Commercial Redevelopment Methodology

Much of the TRG’s remaining discussion focuses on redevelopment of employment lands and the resulting impact on our commercial and multifamily housing land need. The goal of this portion of the October 31 agenda will be to hear comments on the refined methodology outlined below. Preliminary results of Step One will be presented at the November 7 TRG meeting.

Step One – Redevelopment Baseline
The first step is to determine additional capacity through redevelopment without interventions, yielding a baseline redevelopment capacity. To this end, we are proposing a revised methodology that we feel will provide a stronger rational basis for determining redevelopment than was used in the ECLA study.

- The supply of developed, unconstrained commercial property will be analyzed and placed into four categories according to redevelopment potential. The categories will be based on a ratio of improvement value to land value and building coverage on tax lots, as follows:
  1. No redevelopment potential (ratio > 0.5 : 1.0)
  2. Low redevelopment potential (ratio >= 0.3 : 1.0 and <= 0.5 : 1.0 and building coverage <20% of total area)
  3. Moderate redevelopment potential (ratio >= 0.3 : 1.0 and <= 0.5 : 1.0 and building coverage <10% of total area)
  4. High redevelopment potential (ratio <= 0.3 : 1.0)

- All properties in the “moderate” and “high” categories will be assumed to redevelop over the plan horizon. This constitutes the “redevelopment base.” Alternatively, a certain percentage of properties that fall into the low, medium and high categories could be assumed to redevelop over the plan horizon. To provide additional nuance to the analysis, the percentage of redevelopment could vary by geographical area, with a higher percentage of assumed redevelopment assigned to areas that are deemed to offer higher potential, e.g. along existing EmX routes or within certain districts.

- To address concerns around the accuracy of assessor’s data for land value, the methodology will draw from local expertise to establish more accurate commercial land values for various sub-areas of commercial property exhibiting similar characteristics.

- The total “redevelopment base” acreage will be split into office, service and retail categories and multiplied by employment densities. By subtracting out existing employees per acre, this yields a total, net employment capacity for the “redevelopment base.”
Step Two – Calculate Impact of Redevelopment Tools

Remaining employment and multifamily housing need will need to be accommodated by boosting the amount of redevelopment as well as employment and multifamily housing density. Both factors have been shown to be responsive to interventions made by local government. This is important to understand in the context of current and future market conditions and the ability of the market to support development at higher intensities, such as vertical mixed use buildings. A market study completed by Jerry Johnson of Johnson Reid, LLC in cooperation with staff at ECONorthwest and local real estate professionals provides a starting point for discussion.

The following is a draft methodology for calculating the impact of redevelopment tools:

- Identify redevelopment tools or “packages” of tools, e.g. high capacity transit or tax abatement.
- Establish a reasonable increase in assumed amount of redevelopment. For example, instead of assuming redevelopment only on properties with moderate and high redevelopment potential, include the low potential properties as well. Alternatively, increase the assumed percentage of redevelopment for each category.
- Establish a reasonable increase in employment densities.
- Establish a reasonable factor for additional multifamily housing assumed to occur in commercial areas through vertical mixed use.
- Calculate additional net capacity for commercial employment and multifamily housing in areas receiving incentives.