise been expressed to the City of Bothell (CP Investment #1 and Teachers Insurance and Annuity Association sites, respectively). Note that the proposed future location of a Sound Transit bus base is also located in the area on one of these identified parcels.
- Of the commercial parcels in the area, developed properties generally have assessed improvement values (i.e., value of structures) that constitute greater than 50% of the total assessed value of the parcel. This suggests that under the current real estate market, existing improvements represent higher and better uses that will not likely change in the short-term. This may change based on longer-term trends and investments in the neighborhood, such as with the addition of BRT along SR 527 and I-405, and with possible future investment in neighborhood amenities.
- The existing Canyon Park Office Center property to the north of the current park-and-ride is a Class B office space built in 1990 that has a higher proportion of building improvements as a share of total property value. At present, this site would be more challenging to redevelop than other locations, especially without increases in allowable development intensity above current zoning regulations. However, improved transit access could provide a significant increase in value and present a possible driver for future redevelopment.

Figure 6. Proportion of Total Assessed Property Value in Assessed Improvement Value, 2018



Source: Snohomish County Assessor, 2018; BERK, 2018.

LAND CAPACITY UNDER CURRENT PLANS

Based on current zoning and buildable land report methods, the capacity for growth would be a net addition of over 4,800 jobs and over 4,800 population in about 2,650 dwelling units. This is over 9,600

activity units (jobs and people combined) that could be added to current jobs and population over the entire study area. See Attachment B.

Table 5. Canyon Park Subarea and Canyon Park Vision Study Area north of Maltby Road: Net Capacity above Existing Development

SCENARIO	POPULATION	HOUSING UNITS	JOBS
Draft EIS Studied	4,484	2,242	4,787
Updated 2020 Capacity [1]	4,847–5,097	2,654– 2,790	4,373–4,804 [2]

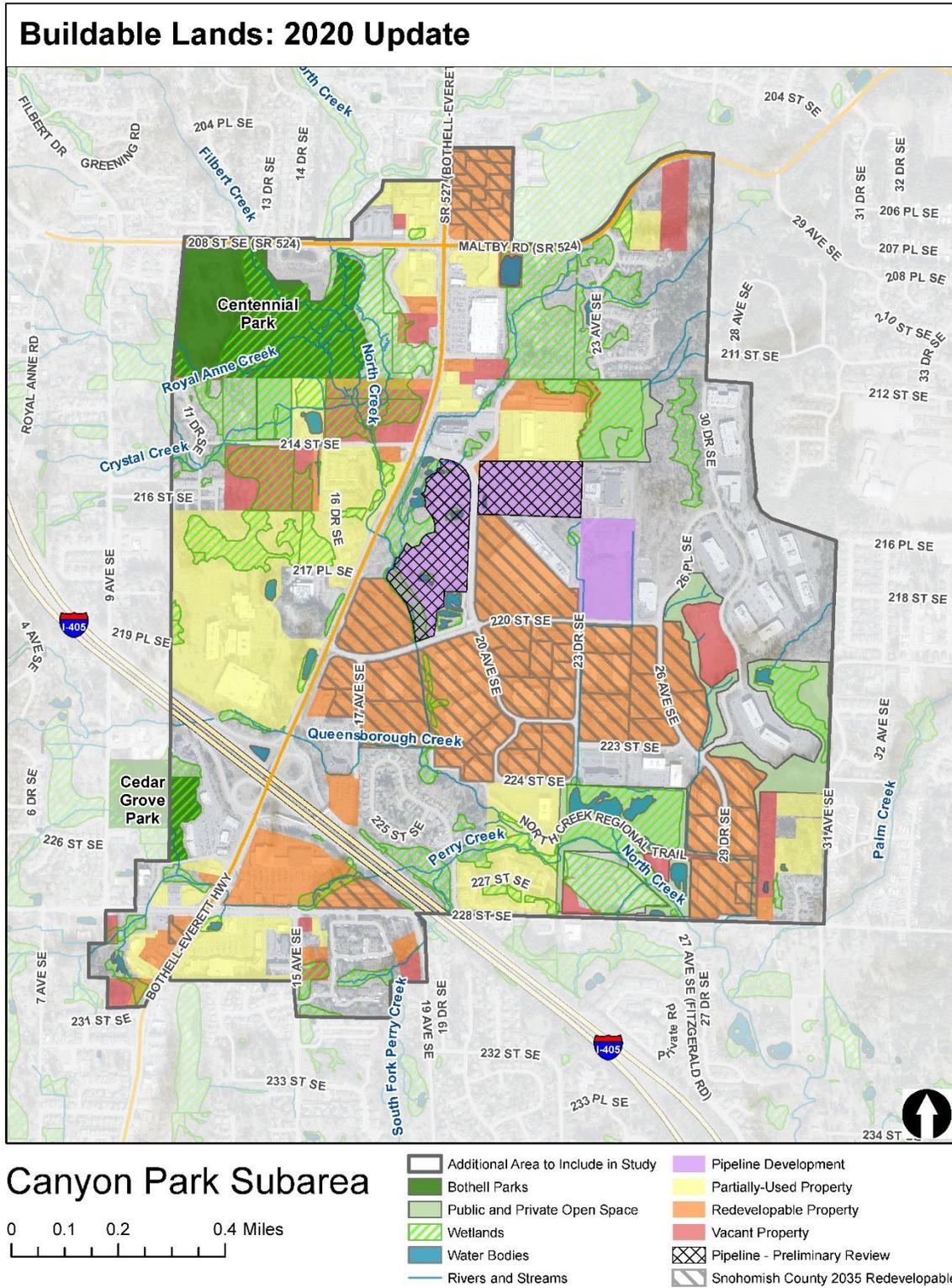
[1] Updates capacity of the current 2015 updated Bothell Comprehensive Plan (No Action Alternative). Includes area north of Maltby Road as well as city limits. The Comprehensive Plan page LU-11 reports 4,498 for area in city limits.

[2] High range of employment assumes properties with investment in recent permits over \$300,000 stay employment oriented, as well as CPBOA properties which are limited by CC&Rs from residential at this time. Low range employment assumes that business-park area properties with investment in recent permits over \$300,000 stay employment oriented; otherwise mixed use as evaluated by the County and City in the 2015 Imagine...Bothell Comprehensive Plan Update.

Source: Snohomish County Tomorrow, 2012; Snohomish County Assessor, 2018; Snohomish County PDS 2015; BERK, 2020.

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Figure 7. Buildable Lands in Canyon Park 2020



Source: Snohomish County Tomorrow, 2012; Snohomish County 2015; BERK, 2020.

Growth Trends and Scenarios

Projected employment in the Canyon Park Subarea suggests that growth in this area will continue. The presence of a significant cluster of high-tech and biomedical businesses in this area, paired with the availability and cost of suitable office and flex space and capacity for new commercial development, has meant that employment demand in these areas will likely increase, and can be accommodated in the RGC into the future. In addition to these trends, Canyon Park will benefit from recent efforts to involve UW Bothell, Cascadia, Edmonds and Everett Community Colleges, and even the K-12 system to develop talent pipelines around in-demand occupations in the cluster.

This section breaks down these considerations of growth in three distinct ways:

- A discussion of existing trends to determine the historic characteristics of growth.
- Regional trends and forecasts, estimating future local demand.
- Absorption scenarios for the region based on these sources which consider likely future trends.

Overall, this review is intended to present likely employment scenarios to guide future planning for this area, given current trends and historic patterns.

This section of the Market Study focuses on employment trends and scenarios. Residential trends show market interest where residential uses have been allowed, and there is sufficient capacity for residential uses in the study area. Further, the proforma analysis shows the feasibility of mixed use residential.

CANYON PARK TRENDS

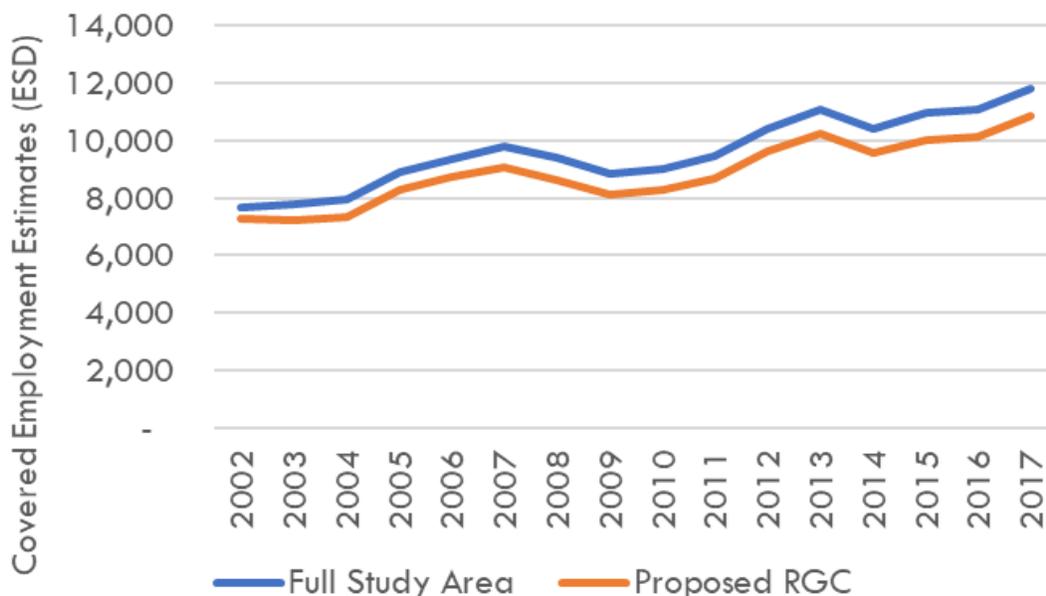
For the Canyon Park area, employment has continued to increase, with notable levels of investment to support accommodating these jobs. Figure 8 highlights statistics about total PSRC covered employment in both the full study area and the proposed Canyon Park Regional Growth Center. Over the past 15 years, the area has experienced an average growth rate of **2.5% per year**, with recent growth rates averaging **3.9% per year** between 2014 and 2017.

Some important trends can be highlighted through examination of more detailed data:

- According to PSRC estimates, overall increases in employment in Canyon Park has reflected about 98% of the increase in net employment in Bothell/Snohomish County. This suggests that most of the overall growth for the city in Snohomish County has been accommodated in Canyon Park.
- The highest absolute growth in the proposed Center has resulted from a growth in service employment. Based on breakdowns scaled to state employment totals, employment in these businesses has increased by an average of 4.1% per year since 2002, resulting in about 2,300 new jobs in the area over the 15-year period.
- There has also been high relative employment growth in the Government and Finance, Insurance, and Real Estate sectors. In both cases, employment has increased by over 400%. In the case of government services, this has been promoted by the construction of the Northshore School District Bus Facility and City of Bothell Public Works building in 2010.
- Manufacturing employment has increased from an identified low of about 2,400 workers in 2006 within the proposed RGC boundaries, increasing to about 2,800 by 2017. While no general net loss of employment has been seen, this sector has not experienced significant growth in comparison to

other sectors.

Figure 8. Covered Jobs in Canyon Park Study Area, 2002–2017



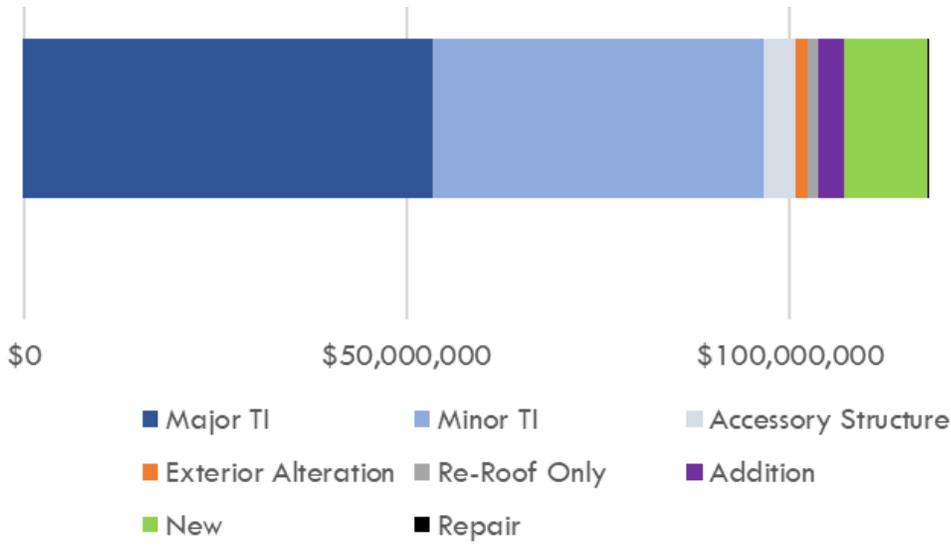
Sources: PSRC, ESD 2019; BERK 2020

In addition to historic trends in employment growth, it is also informative to highlight the role of recent investments in supporting this growth as well. Figure 9 provides the total value of building permits issued over the past five years by the City for the study area. This highlights that the major activity has been on major and minor improvements to existing space in the area, with only about \$11 million out of the total \$116 million devoted to new construction, largely with a self-storage facility and a new Chik-Fil-A restaurant.

Of these tenant improvements, some activity suggests support for long-term growth. Seattle Genetics has in total about \$53.5 million in total permit value, including a \$22.5 million major tenant improvement project for Building 6 of their complex on parcel 27052900304300 (22333 29th SE Dr). Juno has had \$14.2 million in permits over the past five years, including a \$10.3 million major tenant improvement on parcel 27053000102900 (1522 217th SE Pl). Although the nature of these improvements may vary, they suggest that existing office/flex/light industrial space in the area is being adapted for high-tech/biomedical uses, which has addressed recent demands for space. Future growth needs, however, may require additional new construction.

A map of the properties that have had investment over the 2015-2019 period is included in Figure 10.

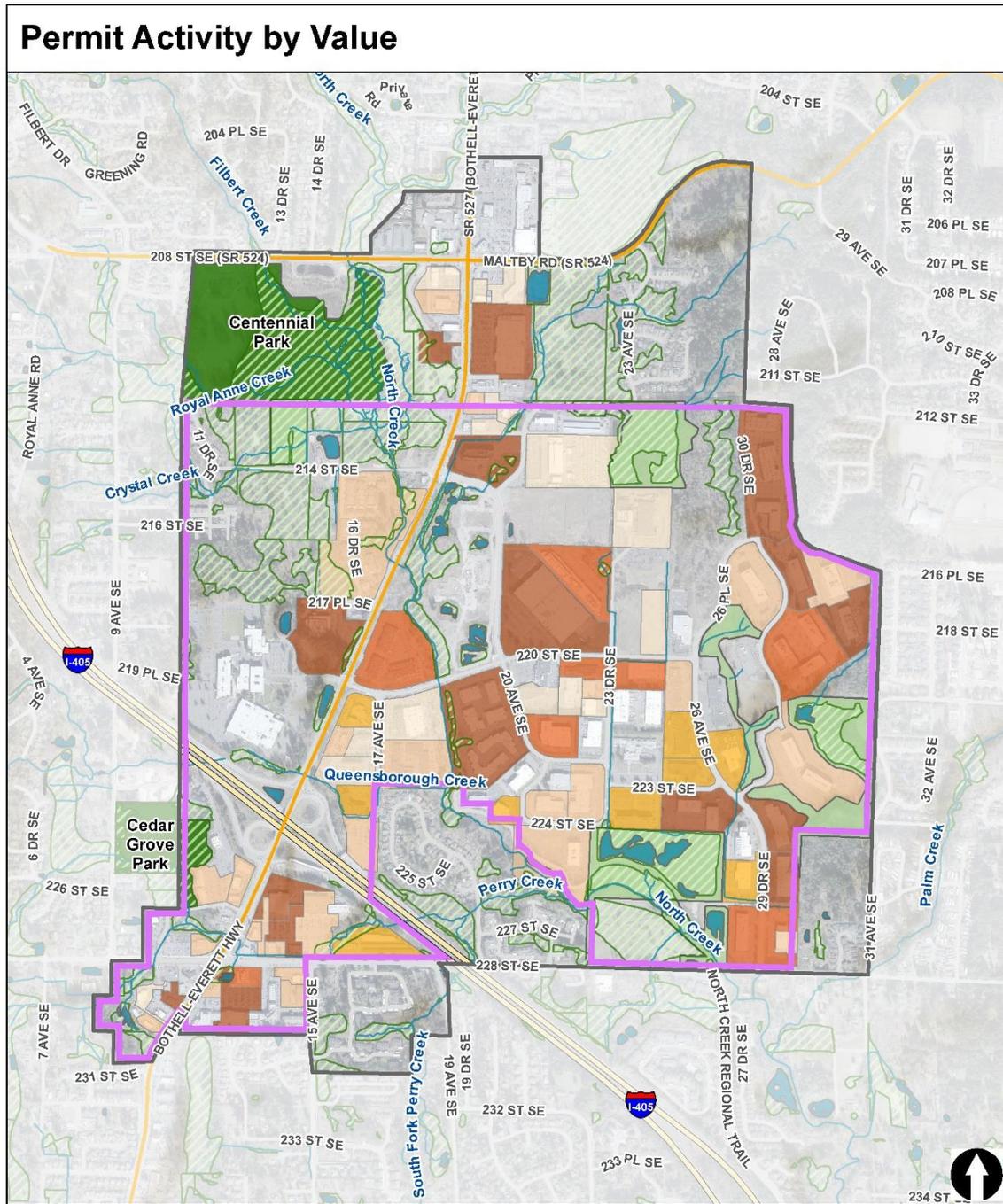
Figure 9. Value of Building Permits by Type in Canyon Park Study Area, 2015–2019



Sources: City of Bothell, 2020; BERK 2020.

