City of Seattle
Edward B. Murray, Mayor

NEWS RELEASE

FROM THE OFFICE OF THE MAYOR

FOR IMMEDIATE RELEASE:

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Mayor Ed Murray releases commercial affordability plan

SEATTLE (September 28, 2016) -- Today, Mayor Ed Murray's Commercial Affordability Advisory Committee released recommendations to help ensure Seattle remains an affordable and equitable place to do business.

The Committee, which was made up of small business owners, developers, and members of the arts and music communities developed recommendations that focused on small, locally owned businesses.

The Committee's work builds upon Mayor Ed Murray's continued focus on affordability in Seattle, including increasing the minimum wage to $15.00 per hour and addressing housing affordability and livability through HALA.

"Affordability is vital to Seattle's future. Whether it is ensuring people can make a living wage, afford to live where they work or whether they can afford to create something new, we must address affordability from every direction," Mayor Ed Murray said. "Seattle's small businesses are what make Seattle a city we love to work and live in. We must ensure that the uniqueness and high quality of life made possible by small businesses today, are possible as the city grows."

"I want to thank the Commercial Affordability Advisory Committee for their work and their recommendations," Brian Surratt, Director of the Mayor's Office of Economic Development, said. "The recommendations will be instrumental as we work to fulfill Mayor Ed Murray's goal for an affordable Seattle."

The committee's recommendations were the culmination of collaboration between small businesses and developers.

"The interests of small business owners and developers really are aligned," committee member and local developer Liz Dunn said. "Developers who think strategically about the neighborhoods they are working in, understand that creating space which is attractive and affordable for small businesses is an essential ingredient for good development and for creating long term value for residents and property owners. Building spaces that feel like they belong in a neighborhood, and add character to it, create a pedestrian-friendly experience and a true sense of place."

"Pioneer Square is a neighborhood that demonstrates how growth and small businesses can thrive together while preserving the arts and the historical legacy of the neighborhood all while paving the way for the future," Karen True, Director of Business Development for the Pioneer Square Alliance, said. "The balance between new development in Pioneer Square and the interests of small business was a model as we developed our recommendations. I'm pleased the committee recommendations include tools for small business owners as well as property owners and developers."

"As an immigrant and a small business owner, it is important to me that Seattle remains a place where anyone can start a business who has a good idea," Solomon Dubie, owner of Café Avole, said. "The Commercial Affordability Advisory Committee worked hard to recommend ideas that will keep Seattle affordable for small businesses."

The Committee made a variety of short- and long-term recommendations. Highlights included:

- **Explore a new entity focused on commercial affordability.** This entity would provide support services for small businesses and small-scale building owners, including technical assistance, help navigating real estate issues and City processes, support from non-public funding resources, activation of public agency-owned property, and coordinated advocacy.

- **Institute new financial incentives.** Advocate for legislative changes that would make it advantageous (via property tax exemptions and property tax assessments tied to building income) for property owners to support local small businesses. Stimulate a non-City fund that would provide alternative financing options for both small businesses and small property owners.

- **Make changes to public policy.** Specifically, focus on the sale/lease of public property; affordable commercial space within mixed-use housing developments, public spaces or transit oriented properties; zoning that encourages small-scale commercial pockets in residential areas; and policies that promote a healthy mix of local, small businesses and chain/big box retail tenancy.

- **Improve the permitting process.** Reduce permitting requirements for qualifying "light-impact" small business projects, strengthen design guidelines that favor small business and retail spaces, and enable greater neighborhood input on tenant selection.

- **Expand technical assistance programs.** Increase or supplement the Office of Economic Development's existing small business resources to include a third-party commercial affordability consulting team, coordinated and diversified outreach (more languages and formats), and an online "Marketplace Exchange" for the small business and property owner community.

Additional recommendations can be found in the full report: www.seattle.gov/CommercialAffordability.

Mayor Ed Murray directed his Office of Economic Development to work with small businesses, business districts, developers and other stakeholders to explore the implementation of the Commercial Affordability Advisory Committee's recommendations.

In the short term, the mayor immediately committed to taking action. For example:

- **King Street Station Activation**
  The City will transform the second floor and plaza space of King Street Station into affordable food and retail space that will serve as an attractive gathering place for neighboring residents, workers, and travelers. Funding: $360,000 in federal Community Development Block Grant (CDBG) funds for the renovation of tenant spaces, plus possible matching funds from other sources (e.g. federal grants, foundations).

- **Commercial Affordability Consulting Team**
  The City will create a commercial affordability consulting team to assist small businesses and small-scale property owners with a broad range of real estate and business expertise (e.g. design of tenant spaces, feasibility analysis in renovating buildings, business plan development). Funding: at least $65,000 annually in CDBG funds.

- **Financial Support for Microbusinesses**
  The City will assist low- and moderate-income owned microbusinesses (i.e., five or fewer employees) to overcome a critical obstacle to growth: low-cost capital. The City will partner with a nonprofit lender to provide Individual Development Accounts (IDAs) and 0% interest loans. Funding: $122,000 annually in CDBG funds for the IDA and 0% interest loan products.

To read the full response from the mayor including all of his action items, visit www.seattle.gov/CommercialAffordability.

The committee and the Office of Economic Development identified several pressures facing small businesses as Seattle grows. For example:

- **Space is becoming more expensive:** In Seattle, asking retail rents are 7 percent higher than before the recession and 28 percent higher than their post-recession low in 2012.

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

- **Available space is getting larger:** Many small businesses need small spaces, but the size of leased retail spaces is increasing. This compounds the affordability challenge for many business owners who may not be able to find appropriately sized spaces. Among existing buildings, 25

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

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

Additional data is featured throughout the report.

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