DRAFT
Market Analysis
Spokane Grand Boulevard

Leland Consulting Group
March 2020

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Introduction

This market analysis is part of a larger Grand Boulevard Transportation and Land Use Study being undertaken by the City of Spokane to evaluate Grand Boulevard along a Study Area extending from 27th to 39th Avenues.

Much of that effort is devoted to exploring opportunities for transportation, safety, and aesthetic improvements to that stretch of Grand Boulevard, potentially including changes to streetscaping, bike/ped amenities, traffic engineering, etc.

This market analysis component is included to evaluate the area's redevelopment potential and study how private sector changes to the built environment might best complement any transportation infrastructure recommendations to further Comprehensive Plan goals.

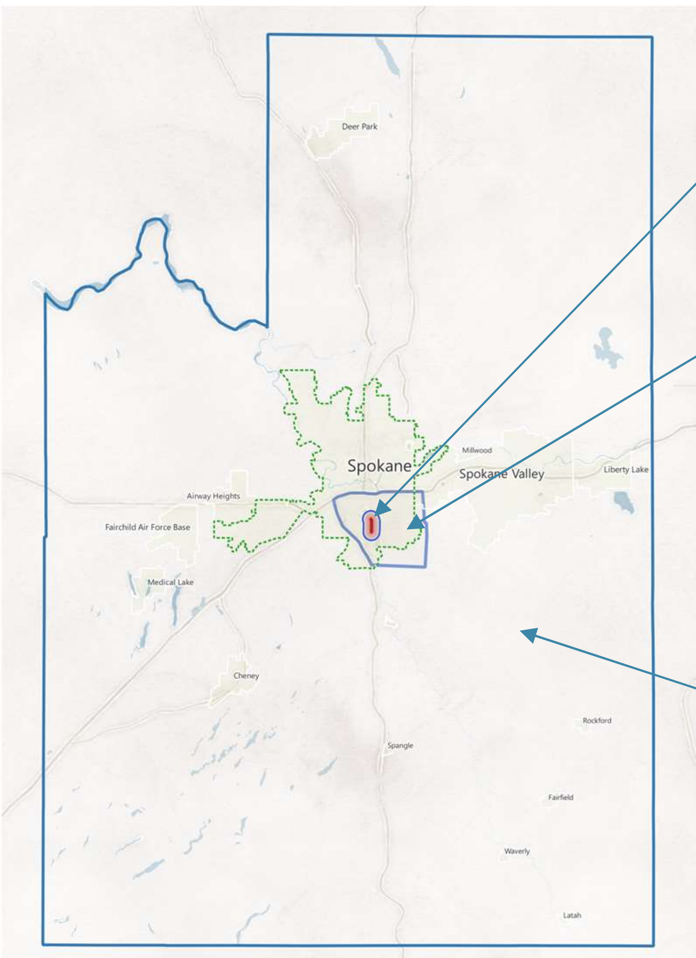
The report, in fact, provides evidence for favorable market conditions, with ample residential and retail demand to support infill development in the Study Area.

Existing land use policy for the area appears to be well-suited to accommodate desirable development forms (although could perhaps be better promoted).

Finally, the contemplated investments in street improvements should help attract developer and property owner interest in redevelopment – leading by example in moving towards a vision of a more vibrant, resident- and business-friendly street.

Comparison Geographies

This market study involves analysis of demographic and economic conditions at varying geographic scales. This is an overview of those boundaries, along with a rationale for their use and notes on some exceptions.



Geography	Use and Rationale	Notes
Grand Boulevard Study Area or "Study Area"	This half-mile buffer around the stretch of Grand Blvd. from 27th to 39th Streets is the immediate project vicinity and area most directly affected by any street improvements or changes to zoning or policy.	
South Side Market Area or "Market Area"	The Market Area is drawn to encompass areas of likely competition for private sector land uses such as new housing or retail. In the case of retail (and dining), the boundary is also intended to cover a "catchment area" of neighborhoods most likely to patronize Study Area establishments. Although political boundaries can sometimes be used to define a market area, it is important to respect factors such as drive times and major physical divides such as rivers and highways. In this case, the boundary extends into unincorporated Spokane County to the southeast, in recognition that those households have few convenient, available shopping alternatives.	The main provider of commercial real estate data, Costar, tracks indicators such as inventory, rents and vacancy rates for pre-defined submarkets with different boundaries that do not exactly match the Market Area used here. Costar's "South Spokane" retail submarket excludes unincorporated areas to the southeast of Spokane. For their multifamily reports, Costar (confusingly) uses a different boundary for their South Spokane submarket – excluding South Hill
Spokane County	Spokane County serves as the Metropolitan Statistical Area (MSA) boundary for Census (and other) data sources and is a suitable area for regional comparisons.	Some sources consider "metro Spokane" to extend eastward to include Coeur d'Alene and the rest of Kootenai County, ID. While those households may indeed support regional retail elsewhere in Spokane County, they are not considered as competition or demand sources in this analysis.

Data Sources

This report draws on data from a variety of public and private sources. The table below describes the primary data providers and how they are used in this report.

Source	Description	Use in this Report
U.S. Census	All key demographics including population, age, income, household composition, household spending potential, and housing characteristics are based on U.S. Census decennial counts and American Community Survey (ACS) inter-year sampled surveys. The Census division's Longitudinal Employment and Household Dynamics (LEHD) tool provides information on employment and commuting flows using jobs data based on both place-of-work and place-of-residence data for major industry sectors at the Census block level.	• Historical population growth • Employment estimates • Commuter flows and mapping *Note: LEHD mapping data is very fine-grained geographically but does include some "blurring" to preserve confidentiality (moving a small portion of locations to adjacent blocks and/or changing industry classification to similar categories)*
ESRI	Leading subscription-based demographics data provider. Most ESRI data is Census-based but is projected forward to current year estimates using proprietary models and supplementary data sources.	• Current-year demographic comparisons • Projected growth by age group • Household spending potential retail sales estimates by category
Costar	Leading subscription-based commercial real estate data provider, selling individual property information and aggregated market statistics.	• Multifamily and retail inventory mapping • Multifamily and retail rent, vacancy and activity statistics by market and submarket
Spokane County Assessor, City of Spokane	GIS and tabular parcel data, including information on size, values, land use and zoning.	Land use, land utilization and property value mapping.

DEMOGRAPHICS & EMPLOYMENT

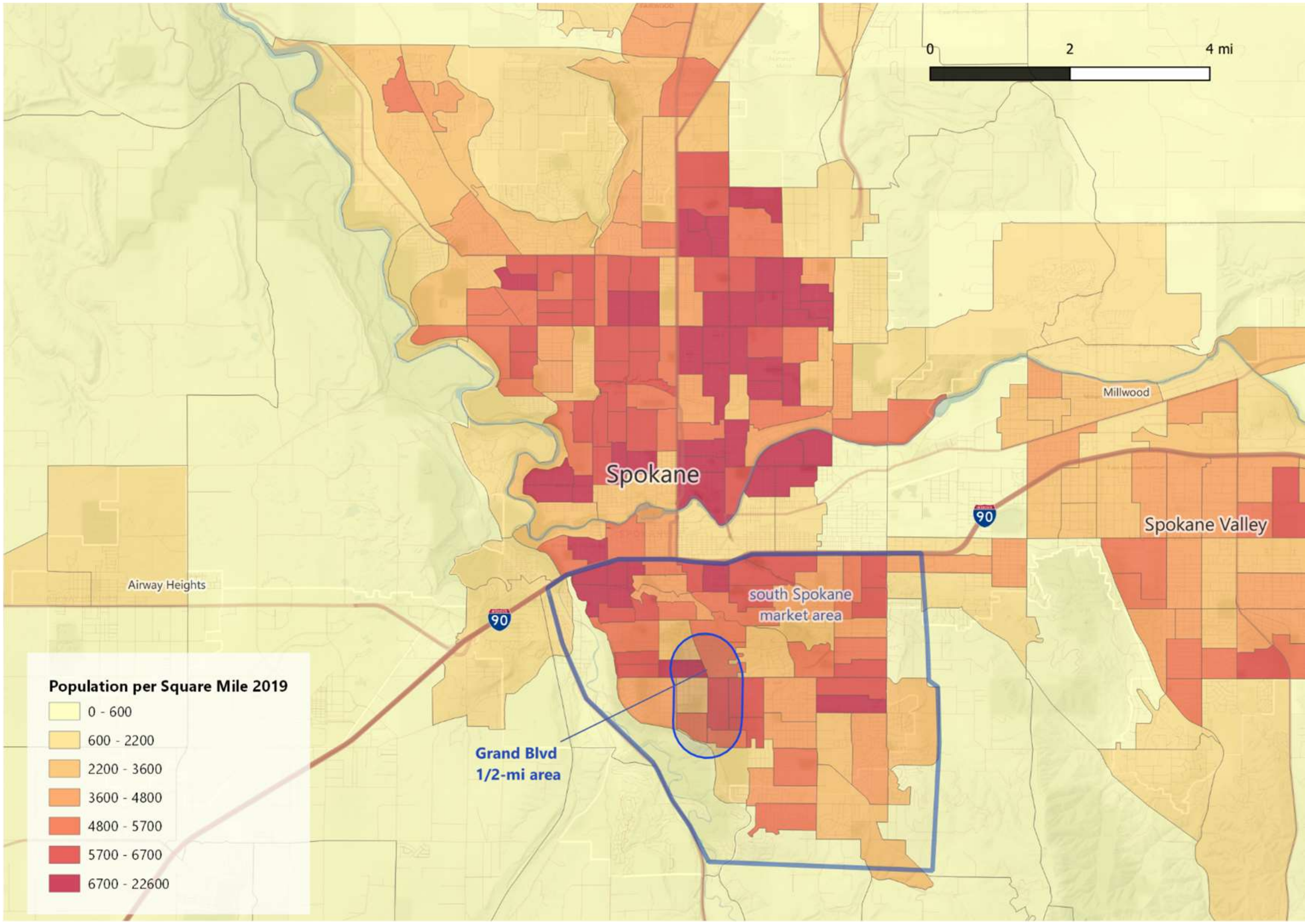
Population Density

Regional population density is highly concentrated within the Spokane and Spokane Valley municipal boundaries.

The Market Area is less dense than the city's northeast quadrant, but pockets of population density (5,000+ per square mile) are scattered throughout the south side.

Resident population is limited by topography along the city's southwest side, just beyond the Study Area – posing a natural limit on the household catchment than can support Grand Boulevard retail.

Source: US Census-based estimates from ESRI

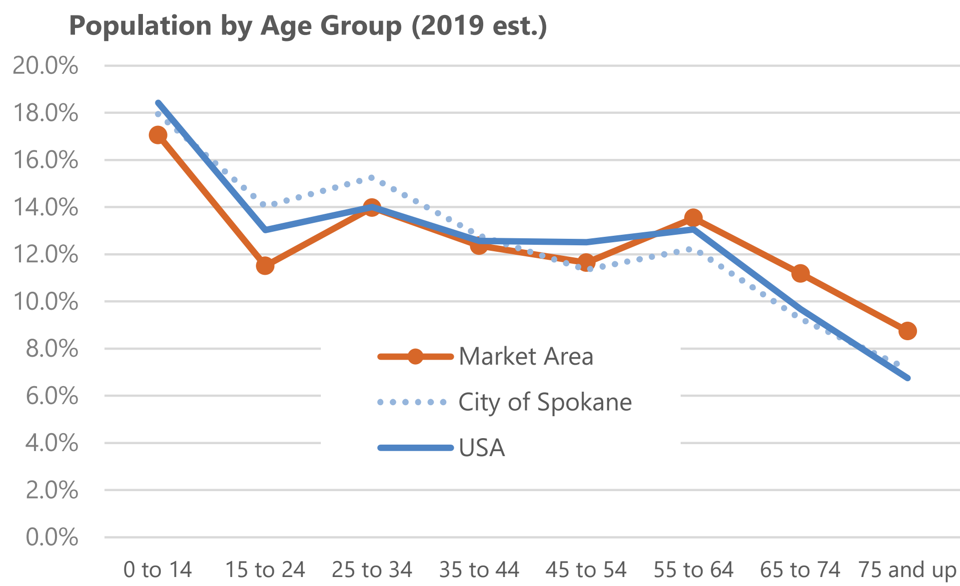


	Study Area 1/2-mi Area	South Spokane Market Area	City of Spokane	Spokane County	USA
Population					
2000	6,637	64,777	198,140	417,939	281,421,906
2010	6,650	67,644	209,770	471,221	308,745,538
2019	7,044	73,486	227,620	528,652	332,417,793
Annual Growth Rate					
2000 to 2010	0.02%	0.43%	0.57%	1.21%	0.93%
2010 to 2019	0.64%	0.92%	0.91%	1.29%	0.82%

Population by Age

All comparison areas have similar proportions of adults aged 35 to 54. The Market Area, however, skews older than the citywide, county and national comparisons, both in terms of median age and share of seniors aged 65 and up.