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Figure 10. Permit Activity Map



Canyon Park Subarea

0 0.1 0.2 0.4 Miles

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- | | |
|-------------------------------------|--------------------------|
| Regional Growth Center | \$50,000 or Less |
| Additional Area to Include in Study | \$50,000 - \$250,000 |
| Bothell Parks | \$250,000 - \$500,000 |
| Public and Private Open Space | \$500,000 - \$1,000,000 |
| Wetlands | Greater than \$1,000,000 |
| Water Bodies | |
| Rivers and Streams | |

Sources: City of Bothell, 2020; BERK 2019.

REGIONAL TRENDS AND FORECASTS

With respect to trends related to growth, there have been multiple studies that have examined the expected patterns in regional growth of employment uses. Largely, these have been developed as part of the work done by the PSRC and through Buildable Lands Reports coordinated by King and Snohomish Counties. These include the following:

- **2015 Snohomish County Buildable Lands Report.** The 2015 Snohomish County Land Capacity Analysis identifies Bothell's 2035 job targets for employment growth to be 18,576 jobs within the Snohomish County portion of Bothell, an increase of 36% from 2011 or an average growth rate of **1.3% per year**. This estimate assumes that the total 2035 employment capacity for this portion of the city is 19,116 employees, and that the area accommodates about 3.4% of the total growth in the County. This generally aligns with a **1.5% per year** average growth rate estimated for Bothell in Snohomish County for 2011–2014.
- **PSRC Vision 2040.** As part of the PSRC's Vision 2040 regional growth strategy, the Snohomish County portion of Bothell is expected to capture about 6,600 employees. This represents a compound annual growth rate (CAGR) of **1.4% per year**, and as Canyon Park provides the largest proportion of employment lands in this part of the city, most of this growth would be expected to locate here.
- **PSRC Vision 2050.** The Vision 2050 update to the regional growth strategy is still currently under review. The draft plan released for comment identifies that "Core Cities" in Snohomish County (Lynnwood and Bothell) are expected to increase by 39,000 total employees for 2017–2050 under the plan, 17% of the County's total growth. Combined, growth for Lynnwood/Bothell in Snohomish County amounts to about **2% per year** under the draft regional plan, with changes/allocations expected as part of Plan development.

Note that although the Vision 2050 Regional Growth Strategy is still under review, this update highlights the regional intent to concentrate additional growth close to high-service transit corridors. Although the actual distribution of growth and the corresponding changes to Countywide Planning Policies is still unknown, these high-level targets can still reflect the evolution of the Canyon Park RGC as a transit-oriented center, especially with the Swift Green Line and future I-405 BRT development.

CANYON PARK ABSORPTION SCENARIOS

The actual absorption of additional employment into the Canyon Park RGC will depend on different characteristics, including:

- General trends in employment change and business growth
- Existing commercial/industrial floor area capacity that could accommodate new employment
- Potential future commercial/industrial floor area that would be needed to accommodate additional new employment

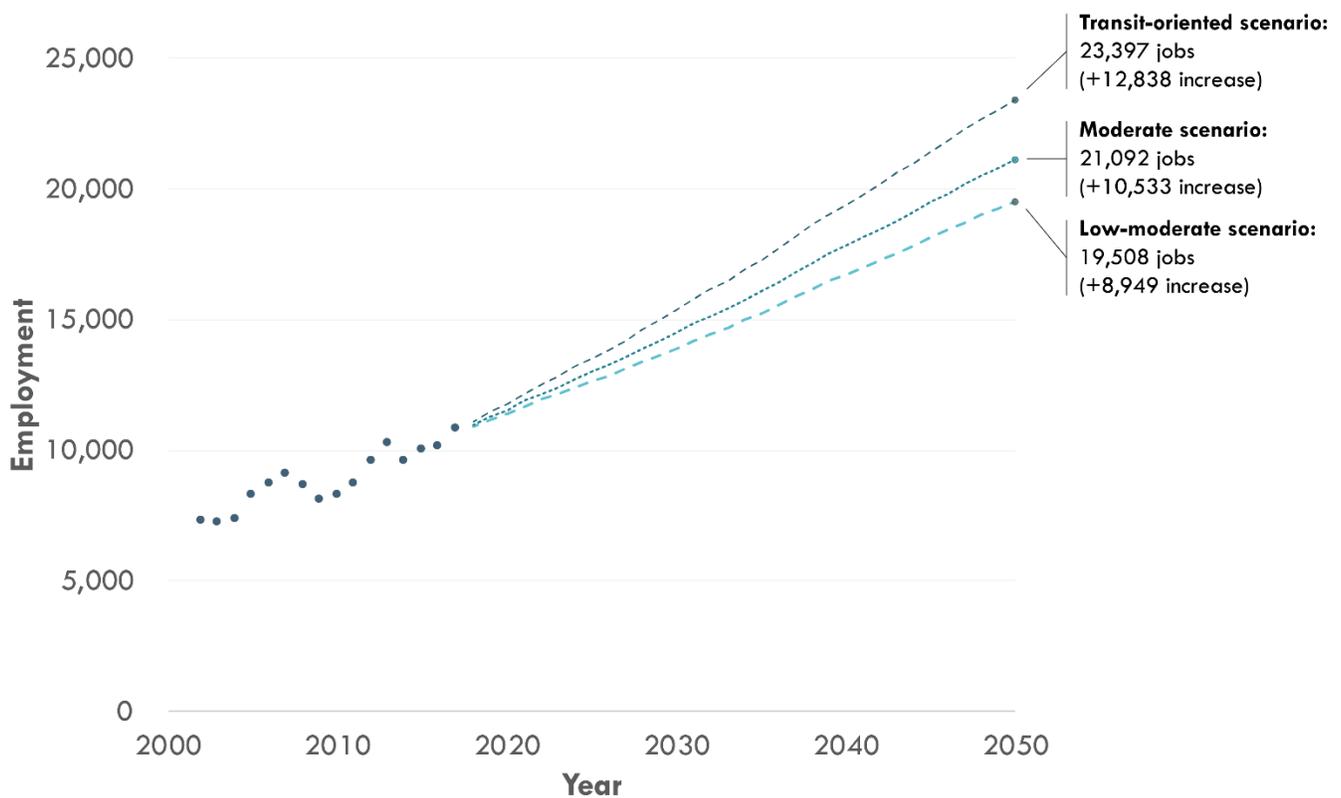
For a high-level examination of likely employment change in the Canyon Park neighborhood, this market study bases projections out to 2050 on three general scenarios:

- A **transit-focused employment growth** scenario that assumes Canyon Park captures a greater share of County growth consistent with the draft Vision 2050 targets for Core Cities. This scenario assumes that growth will be divided based on growth in Lynnwood and Bothell since 2010, with around 35% of total targets allocated to Bothell in Snohomish County, and 95% of Bothell's employment growth allocated to Canyon Park.
- A **moderate employment growth** scenario that assumes the area captures a proportion of growth consistent with PSRC regional projected growth targets to 2050 and a high-end estimate of the capture of that growth by Bothell based on historic trends. This estimate is based on long-term shares of County growth received by Bothell since 2002, estimated at around 5.6% on average.
- A **low-moderate employment growth** scenario that assumes the area captures a proportion of growth consistent with Vision 2040 targets and a conservative estimate of the capture of County growth based on an average of 4.7% share of growth received since 2010.

A graph of the expected growth based on shares of the 2018 PSRC econometric model is provided in Figure 11. These projections estimate employment in 2050 increasing by 85 to 121% over current employment levels, with an associated increase of about 8,900 to 12,800 jobs over the next 30 years. These scenarios assume that future growth in Canyon Park will exceed regional growth with overall employment and with service employment, with an average employment growth rate of 1.8 to 2.4% per year.

Projecting space needs into the future can be complicated by changing space needs and available capacity to accommodate future growth. For one, a significant amount of growth will likely be accommodated in owner-occupied facilities, such as Seattle Genetics, Philips, and Juno. It is not clear what additional capacity they may have to accommodate future business growth. Growth may also be accommodated through the intensification of employment with no net changes to floor area devoted to employment, especially given some lower-intensity flex uses in the neighborhood. Finally, these assumptions assume that new floor space is available and price competitive with other options in the region.

Figure 11. Projected Growth in Proposed Canyon Park RGC, 2017–2050



Source: CoStar, 2020; BERK, 2020.

The table below provides broad estimates for long-term space needs in Canyon Park. This estimate splits up general space needs by the scenarios estimated above, and divides these needs by decade from 2017 to 2050. These estimates highlight that over the study period to 2050, about **2.7 to 5.1 million SF** of additional net commercial space will be required. Over the short-term from 2020–2030, an additional 750,000 to 1.4 million SF would be necessary to accommodate the identified growth.

For this projection, an estimate is necessary for the likely yield of employment by new floor area, but this can also be complicated by several factors, including: general changes in office efficiency, increased needs for floor area for lab space with biomedical uses, possible increases in the proportion of retail/restaurant space in the neighborhood over time, and others. For this projection, the estimate relies on assumptions of 300–400 SF per employee, based on current County estimates of office employment yields for buildable lands. This considers the potential for increased office efficiency, and for other uses with employment yields that are higher (e.g., restaurant) or lower (e.g., light industrial, retail).

This is assumption higher than the current estimate of about 544 SF per employee over the entire study area as reported in the 2018 Canyon Park Vision Report. If expected redevelopment and intensification could result in improving average employee yields to match assumptions, the necessary increase in required floor space to support new employment could be reduced by up to 1.3 million SF.

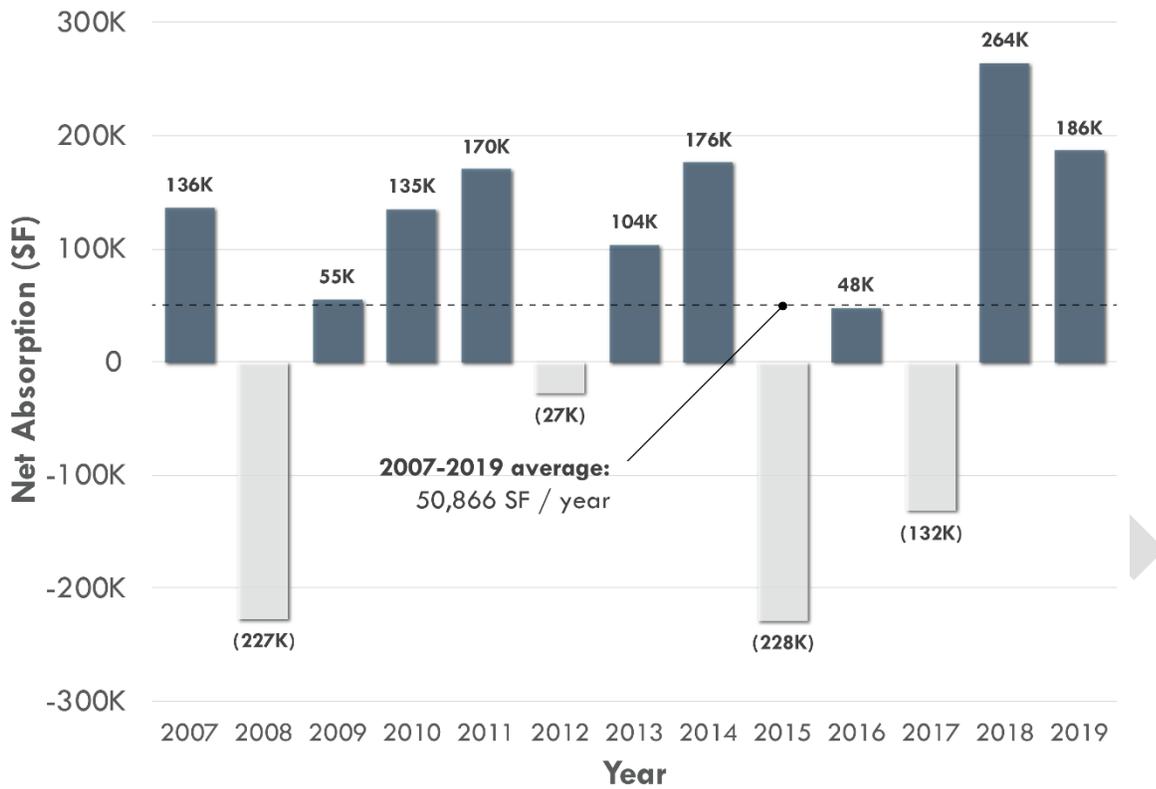
Table 6. Employment projections and estimated employment space needs in Canyon Park RGC, 2017–2050.

	SCENARIO		
	Low-Moderate	Moderate	Transit-Oriented
Employment, 2017	10,833		
Projected employment increase			
2020–2030	2,519	2,965	3,614
2030–2040	2,815	3,314	4,039
2040–2050	2,785	3,278	3,995
2017–2050	8,949	10,533	12,838
Additional commercial floor area (high), in SF			
2020–2030	1,007,595	1,185,998	1,445,586
2030–2040	1,126,113	1,325,499	1,615,622
2040–2050	1,113,957	1,311,191	1,598,182
2017–2050	3,579,427	4,213,191	5,135,365
Additional commercial floor area (low), in SF			
2020–2030	755,697	889,498	1,084,190
2030–2040	844,585	994,125	1,211,716
2040–2050	835,468	983,394	1,198,637
2017–2050	2,684,570	3,159,893	3,851,524

Source: PSRC, 2019; BERK, 2020.

Figure 12 provides actual absorption data for all commercial leased space as provided by CoStar. Note that this only includes space where information is available about tenancy. For the properties assessed, there has been an average rate of absorption of about 50,000 SF per year, combined between flex, office, and industrial space. This has been punctuated by significant net losses in tenants and increases in vacancies in 2008 and 2015, but absorption rates have been higher in the past few years and reached a peak of 264,000 SF in 2018. Given increased transit accessibility, expansions of owner-occupied properties, and a regional policy focus on nodal growth, higher levels of absorption are likely as Canyon Park continues to develop as a job center.

Figure 12. Absorption Rates for Office, Flex, and Industrial Properties in Canyon Park, 2017–2019



Source: CoStar, 2020; BERK, 2020.

Relationship to Growth Targets

As described in Attachment A, the City needs to accomplish about 45 people (activity units that equal both jobs and residents) per acre in the RGC in the future, increasing from over 17 people per acre today in the adopted RGC boundary (or over 20 people per acre in the proposed smaller RGC boundary). At a minimum the City would need to add about 13,700 new people (jobs and population) above the 15,000 existing (of which nearly 12,000 are employees). See Table 7.

Table 7. Activity Units, Current and Future

Activity Units	2018 Current RGC Boundary	2035 No Action	2043 Business Plus	2043 Live/Work	2043 Mitigated Live/Work
Population ¹	1,773	5,485	4,472	7,192	4,570
Employment ²	10,833	15,363	28,651	26,585	20,895
Gross Acres	733	733	613	613	565
Activity Units per Gross Acre	17.2	28.4	54.0	55.1	45.1

Sources: ¹ESRI Business Analyst—2018 population, accessed 2019.

²ESD Covered Employment, 2017, accessed from PSRC.

In addition to the capacity for at least about 4,847 residents identified in Table 5 based on assumed densities, the projected growth in jobs of low (8,949), medium (10,533), or transit oriented (12,838) absorption scenarios would allow the City to achieve the combined 13,700 minimum activity units. The projected growth in jobs would mean achieving higher employment densities than in the past, similar to building typologies considered in the Action Alternatives as described in Attachment B.

Development Feasibility / Proforma Analysis

Through the subarea planning process the City of Bothell is identifying amendments to applicable goals, policies, land use designations, zoning districts, development regulations, and capital plans. These amendments would be designed to create opportunities for employment, residential, and mixed-use development.

To ensure that new regulation in the Canyon Park Subarea can help to promote new development, these policies and regulations could/should? [can] be tailored to consider how they would influence feasible projects and the use of site development capacity. This study examined three distinct prototypes for redevelopment projects in the subject area:

- A **Residential/Retail Main Street Development** project, consisting of a mix of residential and commercial uses in the northern portion of the study area (near Thrasher's Corner).
- A **Commercial/Retail Mixed-Use Development** project with office and retail uses located close to the Canyon Park Park-and-Ride, Transit and at a key location in the pedestrian network.
- A **Business Park Commercial Infill Development** project built on a parking lot located in a part of the study area, which is not directly (beyond ¼ mile) served by the Swift BRT.

Of these three conceptual projects, only the mixed-use residential/retail project demonstrated that it was feasible, primarily in the case that parking requirements were reduced due to proximity to high-frequency transit service. Although the commercial/retail project could potentially be feasible in the short- to mid-term with shifts in the markets, the parking lot infill project was not likely to be practical under expected [market?] conditions.

Other conclusions reached included the following:

- Overall, the greatest limiting factor in the study area across all projected studied is with regulated parking minimums. Reducing minimum requirements for parking in areas served by transit will likely spur additional projects and more intensive development.
- Success with commercial redevelopment projects will relate to attracting higher-end office functions into the study area. This includes uses that likely have higher-end and specialized needs for office space, such as medical office uses.
- If employment uses are to be preserved in certain areas, policies may be necessary to ensure that residential redevelopment projects do not outcompete commercial projects vying for the same space. While covenants, conditions, and restrictions (CC&Rs) have been successful in maintaining employment uses in the area, the difference in returns may encourage conversion to residential use in the future.

The results of this analysis are summarized in Table 8 below:

Table 8. Proforma Analysis Summary Results

Type	Overview	Additional Findings
Mixed Use	<ul style="list-style-type: none"> The mixed-use residential/retail project appears feasible, primarily if parking requirements are reduced due to proximity to high-frequency transit service. 	<ul style="list-style-type: none"> Affordable units could be achieved through layering a 12-year MFTE program with impact fee reductions. The subarea should be managed to ensure that residential and mixed-use redevelopment does not outcompete commercial projects in the short term.
Commercial Redevelopment	<ul style="list-style-type: none"> Commercial redevelopment projects in areas with frequent transit service are infeasible, but future changes in market conditions may spur these projects. 	<ul style="list-style-type: none"> Higher-end office products have potential to be feasible, such as medical office uses. Possible increases in lease rates due to improved transit access may also promote redevelopment projects as well.
Commercial Infill	<ul style="list-style-type: none"> The parking lot infill project was not likely to be practical under expected conditions. 	<ul style="list-style-type: none"> Reductions in parking requirements on these sites, however, could allow for minor additions to existing buildings without the need for a resulting increase in parking.
Other Commercial	<ul style="list-style-type: none"> Owner-occupied projects could also be a form of new development in this area. 	

