



Spokane, Washington

Planning for Economic and Fiscal Health

Report and Suggested Next Steps

Building Blocks for Sustainable Communities Program

To: Boris Borisov, City of Spokane

From: Chris Zimmerman, Smart Growth America

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Introduction

Pursuant to our technical assistance award with the City of Spokane, this Memorandum constitutes Smart Growth America's final report summarizing the workshop on Planning for Fiscal and Economic Health and suggesting possible next steps the City could take to craft a vision for Spokane's future development.

Chris Zimmerman and Roger Millar, representing Smart Growth America (SGA), met with municipal leaders and residents on September 15 and 16, 2015 to provide assistance under the Planning for Fiscal and Economic Health tool, supported by a grant from the U.S. EPAs *Building Blocks for Sustainable Communities* program.

The first day of the workshop featured a presentation open to the public that provided an overview of the fiscal and economic impacts of different development patterns, focusing on the fact that some development patterns do a better job of supporting community economic development goals, and can be served more efficiently by local government.

The second day of the workshop brought together an invited group of over 40 stakeholders. The diverse group included representatives from the City and County, as well as the non-profit and private sector. Leadership from the following City departments and agencies attended:

- City Council
- Public Works & Utilities
- Community, Housing, and Human Services Planning & Development Services
- Engineering Services
- City Finance
- Spokane Transit Authority
- Spokane Regional Health District
- Spokane Area Workforce Development Council

- University District

Other key stakeholders with leadership in attendance represented the following:

- U.S. Bank
- Checkerboard DMC Properties
- Inland Northwest Bank
- Northwest Seed and Pet
- Greater Spokane Inc.
- Garland Business Association
- Workforce Development
- Spokane Home Builders Association
- US EPA
- US HUD
- East Sprague Business Owners
- East Spokane Business Association Members
- Spokane Community Oriented Policing Services (COPS)
- Spokane Home Builders Association
- Kiemle & Hagood Company
- Avista Utilities
- Spokane Neighborhood Action Programs (SNAP)
- Bernardo Wills Architects
- East Central Community Organization (ECCO)
- Window Dressing

The invited group viewed additional presentations and also participated in facilitated brainstorming sessions to identify challenges and opportunities associated with encouraging the development and redevelopment of key sites in the Targeted Investment Pilot (TIP) area through the two-day program, city leadership was able to engage community stakeholders around the ways in which development patterns, design, and strategic infrastructure investments can make Spokane more competitive and reduce taxpayer burdens.

The intent of these workshops is neither for Smart Growth America to create a plan nor bind the community to any particular course of action, but to assist ongoing community efforts to create a more vibrant, successful region, consistent with the goals of their adopted plans.

Need for assistance

In applying for assistance from SGA, Spokane noted that their, “resources are limited to those of [their] community. [Their] average household income is more than 26% below the state average household income. [Spokane is] providing urban services to a tax base that can only afford the very basic services.” Spokane indicated that their mission is to, “deliver efficient and effective services that facilitate economic opportunity and enhance quality of life through integrated planning and targeted investment. We need Smart Growth America’s expertise to align smart growth policies with our Targeted Investment strategies to create economic opportunity through the best utilization of existing infrastructure: people, place, pipe and pavement.”

The built environment and fiscal and economic health

Communities around the nation are always concerned about their fiscal and economic health. By *fiscal* health, we mean a local government's bottom line: Does the life-cycle cost of new development—upfront infrastructure, ongoing service provision and eventual repair and maintenance—cost more than it brings in tax revenue? By *economic* health, we mean the general economic well-being of the community: How does new growth and development add to or detract from the creation of delivery of services, economic competitiveness, fiscal efficiency and sustainability, jobs, jobs access, retail sales, and wealth?

In approaching these questions in Spokane, as in any part of the country today, it is important to bear three trends in mind:

Our nation's demographics are changing in a way that is profoundly affecting the housing market.