As the larger Baby Boomer and Millennial generational cohorts advance in age over the next five years, the Market Area may see considerable growth in residents over age 70 and age 30-45. The increase in senior population should boost demand for senior-friendly housing options throughout the region.



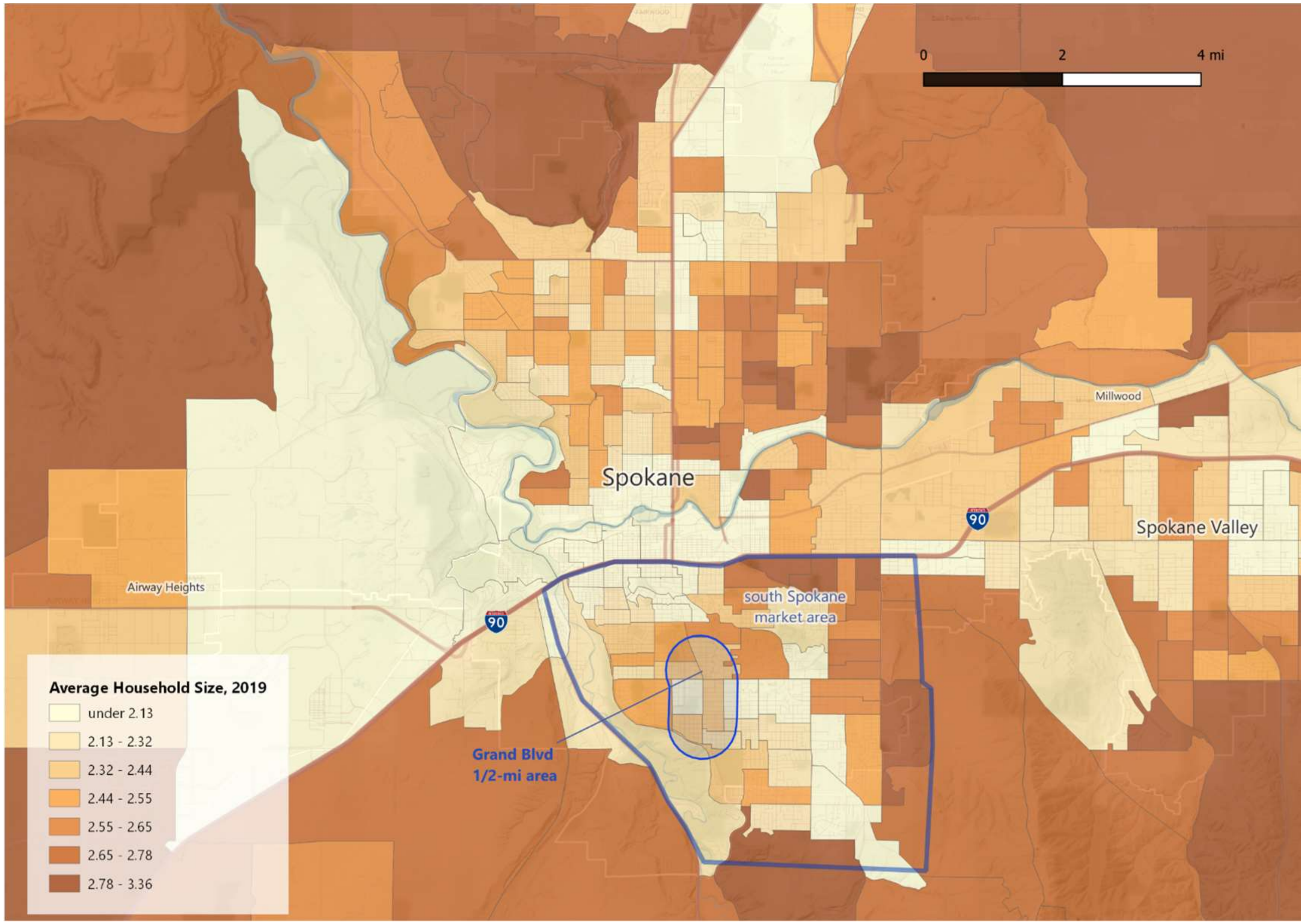
	Median Age	Age 65+
Study Area	41.3	19.5%
Market Area	40.8	19.9%
City of Spokane	37.0	16.4%
Spokane County	38.4	16.9%
USA	38.5	16.4%

Source: US Census-based estimates from ESRI

Household Sizes

Study Area households are smaller, on average, than those found on the fringes of suburban Spokane and into the county, but not as consistently small as those across central and downtown Spokane.

The broader Market Area has slightly smaller household sizes than the Study Area – both below countywide and national averages.



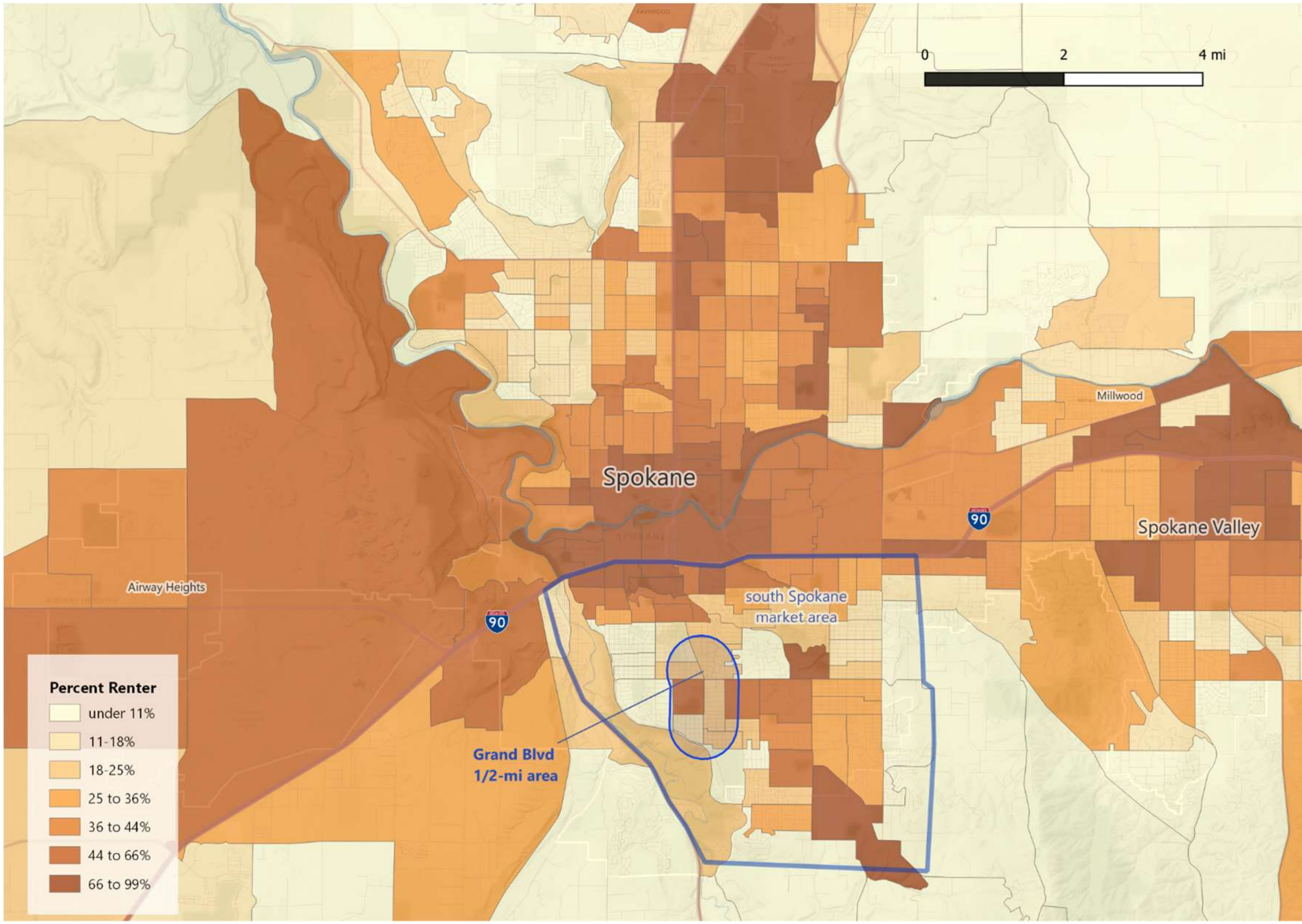
Households

	Study Area 1/2-mi Area	South Spokane Market Area	City of Spokane	Spokane County	USA
Average Household Size	2.3	2.3	2.3	2.5	2.6

Source: US Census-based estimates from ESRI

Renter Households

Housing in the Market Area and immediate Study Area is predominantly owner-occupied but does includes substantial representation of renter households, both in apartments and detached homes.



Households

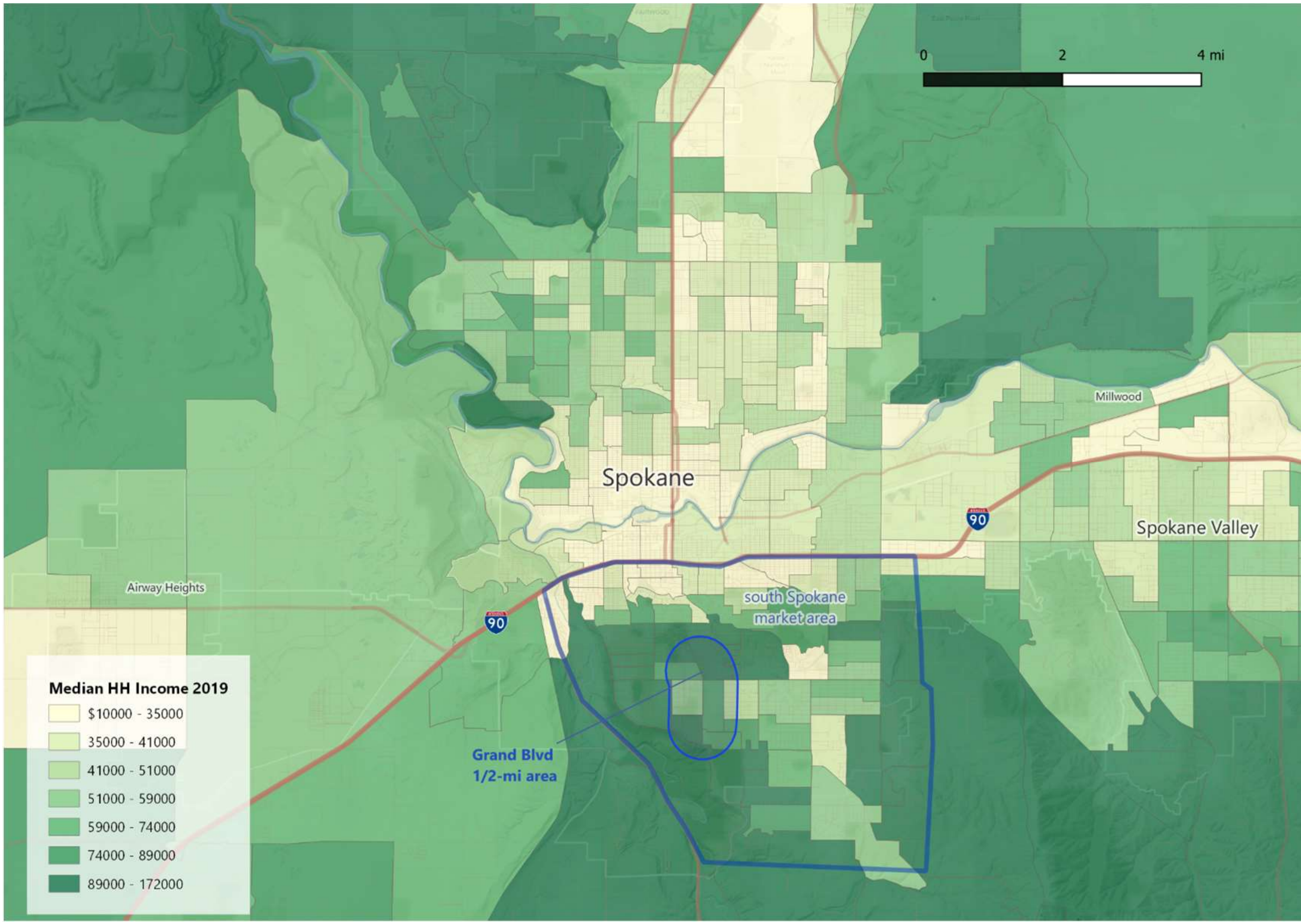
	Study Area 1/2-mi Area	South Spokane Market Area	City of Spokane	Spokane County	USA
Percent Renter	28%	39%	43%	36%	37%

Source: US Census-based estimates from ESRI

Household Incomes

Incomes in the Market Area are substantially higher than county-wide figures, which in turn are higher than those within City of Spokane overall.

Study Area incomes are higher still, with half earning over $78K and average (mean) income topping $100K, by current estimates.