Attachment A: PSRC Centers Redesignation Requirements

By 2025, the year of the first monitoring review, existing RGCs, such as Canyon Park will be to fully meet RGC eligibility and designation criteria similar to that required for new centers, including:

- **Local Commitment.** Evidence center is a local priority and sponsor city/county has sustained commitment over time to local investments in creating a walkable, livable center.
- **Center Plan Update.** An updated center plan (subarea plan, plan element, or functional equivalent that provides detailed planning or analysis) that addresses regional guidance, and plans for a mix of housing and employment, bicycle and pedestrian infrastructure, amenities, and a street pattern that supports walkability.
- **Housing Need.** Assessment of housing need, including displacement risk, as well as documentation of tools, programs, or commitment to provide housing choices affordable to a full range of incomes and strategies to further fair housing.
- **Capital Investments.** Capital investments by the local government in the center in the current or prior 6-year capital planning cycle, and commitment to infrastructure and utilities in the jurisdiction's capital improvement program sufficient to support center growth, pedestrian infrastructure, and public amenities.
- **Center Criteria.** Consistent with designation criteria for size, planning, transit, market potential, and role for new RGCs. (See Table 9 for a complete list of criteria.) Existing centers will remain designated if they do not meet the new center density criteria, provided that the center is consistent with other criteria identified in this section.
- **Market Study.** RGCs that have existing density levels below the level required for new regional centers at the time of the review must complete a market study to evaluate the potential for and opportunities to best support center growth. The market study must consider a planning horizon reasonably far beyond the monitoring period (2025). The market study should show how the center can meet targeted levels of growth within the planning period. The jurisdiction should demonstrate its work to address opportunities identified in the market study.

Per the Center Criteria above, new centers and redesignated centers monitored through 2025 should meet the following parameters in Table 9.

Table 9. PSRC Centers Criteria 2025+

Urban Growth Center
<p>Definition</p> <p>These centers have an important regional role, with dense existing jobs and housing, high-quality transit service, and planning for significant growth. These centers may represent areas where major investments – such as high-capacity transit – offer new opportunities for growth.</p>
<p>Criteria</p> <p>Center must meet each of the following criteria:</p> <ul style="list-style-type: none">▪ Existing density. 18 activity units per acre minimum.▪ Planned target density. 45 activity units per acre minimum.▪ Mix of uses. Regional growth centers should have a goal for a minimum mix of at least 15% planned residential and employment activity in the center.▪ Size. 200 acres minimum – 640 acres maximum (may be larger if served by an internal, high-capacity transit system).▪ Transit. Existing or planned fixed route bus, regional bus, Bus Rapid Transit, or other frequent and all-day bus service. May substitute high-capacity transit mode for fixed route bus. Service quality is defined as either frequent (< 15-minute headways) and all-day (operates at least 16 hours per day on weekdays) or high-capacity.▪ Market potential. Evidence of future market potential to support planning target.▪ Role. Evidence of regional role▪ Clear regional role for center (serves as important destination for the county).▪ Jurisdiction is planning to accommodate significant residential and employment growth under Regional Growth Strategy.

Source: Puget Sound Regional Council, 2018.

A key criterion is whether the center can achieve 45 activity units or more per acre – population and employment combined. Based on available employment and dwelling information, and current RGC boundaries of 733 gross acres, the activity units in the study area are 17.2. If reducing the RGC boundary to 565 acres, as proposed in the Draft Environmental Impact Statement (EIS) the activity units per acre are around 20.9.

Attachment B: Land Capacity Methodology

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Bothell Canyon Park Subarea Plan Update and Planned Action

Land Capacity and Growth Assumptions Description

Background

The purpose of this document is to provide additional detail regarding assumptions and methods for the No Action and Action Alternative land use assumptions.

Under the State of Washington Growth Management Act, each County and City is required to provide sufficient land capacity for added population to meet growth targets assigned by counties in consultation with cities. Many counties, including Snohomish and King Counties, also assign housing and employment targets.

The City of Bothell found that its 2014 Comprehensive Plan did not provide enough population capacity. In 2015, Bothell added opportunities for mixed-use development in the Canyon Park study area. The capacity for jobs and housing was increased by amending the zoning of portions of the study area to include the Residential-Activity Center designation.

Pages 3-34 to 3-39 of the Draft EIS describe the City's 2015 Comprehensive Plan capacity results and updated capacity results prepared for the Bothell Canyon Park Subarea Plan and Planned Action Draft EIS in December 2019, particularly the No Action Alternative. Additional information is included in the Socioeconomics section of the Draft EIS (e.g. Tables 33 and 34).

The Action Alternatives considered land capacity results (e.g. partially used and redevelopable sites), but the results for those scenarios additionally consider Community Scoping Meeting Input including economic and urban design information (e.g. typologies) as described in Draft EIS Appendix A.

Results are intended to support the City in its efforts to meet Puget Sound Regional Council's Center's criteria for Regional Growth Centers and are expressed in the form of activity units – combined population and jobs). See more description in Section 3.2 of the Draft EIS, Land Use Patterns and Policies.

It should be noted that the focus of this document is on the current 2012 Buildable Lands Report methods as it relates to the current Comprehensive Plan/No Action Alternative. The County and cities are currently preparing an update to the Buildable Lands Report that is still in progress at the time of this writing. It should also be noted that the City will determine appropriate assumptions in the framework of the methodology update as part of its Comprehensive Plan Update due in 2024, and consider citywide results.

Land Capacity Approach

SNOHOMISH COUNTY 2012 BUILDABLE LANDS REPORT

In 2012, Snohomish County in consultation with cities produced a Buildable Lands Report. It was meant to support Comprehensive Plan Updates due by 2015. In summary, the steps include:

- Step 1: Buildable Lands Inventory (What land in the UGAs could be developed?)
- Step 2: Development History – Residential, Commercial and Industrial (What density actually happens in each zone?)
- Step 3: Capacity Calculations -- Assignment of Future Development Densities to the Buildable Lands Inventory (What is the land capacity as of 2011?)
- Step 4: Reductions for Uncertainty (How much of the land capacity is likely to be available for development by 2025?)
- Steps 5 & 6: UGA Growth Target/Capacity Comparisons (What are the growth targets, and is there enough land capacity?)

The report is available at the Snohomish County website:

<https://snohomishcountywa.gov/1352/Buildable-Lands>

The steps as applied to the No Action Alternative, representing the current Comprehensive Plan, are described below.

NO ACTION ALTERNATIVE

Step 1: Land Suitable for Development

Vacant, Redevelopable, and Partially-Used Land

BERK Consulting, Inc. obtained the buildable lands spatial layers from 2012, 2015, and updated parcel data from the Snohomish County Assessor. The revised analysis was conducted from January to May 2019, and corrected in February 2020. The effective base year is 2018.

Land was identified as one of the following:

- Vacant: Generally those where the Assessor's building improvement value is less than \$2,000.
- Redevelopable: For multi-family, commercial, industrial, or mixed-use zoned or designated land, existing buildings valued at less than 100% of the land value were considered potentially redevelopable.
- Partially Used: For commercial, industrial, and mixed-use zones, land developed to 25% of allowed building space even if building value exceeds more than 100% of the land value were considered partially-used.

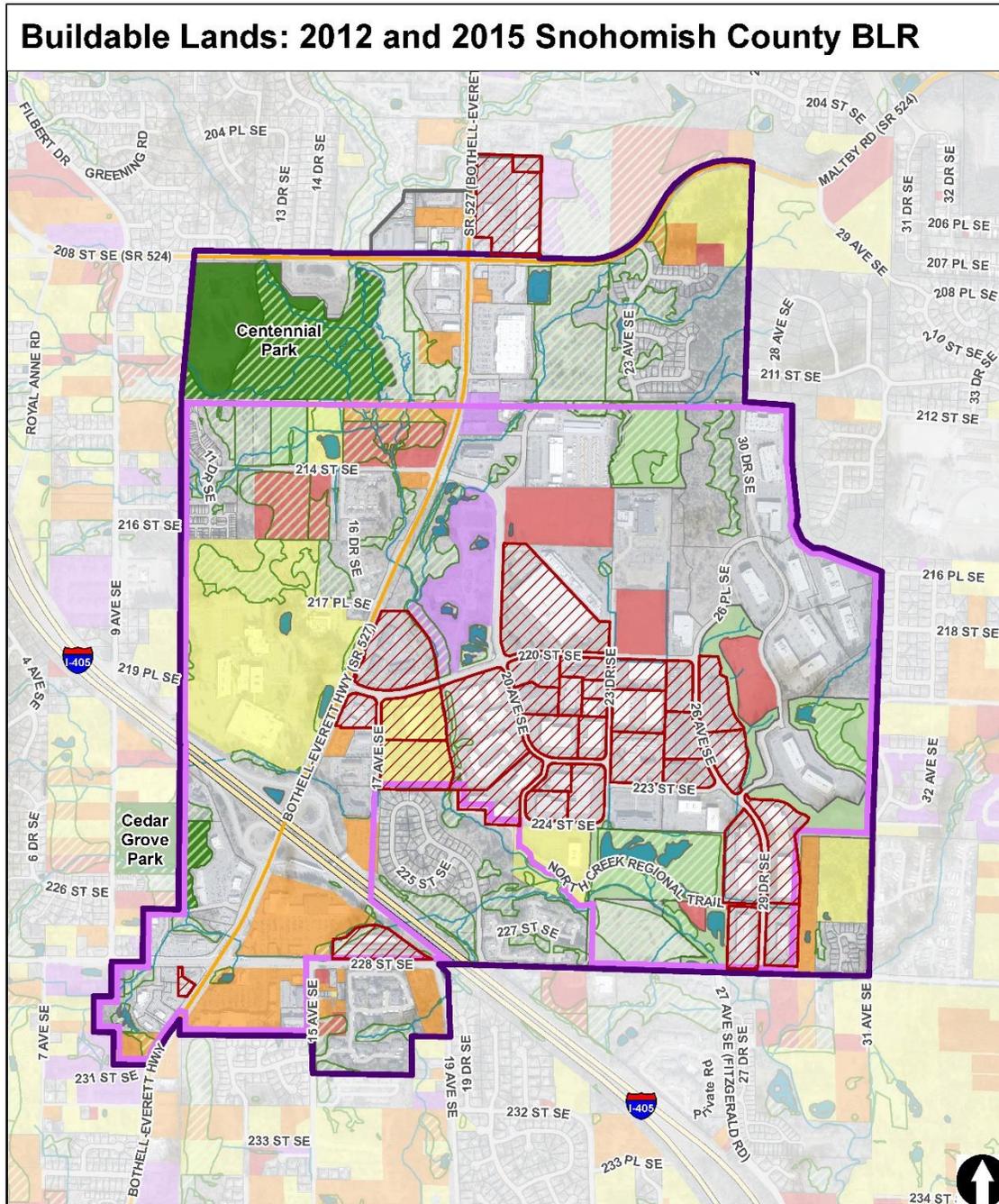
Figure 1 has been corrected since the December 2019 Draft Environmental Impact Statement (Draft EIS) to distinguish redevelopable and partially-used properties rather than lumping them as redevelopable, and to show then pending development. In addition, Figure 1 shows parcels evaluated in 2015 as

redevelopable by 2035 in the County and City analysis of the 2015 *Imagine...Bothell* Comprehensive Plan Update that zoned more land for mixed uses. Figure 2 updates the 2012/2015 analysis with more recent Assessor data. It also corrects the location of partially-used properties compared to the Draft EIS that due to a formula error had not included total square feet for properties with multiple buildings.

In both the 2012 Buildable Lands Report results and the more recent analysis for the Canyon Park Subarea Plan Update there is minimal vacant land in this urban area. In 2012, the results did not include much partially used land and more redevelopable land. By 2020, with more current land and improvement value information, a little more land is seen as partially used. In addition, more land is considered redevelopable by 2035. See Figure 1 compared to Figure 2.

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Figure 1. Canyon Park Buildable Lands, 2012 and 2015



Canyon Park Subarea

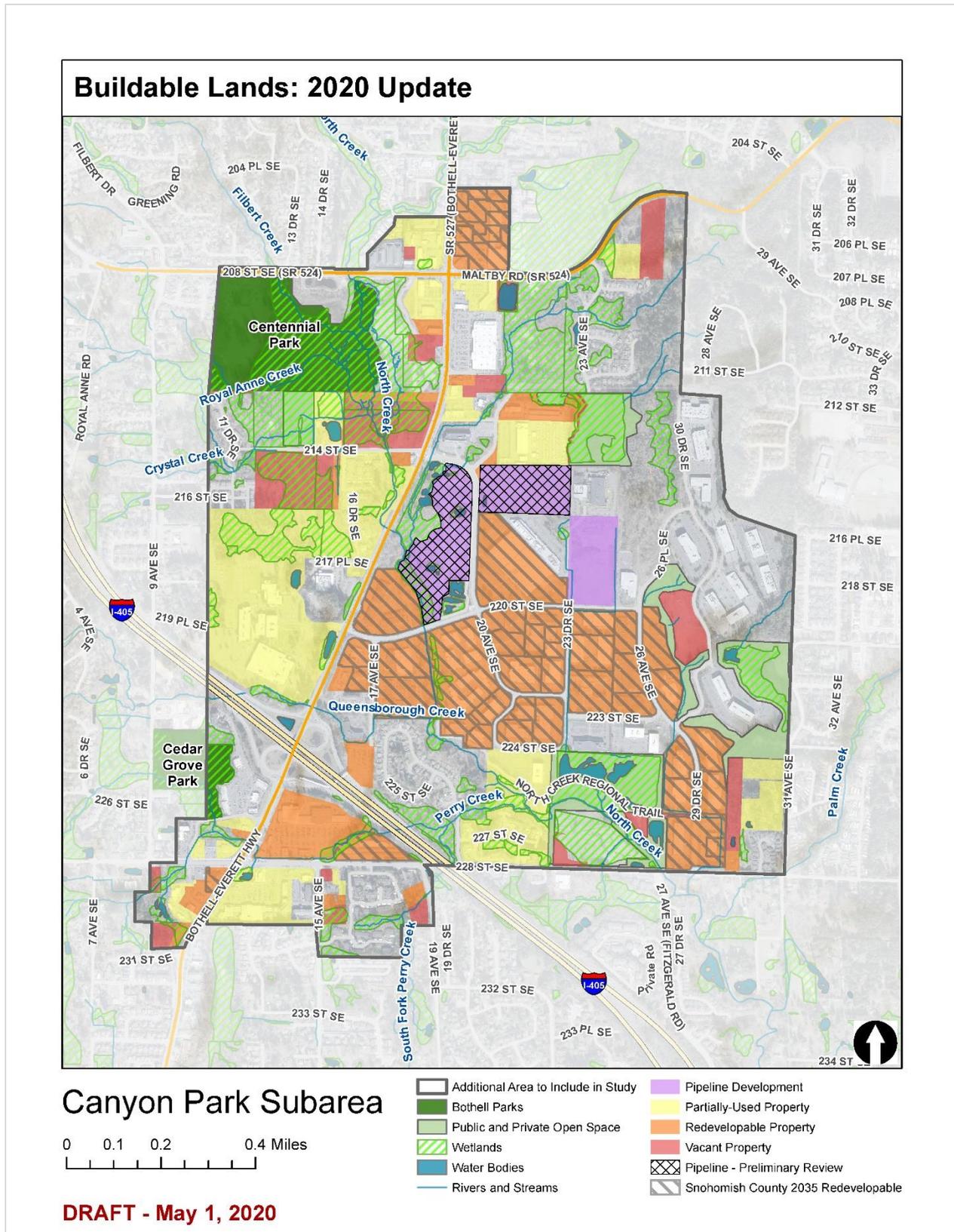
0 0.1 0.2 0.4 Miles

DRAFT - April 29, 2020

- | | | |
|-------------------------------------|------------------------|------------------------|
| Canyon Park Subarea | Regional Growth Center | Pending |
| Additional Area to Include in Study | Bothell Parks | Partially-Used |
| Public and Private Open Space | Water Bodies | Redevelopable |
| Wetlands | Rivers and Streams | Vacant Land |
| | | Constant/Developed |
| | | 2015 BLR Status Review |

Source: Snohomish County Tomorrow, 2012; Snohomish County 2015; BERK, 2020.

Figure 2. Canyon Park Buildable Lands 2020



Source: Snohomish County Tomorrow, 2012; Snohomish County Assessor, 2018; Snohomish County PDS 2015; BERK, 2020.

Critical Areas Deductions

Critical areas include lands important to protect for their functions and values such as wetlands, streams, and aquifers, or lands important to protect for public health and safety such as geologic hazards and floodplains.

After the vacant, partially developed, and redevelopable land is summed, critical areas are deducted from the buildable land.

Total acres and critical areas acres by buildable land status are reported in Table 1.

Table 1. Canyon Park Property Buildable Land Status, Updated 2020, Full Study Area

PROPERTY STATUS	GROSS ACRES	NET ACRES	CRITICAL AREA ACRES
Developed/Constant	460.9	247.5	213.4
Partially-Used ¹	201.5	159.1	42.4
Pipeline ²	43.1	40.0	3.1
Redevelopable ³	195.9	184.1	11.8
Vacant	55.6	24.8	30.9
Total⁴	957.0	655.4	301.6

¹Partially-Used: For commercial, industrial, and mixed-use zones, the floor area ratio is usually less than 25% and the building improvement to land value ratio is greater than 100%.

²Pipeline: Properties in permit review.

³Redevelopable: For multifamily, commercial, industrial, or mixed-use zoned or designated land, existing buildings valued at less than 100% of the land value are usually considered potentially redevelopable. Also includes lands the County and City considered 2035 Redevelopable in the 2015 *Imagine...Bothell* Comprehensive Plan Update.