Demographic trends are moving the housing market strongly away from conventional suburban housing.ⁱ The two biggest demographic groups in the nation – retiring Baby Boomers and so-called Millennials (18- 30-year-olds) are both expressing a strong preference for a more walkable, urban/village lifestyle, as we found in Spokane. Indeed, a growing percentage of Millennials prefer to live without cars altogether or to live a “car-lite” lifestyle. The vast majority of net new households being formed have no children at home, and most of them are one and two-person households – which are much more likely to prefer a walking lifestyle.ⁱⁱ Furthermore, the number of vehicle miles traveled (VMT) has fallen below population growth, while the demand for public transportation has been rising steadily. These trends are a complete departure from those experienced for decades in the 20th century.

The formula for economic growth is changing.

Business growth used to be driven by large corporations that operated in a fashion that was both private and linear. In the past, new research breakthroughs occurred in sealed research laboratories controlled by the companies. Manufacturing and other business processes occurred in assembly-line situations. These conditions led to communities that featured large, sealed-off campuses and tended to be linear in their arrangements.

Today, business growth is driven by collaboration among many types of entities – private companies, research institutions, universities, and others – that must interact frequently and work together creatively. This trend requires cities and communities that encourage interaction and collaboration – the opposite of the older model just described. How communities are designed directly impacts their ability to create interactive and collaborative environments.

Most significantly, the “Knowledge Economy” depends heavily on skilled workers. The companies that are driving innovation are pursuing highly educated talent, especially among the ‘Millennial’ generation. Increasingly, companies find it necessary to locate in places that the workforce wants to live in; this means walkable communities.

Similarly, the market for retail is changing. The suburban shopping malls and “power centers” that thrived for decades are struggling as a result of oversupply, and a shift in preferences. With online

buying playing a bigger role for consumers (especially for bargain hunters), many are looking for a more “authentic” experience when they shop in person. This is bringing new value to traditional walkable Main Streets.ⁱⁱⁱ

Suburban development patterns are making it more difficult for local governments to balance their budgets.

Suburban development patterns require extensive investments in capital infrastructure and on-going service delivery. Low-density development requires more infrastructure to serve fewer people and requires service providers such as firefighters and school buses to travel farther. More compact development patterns reduce both life-cycle infrastructure costs and operating costs.

A 2013 study by Smart Growth America, *Building Better Budgets: A National Examination of the Fiscal Benefits of Smart Growth Development*^{iv}, concluded that, compared to conventional suburban development, smart growth patterns can achieve savings of one-third or more in upfront infrastructure cost, and 10% annually in ongoing operating expenses. Smart growth development patterns can generate up to 10 times more revenue on a per-acre basis.

More recently, SGA’s work on the Fiscal Implications of Development Patternsⁱⁱⁱ has employed a new model designed to help municipalities understand the financial performance of development patterns. The model focuses on those aspects of municipal budgets that are most affected by the geographic pattern of development. In work with a number of communities around the country, scenarios involving compact development were analyzed alongside sprawl alternatives, in terms of “net fiscal impact” (the difference between additional revenue generated by new development and added costs imposed by the development). In every case, the analysis suggested that more compact development scenarios would have a significant positive net fiscal impact. For example, under the compact scenario for the city of Madison, the annual net fiscal impact of new development would be 44 percent higher than under the base scenario, and nearly three times the net fiscal impact under the low density scenario. For West Des Moines, the walkable urban scenario yielded a net fiscal impact 49 percent higher than the low-density case. In the case of both Macon-Bibb County and Indianapolis, conventional suburban development (sprawl) was forecast to have a negative impact on municipal finances — that is, the model projected a greater increase in future expenditures than in future revenues — while the higher-density scenarios generated positive outcomes, even under very conservative revenue assumptions.^{iv}



Not all of these trends will be completely relevant in every situation. But it is important to bear all three in mind in considering the fiscal and economic health of any community.

Participant viewpoints

The concepts described above were elaborated upon in the in the first presentation portion of the workshop, which was followed by a discussion of specific issues facing the East Sprague TIP area. After a question and answer period, there was a second SGA presentation focused on key elements of successful downtown or corridor revitalization. This was followed by general discussion about how the various concepts presented relate to the achievement of Spokane’s

goals for East Sprague. Three major issue areas were identified as particular challenges: Place Management; Housing; and Physical Environment. Participants then divided into three smaller groups, each focused on one of these topics. The individual groups further identified specific issues, and proposed ideas to address them.