Households by Income

	Study Area 1/2-mi Area	South Spokane Market Area	City of Spokane	Spokane County	USA
Median Household Income	$78,136	$61,175	$47,943	$56,227	$60,548
Average Household Income	$101,270	$86,925	$68,559	$77,749	$87,398
Per Capita Income	$44,078	$38,104	$28,749	$30,841	$33,028

Source: US Census-based estimates from ESRI

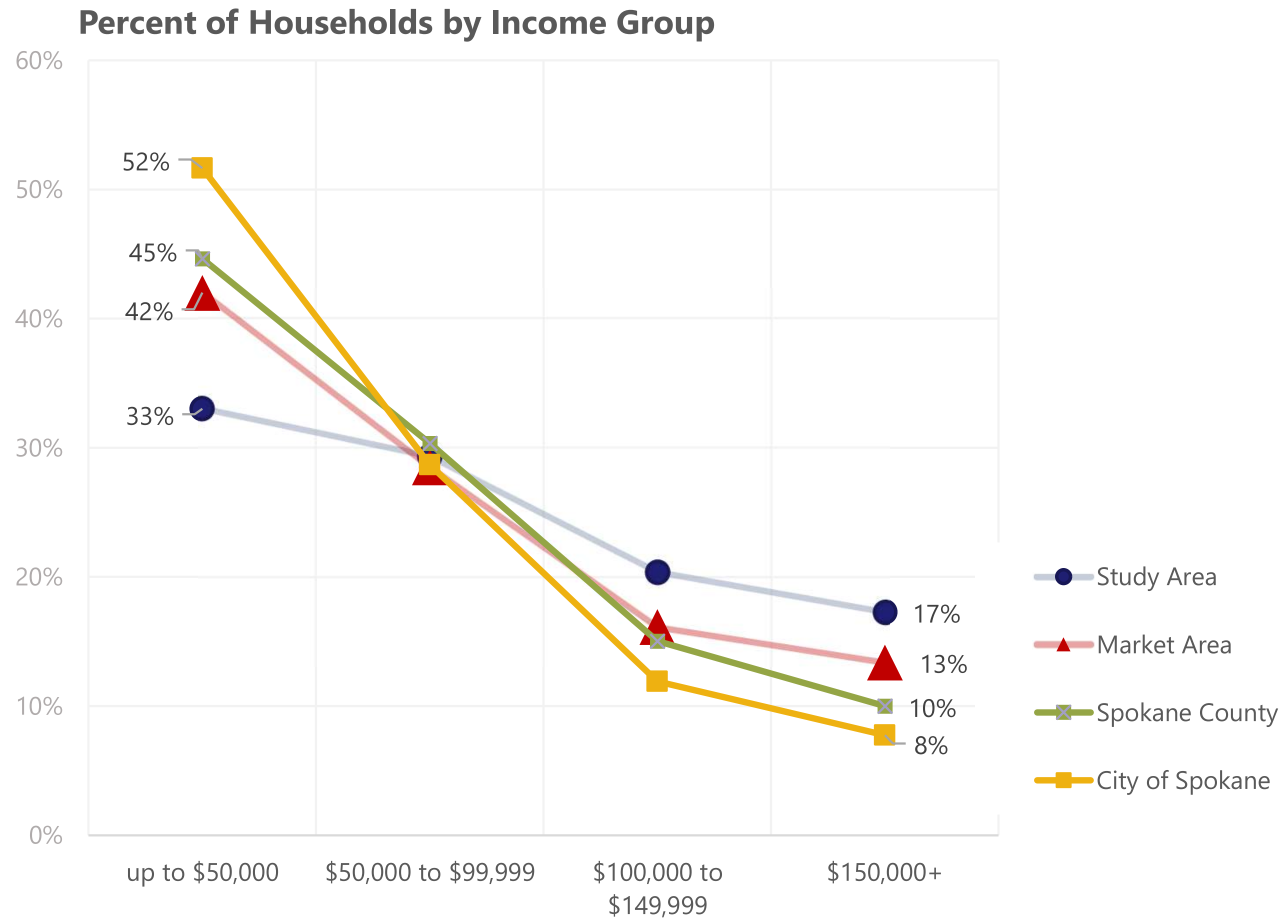
Household Incomes

This figure shows the distribution of households across income ranges for each comparison geography.

Each area has roughly 30% of households earning between $50K and $100K.

However, just one-third of Study Area households make less than $50K, while more than half of Spokane citywide households fall in that group.

Conversely, the Study Area and Market Area have higher proportions earning in the top two income groups.



Source: US Census-based estimates from ESRI

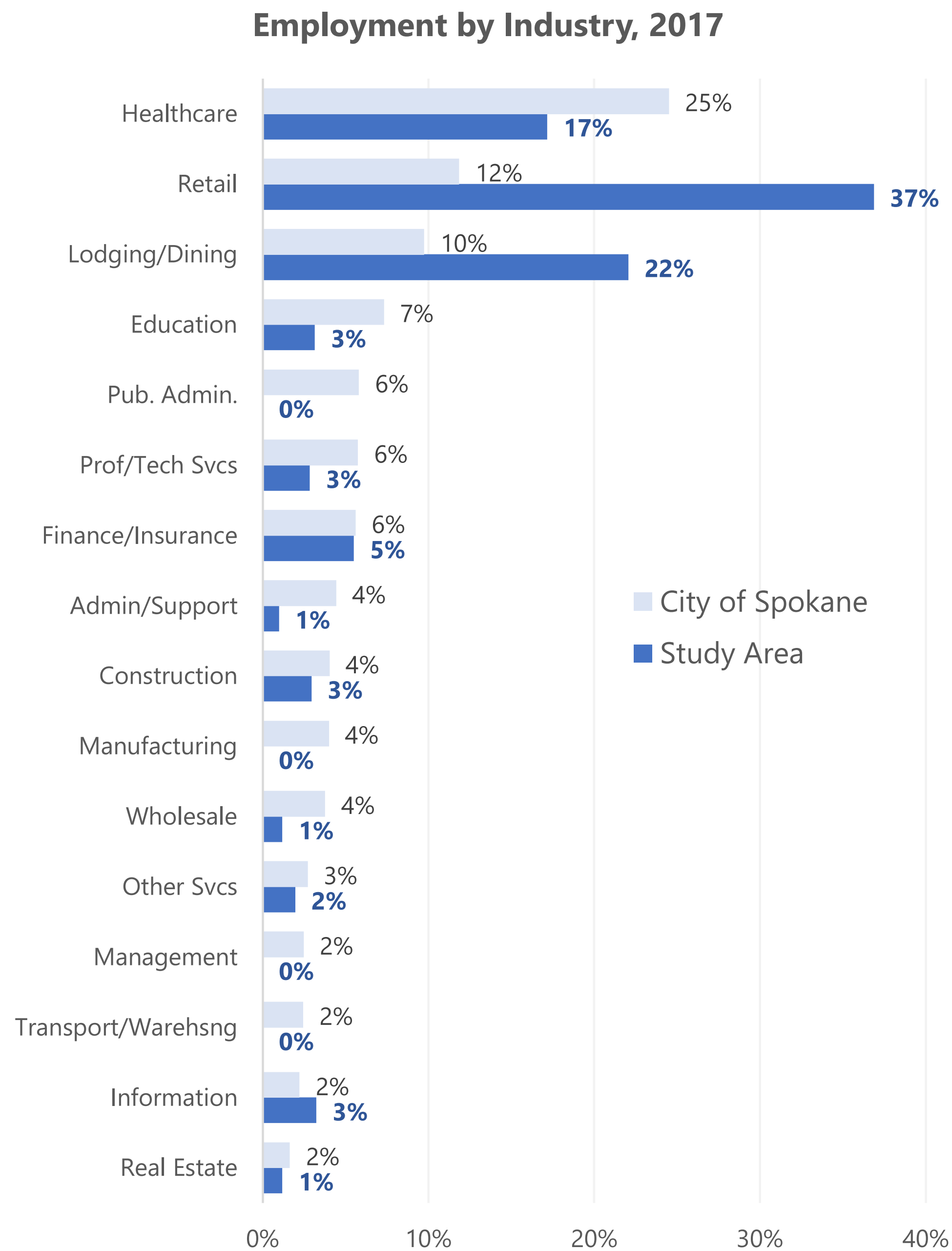
Study Area Employment Profile

Establishments within the Study Area employed just over 1,000 workers as of 2017.

Study Area jobs are almost exclusively within service industries, with 37% working in retail and 22% in food service and accommodations (mostly restaurants). Another 17% work in the healthcare industry.

There is currently a mismatch between the Study Area jobs and residents, in that its daytime workforce population tends to work in lower-wage industries, while area residents tend to have higher-paying jobs.

This presents a challenge to creating at least the possibility of a *live-work* environment. That is, without some housing that is more affordable to Grand Boulevard employees, they will always have to commute in from outside – worsening traffic and wasting time. Conversely, without some higher-paying jobs in the Study Area, local residents will always have to commute outside for work.

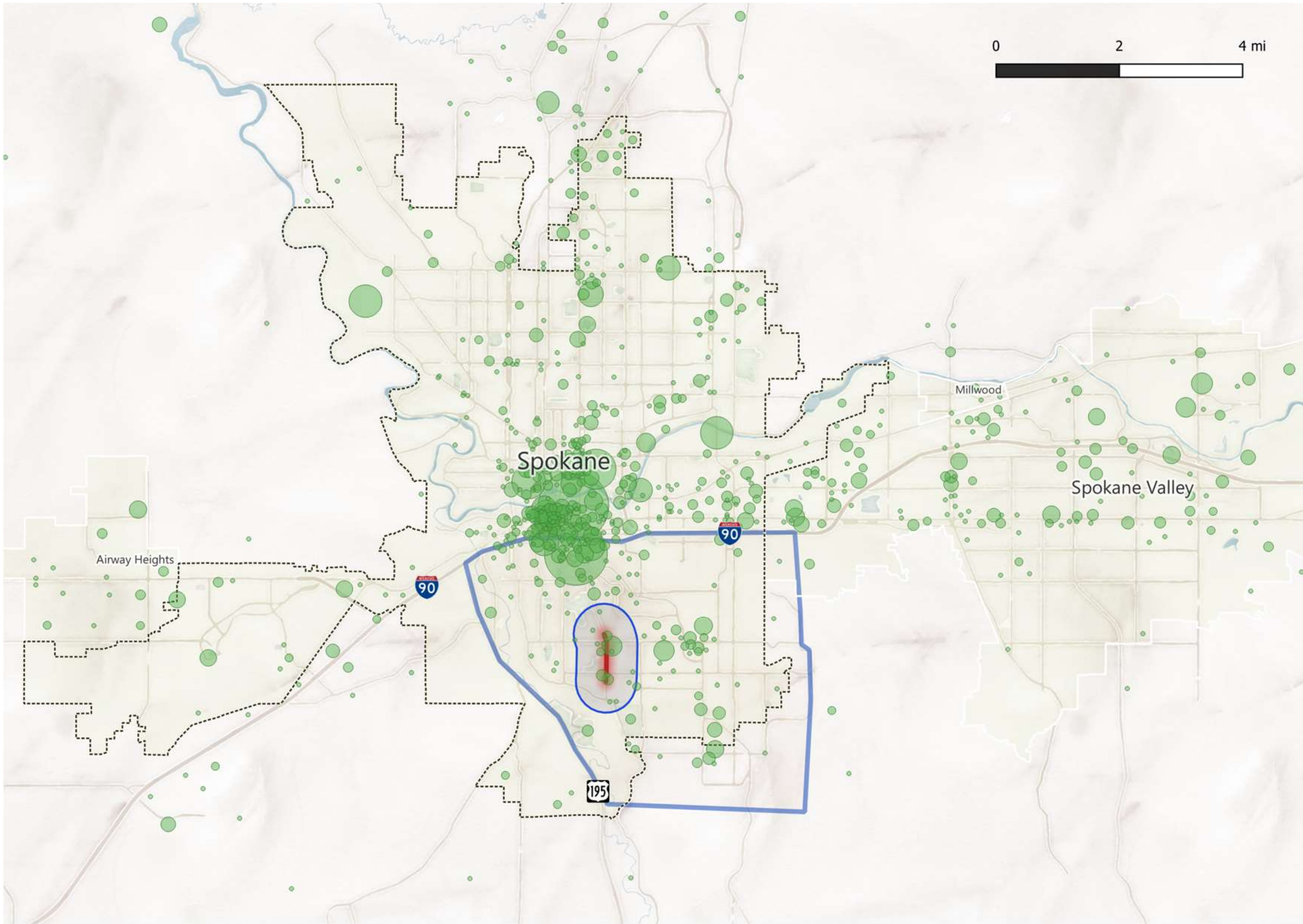


Source: US Census LEHD 2017 data (latest available)

Where do Study Area Residents Commute To?

Of the Study Area's 3,000 employed residents, less than 40 remain within the ½-mile Study Area to work each day.