⁴Total acres are net parcel acres excluding public rights of way. With rights of way total acres are 1,037.

Source: Snohomish County Tomorrow, 2012; Snohomish County Assessor, 2018; Snohomish County PDS 2015; BERK, 2020.

Economic Units

Similar to the 2012 Buildable Lands Report, parcels were reviewed for common ownership where zoning was consistent across parcels, and considered as single economic units.

Pending Development

In addition to vacant, redevelopable, and partially used land, the Buildable Land method considers pending development including approved but not yet built projects. Pending developments can be considered in place of the standard capacity methods since they may be representative of market conditions and densities/intensities.

For the Bothell Canyon Park Subarea Plan Update purposes, the following pending developments were considered in Table 2.

Table 2. Pipeline Development Considered in No Action Land Capacity Results

NAME	STATUS	UNITS
Canyon Park Apartments	Preliminary Review	561
Canyon Park Tract 24 Townhomes	Preliminary Review	239
Tract 18-19 Townhomes	Approved	118

Source: City of Bothell; BERK, 2019.

A fall 2019 pre-application addressing the Juno site also provided information about how additional employment space could be accommodated on a partially developed site.

One other proposal in preliminary review is not included regarding the Sound Transit maintenance facility. At this time, insufficient information about the Sound Transit maintenance facility proposal is available for the City to evaluate what impacts the facility may have on the vision for the subarea as well as the potential compatibility of the action alternatives in relation to the potential facility. The Sound Transit Bus Base qualifies as an essential public facility that must be evaluated by an independent Hearing Examiner who must approve a conditional use permit for the facility. Essential Public Facilities have additional approval criteria within Bothell Municipal Code Section 12.06.080(B)(2).

Step 2 and Step 3: Trends and Densities

Residential and Employment Densities

The 2012 Buildable Lands Report identifies assumed densities for each residential and mixed use zone and employees per acre for mixed use, commercial, and industrial zones considering development history between 1995 to 2010. The 2012 analysis classified most of the properties in the study area as primarily commercial or residential, with relatively few mixed use sites. More sites were considered mixed use in the 2015 analysis given zoning changes at that time, and assumed densities were increased considering how properties may develop as mixed use by 2035.

Table 3. Residential and Employment Density Assumptions (Per Acre)

ZONING	RES. DENSITY*	EMP. DENSITY
PCB	9.85	37.01
R 2,800	14.39	
R 4,000	19.02	
R 5,400a	5.98	
R 5,400d	5.27	
R 9,600	3.35	
R-AC, OP, CB	9.85-30	28.51-30
R-AC, OP, CB, LI, MVSO	9.85-30	30-54.66
R-AC, OP, CB, MVSO	9.85-30	30-66.25
R-AC, OP, LI	9.85-30	30-54.66
UC	45	27

Note: *For the 2015 *Imagine...Bothell* Comprehensive Plan Update capacity estimates, the County and City considered 30 dwelling units per acre and 30 employees per acre on sites allowed mixed uses. These alternative densities were applied to 100% of sites considered redevelopable by 2035.

Source: Snohomish County, 2012

These density assumptions are applied to the net buildable acres consistent with their zoning.

The 2012 results considered parcel-specific zoned densities based on predominant use of commercial or residential uses or in some cases mixed uses; in 2015 added redevelopable sites were assumed to have 30 jobs per acre and 30 residential units per acre on 100% of the same site. For mixed use zones, the buildable lands analysis for the Canyon Park Subarea Plan Update in 2020 assumes a 50/50 split on net developable acres, and half are applied the residential densities and half the employment rates. This is similar to mixed use zone approaches by other cities such as Lynnwood and Everett in the 2012 Buildable Lands Report.

The analysis assumes that future development on partially-used properties would be an expansion of their existing use, not a replacement similar to the 2012 Buildable Lands Report assumption that partially-used sites have room for additional development without demolition. The analysis for the Canyon Park Subarea Plan Update in 2020 also considers recent permit activity in the last five years. Business park area sites that were recently the subject of high-value permits (over \$300,000 to multiple millions) were considered to develop all as employment rather than mixed use.

Deducting Existing Dwellings and Jobs on Partially-Used and Redevelopable Sites

Existing jobs are deducted from partially used and redevelopable sites by removing existing jobs as estimated in the 2012 Buildable Lands Report. The results removed about 2,400 jobs from Partially-Used sites and about 4,700 jobs from redevelopable sites.

Existing dwelling units are removed from the analysis similar to the above approach with jobs; there were about 78 existing dwelling units subtracted from the residential capacity.

Step 4: Reductions for Uncertainties

Miscellaneous Public/Institutional Use Reduction

Per the 2012 Buildable Lands Report methodology, a 5% reduction factor was used to account for the uncertainty of land availability for infrastructure and public needs:

A 5% reduction factor was used to account for the uncertainty of land availability for development due to: new stormwater regulations requiring larger detention ponds (especially in the unincorporated UGAs), potential need for regional or local stormwater facilities, potential need for transmission line, utility, or road or rail rights-of-way, potential need of land for public or institutional uses like police/fire stations, churches, water supply storage facilities, wastewater treatment and pump stations, landfills and transfer stations, cemeteries, libraries, daycares, small parks or open space, municipal offices, and other uses...

It should be noted that a site purchased for the Northshore School District as a special high school to provide curriculum and training for students who may be a talent pipeline for businesses in the Canyon Park Subarea was identified as a partially used site with a potential to add employment whether for educational or other purposes.

Market Factor

A market factor is applied to capacity results to recognize not all landowners would be ready to develop or redevelop their property in a planning period. The Buildable Lands Report in 2012 applies a 15% deduction for vacant land and 30% for partially-used and redevelopable land.

In the No Action land capacity analysis, a 30% deduction was used on vacant, partially-used, and redevelopable land for residential purposes. For jobs, no market factor was assumed. This is because the City's assumptions for job growth in the study area between 2012 and 2035 have already been met, largely by jobs reoccupying existing buildings. There is still capacity to build new buildings in the study area.

Land Capacity Results

The Draft EIS included a sum of land capacity as listed in Table 4, assuming a market factor on residential and excluding it from employment.

Table 4. Draft EIS Results with Market Factor Assumptions

NO ACTION CAPACITY IN STUDY AREA	RES. UNITS	POPULATION	TOTAL EMP.
With BLR Market Factor 30%	2,242	4,484	3,351
With no Market Factor	N/A	N/A	4,787

Source: Snohomish County Tomorrow, 2012; Snohomish County Assessor, 2018; BERK, 2019.

The overall results incorporated into the Draft EIS for the full study area and Regional Growth Center sub-set are shown in Table 9.

Table 5. Draft EIS December 2019 Canyon Park Capacity Review

	POPULATION CAPACITY		EMPLOYMENT CAPACITY	
	Full Study Area	RGC	Full Study Area	RGC
Redevelopable Land	282	124	456	401
Partially Developed Land	2,192	1,640	3,877	3,681
Pipeline Development	1,836	1,836	0	0
Vacant	174	108	454	405
Total	4,484	3,708*	4,787	4,487*

Notes: *Reflects the adopted RGC boundary. When the capacity estimates were applied to more refined blocks and transportation analysis zones the estimates rounded and were around 1% higher: 3,712 population (+4) and 4,530 (+43) jobs but when considering the full study area, the numbers added to similar amounts.

Source: Snohomish County Tomorrow, 2012; Snohomish County Assessor, 2018; BERK, 2019.

Correcting the classification of partially-developed and redevelopable properties per the 2015 County and City evaluation for the *Imagine Bothell...Comprehensive Plan Update*, and applying assumptions as detailed above, revised results are similar in total for the Canyon Park Subarea Plan Update.

Table 6. Canyon Park Subarea and Canyon Park Vision Study Area north of Maltby Road: Net Capacity

	Population Capacity		Employment Capacity [1]	
	Full Study Area	RGC	Full Study Area	RGC
Redevelopable Land	1,856	1,447	2,306	2,281
Partially Developed Land	924	344	2,161	1,881
Pipeline Development	1,687	1,687	-	-
Vacant	380	235	337	268
Total [2]	4,847	3,713	4,804	4,430

[1] Job capacity without the market factor.

[2] If assuming properties with investment in recent permits over \$300,000 stay employment oriented, as well as CPBOA properties which are limited by CC&Rs from residential at this time, the resulting job capacity for the study area equals 4,804. If only business-park area properties with investment in recent permits over \$300,000 stay employment oriented, and otherwise mixed use is assumed similar to the County and City evaluation for the 2015 *Imagine...Bothell* Comprehensive Plan Update, the resulting job capacity would slightly decrease to 4,373, and the population capacity would increase to 5,097.

Source: Snohomish County Tomorrow, 2012; Snohomish County Assessor, 2018; Snohomish County PDS 2015; BERK, 2020.

Traffic Model and Growth Trends/Market Forces

For the period 2012-2035, the Transportation evaluation for the Comprehensive Plan tested about 4,000 jobs and 3,000 dwellings (equivalent to roughly 5,300 people based on the model’s 2.4 persons per household assumption that is greater than the 2 persons per household assumption in the 2012 Buildable Lands Report) within transportation analysis zones that encompass the study area and lands beyond. The transportation analysis zones extend outside the study area, but most jobs and most residential growth should be within the study area.

By updating the base year to 2018 using information from the PSRC LUV model covering the City’s transportation analysis zones, results show the City has achieved the jobs planned for 2035 as of 2018 in the study area, but there is more growth anticipated for households.

To test the likelihood of additional employment growth in the 2018-2035 timeframe the transportation analysis (and the rest of the EIS) assumed growth similar to the No Action Capacity results developed earlier in 2019 per Table 8 below in Step 5: Net Capacity section.

Table 7. Comprehensive Plan Traffic Model Assumptions – Canyon Park Vicinity

PERIOD	RES. UNITS	POPULATION	TOTAL EMP.
2012-2035 Growth	2,684	6,442	4,110
2018-2035 Growth	2,129	5,110	(256)

Source: City of Bothell 2015; Fehr & Peers, PSRC, BERK, 2019.

Step 5: Net Capacity

Following the above Steps, the updated 2020 population capacity range for the full study area is similar/slightly lower than the County's/City's results in 2015; the 2020 employment results are greater than results in 2015. Adjusting some of the assumptions about the share of property that could be used for residential and commercial in mixed-use formats could alter the results (e.g., greater population, less employment).

Table 8. Canyon Park Subarea and Canyon Park Vision Study Area north of Maltby Road: Net Capacity

SCENARIO	POPULATION	HOUSING UNITS	JOBS
2012 Capacity	225	106	3,120
2015 Capacity [1]	5,272	3,003	3,965
Draft EIS Studied	4,484	2,242	4,787 [2]
Updated 2020 LCA [1]	4,847 - 5,097	2,654 - 2,790	4,373 - 4,804 [2,3]

[1] Updates capacity of the current 2015 updated Bothell Comprehensive Plan (No Action Alternative). Includes area north of Maltby Road as well as city limits. The Comprehensive Plan page LU-11 reports 4,498 for area in city limits.

[2] Job capacity without the market factor.

[3] High range of employment assumes properties with investment in recent permits over \$300,000 stay employment oriented, as well as CPBOA properties which are limited by CC&Rs from residential at this time. Low range employment assumes that business-park area properties with investment in recent permits over \$300,000 stay employment oriented; otherwise mixed use as evaluated by the County and City in the 2015 *Imagine...Bothell* Comprehensive Plan Update.

Source: Snohomish County Tomorrow, 2012; Snohomish County Assessor, 2018; Snohomish County PDS 2015; BERK, 2020.

The December 2019 Draft EIS assumptions tested growth similar in employment and slightly lower in population compared to 2020 results. No Action Alternative growth assumptions still remains lower than all other studied alternatives and continues as a lower bookend as described further below.

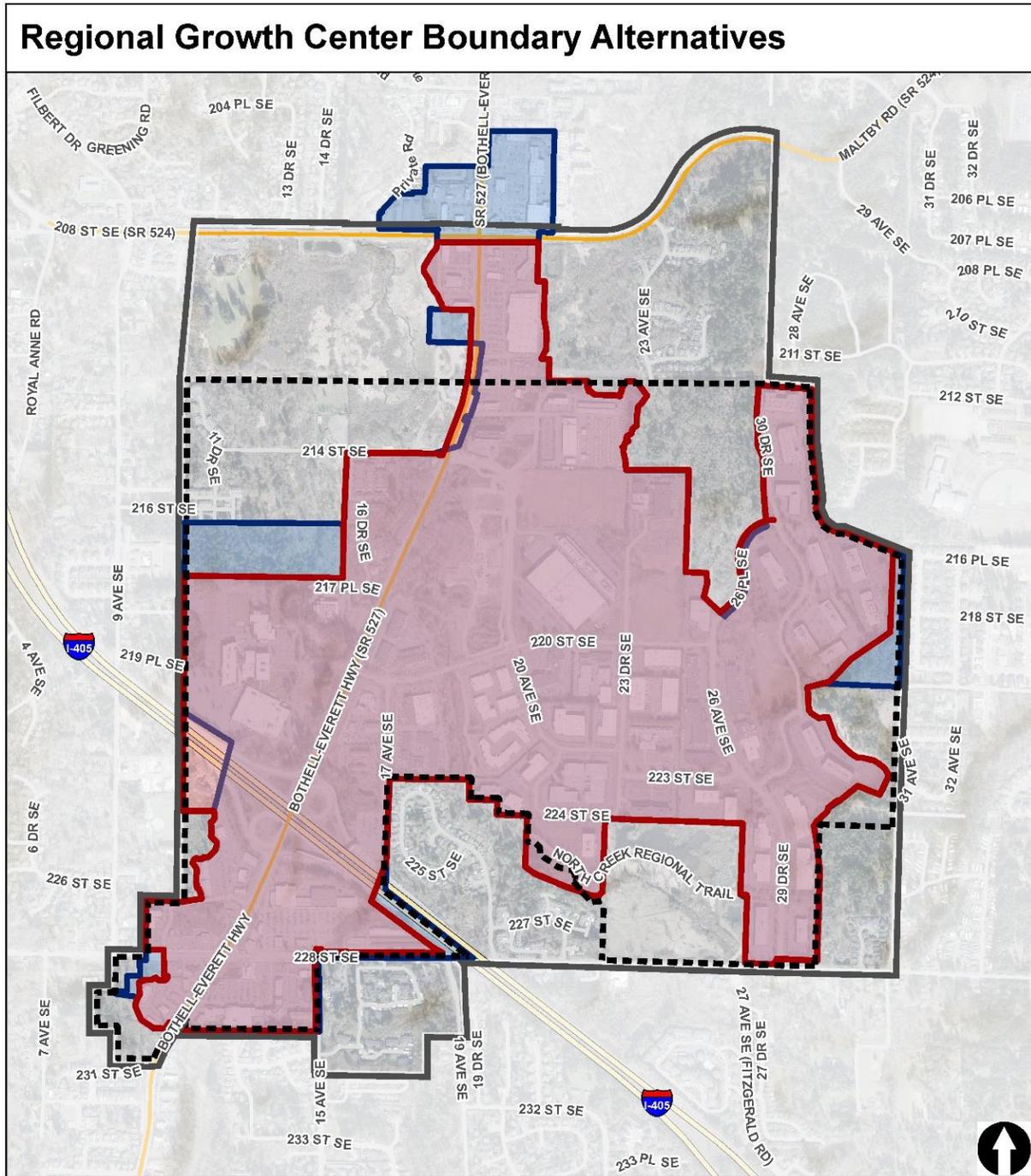
ACTION ALTERNATIVES

Regional Growth Center Boundaries

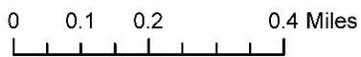
Growth estimates for Action Alternatives are based on a target of 45 activity units – population and jobs – per gross acre of Regional Growth Center area Outside of the Regional Growth Center boundary results of the No Action capacity are applied.

Current RGC boundaries are 733 acres and include areas of wetlands. The new PSRC guidance promotes more compact RGC boundaries of up to 640 acres or a square mile. The Business Plus and Live/Work Alternatives would add the Thrasher's Corner intersection and abutting properties to RGC boundaries and reduce the boundaries elsewhere, particularly excluding wetland areas that are not allowed to develop. The result is an RGC boundary of about 613 acres. The proposed boundary in the Mitigated Live/Work Alternative is similar to those of other Action Alternatives, but refines areas further near wetlands and roads, producing a boundary of 565 acres. See Figure 3 to compare RGC boundary alternatives.

Figure 3. Comparison of RGC Boundary Alternatives



Canyon Park Subarea



- Canyon Park Subarea
- Adopted Regional Growth Center (RGC)
- Proposed RGC - Live/Work Mitigated Alternative
- Proposed RGC - EIS Action Alternative

Source: City of Bothell, 2019; BERK 2019.