A wide-ranging conversation explored a variety of assets and opportunities/concerns. Among the specific issues discussed were:

Assets:

- The presence of a Business Association;
- The proximity of the Sprague Corridor to downtown, University District, recreational opportunities and hospitals which can be advantageously leveraged;
- Historic buildings
- A grid system street layout;
- The existence of residents of 20+ years;
- The proximity to U-District;
- The Ben Bur Trail;
- A pedestrian bridge (University District);
- Hidden industries within the district which retail has not yet captured; the presence of employers in the Sprague District;
- The apparent ripeness for redevelopment stemming from the density of building facades;
- And, finally, Spokane's pro-active community.

Opportunities/Concerns:

- The need to overcome a negative perception of the Sprague Corridor;
- Absentee property owners;
- Vacant and/or dilapidated properties;
- The unfortunate lack of a 'brand image' for Sprague Corridor;
- The loss of potential revenue due to recent demolition of homes;
- The absence of Millennials and the challenge to create experiences that will attract them;

As the plenary discussion proceeded, the focus was narrowed to three main topics, which were then the subject of discussion in small-groups:

1. Place Management
2. Housing
3. Built Environment

Three groups examined these topics with each group asked to address two main questions:

- a) What are the 3-4 major, identifiable issues?
- b) What 4-5 ideas can you generate as tactics to address these issues?

A summary of the report out from the tables is attached.

Recommendations

As officials noted in their application for assistance, the City of Spokane recently embarked on a successful City Council led initiative, Sprague Targeted Investment Pilot (Sprague TIP) project, which they hope to utilize to take economic and fiscal success to the next level of sustainable growth. This is a good start.

The East Sprague area begins with significant assets, including location on a major axis leading to downtown Spokane, a strong street grid, legacy buildings, and the university sector in close proximity. The challenge now is to realize the resulting vision, through successful implementation. The following recommendations are based upon the goals articulated by discussion with leadership and participants in the workshop discussion, and our review of the context within which the City must make its decisions:

Focus the effort. As described in the workshop presentations, economic development is increasingly about placemaking. A key to creating a successful downtown is engendering a sense of place associated with a specific area. The challenge is to have enough activity concentrated within a walkable area, to create a “critical mass.” (Otherwise, it is possible to have a positive level of new investment overall for many years, without generating real excitement of the perception of fundamental change, if activity is too dispersed to generate synergy.) In the early stages, it is important to work to help a “hot spot” emerge. This implies a couple of specific things:

Focus within the focus area: the East Sprague TIP area is big. It’s fine to have a large study area, and to plan for long-term change in a full neighborhood or section. To begin successful implementation, however, requires a smaller target area in which to concentrate efforts. An area of as little as 25 acres can be a good starting place (and not more than about 75 acres). For example the streetscape construction project could target a focus area from Helena to Napa along the Sprague corridor. When the initial target area becomes a “hot spot,” success can begin look inevitable, and growth will spread naturally outward to the extent that it is accommodated in plans.

Start by getting a few really good blocks. One rule of thumb is to achieve a minimum 2- to 4-block sequence that is continuously engaging to people walking along the sidewalk.

Make sure to fill the space in the small area, leave no empty “missing teeth.” This means both filling empty storefronts and filling in empty surface lots.

Go all out on the streetscape. Sidewalks don’t necessarily have to be very wide, but it’s important to create a high quality space along the building frontage, with some buffer from moving traffic (which may be parked vehicles, planting strip with shade trees and street furniture, etc.), and good, safe crossings with distance minimized.

Incorporate public art. Both permanent and temporary installations can beautify, add interest, signal that the place is ‘alive,’ and create opportunities for engagement.

Trailblazing and wayfinding. Help folks find their way to the district from major thoroughfares; and, once they are there, help them find their way around.

Bring every tool to bear to achieve near term success. Within the focus area, deploy every possible policy measure and tool toward the achievement of the goals. This means using both positive and negative measures, from code enforcement efforts to subsidies for façade improvement; from access to tax incentives to friendly persuasion. Work persistently with land owners to fill in vacant and underutilized lots, and to transition properties to “highest and best” uses.