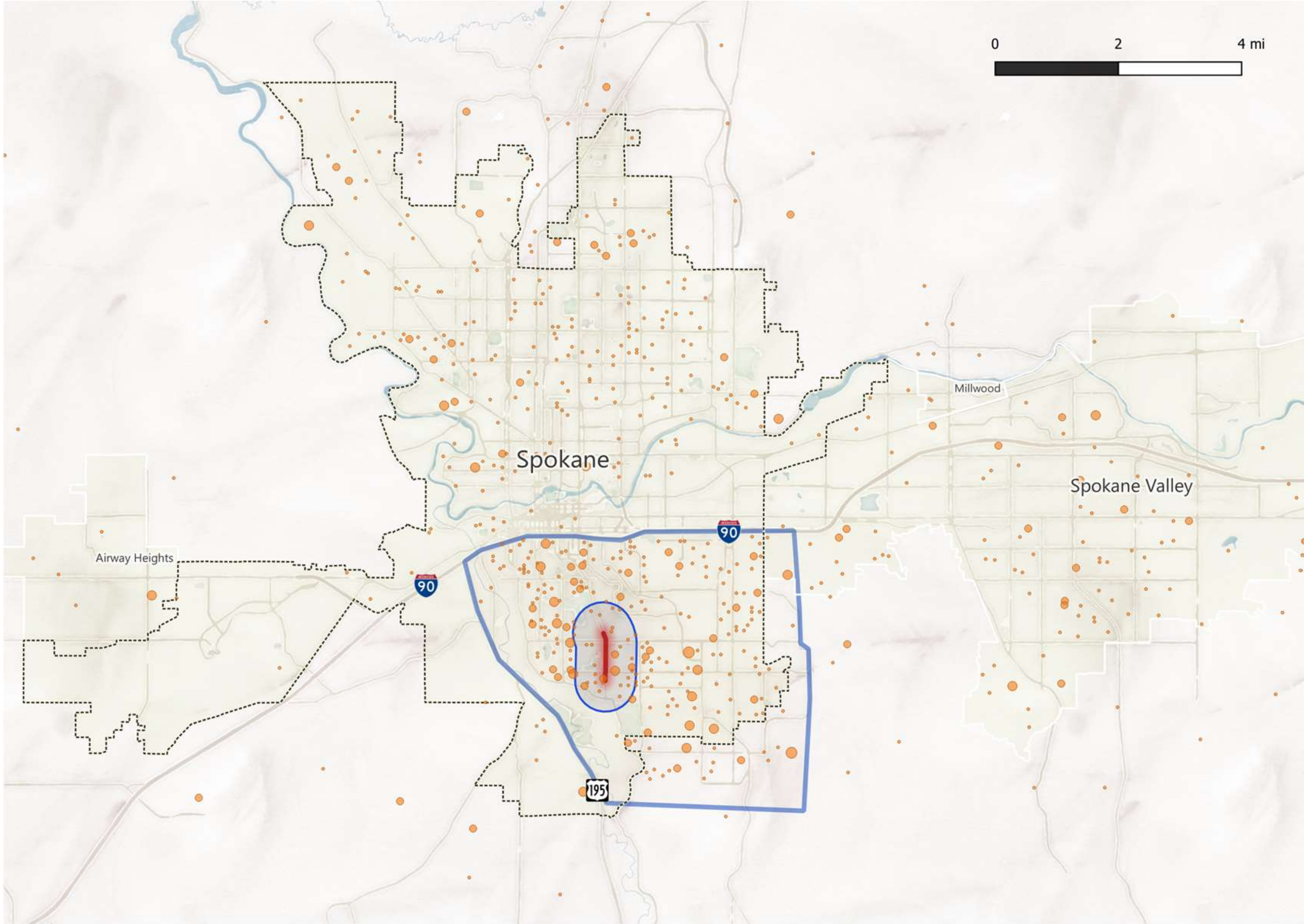
Downtown Spokane is by far the most common commute destination, with the remainder scattered throughout the city and along I-90.



Source: US Census LEHD 2017 data (latest available)

Where do Study Area Workers Commute From?

In contrast, the 1,000+ Study Area jobs are filled by residents scattered widely across the metro area. South side Market Area residents are somewhat more likely to fill Study Area jobs, but metro-wide, no more than four Study Area employees reside within any one of the region's nearly 900 Census blocks.



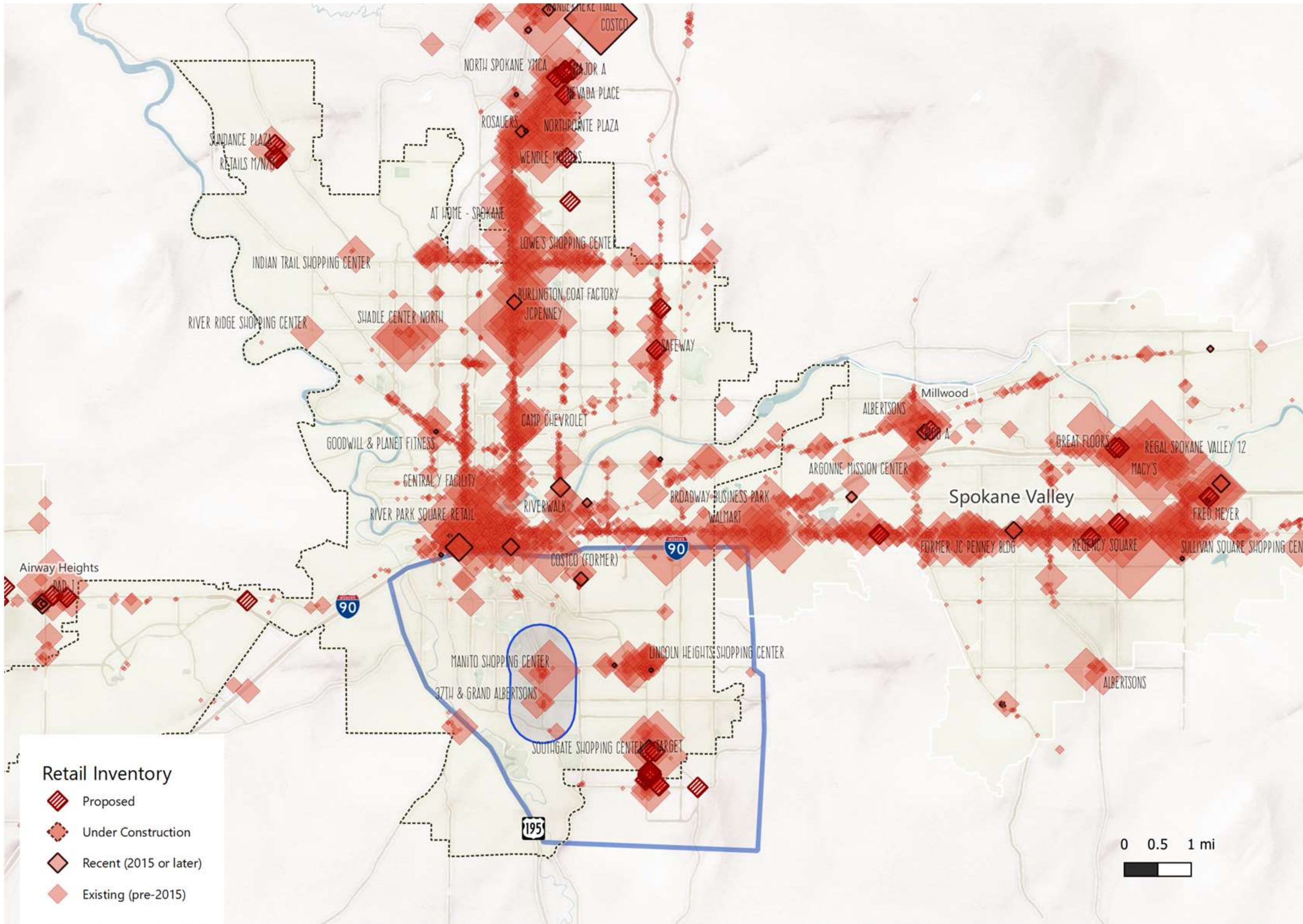
Source: US Census LEHD 2017 data (latest available)

RETAIL
SUPPLY & DEMAND

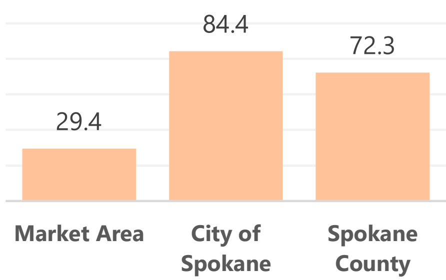
Retail Inventory

A nearly unbroken string of retail stretches from downtown Spokane to Spokane Valley along Sprague and north from the interstate well past the city limits along Division.

The standing inventory of retail in the Spokane County market is considerably unbalanced with respect to its resident population, with less than 30 square feet of retail per capita in the Market Area, versus 72 countywide and 84 for all Spokane city resident. Market rents on the south side are almost $5 per square foot per year higher than countywide average.



Retail Square Feet per Capita

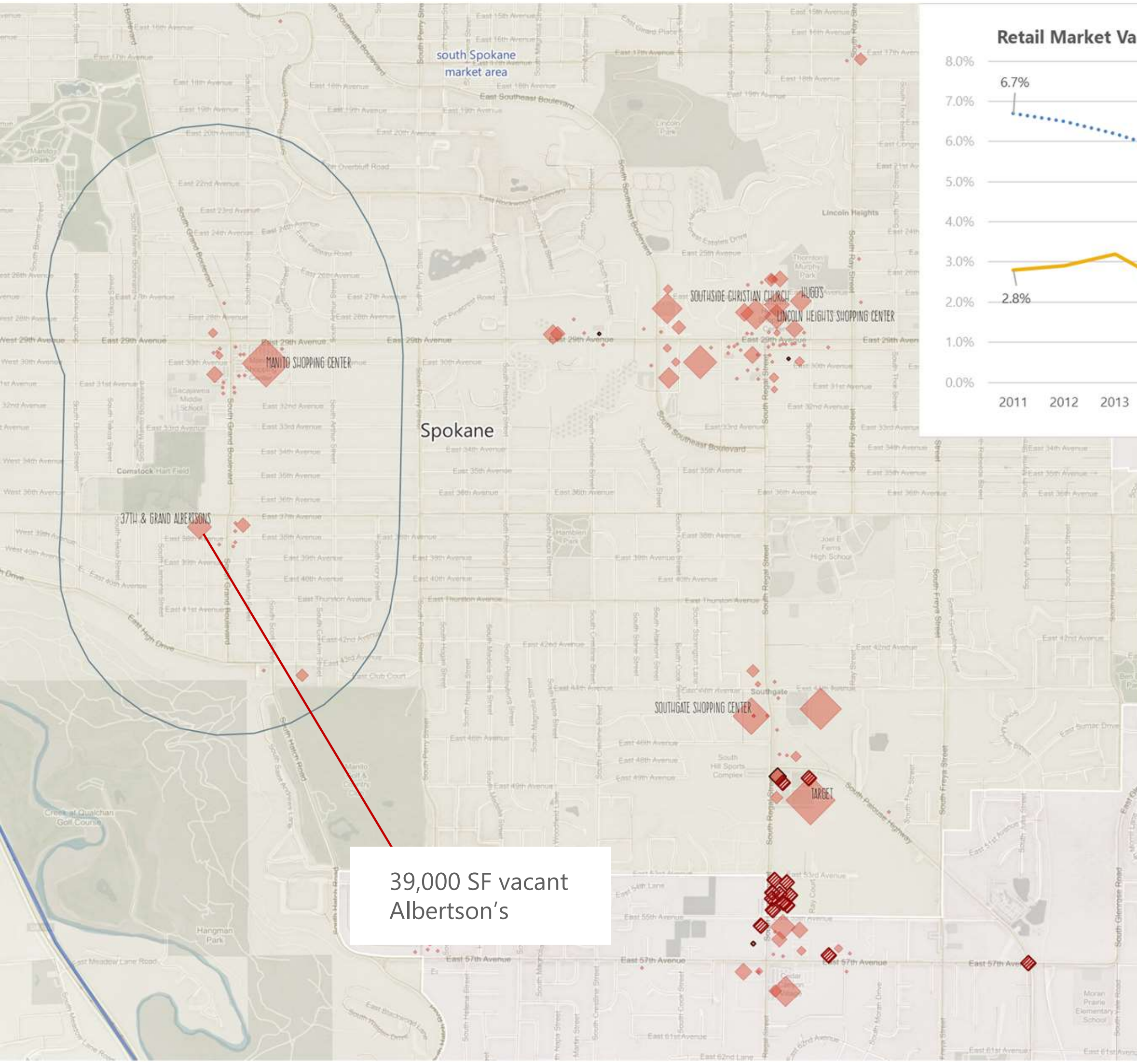


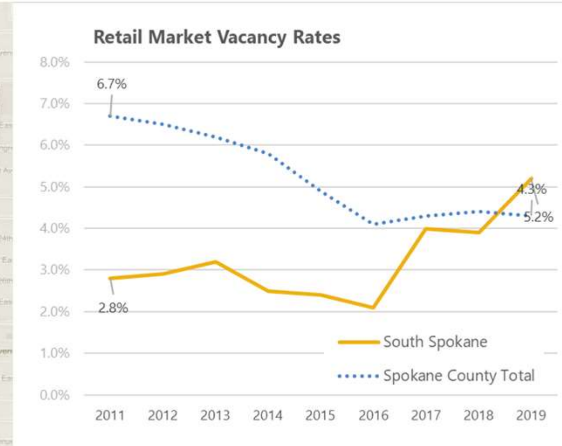
Submarket	Retail Inventory (s.f.), Q4-2019	% of County	Square Footage Built Past 12 mo.	Under Construction	Vacancy Rate	Market Rent (per s.f., per year)
Market Area	2.25 million	6%	0	0*	5.2%	$18.05
Spokane County Total	38.2 million	100%	34,000	59,200	4.3%	$13.27