Typologies

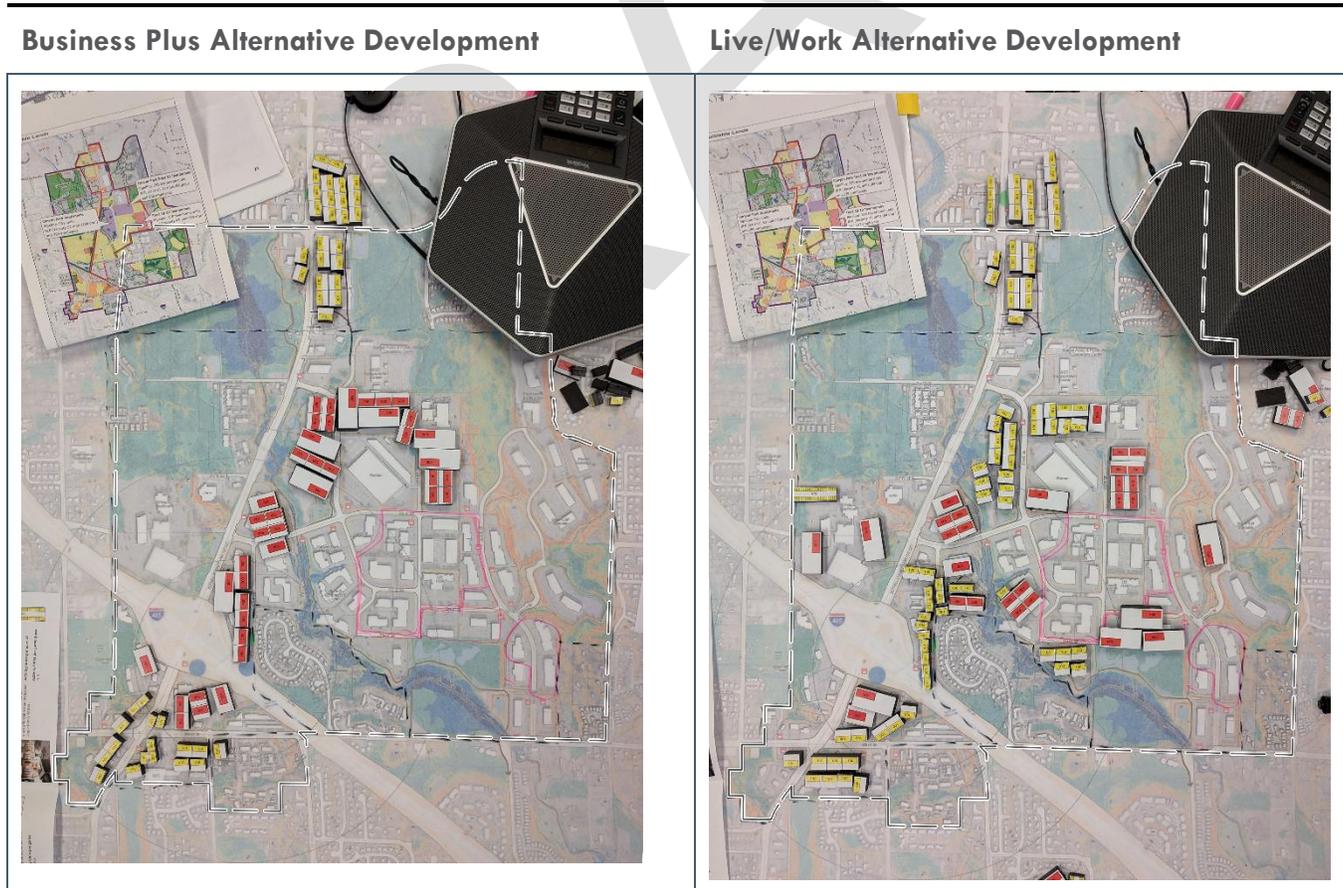
Within the study area, growth estimates are based on typologies that represent different building types and parking areas that fit the zoning standards and concepts for added jobs and housing in the study area. The typologies were created considering economic and urban design conditions in the study area. For example, the added development is largely located on sites at the shopping centers and along the Bothell-Everett Highway and near the I-405 Park and Ride, and these sites have some potential for redevelopment or infill, with employment and residential or mixed uses. Also, the areas in the central or eastern business park, there was less added development to consider retaining the business-related uses in these areas.

Typologies were provided for public exercises at a Community Scoping Meeting in spring 2019. See Attachment A. Community input at the scoping meeting informed the City and Consultant team (collectively the project team). See Draft EIS Appendix A.

The typologies were translated into employment and residents/dwellings per acre, similar to the buildable lands methodology, except that densities are planned rather than based on achieved in prior years. The typologies represent building types found in the region and suited to the study area.

Following the scoping meeting, the project team developed distinct alternatives and applied typologies to base maps. Results were summed by block and transportation analysis zone. See net results by Transportation Analysis Zone (TAZ) below.

Figure 4. Alternative Development Spring 2019



Source: Makers, 2019.

Market Factor

Because the growth estimates using typologies exceeded the Regional Growth Center activity-unit-based targets, a market factor of 15% was applied to growth number results for the Business Plus and Live/Work Alternatives. The resulting Activity Units per acre are still above 45 activity units per acre for a conservative analysis (activity units: Business Plus 54.0, Live/Work 55.1).

The “Mitigated Live/Work” Alternative has the same pattern as the primary Live/Work Alternative, but reduces the Regional Growth Center boundaries and the corresponding growth by about 25% to reduce mitigation requirements while still meeting the Regional Growth Center criteria of 45 activity units per acre.

Net Capacity

A comparison of capacity results for all alternatives is presented below in Table 9. The Business Plus Alternative has a similar capacity for about 4,000 residents and a much higher number of jobs at 17,350 compared to the No Action Alternative. The Live/Work Alternative would have a greater residential population of nearly 7,200 and high job count at nearly 15,300. To explore additional mitigation of impacts, a “Mitigated” Live/Work Alternative has been developed with lower growth as described above. Under all alternatives, nearly all the growth would be in the RGC, as shown in Table 9.

Table 9. Housing, Population, and Jobs—Net Growth

Alternative	REGIONAL GROWTH CENTER (RGC)*				FULL STUDY AREA			
	Dwelling Capacity	Population Capacity	Job Capacity	Total Activity Units	Dwelling Capacity	Population Capacity	Job Capacity	Total Activity Units
No Action	1,856	3,712	4,530	8,242	2,242	4,484	4,787	9,271
Mitigated Live/Work	2,816	4,225	9,458	13,683	3,614	5,496	9,805	15,302
Business Plus	2,687	4,012	17,209	21,221	2,915	4,468	17,350	21,818
Live/Work	4,498	6,732	15,143	21,875	4,726	7,188	15,284	22,472

Note: *See Figure 3 and associated text. No Action Alternative RGC boundaries equal 733 acres. The Business Plus and Live/Work Alternatives have a RGC boundary encompassing 613 acres. The proposed boundary in the Mitigated Live/Work Alternative encompasses 565 acres.

Source: MAKERS, 2019; BERK, 2019.

Net capacity results by TAZ for the Full Study Area are presented below. A TAZ map follows.

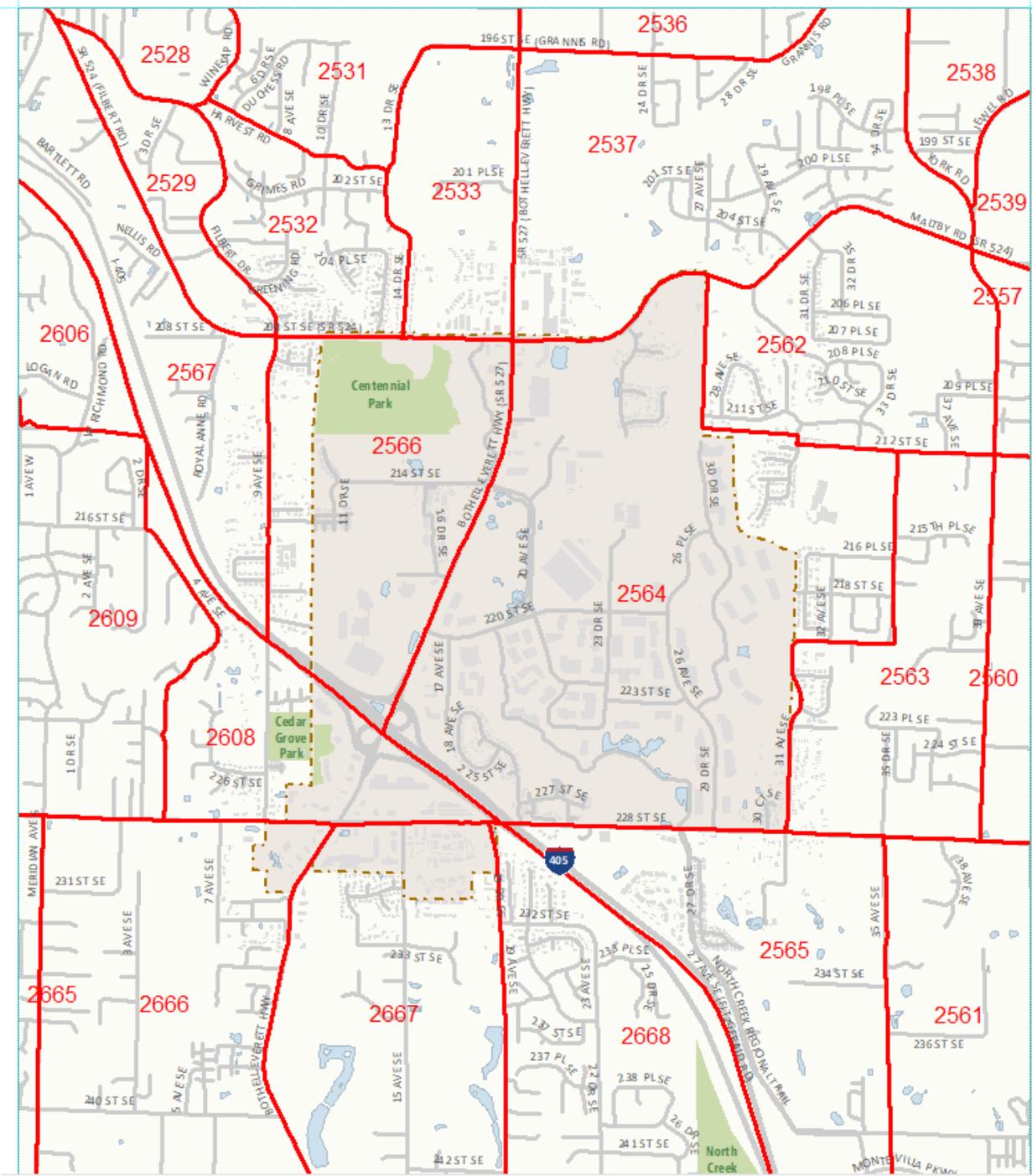
Table 10. Capacity by Transportation Analysis Zones (TAZs) – Full Study Area

TAZ	NO ACTION		MITIGATED LIVE/WORK		BUSINESS PLUS		LIVE/WORK	
	HH	Jobs	HH	Jobs	HH	Jobs	HH	Jobs
2564	1,757	2,939	2,271	8,029	704	13,454	2,970	12,292
2566	201	914	86	641	170	970	113	970
2608	86	630	216	742	454	2,235	283	1,332
2666	12	26	44	41	170	81	57	81
2667	28	162	346	102	567	201	453	201
2533	91	95	174	178	-	292	227	292
2537	67	21	476	72	850	117	623	117
Total	2,242	4,787	3,614	9,805	2,915	17,350	4,726	15,284

Source: MAKERS, 2019; BERK, 2019.

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Figure 5. Transportation Analysis Zones (TAZs) in Canyon Park Subarea Vicinity



Source: Fehr & Peers, 2019.

Attachment A: Typologies

Residential

1. TOD Mixed-Use Residential/Commercial



101 Kirkland Ave, Kirkland - 101 Apartments



10410 NE 2nd St, Bellevue - Avalon Meydenbauer

- Structure/underground parking
- Higher relaxation of required parking units due to transit
- 5+1 stories, residential with ground-floor retail/office
- 1.1 parking space / unit + 1 space / 450 sf (relaxed parking requirements from transit)
- 150 dwelling units + 15,000 sf retail/office per acre

2. Residential, higher density multifamily



18420 102nd Ave NE, Bothell - Edition Apartments



15631 Ash Way, Lynnwood - Tivalli Apartments

- 5–6 stories, residential
- Structure/underground parking
- 1.25 spaces per unit (Low to moderate relaxation of required parking units due to transit)
- 160 dwelling units per acre

Commercial

3. TOD Mixed Use Commercial



1416 NW Ballard Way, Seattle - Ballard Blocks 2



15631 Ash Way, Lynnwood - Tivalli Apartments

- Structure/underground parking
- 6 stories, office with ground-floor retail
- 1 space / 500 sf office / retail (relaxed parking requirements from transit)
- 75,000 sf office + 15,000 sf retail per acre

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4. Commercial - Office/Light Industrial, higher density



15809 Bear Creek Pky NE, Redmond - The Offices at Riverpark



1120 112th Ave NE, Bellevue - One Twelfth @ Twelfth - East Building

- Structure/surface parking
- 6 stories, office/light industrial uses with accessory retail/restaurant (cafe)
- 1 space / 600 sf (moderate relaxation of required parking units due to transit – also depends on mix between office and light industrial)
- 75,000 sf office / light industrial + 500 sf retail per acre

5. Mixed-Use Office/Retail, medium density



15224 Main St, Mill Creek - Park Place Center



2034 NW 56th St, Seattle - Greenfire Campus (Commercial)

- Structure/surface parking
- 4 stories, office with ground-floor retail
- 1 space / 300 sf (low relaxation of required parking units due to transit)
- 30,000 sf office + 10,000 sf retail per acre

6. Commercial - Office/Light Industrial, medium density



21540 30th Dr SE, Bothell - Canyon Park Heights Office Center



32001 32nd Ave S, Federal Way - East Campus Corporate Park I

- Structure/surface parking
- 4 stories, office/light industrial uses
- 1 space / 500 sf (low relaxation of required parking units due to transit)
- 25,000 sf office per acre

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7. Commercial - Office/Flex, lower density



22102 17th Ave SE, Bothell - Building II



22722 29th Dr SE, Bothell - Canyon Park 228 - West Bldg

- Surface parking only
- 2 stories, office/flex/light industrial uses
- Infill/default development
- 1 space / 500 sf (depends on mix between office and light industrial – assumes more flex/industrial space)
- 12,000 sf office/flex per acre

Holistic Neighborhood Building Typology

Game pieces represent a range of plausible development types to help visualize what fits in the area. They are not intended to represent every possible type.

Office – High Density



Description:
High density offices support a large number of workers on a relatively small site, relying on transit and underground parking to reduce surface parking needs. Due to the high cost of structured parking construction, these buildings are most suitable for areas with high land values and/or that are close to high capacity transit.

Height: 65 ft

Parking: 250 stalls
- 1 stall per 2 workers
- mostly structured

Activity Units per acre: 550

Activity Units per game piece: 500

Game Piece:



Residential – High Density



Description:
High density residential buildings are typically apartments or condos. This type relies on transit use and structured parking to nearly eliminate surface parking. Due to the cost of structured parking, these buildings are most suitable for areas with high land values and/or that are close to high capacity transit.

Height: 65 ft

Parking: 50 stalls
- 0.75 stalls per dwelling unit
- mostly structured

Assumed household size: 1.5 people

Activity Units per acre: 260

Activity Units per game piece: 100

Game Piece:



Office – Medium Density



Description:
These office buildings can support a large number of workers at a medium cost of construction. They require a large land area to accommodate surface parking.

Height: 65 ft

Parking: 500 stalls
- 1 stall per worker
- mostly surface

Activity Units per acre: 174

Activity Units per game piece: 500

Game Piece:



Residential – Medium Density



Description:
This is a medium density building type with apartments or condos. Surface parking lowers the cost of construction but requires more land. More parking is provided per dwelling unit than the high-density type.

Height: 65 ft

Parking: 100 stalls
- 1.5 stalls per dwelling unit
- half surface, half structure

Assumed household size: 1.5 people

Activity Units per acre: 137

Activity Units per game piece: 100

Game Piece:



Flex Space/Light Industrial – Low Density



Description:
Low density flexible buildings are used for many types of employment including offices, manufacturing, warehousing and transportation, research and development, and other uses requiring large, open spaces. Construction costs are low, but buildings and paved areas require a large amount of land.

Height: 25 ft

Parking: 100 stalls
- 1 stall per worker
- mostly surface
- paved areas for truck loading included

Activity Units per acre: 56

Activity Units per game piece: 100

Game Piece:



Residential – Townhouses



Description:
Townhouses are attached single-family homes, offering a moderate density while providing more private space than a multifamily building. These buildings are relatively inexpensive to build and are more affordable than detached single-family homes.

Height: 35 ft

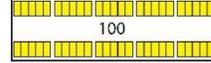
Parking: 100 stalls
- 2 stalls per dwelling unit

Assumed household size: 2 people

Activity Units per acre: 42

Activity Units per game piece: 100

Game Piece:



Attachment C: Proforma Analysis

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Canyon Park Proforma Analysis

City of Bothell Canyon Park Subarea Plan – May 2020 **DRAFT**

Executive Summary

The City of Bothell is proposing to update its subarea plan for the Canyon Park neighborhood. Through this process the City of Bothell will identify amendments to applicable goals, policies, land use designations, zoning districts, development regulations, and capital plans. These amendments would be designed to create opportunities for employment, residential, and mixed-use development.

To ensure that new regulation in the Canyon Park Subarea can help to promote new development, these policies and regulations can be tailored to consider how they would influence feasible projects and the use of site development capacity. This study examined three distinct prototypes for redevelopment projects in the subject area:

- A **Residential/Retail Main Street Development** project, consisting of a mix of residential and commercial uses in Thrasher's Corner.
- A **Commercial/Retail Mixed-Use Development** project with office and retail uses located close to the Canyon Park Park-and-Ride at a key location in the pedestrian network.
- A **Business Park Commercial Infill Development** project built on a parking lot located in a part of the study area, which is not served by the Swift BRT.

Of these three conceptual projects, only the mixed-use residential/retail project demonstrated that it was feasible, primarily in the case that parking requirements were reduced due to proximity to high-frequency transit service. Although the commercial/retail project could potentially be feasible in the short- to mid-term with shifts in the markets, the parking lot infill project was not likely to be practical under expected conditions.

Other conclusions reached included the following:

- Overall, the greatest limiting factor in the study area across all projected studied is with parking. Reducing parking requirements in areas served by transit will likely spur additional projects and more intensive development.
- Success with commercial redevelopment projects will relate to attracting higher-end office functions into the study area. This includes uses that likely have higher-end and specialized needs for office space, such as medical office uses.
- If employment uses are to be preserved in certain areas, policies may be necessary to ensure that residential redevelopment projects do not outcompete commercial projects vying for the same space. While covenants, conditions, and restrictions (CC&Rs) have been successful in maintaining employment uses in the area, the difference in returns may encourage conversion to residential use in the future.