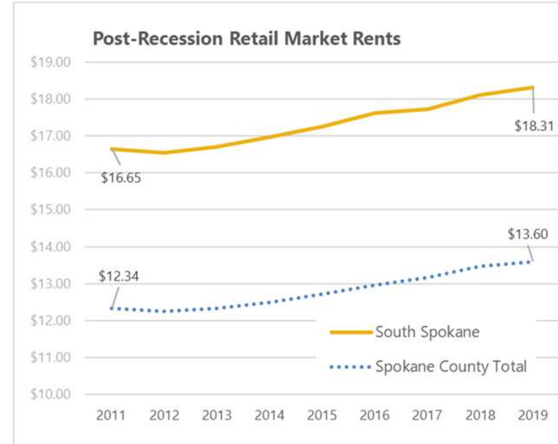
**Note: early-stage construction taking place on Grand Blvd. at 31st and 32nd is not reflected in Costar retail property data pulled in November, 2019.*

Source: Costar 2019 property data

Retail Inventory (South Side Zoom)







Source: Costar (2019 property data); and Leland Consulting Group

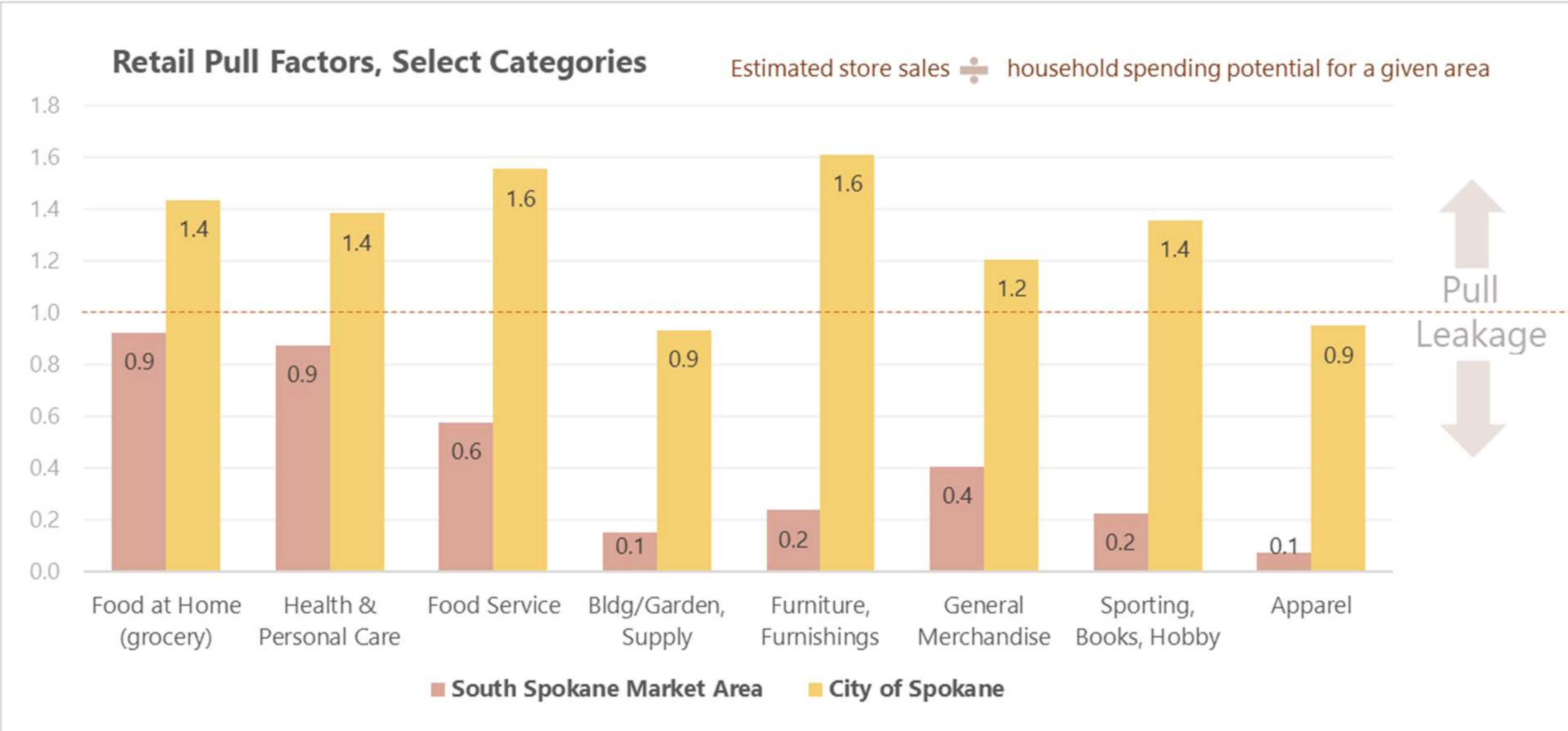
South Spokane retail is limited to a small presence in the Study Area, including the Manito Shopping Center (Ross, Rite-Aid, Super 1 Foods).

Larger concentrations are centered on Regal 1.5 miles east, with the Lincoln Heights Center (Trader Joe's, Joann, Petco) at 29th on the north and a cluster anchored by Rite-Aid, Shopko, and Target further south.

There is no truly regional retail in the Market Area, with most shopping centers being neighborhood grocery-anchored centers or somewhat larger big-box clusters. The county's malls, lifestyle centers and major club stores are all located in the north metro or to the east in Spokane Valley

Market-wide (Spokane County) retail rents have steadily climbed as vacancies have been in slow decline throughout the recovery period. The South Spokane Hill subarea has also seen rents rise in lockstep with the metro, despite more volatility in occupancy.

Retail Pull, Leakage



Measures of retail "**pull**" and "**leakage**" are based on comparing an area's household spending potential with the volume of sales actually occurring in that area.

When sales exceed resident spending potential, an area is said to be "pulling" in retail dollars from outside its boundary. When sales fall short of resident buying power, an area is "leaking" retail dollars to stores outside the area.

For all major store types except supermarkets and drugstores, Spokane's south side residents depend heavily on retail outlets (and restaurants) outside the market area, either north of the interstate or to the east in the City of Spokane Valley.

- In fact, south Spokane does not exceed the 1.0 pull factor threshold for any retail category – where an area theoretically exceeds self-sufficiency and "pulls" dollars in from non-area households.

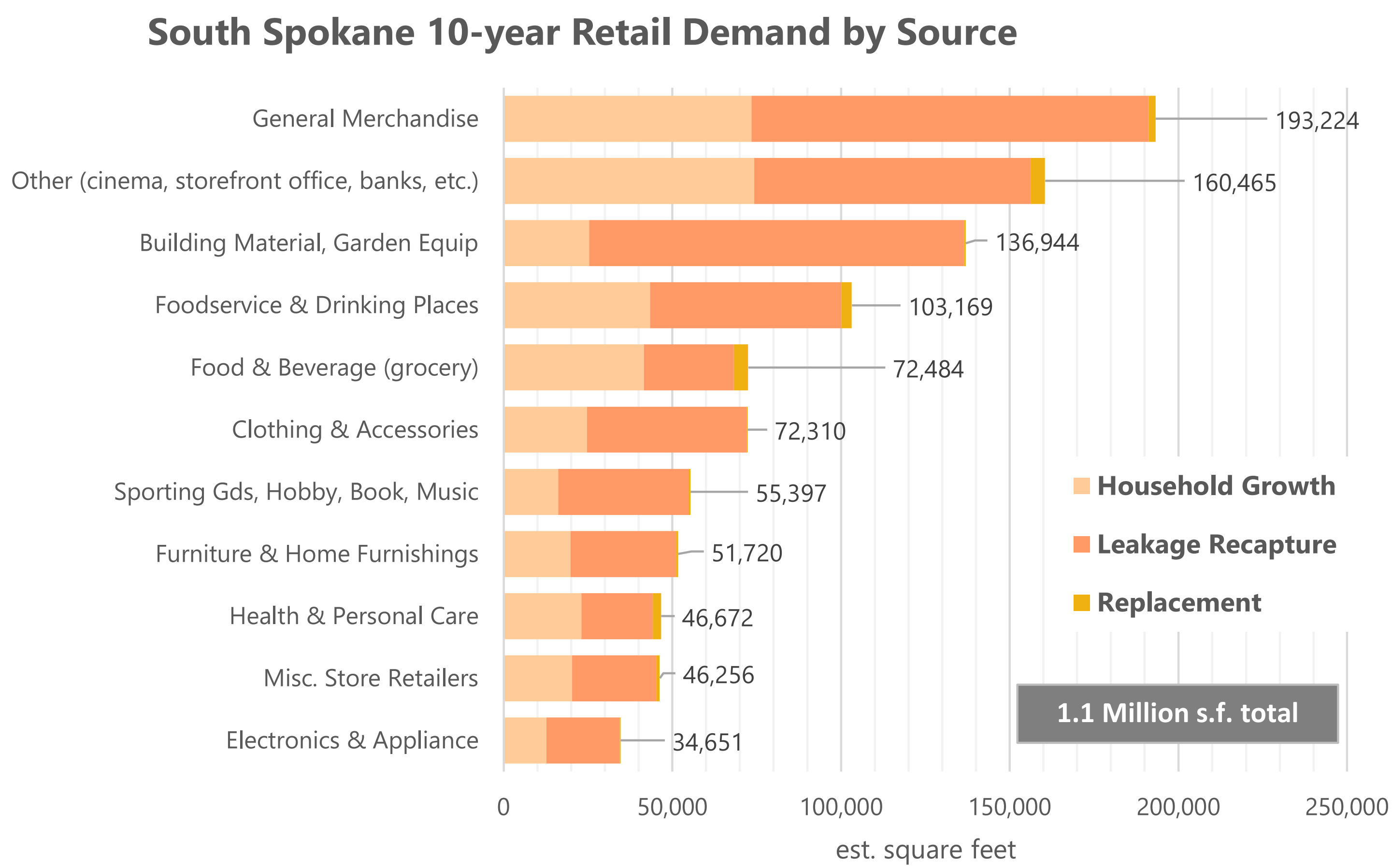
Source: ESRI (2020 report using 2017 data for retail supply/demand; and Leland Consulting Group

Market Area Retail Demand Growth

Retail demand for the Market Area is driven largely by the widespread leakage across categories, plus some additional demand due to moderate continued household growth.

In total, new retail demand for the Market Area should top 1.1 million square feet over the coming decade.

This projection is then adjusted to account for growing share of e-commerce* before estimating the attainable capture for the Grand Boulevard Study Area.