Overview

Future development of the Canyon Park Regional Growth Center will be strongly dependent on both the land use policies to be revised by Bothell through the new Subarea Plan, and the current and future conditions for new flex, commercial, and residential uses. To ensure that new development controls can help to promote new development, these policies and regulations can be tailored to consider how they would influence feasible projects and the use of site development capacity, and can be adjusted to account for under- and oversupply in the market.

To this end, this report examines current and proposed land use policies in Bothell that apply to the Canyon Park area using a pro forma analysis of prototypical developments in three selected locations. This is intended to show how market conditions have impacted future project feasibility, and contributed to recent development patterns and the likelihood that certain types of development projects will be pursued by private sector developers.

This report includes the following sections:

- Short descriptions of the **scenario concepts** used in the analysis, including overall parameters and development schedules for each prototypical use.
- Overall **market conditions and assumptions** used in the pro forma analysis, including prevailing rental rates and absorption.
- **Scenario analysis** from proforma modeling, including estimates of general rates of return, feasibility, and excess development.
- **Conclusions** from the scenario results, including the implications of the results for the development of the Subarea Plan and future economic development strategies.

Note that this report is not an assessment and does not provide specific valuation information for sites within the study area. The results and conclusions are also intended to be illustrative of current market conditions, potential future scenarios, and likely impacts of policy only, and the intentions of individual landowners and developers may differ from what is presented in this study. The evaluation is based on information and analysis prepared in November 2019.

Scenario Concepts

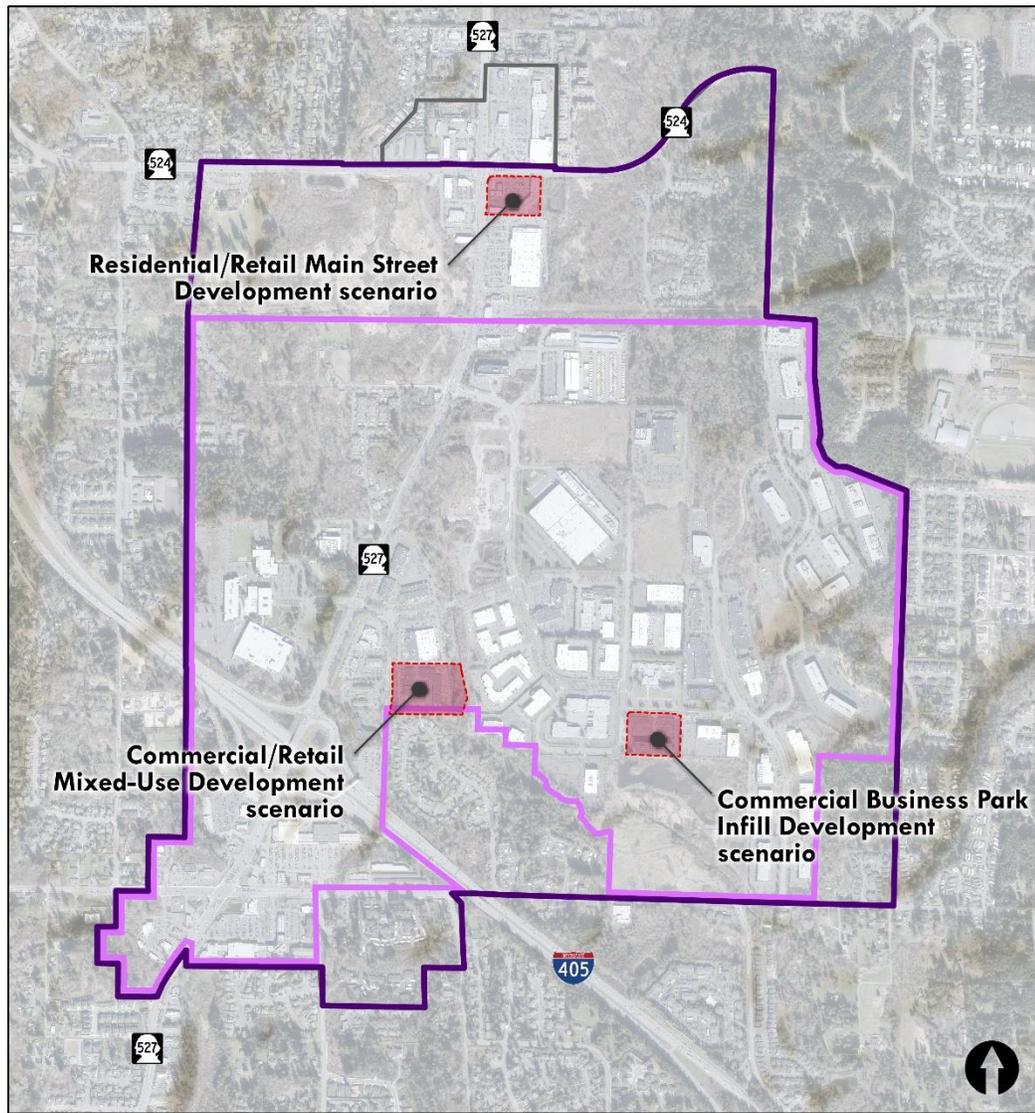
Three scenarios have been envisioned to characterize the range of possible development in the Canyon Park area that would be likely to occur under revised land use regulations under the Subarea Plan. These scenarios are shown in Exhibit 1, and include:

- Residential/Retail Main Street Development (3.9-acre site).
- Commercial/Retail Mixed-Use Development (6.9-acre site).
- Business Park Commercial Infill Development (portion of a 4.3-acre site).

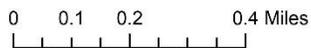
The scenarios are intended to provide a high-level estimate of revenue and costs for evaluation only. Individual scenario locations may include site-specific development challenges that are not incorporated into this assessment but may affect the cost or design of development (e.g., efficiency of site use,

presence of critical areas, site level design of infrastructure, etc.).¹

Exhibit 1. Prototype scenario sites.



Canyon Park Subarea



-  Canyon Park Subarea
-  Regional Growth Center
-  Additional Area to Include in Study
-  Prototype Project Areas

Source: City of Bothell GIS, 2019; Snohomish County GIS, 2019; BERK, 2019.

¹ For example, the proforma concepts provide rough approaches or locations for stormwater management and open space, and the costs consider costs for design and construction based on regional / example pricing, but the proforma is not based on site level designs or studies.

SCENARIO: RESIDENTIAL/RETAIL MAIN STREET DEVELOPMENT

The Residential/Retail Main Street Development scenario is developed for a 3.9-acre site in Thrasher's Corner at the northern portion of the project study area, on the southeast corner of the intersection of SR-524/Maltby Rd. and SR-527/Bothell-Everett Highway. The current conditions on the site are shown in Exhibit 2, which currently includes:

- A 26,191 sf retail strip mall built in 2000.
- A 2,400 sf convenience store and gas station (7-11) built in 1984.
- A 5,100 sf feed store built in 1968.
- A 3,840 sf restaurant built in 1959.
- Associated on-site parking for these uses.

This area is representative of other sites in Thrasher's Corner, which are dominated by highway-oriented retail uses with significant on-site parking. The presence of a stop for the new Community Transit Swift Green BRT line in this neighborhood may provide additional pressure for infill and densification. Therefore, this scenario is intended to evaluate whether redevelopment of these areas would be feasible to explore.

Exhibit 2. Scenario location/context: Residential/Retail Main Street Development.



Sources: Google, 2019; Snohomish County Assessor, 2019; BERK, 2019.

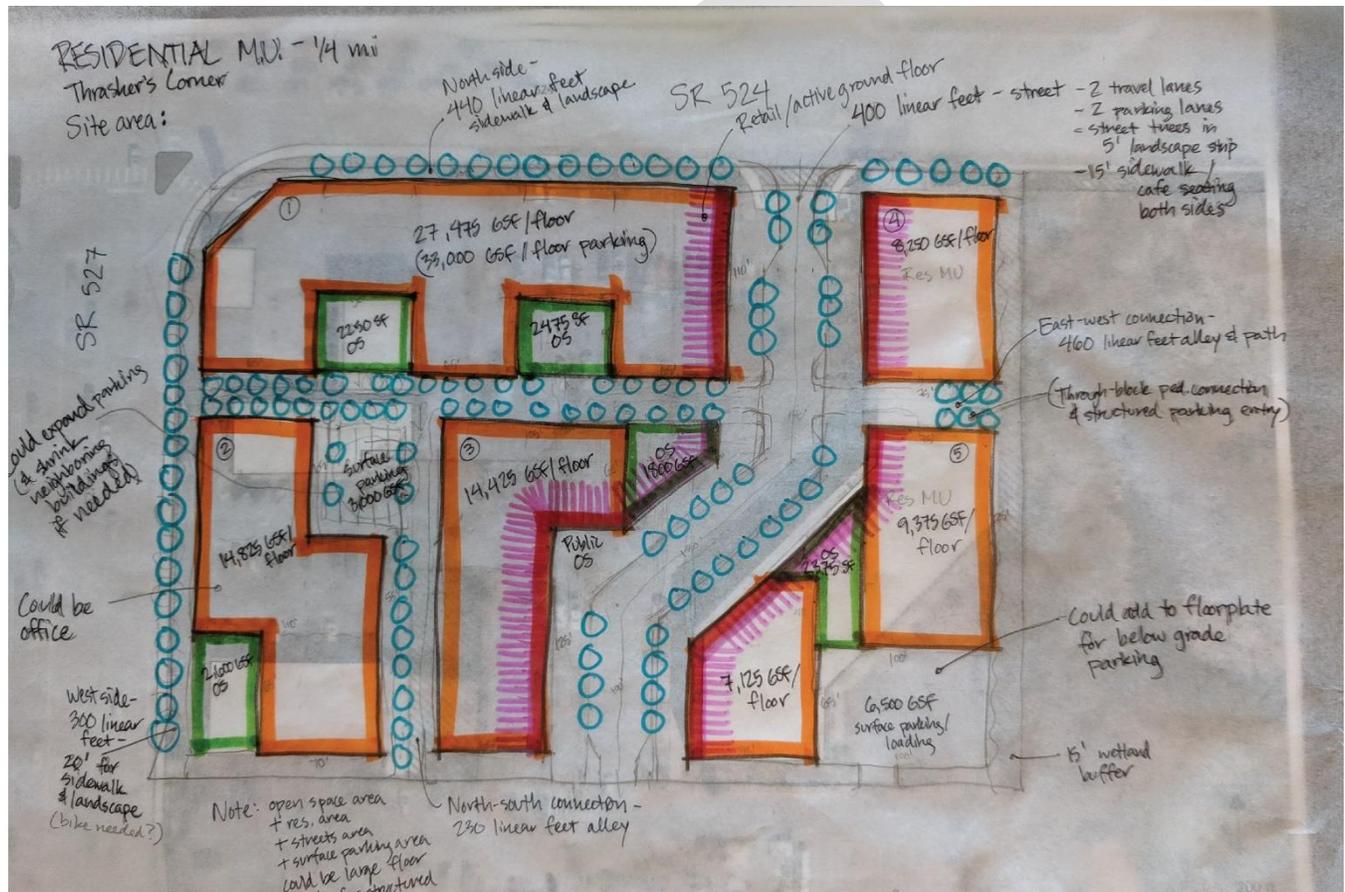
A proposed concept for the redevelopment of this site is provided in Exhibit 3. This design is intended to demonstrate the potential for new Main Street developed in this area that will have a residential component and a greater focus on walkability and pedestrian-accessible retail along an access street.

Major features of this concept include:

- A combined floorplate of approximately 82,000 sf across six buildings.
- A “main street” that incorporates landscaping, traffic calming, and sidewalk/café seating along the active frontages of facing buildings.
- About 9,500 sf in surface parking and loading areas (with supporting structure/underground parking to meet requirements).
- About 9,700 sf of open space.

Phasing of the project site is not included as part of this assessment. Note that this project could take place in stages, with the older feed store and restaurant being redeveloped first; planning should take into consideration that these projects may not occur all at once on a site.

Exhibit 3. Scenario concept: Residential/Retail Main Street Development.



Source: MAKERS, 2019.

SCENARIO: COMMERCIAL/RETAIL MIXED-USE DEVELOPMENT

The Commercial/Retail Mixed-Use Development scenario is sited on a 6.9-acre parcel on 7th Ave SE, north of the Community Transit Park-and-Ride. This site forms a major pedestrian gateway from the Park-and-Ride to the Canyon Park Business Center to the east, with a pedestrian bridge crossing North Creek to make a key connection.

The current conditions on this site are shown in Exhibit 4, and the site currently includes:

- A one-story, 30,221 sf general office building, built in 1985.
- A two-story, 42,572 sf general office building, built in 1985.
- Associated on-site parking for these uses.

This location provides an example of potential redevelopment types related to employment uses that may occur as transit access into the area improves. Of the sites closest to the Park-and-Ride, this location is the most likely to be redeveloped, given both its proximity and current intensity of development. As the pedestrian connections between the Park-and-Ride and office / flex uses to the east will be essential to support, any redevelopment must consider maintaining and improving the pedestrian experience in the area.

Exhibit 4. Scenario location/context: Commercial/Retail Mixed-Use Development.



Sources: Google, 2019; Snohomish County Assessor, 2019; BERK, 2019.

A proposed concept for the redevelopment of this site is provided in Exhibit 5. This design is intended to demonstrate the potential for office commercial and retail uses in a strategic location close to the Park-and-Ride.

Major features of this concept include:

- A combined floorplate of approximately 97,100 sf across four buildings, including retail/restaurant space along the main frontage.
- A “main street” that incorporates a woonerf, landscaping, traffic calming, and sidewalks/plazas along the active frontages of facing buildings.
- About 24,400 sf in surface parking lots and loading areas, plus additional site parking at grade (with additional structured/underground parking).
- About 45,000 sf of open space, including 29,000 sf of active open space (e.g., playfields).

Although phasing of the project site is not included as part of this assessment, the proposed plan will likely require the demolition of both existing buildings and construction over the entire site. During this period, alternative routes into the Canyon Park Business Center should be identified for pedestrians where possible. This may require the creation of temporary pathways on the site.

Exhibit 5. Scenario concept: Commercial/Retail Mixed-Use Development.



Source: MAKERS, 2019.

SCENARIO: COMMERCIAL BUSINESS PARK INFILL

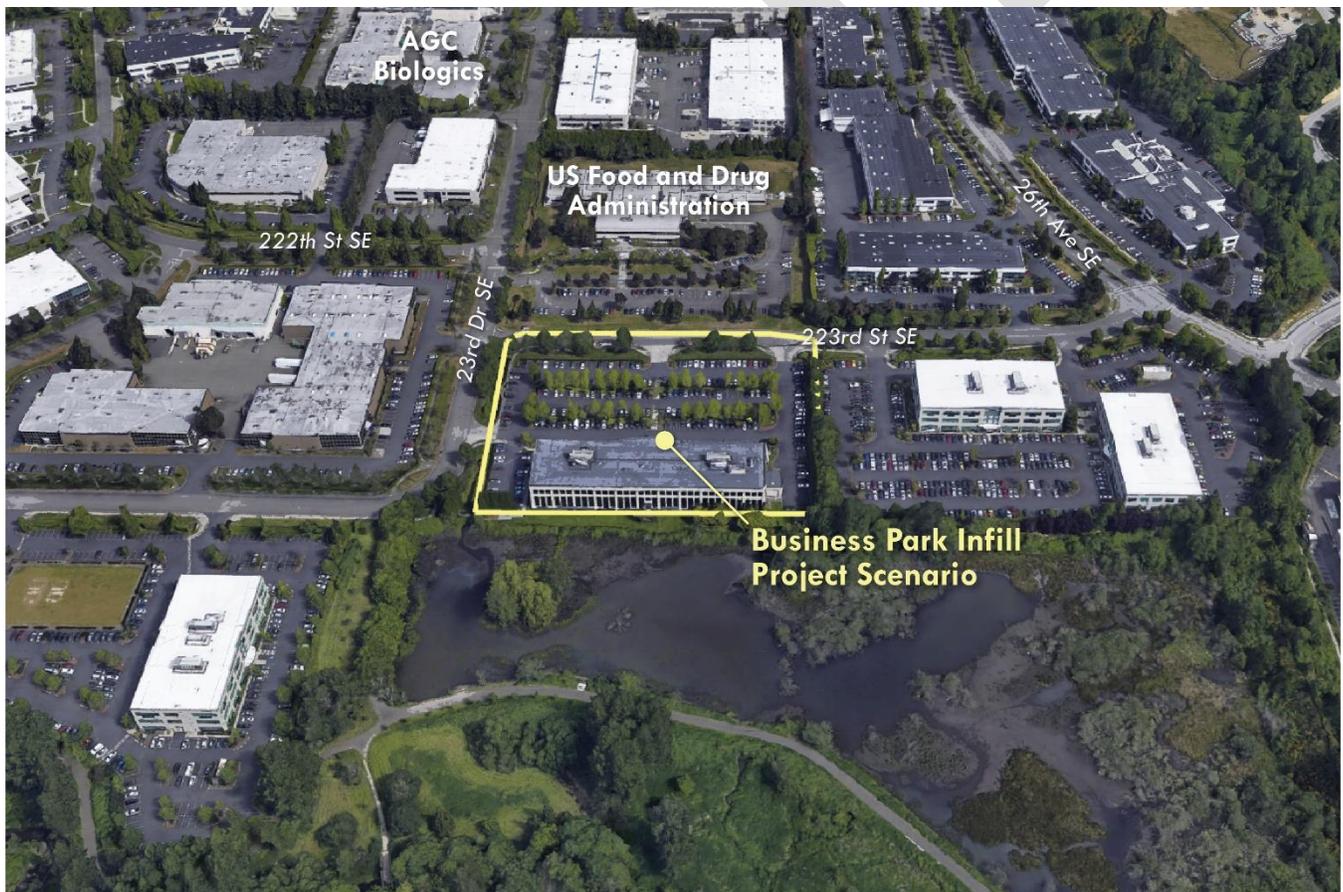
The Commercial Business Park Infill scenario is identified for a 4.3-acre parcel located at the southeast corner of 223rd St SE and 23rd Dr SE. This site is bounded to the south by existing wetlands and is located within the Canyon Park Business Park away from pedestrian access to the Swift Green BRT line and the Canyon Park Park-and-Ride.