Source: Leland Consulting Group, using estimates for household expenditure and category sales from ESRI
**Note: Manual model changes to account for e-commerce are all downwards adjustments, and vary by store type.*

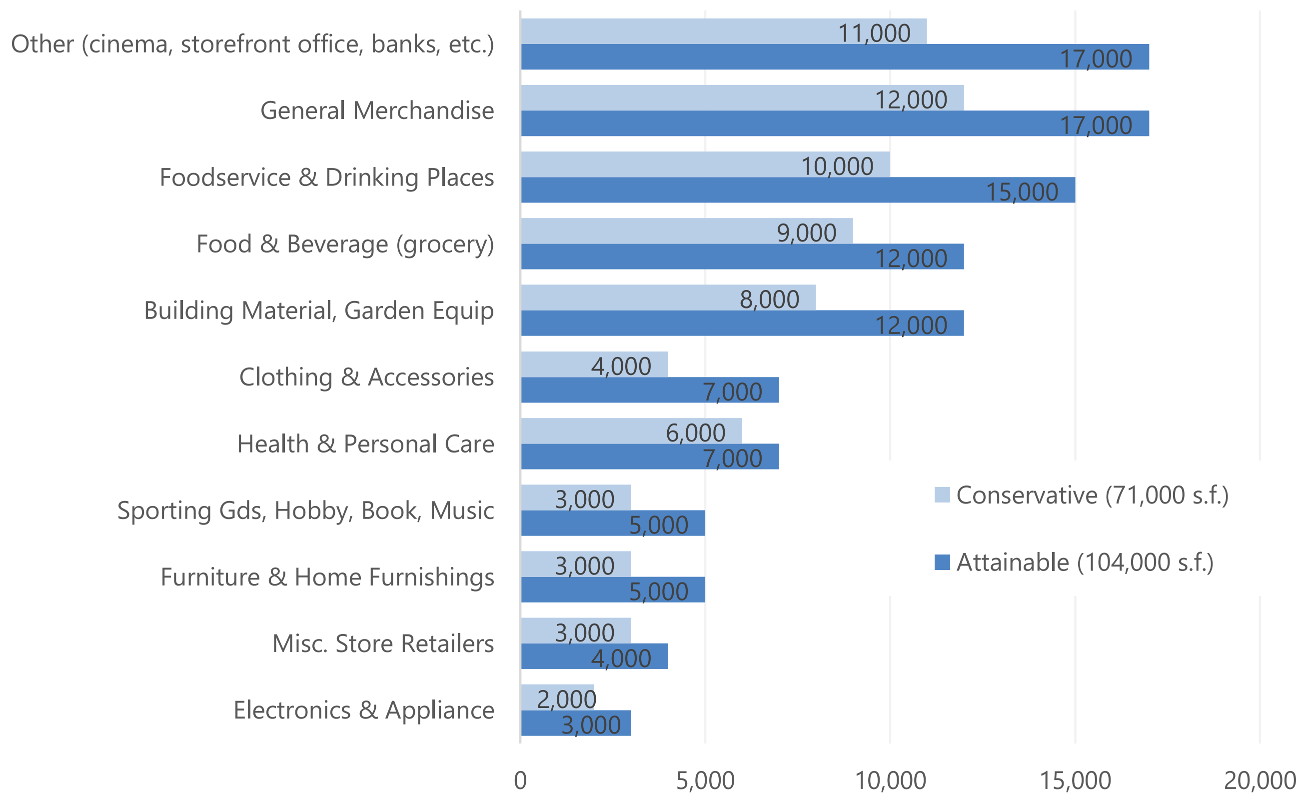
Estimated Attainable Capture for Grand Boulevard

At an estimated capture rate of between 10% and 15% (15-20% for grocery and drugstore categories), the Study Area could absorb approximately 71,000 to 104,000 s.f. of new Market Area retail demand over the coming decade.

At a typical retail floor area ratio (FAR) of 0.25*, this level of development would require 6.5 to 9.6 acres of land – about the size of the existing Manito Shopping Center site.

Because the largest vacant commercial parcel in the Study Area (the vacant Albertson's site at 37th) is 3.1 acres, the full capture shown here would likely be spread across multiple sites, and would require redevelopment of one or more currently occupied sites

Study Area 10-year Retail Capture Estimates



*Floor Area Ratio for a given parcel is the building area divided by land area. So, at an FAR of 0.25, a one-story retail building would take up one-quarter of the lot, with the rest taken up by parking and landscaping.

An FAR of up to 3.0 (or even higher, with certain approved bonuses) is permitted under existing Study Area zoning – and, in fact desirable, from the standpoint of minimizing surface parking – but anything higher is very uncommon in the U.S. outside of much more urban neighborhood environments.

Source: Leland Consulting Group, using estimates for household expenditure and category sales from ESRI

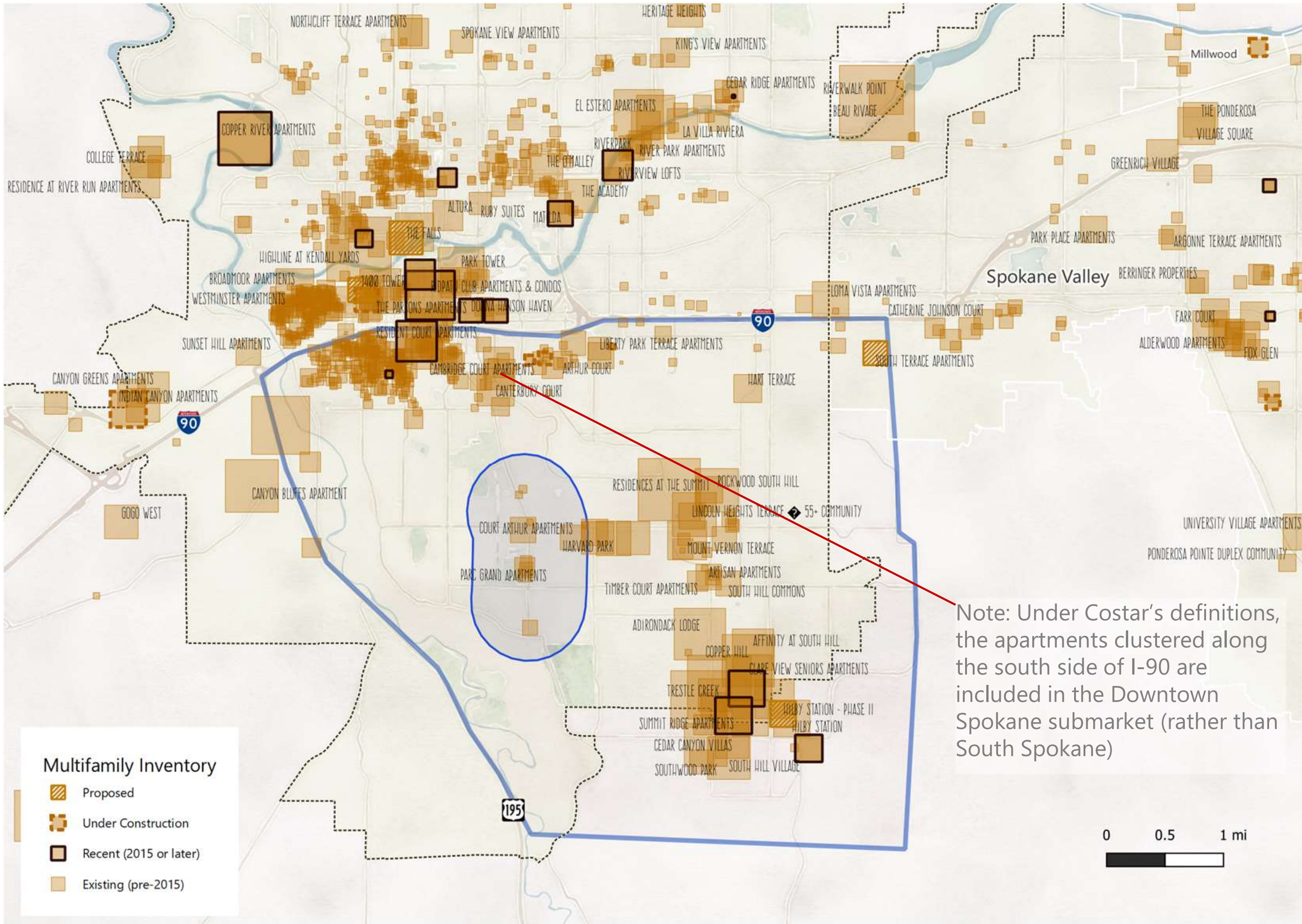
RESIDENTIAL SUPPLY & DEMAND

Apartment Inventory

South Spokane accounts for a small fraction of metro-wide multifamily inventory. Excluding the properties clustered near downtown, just 8% of countywide apartment units are in the Market Area.

Most recent and ongoing construction activity in the city of Spokane is limited to downtown and the north side. Most ongoing countywide construction activity is, in fact, taking place in Spokane Valley and across unincorporated locations.

There are several recently-completed, and at least one proposed, apartment projects within the Market Area, but all are just outside the city limits, along south Regal.



Submarket	Unit Inventory (Q4-2019)	% of County	Units Built (past 12 mo.)	Units Under Construction
Downtown Spokane	8,394	25%	32	65
North Spokane	6,745	20%	6	64
South Spokane	2,736	8%	0	0
Spokane Valley	9,904	30%	20	527
All Other Spokane County	5,593	17%	0	461
Spokane County Total	33,372	100%	58	1,117

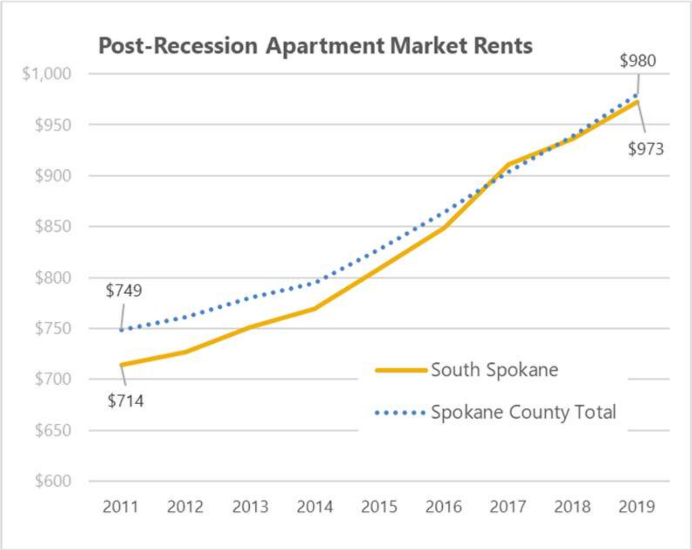
Source: Costar (2019 data; and Leland Consulting Group

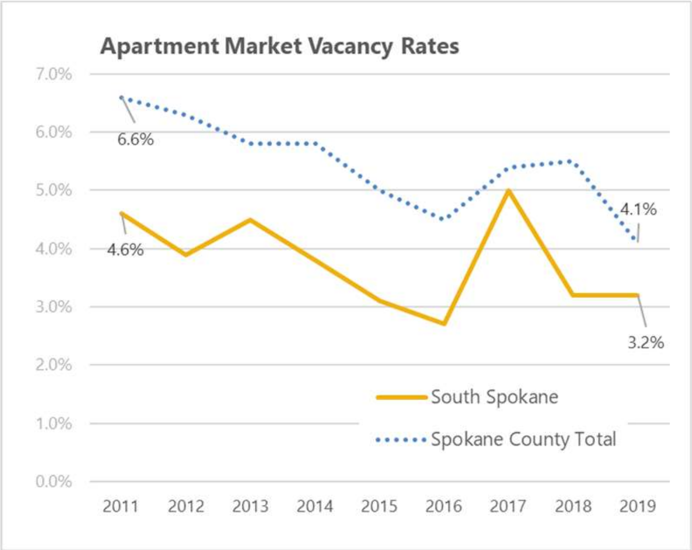
Apartment Supply Conditions

South Spokane (excluding properties along I-90) has closed the gap in rents with the overall metro area over the post-recession period, with current market rents now hovering around $980 across all property types and ages.

Vacancy rates in the South Spokane submarket (again, by Costar definitions) have remained lower than those across the overall market, although the gap has closed from two percentage points to just one since 2011.

Both the South Spokane submarket and the overall market are "tighter" than the 5.0% vacancy generally considered to be an equilibrium level for multifamily development (where renters and landlords have similar negotiating power and there is adequate inventory to accommodate normal turnover levels.)

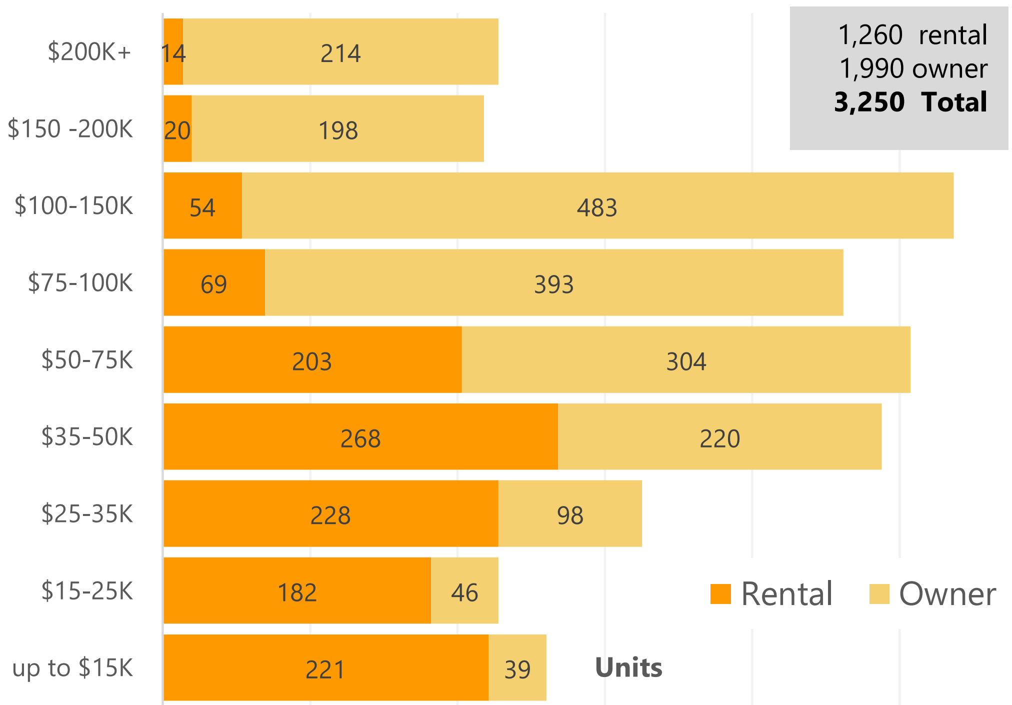




Source: Costar; and Leland Consulting Group

Market Area Residential Demand

10-Year Market Area Residential Demand by Income



Demand for net new housing units is based on applying a 0.93% annual growth rate to the existing Market Area household count. This rate is an average of 2010-19 actual historical growth and ESRI's 2019-24 projected growth rates.