The current conditions on this site are shown in Exhibit 6, and improvements on the site currently include:

- A three-story, 93,404 sf general office building constructed in 1993.
- Associated on-site parking for this building.

As opposed to the other two scenarios, this site is expected to experience only nominal effects from improved transit along SR 527, as the transit stops are over ½ mile from the site. However, as developable lands in the neighborhood are used for new growth in the future, development pressures may encourage the use of existing parking lots for new buildings. The development of these types of projects will depend strongly on both the lease rates for new office space in the area, as well as the availability of other sites to accommodate new growth.

Exhibit 6. Scenario location/context: Commercial Business Park Infill.



Sources: Google, 2019; Snohomish County Assessor, 2019; BERK, 2019.

Market Conditions and Assumptions

The development of the pro forma model requires inputs to characterize what could be constructed given local conditions. For the purposes of this analysis, these inputs include the following:

- **Land use regulation** under the current Bothell Municipal Code (which may highlight possible changes to improve feasibility), which includes impact fee calculations.
- **Current market conditions**, which indicate the likely lease rates and absorption for new real estate products in the market.
- **Scenario assumptions**, including the full development program and associated pro forma assumptions for each scenario.

LAND USE REGULATION

In examining the feasibility of development under different land use scenarios, the baseline for analysis is the current land use regulation in place for the given scenarios. Potential changes to this regulatory framework may be evaluated based on whether current development is feasible, and the estimated rate of return for projects.

Residential/Retail Main Street Development

The current zoning designations for parcels identified for the Residential/Retail Main Street Development scenario are noted as R-AC (Residential – Activity Center), OP (Office Professional), CB (Community Business), and MVSO (Motor Vehicle Sales Overlay). These designations provide the following regulations on development:

- **Allowed uses.** A mix of uses, including single- and multi-family residential, office, retail/restaurant, and motor vehicle dealerships. Colleges, medical offices, and transit stations may be included as conditional uses.
- **Building heights.** Maximum building heights of 65 feet under BMC 12.74.040(B)(1) given its frontage on SR 524 and 527, given that at least: a.) 40% of the gross floor area of the average story is dedicated to structure/underground parking, and b.) 10% of the gross floor area of the average story is dedicated to at-grade retail/restaurant uses. Maximum heights are assumed to be 35 feet otherwise.
- **Setbacks.** There is a required setback from R zones of up to 3 feet per additional foot of height about 35 feet, with a maximum of 90 feet. Note that in this case, the development is buffered from the closest R zone by a parcel encumbered by wetlands.
- **Parking requirements.** Current parking requirements include:
 - 1 space per 300 square feet of retail businesses, and business and personal services.
 - 1 space per 75 square feet for dining/lounge areas (1 per 300 square feet for other space).
 - 3 spaces plus 1 space per 350 square feet for convenience stores.
 - 2 spaces per multifamily dwelling unit, plus 1 guest stall per 5 dwelling units.

- 1 bicycle parking space for every 12 spaces required for motor vehicles, up to a maximum of 20 bicycle spaces.
- **Shared parking.** Shared parking may be possible that would reduce the amount of spaces required for each use; note that the reduction may not be greater than 10% for each use without a parking demand study.
- **Parking reductions for transit access.** Parking may also be reduced for access to transit; considering the location of the Swift Green BRT line, this parking reduction would be 40% for commercial uses and 20% for residential uses. This is dependent on the decision of the community development director.
- **Affordability.** Note that there are no affordability requirements for development in this area.

Commercial Development

The Commercial/Retail Mixed-Use Development and the Commercial Business Park Infill scenarios include projects located in zoning districts with the R-AC (Residential – Activity Center), OP (Office Professional), and LI (Light Industrial) designations. These designations provide the following regulations on development:

- **Allowed uses.** A mix of uses, including single- and multi-family residential, office, restaurants, and light industrial uses.
- **Building heights.** Maximum building heights of 100 feet are allowed for non-residential uses on the site. (Buildings of up to 150 feet are allowed for manufacturing processes that require the additional height.)
- **Setbacks.** These sites require setbacks for properties abutting R districts when buildings on-site are to exceed 35 feet. In these cases, the setbacks are increased by three feet for every foot of additional height over 35 feet, with an additional requirement for a vegetative buffer. Note that this is applicable to site detailed in the Commercial/Retail Mixed-Use Development scenario.
- **Parking Requirements.** Current parking requirements are as noted above for the Residential/Retail Main Street development. Note that for employment uses, 1 space must be reserved for rideshare parking for every 20 required spaces to a maximum of 20 reserved spaces. Note as well that reductions for transit access are also applicable for the Commercial/Retail Mixed-Use Development scenario.

Impact Fees

Under current City regulations, impact fees are levied for a variety of purposes. Exhibit 8 provides a list of the 2019 values by type of development for the types relevant for the scenarios, which are used as inputs into the pro forma model. Note that where applicable, a credit may be received for demolished properties.

Exhibit 8. Development impact fees, City of Bothell, 2019.

IMPACT FEE	DEVELOPMENT TYPE	FEE
Fire Impact Fee	Residential (sprinklered)	\$198.44/unit
	Office	\$0.11/sf
	Office (Medical)	\$0.84/sf
	Retail	\$0.37/sf
	Restaurant/Lounge	\$3.62/sf
School Impact Fee	Residential (multifamily)	\$1,818/unit
Park Impact Fee	Non-Residential	\$1.13/sf
	Residential (500-999 sf unit)	\$2,398.37/unit
	Residential (1,000-1,999 sf unit)	\$3,412.02/unit
Traffic Impact Fee	Multifamily Residential	\$4,222/unit
	Miscellaneous Retail	\$13.37/sf
	Convenience Market	\$61.38/sf
	Administrative Office	\$14.43/sf
	Medical Office	\$25.72/sf
	Restaurant	\$40.81/sf
	Fast Food Restaurant	\$65.36/sf
Traffic Impact Administrative Fee		+3%

Stormwater Infrastructure

New construction on these prototypical sites will require some consideration of stormwater detention and treatment facilities as per development regulations in the City. These could take multiple forms depending on previous development and available capacity, including:

- Construction of **on-site surface detention and treatment**, which would reduce effective area for development
- Construction of **on-site underground/vault detention and treatment**, which would increase construction costs
- **Off-site detention and treatment**, which may require consideration of existing capacity, and potentially purchasing and/or developing a separate property for this purpose
- **Fee-in-lieu payments** to support a regional stormwater facility, which may be a future alternative for the area but does not currently exist

Within these options, there are also other considerations about the designs and methods used, hydrological conditions on individual sites, existing capacity, and other considerations that may impact overall costs. For the purposes of this analysis, we assumed that the development of stormwater infrastructure was included as a cost for the entire site at a rate of about **\$6 per square foot** based on professional engineering expertise of Perteet, Inc. a member of the consultant team for the subarea. This represents a general mid-range estimate that considers the types of systems that could be used in these contexts. A more detailed analysis would need to be performed on these sites to provide a more accurate projection of these costs.

CURRENT MARKET CONDITIONS

Market inputs into the pro forma model are provided in Exhibits 9–11. These estimates of current conditions are drawn from CoStar estimates of major market indicators in the Bothell/Kenmore research market and confirmed by reviewing leasing and vacancy statistics from individual properties in the area.

Estimates of future conditions are informed by existing data sources where possible. These statistics are not guaranteed to be an accurate representation of future conditions and are intended as examples to demonstrate feasibility if current trends are maintained.

Exhibit 9. Market parameters for pro forma models by development type.

PARAMETER	OFFICE	RETAIL	RESIDENTIAL
Cap rate	6.0%	6.0%	4.2%
Lease rates	\$31.20/sf/yr	\$27.60/sf/yr	\$2.70/sf/mo (studio) \$2.50/sf/mo (1 BD) \$2.30/sf/mo (2 BD)
Lease rate growth	3%/yr	2%/yr	4%/yr
Occupancy	Year 1: 35% Year 2: 70% Year 3+: 95%	Year 1: 35% Year 2: 70% Year 3+: 98%	Year 1: 50% Year 2: 85% Year 3+: 95%

Sources: CoStar, 2019; BERK, 2019.

Exhibit 10. Market parameters for all projects.

PARAMETER	VALUE
Property tax mill rate (est.)	9.9/1000
Construction loan interest rate	6.5%
Real estate loan interest rate	5.0%

Sources: CoStar, 2019; BERK, 2019.

Exhibit 11. Parameters for affordable residential projects.

PARAMETER	50% AMI		80% AMI	
Lease rates	\$968/mo	(studio)	\$1,545/mo	(studio)
	\$1,038/mo	(1 BD)	\$1,655/mo	(1 BD)
	\$1,246/mo	(2 BD)	\$1,986/mo	(2 BD)
Lease rate growth	2.0%		2.0%	

Sources: Snohomish County, 2019; BERK, 2019.

COSTS

The proforma assumes development costs including site costs, hard costs, and soft costs based on RSMMeans and comparable pricing information.

Site costs

- Property purchase cost
- Land carry costs (interest + property taxes)

Hard costs

- Site improvement (including stormwater system)
- Building demolition
- Residential
- Commercial
 - Commercial/Office
 - Commercial/Retail
 - Commercial/Restaurant
- Parking
 - Structure
 - Underground
 - Surface
- Outdoor landscaping
 - Passive
 - Active
- Contractor fees

Soft costs

- Architecture and engineering
- Legal / permitting
- Sales, marketing, and brokerage
- Furniture, fixtures and equipment
- Developer fee
- Insurance

Scenario Analysis

Given the concepts provided above, the following development programs were used as part of the pro forma modeling for each individual scenario. These development programs were developed as part of the Canyon Park Subarea Plan update by Makers Architecture and Urban Design.

SCENARIO: RESIDENTIAL/RETAIL MAIN STREET DEVELOPMENT

Development Program

This development program assumes that the project in the scenario is built out to a height of 65 feet, which requires the development of a minimum of 40% internal parking and 10% ground floor commercial uses.

Note that for the purposes of this analysis, the residential parking requirements are assumed to receive a 20% reduction due to proximity to the Swift Green BRT. Employee parking for retail uses are assumed to be reduced by 40%.

For the base project, which consists of six six-story buildings, the base development is assumed to have the following characteristics:

- 410 residential units:
 - 150 studio units
 - 200 1-bedroom units
 - 60 2-bedroom units
- ~6,100 sf of ground floor retail/service uses:
 - ~2,700 sf restaurant uses
 - ~3,400 sf miscellaneous retail uses
- 819 parking stalls:
 - 38 surface parking stalls
 - 187 structure parking stalls
 - 594 underground parking stalls
- 9,700 sf of open space

For the purposes of evaluating the impacts of both affordability requirements and incentives, the following cases are evaluated:

- **Reductions in parking**, with a focus on reduced rates equivalent to that of the downtown
- A **Multifamily Tax Exemption (MFTE)** over 8- and 12-year periods (benefits of tax forgiveness only)

- An **additional floor of residential development** through an increase in allowable heights for residential buildings
- **Waivers of non-school impact fees** of 80% of the total amount
- **Affordability requirements**, with a focus on:
 - 10% of all units affordable to households with 80% County area median income (AMI)
 - 20% of units affordable to 80% AMI
 - 20% of units affordable to 50% AMI

These incentives and requirements may be combined as needed to incentivize market-rate and affordable housing development.

Analysis

A review of a prototype pro forma for this conceptual development indicates the following:

- **The base development scenario is marginal with current reductions in parking.** Based on the program above and the assumptions provided, this project has the following characteristics:
 - Project cost: ~\$168 million
 - NOI at stabilization in year 3: ~\$6.6 million/year
 - Internal rate of return: ~3%
 - Sale price at year 6: \$178 million

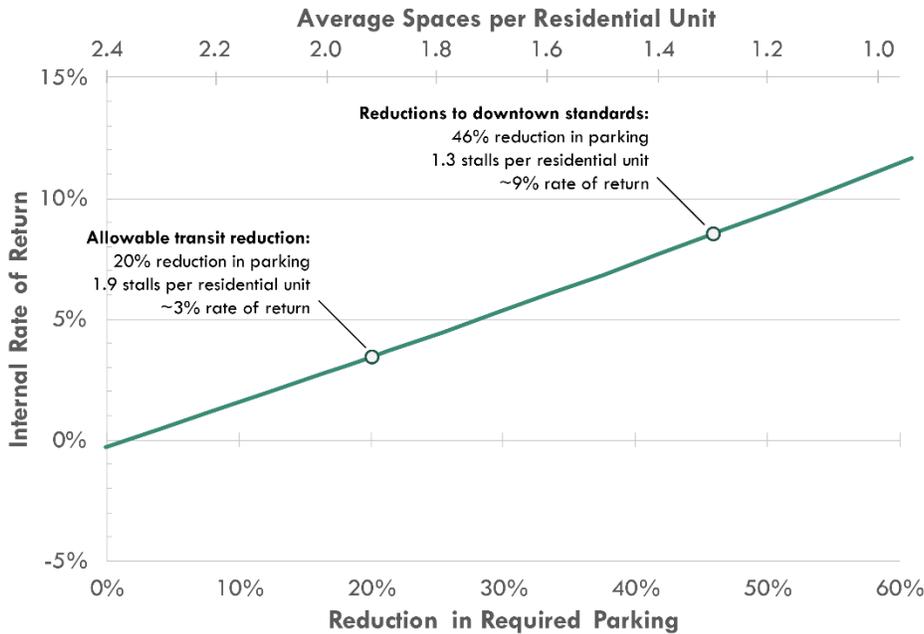
Note that this return generally indicates that a project is marginal, with a positive return under the 10% rate of return threshold for feasibility. This suggests that while this project could potentially be feasible, some adjustments would be required to make the development feasible.

- **Reductions in parking can provide a strong incentive for new development with this project.** Exhibit 12 includes an evaluation of the general rate of return based on the percent of parking reduction for residential uses on the site. Under base development requirements before the transit reduction, the 410 residential units in this project will require 984 stalls (including 1 visitor stall for every 5 resident stalls) without any reductions, for an average of 2.4 stalls per unit. The 20% reduction in parking currently allowed in this area would reduce the number of stalls to about 2.0 stalls per unit for the residential building component.

Beyond indicating feasibility under this basic parking requirement, this Exhibit also highlights the effect of a second more significant reduction, where the parking in the area is aligned to what is consistent with requirements in downtown Bothell. This would provide 1 stall per unit for studio and 1-bedroom units, and 1.5 stalls per 2-bedroom unit, for an average of about 1.2 stalls per unit for the residential component of the building.

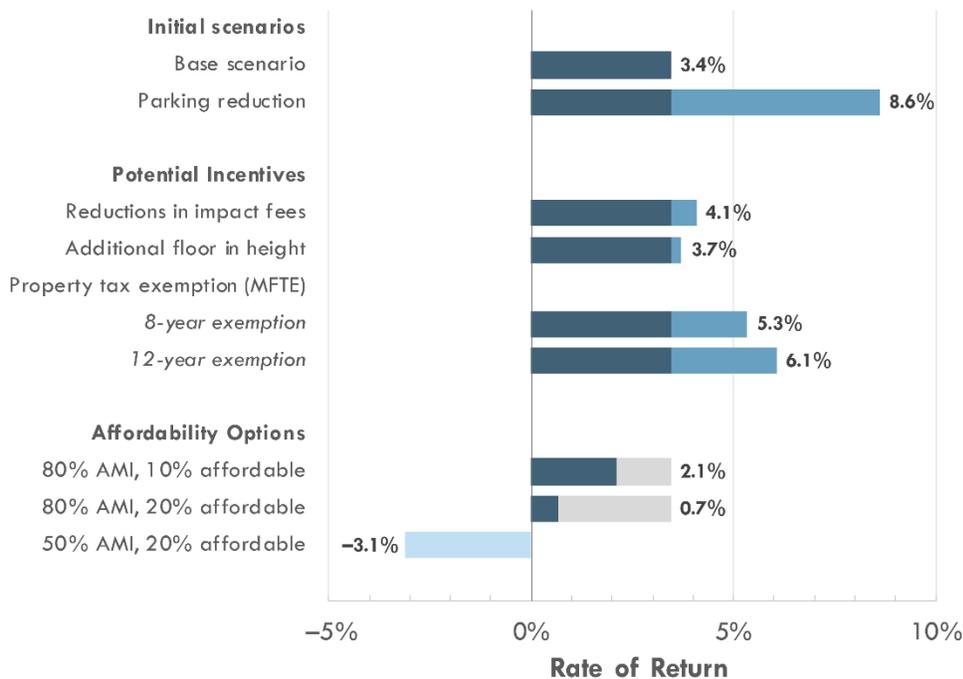
Overall, a significant boost to the return of the project and feasibility of development can be provided by reducing parking requirements. A 5–6 percentage point increase in feasibility by reducing parking requirements to those allowed in the downtown would make this project significantly more feasible, and more likely to be developed.

Exhibit 12. Rate of return versus parking reductions: Residential/Retail Main Street Development.



- Other incentives will also provide a range of benefits to feasibility.** Exhibit 13 presents the associated benefits to rates of return for other incentive programs for residential development over the base scenario, including the 8- and 12-year MFTE programs, one floor of additional height, and 80% reductions of non-school impact fees. Additionally, this figure also provides the expected rate of return under different affordability requirements.

Exhibit 13. Impacts of incentives and affordability on feasibility: Residential/Retail Main Street Development.