The projected 10-year growth in households is then increased by an additional 5% overall (to account for preserving a healthy market vacancy rate while allowing for a modest amount of potential demolitions and growth due to second homes) to arrive at a 10-year new unit requirement.

This total unit count is then allocated across household income categories and tenure (rent vs. own). For this analysis, we assume that the percent renting in each income group will remain constant (39%) into the forecast period. Although home ownership rates have been dropping nationally for years, most analysts are reluctant to assume additional declines as Millennials move further into prime home-ownership years.

Population by income range is assumed to remain generally constant, with moderate reductions to shares in the lowest income brackets as declining housing affordability gradually displaces some households.

Based on projected household growth alone (i.e. irrespective of any arguable pent-up demand in the multifamily rental market), the south Spokane market area should generate demand for approximately 3,250 new units per decade – apportioned across rental and ownership units as shown in the figure above.

Source: Leland Consulting Group, using historical growth rate, tenure and income distribution data from ESRI

Residential Demand & Study Area Capture Potential

Summary of Market Area Demand and Attainable 10-year Study Area Capture by Product Type

	Market Area Unit Demand*	Conservative Capture Rate	Attainable Capture Rate	10-year Study Area Absorption (low)	10-year Study Area Absorption (high)	Approx. Units Per Acre (low)	Approx. Units Per Acre (high)	Acreage Required (low)	Acreage Required (high)
Rental Apartments	1,040	10%	20%	100	210	18	30	5.6	7.0
Attached Ownership (Townhome, Condo, Plex, etc.)	290	10%	20%	30	60	15	18	2.0	3.3
Single Family Smaller Lot	567	0%	0%	0	0	10	12	0.0	0.0
Single Family Larger Lot	1,288	0%	0%	0	0	4	8	0.0	0.0
Totals*	**3,185***	**4%**	**8%**	**130**	**270**			**8**	**10**

*Totals above exclude demand from households earning below $15K

total unit demand for lowest income segment (<$15K)	*260*

Source: Leland Consulting Group, using historical growth rate, tenure and income distribution data from ESRI

The Market Area's moderate but steady growth should support development of nearly 3,500 housing units over the coming decade.

Of this, the Study Area should theoretically be able to attract approximately 130 to 270 units, as a mix of rental and attached ownership products.

However, as with retail demand and capture estimates, this absorption level – requiring some 8-10 acres – would require redevelopment of one or more larger sites currently occupied. Parcels in Manito Center are unlikely to redevelop in the coming decade, at least, due to profitable ongoing operations and stringent lease restrictions.

Note: Single family detached demand for the Market Area is shown in the table above but this analysis assumes that only multifamily development is under consideration for the Study Area.

It is possible that some modest level of housing demand could be absorbed within the Study Area single family neighborhoods in the form of accessory dwelling units (ADUs).

The City has recently updated its code related to infill development, making it easier to construct attached units, cottages, and other small format homes. Although not a use-by-right in Low Density Residential zones, ADUs that meet development standards do not require a conditional use permit. For details, see:

https://my.spokanecity.org/business/residential/development-options/

POLICY & LAND USE

Regional Land Values

Land values in the Spokane metro area are closely tied to land use designations, with commercial and denser mixed-use zones downtown and along Division Street to the north having the only instances of (Assessor-appraised) values in excess of $100 per square foot.

South Spokane has considerably higher residential land values than can be found to the north. In fact, some of the highest land values in the market area can be found along the tree-lined Manito Boulevard and on the streets fronting Cannon and Manito Parks – suggesting market responsiveness to green and pedestrian-friendly amenities.

Values for commercial parcels along 29th Avenue between Southeast Boulevard and Regal Street also reach above $75/sf.

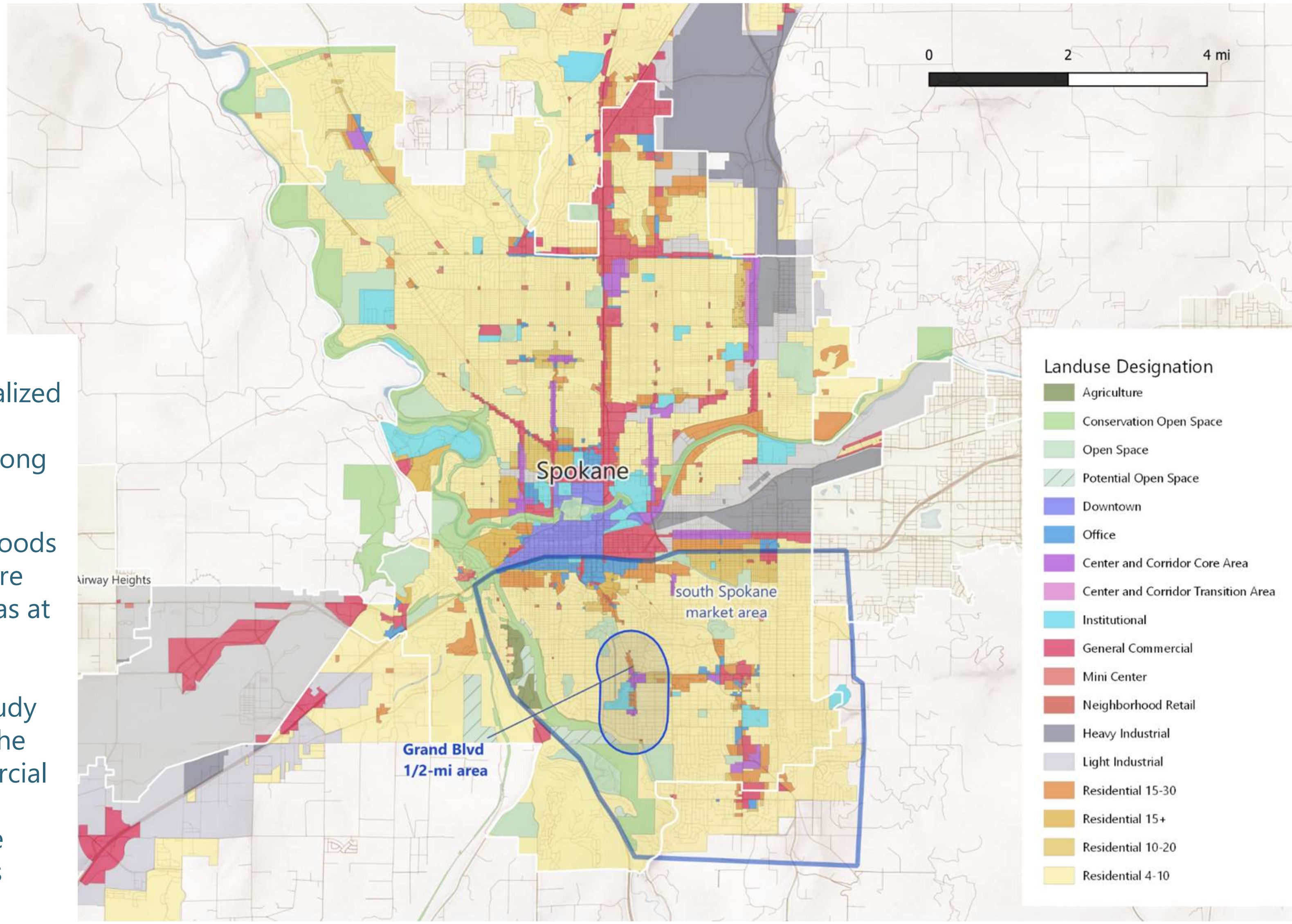
Source: Spokane County Assessor; and Leland Consulting Group

Metro Land Use Context

Spokane area land use is dominated by a strongly centralized downtown and the commercial spine extending to the north along Division.

Whereas residential neighborhoods on the north side of Spokane are punctuated by commercial areas at arterial corners, the expanse of single-family development surrounding the Study Area Study Area is relatively unbroken to the south, west and north. Commercial and other higher-value development on the south side (apart from the I-90 corridor) is largely concentrated along the Regal corridor, 1.5 miles east of Grand Boulevard.

Growth potential to the west of the south Spokane market area is largely constrained by topography (bluff and Latah Creek).



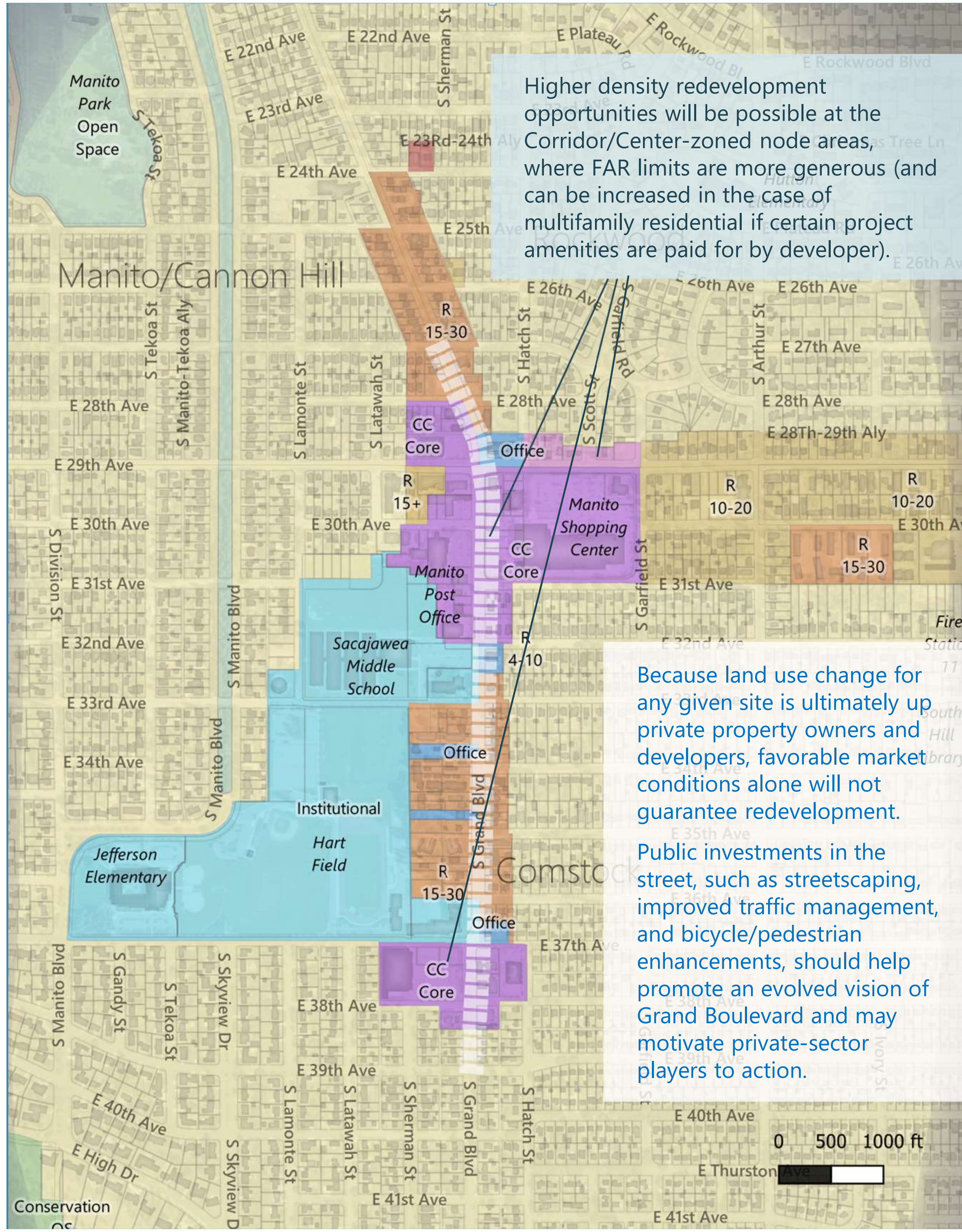
Source: Spokane County Assessor and City of Spokane

Study Area Land Use Designations

A zoom in to the half-mile Study Area shows a relatively narrow corridor of commercial and institutional (primarily school-related) uses surrounded by low density residential neighborhoods.