This assessment highlights that the greatest incentive that can be provided for this type of configuration is a reduction in parking, as noted above. Other incentives provide lower benefits, with the MFTE increasing rates of return by 2–3 percentage points, and impact fee reductions providing less than 1 percentage point increase. Providing additional height and density appears to have nominal benefits due in part to the need to accommodate parking underground and would not likely be a strong benefit without further parking reductions.

- **Encouraging affordability in feasible market-rate projects may require a mix of tools.** From the lower rates of return for projects with affordability requirements as shown in Exhibit 13, it is clear that accommodating affordable units through feasible market-rate projects will be challenging, and will likely require a combination of tools. It is likely that city impact fee waivers and a 12-year MFTE program could be combined to offset the cost to the owner for providing 20% affordable units at 80% AMI. Increased height through an inclusionary zoning program, however, would not be sufficient to offset costs, and would likely have only a small role in incentivizing affordable units.
- **Feasibility may change based on certain market assumptions.** The feasibility of the base scenario will also be related to the conditions of the market, as expressed by the expected market rents (Exhibit 14) and market capitalization rates (Exhibit 15). If a project is planned at a different price point, or the long-term prospects of residential real estate investment change, this may have a notable effect on the feasibility of projects.

Exhibit 14. Rate of return versus rents: Residential/Retail Main Street Development.

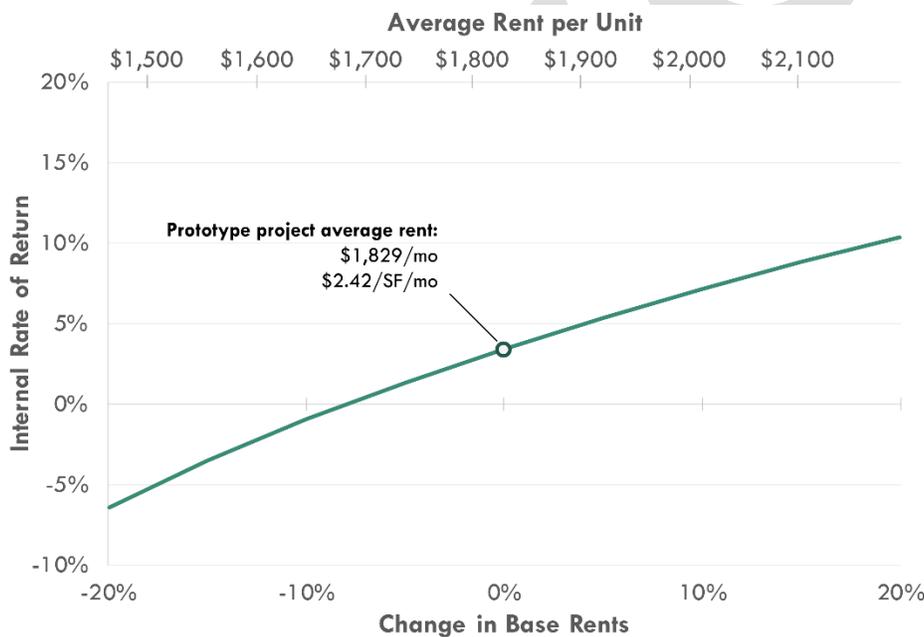
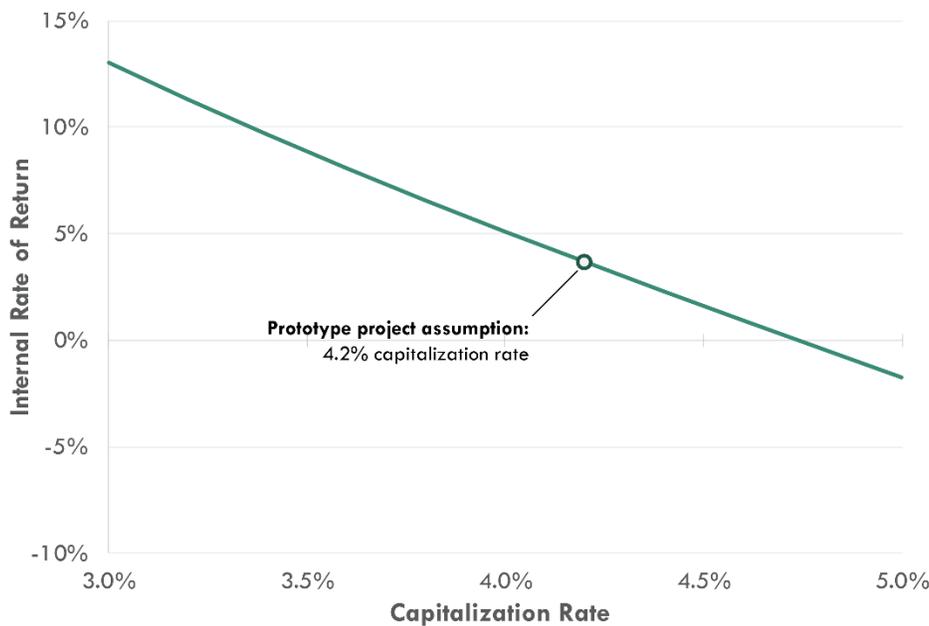


Exhibit 15. Rate of return versus cap rates: Residential/Retail Main Street Development.



- **Other site conditions may impact feasibility.** The pro forma analysis conducted is a general analysis, and there are site conditions that may also impact the feasibility of development by increasing risk and costs related to construction. These include:
 - The potential for additional site demolition and remediation costs due to the presence of contamination on the gas station site.
 - The potential for additional traffic improvements necessary on the site to manage traffic flow.
 - The revenue, rate of return, and associated risk from existing businesses versus the proposed project.
 - Unknown subsurface conditions that would make underground garages infeasible.
 - The planning and construction of other projects in the area to “prove” the local market for large-scale mixed-use development projects.

These types of characteristics, among others, may have site-specific impacts that can change the assumptions as noted above.

SCENARIO: COMMERCIAL/RETAIL MIXED-USE DEVELOPMENT

Development Program

For the office/retail mixed-use development project, the development program assumes as above that there is a 40% reduction in employment parking due to the proximity of transit at the Canyon Park Park-and-Ride, and that all structure parking has an average revenue of \$50 per stall per month. Required setbacks to the residential area are assumed to be incorporated into the site design, but significant height limitations that accompany the increased setbacks would continue to reduce the amount of buildable space on the site.

For a project that includes a five-story building with office, retail, and structure parking, the resulting development would incorporate the following:

- 250,000 sf office
- 14,600 sf retail
- 545 parking stalls
 - 115 surface stalls
 - 430 structure parking stalls
- 45,000 sf of open space

For the purposes of this analysis, the development costs of the open space identified are for passive open space only. The development and management of playfields are assumed to be outside of the scope of this analysis, and are not included in costs.

Analysis

A review of a prototype pro forma for this conceptual development indicates the following:

- **The prototype development is not generally feasible under current conditions.** Based on the program above and the assumptions provided, the conceptual project has the following characteristics:
 - Project cost: ~\$118 million
 - NOI at stabilization in year 3: ~\$4.7 million/year
 - Internal rate of return: -11%
 - Sale price at year 6: \$86 million

This return generally indicates that the project is not feasible, generally given negative rates of return under current assumptions. Note that alternative project configurations that include subsurface versus structured parking have lower rates of return than this scenario.

- **Changes in key market characteristics could allow redevelopment to become more feasible.**

While current conditions suggest that this conceptual project may not be financially feasible for this site, changes in conditions on the site could make new development closer to becoming feasible. Exhibit 16 provides the change in internal rate of return due to changes in market rents for commercial space, and Exhibit 17 shows the change in the rate of return due to changes in capitalization rates.

The results of these comparisons suggest that the area market for office space is not strong enough to support additional development under the assumed conditions. Increases in lease rates and greater investor confidence in the asset value of office commercial development (as reflected in cap rates) would provide a stronger basis for future redevelopment.

Exhibit 16. Rate of return versus lease rates: Commercial/Retail Mixed-Use Development.

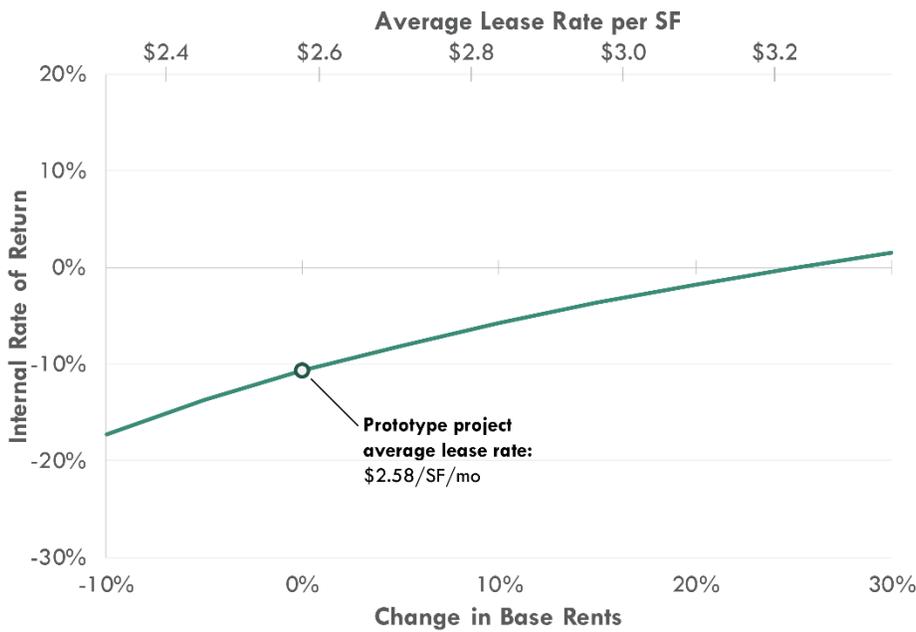
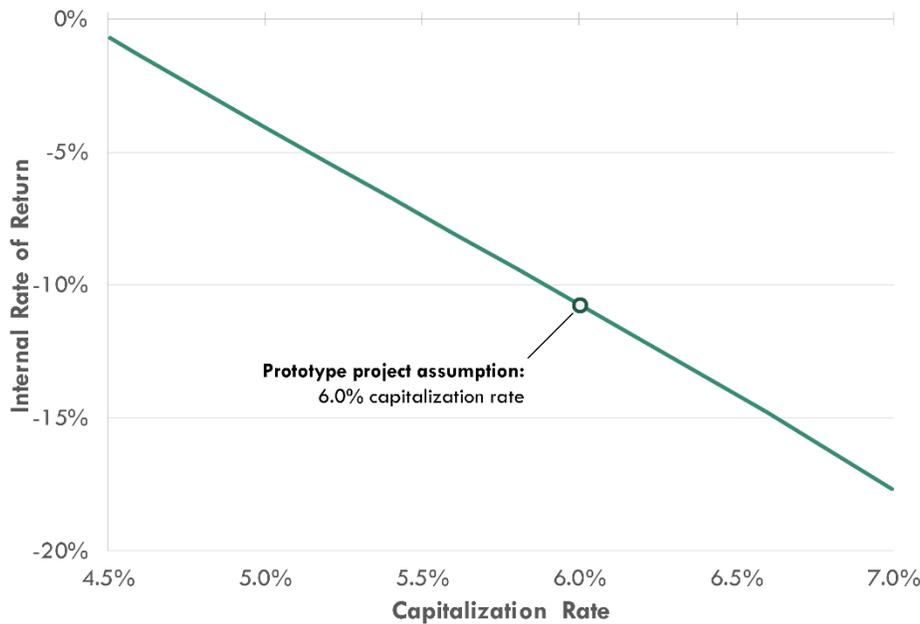


Exhibit 17. Rate of return versus cap rates: Commercial/Retail Mixed-Use Development.



- **The overall timing of future redevelopment will depend on multiple factors.** Over the long term, the redevelopment of this site will be based on several trends:
 - Ongoing depreciation of the current office building on the site and associated reductions in lease rates.
 - General increases in local office rents due to improved transit access and other local development.
 - The potential for increases to office rents on the site due to higher-quality or specialized (e.g. medical office) space.
 - Changes in subregional and regional market conditions, including regional lease rates, occupancy, and new supply.
- **Intensifying development on the site will need to consider required setbacks.** As previously noted, additional setbacks are required for projects adjacent to residential zoning which exceed a height of 35 feet, with three feet of additional setback for each foot of additional height. For this site, development may need to be reconfigured to ensure that these setbacks are achieved and reductions in development capacity are minimized. The City could also explore other transition standards that achieve desired buffering while allowing for more feasible development.

SCENARIO: COMMERCIAL BUSINESS PARK INFILL

Development Program

For the infill development program, it is assumed that the project will be built to include a parking structure to replace lost parking stalls and meet all additional requirements for spaces. Approximately 180 out of 315 parking stalls will be eliminated from the site, leaving 135 remaining and requiring those new stalls to be accommodated within the new structure. For this scenario, it is assumed that a lower parking requirement of 1 stall per 400 sf of office space is used, and that an average parking rate of \$50 per month is charged.

For a project that includes a four-story office building and a five-story parking structure, the development would have the following characteristics:

- 56,000 sf office commercial uses
- 1,500 sf retail/restaurant uses
 - 1,000 sf restaurant (office building)
 - 500 sf café (parking structure)
- 382 parking stalls
 - 135 surface parking stalls (existing)
 - 247 structure parking stalls

Analysis

A review of a prototype pro forma for this conceptual development indicates the following:

- **The prototype development is not generally feasible under current market conditions.** Based on the program above and the assumptions provided, the conceptual project has the following characteristics:
 - Project cost: ~\$30 million
 - NOI at stabilization in year 3: ~\$1.2 million/year
 - Internal rate of return: -12%
 - Sale price at year 6: \$21 million

This return indicates that the project is not feasible, with negative rates of return under current assumptions. Assessments of sensitivity to market conditions did not provide clear conditions where the proposed development was feasible.

- **The project is not likely to be feasible as a market-based project given the replacement of required parking on-site.** Although a new project on this site could present an attractive opportunity to provide infill development, there are practical challenges that would make it infeasible from a financial perspective. Specifically, replacement of a surface parking lot would require that the existing stalls supporting the current uses would need to be substituted in a new parking structure, which would increase the cost of the project beyond what would be necessary.

- **Reductions in parking in these areas could still provide benefits by allowing for building additions.** While large-scale replacement of an entire surface parking lot would be impractical, there are potential benefits to parking reductions in these areas. Minor expansions to existing buildings could be accommodated on sites without the need for significant additional parking to be provided. While these would not permit significant intensification, this could appeal to building owners and tenants looking for options for additional space on-site.
- **Adjusting parking fees could provide additional revenue.** A significant source of potential revenue for the development would be with parking fees, specifically separate charges to tenants for the use of parking spaces in the new facility. However, this would represent a distinct difference from current parking in the business park, and even with high fees included in this scenario the development does not appear to be feasible.
- **Expansions on owner-occupied commercial property may be feasible outside of this pro forma analysis.** Although the approach used in this analysis works to evaluate the financial feasibility of development scenarios, this assumes that the commercial and residential properties developed would be managed as an income-producing property. For many of the sites in this area, there are cases where companies own their own real estate, and as such serve as “landlords” to themselves. In these cases the financial benefits of an expansion project may extend beyond what is evaluated here: a company could desire specialized facilities or a consolidated campus that would not be available on the commercial leasing market. Therefore, some firms that own their own property may decide to develop despite a feasibility analysis such as this to gain these separate benefits.

Conclusions

From the analysis conducted on the three prototype sites, the following conclusions can be reached:

- **Residential and mixed-use residential/commercial redevelopment projects may be feasible with additional parking reductions due to transit.** Because of high rents and low capitalization rates, residential development is marginally feasible within the study area. Project feasibility can be improved by reducing parking requirements, which can reduce the costs of providing parking within a building and allow more density to be accommodated on a site. Supporting reduced parking requirements comparable to those in downtown Bothell would provide a significant improvement in project feasibility.
- **Affordable units could be achieved through layering a 12-year MFTE program with impact fee reductions.** Under the residential mixed-use scenario, achieving affordability within new residential development would be possible through layering different available incentives. Developing a 12-year MFTE program, paired with an 80% reduction of City impact fees could offset the cost of providing subsidized units (20% of total units at 80% of County AMI).
- **Commercial redevelopment projects in areas with frequent transit service are infeasible, but future changes in market conditions may spur these projects.** Lower lease rates and higher capitalization rates than residential projects suggest that retail/office commercial redevelopment projects are less feasible for sites in the study area. However, although rates of return are close to zero, there could be a potential for targeted, higher-end office products to be feasible, such as medical office uses. Possible increases in lease rates due to improved transit access may also promote redevelopment projects as well.
- **Owner-occupied projects could also be a form of new development in this area.** Although the different scenarios for office development used in this study do not appear to be feasible given current rents, this does not preclude that property owners that occupy their own space would pursue development or redevelopment projects. Corporate owners that are interested in consolidating operations, building specialized facilities, or coordinating planned expansions on vacant land may choose to build despite the results included here.
- **The subarea should be managed to ensure that residential and mixed-use redevelopment does not outcompete commercial projects in the short term.** In comparing the identified commercial and residential redevelopment projects, residential redevelopment is more likely to be feasible under current market conditions. If a broader range of sites are open to residential redevelopment in the study area, it is likely that employment uses will begin to be pushed out in favor of residential projects. If locations within the study area are deemed critical for employment uses, the City should work to manage their potential for residential development.
- **Infill on entire parking lots, especially those outside of areas served by transit, are not practical in this market.** The use of entire parking lots for infill development is not likely to be practical for locations in the study area. In these cases, the surface parking on a site would be replaced with parking in a structure, which will incur additional costs beyond development on a greenfield site. Reductions in parking requirements on these sites, however, could allow for minor additions to existing buildings without the need for a resulting increase in parking.

- **Provisions for additional height are unlikely to be a major incentive in this area, as parking is a limiting factor.** Under current market conditions, the provision of parking is likely to be the major constraint to consider in coordinating future development. Therefore, permitting greater heights for development, especially in the commercial/light industrial districts in the study area, is unlikely to result in significant benefits.

Draft