Some medium-high density residential uses are also found interspersed, limited to areas fronting or within a block of either Grand or 30th Avenue. These are limited to older (typically 70s-construction) apartments and the occasional multi-unit building amid lots simply being used for single-family residences – the predominant pattern along the upzoned portions of 29th and 30th Avenues. These areas represent capacity for increased residential density in theory, but redevelopment is likely to be fragmented and opportunistic, depending on prevailing market conditions and land purchase prices.

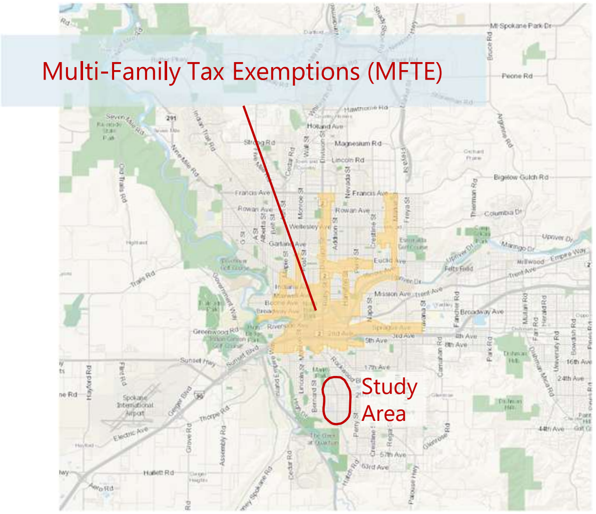
Source: Spokane County Assessor, City of Spokane, and Leland Consulting Group

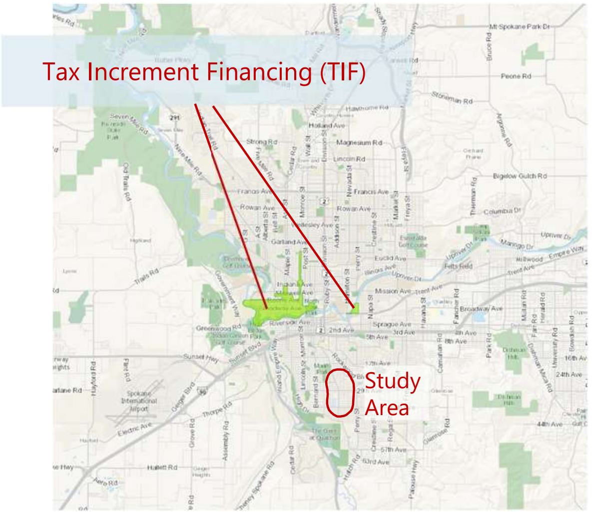


Economic Development Incentives

The Study Area has higher median income and market forces that are generally functioning to meet area demand for both residential and commercial development. As such, the area is not included in major City and federal economic incentive program boundaries.

- The City's Multi-Family Tax Exemption (MFTE) program, which provides substantial property tax savings over 8 to 12 years for newly constructed multi-unit residential projects, is currently limited to designated areas with lower median incomes.
- Because Tax Increment Financing districts in Washington are designed to address conditions of economic instability or stagnation, the Study Area is an unlikely candidate for TIF designation and related incentives.
- The federal Opportunity Zone program is specifically targeted to low income Census tracts.





Source: City of Spokane mapping

REDEVELOPMENT OPPORTUNITIES

Land Utilization

Examining the patterns in existing land utilization can be an important step in screening for potential redevelopment opportunities.

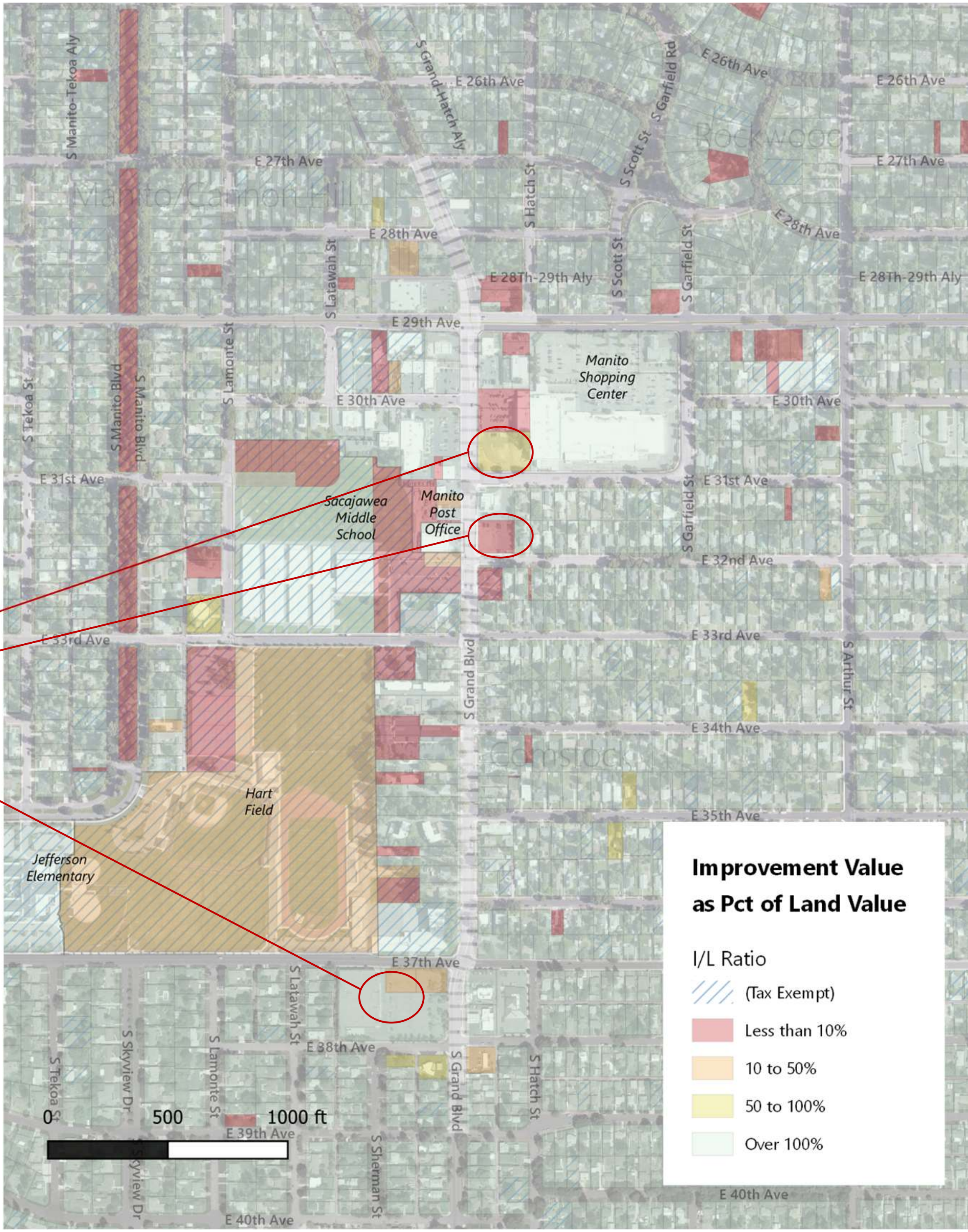
Parcels with low improvement (building) values relative to the underlying land value are flagged here in yellow, orange, or red shading.

Note that most shaded land in the Study Area also has blue hash markings – indicating that the land is tax-exempt. These public and charitable/religious uses are typically not redevelopment candidates.

In the northern half of the Study Area, only the parcels at the northeast corners of Grand & 31st (0.8 acres) and Grand & 32nd (0.5 acres) are immediately redevelopable.

The largest immediate redevelopment opportunity is near the southern end of the Study Area the 3.1 acre vacant Albertsons parcel.

With just 5% tenant vacancy (per Costar), the Manito Shopping Center does not currently appear to be functionally underutilized (although it is not well-configured to serve as a pedestrian-friendly shopping destination).



Source: Spokane County Assessor, 2019 parcel data

Exploring Residential Infill Redevelopment Feasibility in Spokane

The City of Spokane recently commissioned a study of market feasibility for multifamily infill development focused on Spokane's South Perry Center and Monroe Street Corridor (Comprehensive Plan designations).

That analysis, documented the *City of Spokane Housing Feasibility Analysis*, December 2019, by Community Attributes, Inc. (CAI), used market data on rents and product types, together with input from area developers, to generate assumptions for land values, construction costs, attainable rents and other proforma inputs. Those inputs were used to derive likely financial outcomes, including residual land value and an expected internal rate of return (IRR).

Their report found that, based on a minimum 15% IRR threshold, three-story walk-up apartments had the greatest feasibility potential in most contexts but that scenarios involving structured parking or mixed-use products were less likely to be feasible.

Scenarios involving the use of Multifamily Tax Exemptions (MFTEs) were much more likely to pencil out as feasible (or have more attractive IRRs) than those which did not.

Substituting structured parking for surface parking also reduced IRRs to below-acceptable levels for 3-story walk-up models.

The model is sensitive to inputs for land acquisition costs and attainable rents, so major shifts in those could alter IRR performance in practice.

Infill Redevelopment Prospects

Using proforma worksheets created by CAI for that 2019 analysis, Leland Consulting Group examined preliminary feasibility for infill redevelopment of three major vacant sites (3.1-acre vacant Albertson's, plus the 0.8-acre and 0.5-acre corner lots at 31st and 32nd) identified in the previous slide.

For the three-story walk-up property type, multifamily development at those sites appear feasible when using Assessor-appraised values as the assumed land purchase price, even without MFTE incentives.

- For the 0.5-acre parcel at the northeast corner of 32st Ave and Grand, the CAI model yields a 21% IRR (assuming a 25-unit project achieving rents of $1,250)
- For the 0.8-acre parcel one block to the north, the model shows an attainable IRR of 18% for a 42-unit project.
- If converted to residential, the former Albertsons parcel(s) shows acceptable returns (15.1% IRR) under the CAI model assumptions for 162 three-story walk-up units, even after assuming a $3.1M site purchase price and tear-down of the existing 39,000 square foot structure.

Feasibility for the above sites appeared much more questionable for mixed-use or ownership townhome scenarios, with IRRs dipping below 5% for all three sites in the CAI models.

- The Albertson's site would be simpler and likely more profitable to redevelop as another grocery store, keeping and rehabbing the existing building, but the CAI model was not set up to examine retail-only proforma scenarios.

Examples of smaller-lot attached housing on Grand Blvd.

Conclusions & Strategic Considerations

The Grand Boulevard Study Area lies within a market context of favorable income demographics and modest but steady residential growth.

Together with the significant undersupply of retail south of I-90, this creates an environment of healthy residential and retail demand for the Market Area, with a diminishing supply of land to satisfy that demand.

The estimated residential and retail Market Area demand is more than adequate to support unsubsidized redevelopment of the limited supply of vacant zoned parcels in the Study Area.

- At conservative capture rates, we estimate approximately 130 to 270 new multifamily units (primarily rental) could be absorbed in the Study Area, along with approximately 70,000 to 100,000 SF of neighborhood-serving retail space.

Unless the Manito Shopping Center decides to embark on a major redevelopment, near-term (0-5 year) infill activity will likely be limited to a handful of relatively small infill sites in the Study Area.

Given the existing suburban auto-oriented development pattern in the Study Area, there is much to be gained in terms of quality of life and safety by making street improvements and adding ped-friendly amenities.

Opportunistically adding increased residential density and reconfiguring existing retail to help define street edges and forge walk/bike connections would both help to further that goal.

Conclusions & Strategic Considerations (continued)

Existing zoning along Grand Boulevard is relatively generous in terms of densities, relative to what developers (either retail or residential) are likely to consider for the area, suggesting that local policy is not a significant constraint to redevelopment here.

The three largest available sites are formerly commercial/retail uses fronting Grand Boulevard. Because of the limited retail supply in the Market Area relative to its population and spending power, conversion of those sites to retail would be simpler for developers and would serve an evident local need.

- However, redevelopment as multifamily residential of one or more of the sites would offer advantages of providing additional activation to the street and providing new spending support for existing retail and dining on Grand.
- Redevelopment of any sort on the Albertson's site (though more expensive than adaptive re-use) would allow for better configuration of buildings relative to the street front.

Because of its higher income profile, no major development incentives are available in the Study Area, leaving developers to rely mainly on an unsubsidized profit calculus to drive land assembly and rehab or scrape/rebuild decisions.

- Adding new units to low- and middle-income areas is an obvious and direct route to combating the city's growing housing affordability problem; however, the creation of new residential inventory *anywhere* in the city will actually help shift the supply/demand equation in favor greater affordability.
- While the Study Area may not need profit-boosting incentives to the same extent as other Spokane neighborhoods, the combination of incentives plus infrastructure investment can be a strong motivating signal to property owners who may otherwise be reluctant to consider redevelopment.
- Expanding the City's MFTE program, in particular, to cover all Spokane neighborhoods could help spur opportunistic infill development in the Study Area -- promoting greater housing diversity, adding needed supply units, and helping to reshape Grand Boulevard in concert with transportation and streetscape improvements.

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