Improve connections to the surrounding neighborhoods. Make sure the commercial corridor along East Sprague does not “turn its back” on the residential communities that surround it. This is partly a matter of urban design and partly community building. It is important that the design of the (new) built environment create good physical transitions between the buildings that house businesses facing the ‘Main Street’ (that is, Sprague) and the blocks behind them. Careful attention must be paid to walkways along the side streets perpendicular to East Sprague, to facilitate movement (especially pedestrian movement) of neighborhood residents to and from the commercial street. Ideally, service functions are accommodated in mid-block alleyways parallel to the main street, so that no residences are forced to face the “back sides” of commercial buildings.

This is more than making the commercial sector a “good neighbor” to the residents. It is also about building success of the commercial sector. Residents of the adjoining neighborhood should be thought of as primary customers for activity on East Sprague. Retail business must, of course, draw from a much larger territory to be sustained; nonetheless, traffic from those nearest is a critical base. Remembering that the goal is to make East Sprague a “place”, a location thought of as a destination for people throughout the metropolitan area, a key strategy is making it a walkable and animated street. Part of the appeal is the presence of people on the sidewalk. They are moving advertisements for anyone coming through that this is “a place to be.” Those who already live close enough to walk are a great potential source of pedestrian traffic. They are an asset to the commercial corridor. It is therefore vitally important to welcome them as the first customers.

Beyond the fashioning of the built environment, a key strategic goal should be creating and strengthening ties to the community. Continual outreach to the community, on the part of both local government and the business sector, generates multiple benefits. Nearby neighbors can become highly effective allies and advocates for a sustained revitalization effort, as well as promoters of individual businesses. After all, it is ***their*** “Main Street.” It is important to look upon the neighbors not as a problem to be dealt with, but as key strategic partners, and to manage the relationship with them on a continual basis. As a practical matter, that is often best handled by a designated partnership organization (such as a BID) that is given place management responsibility for the sector. (See below.)

Establish place management. To foster partnership across government, business, landowners, and citizens it may be worthwhile to consider whether a new partnership institution should be established. “Place making” is not only about physical changes to the built environment; it is about commonplace activities like sanitation, marketing, relationship building, etc. As distinct places, walkable centers have functional needs: They need to be clean and safe. They require “branding.” They want programming and on-street activity. A “Place-Management” entity tends to the day-to-day operational needs of a sector, provides a focus for efforts for revitalization, and

facilitates on-going engagement among all stakeholders. It ensures that there is always a custodian concerned about the well-being and continual success of the place, seven days a week, 12 months a year.

[Note: A range of organizational place management types are found in communities around the US. Some are business improvement districts (BIDs) that have access to dedicated revenue sources (which may be derived from local taxes, such as a property tax add-on, approved by property owners within the district). Others are small downtown revitalization organizations run as non-profits (typically with some kind of joint sponsorship by government and the business community). Some are agencies of local government itself.]

One of the first and most important tasks associated with the establishment of a BID (or other place management entity) should be creating a brand identity for the East Sprague TIP area. This can tie in with marketing efforts for local businesses, recruitment of new businesses, and promotion of development opportunities.

Another of the key functions of place management is to make good use of events to create excitement and draw people – both nearby residents and visitors from farther afield – such as festivals, markets, outdoor movies, music and other live performances, sporting events and competitions. Coordination and promotion is important; having a regular schedule of events throughout the year can result in visits becoming a regular habit, offering a reliable stimulus for both private business and public revenues, and positive marketing for the community.

Use complete streets to build value. Throughout the focus area, but especially on East Sprague, deploy the “Complete Streets” concept. This not only provides transportation benefits, but generates economic value. (See “Safer Streets – Stronger Economies,” SGA February 2015, at <http://www.smartgrowthamerica.org/research/safer-streets-stronger-economies/>.) It means quality sidewalks, safe crossings, minimal curb cuts for traffic, provisions for bicycles, etc., and allocating space for amenities like street furniture, trees, and lighting, and restaurant seating areas. Making most efficient use of the space from building face-to-building face may call for narrowing vehicular travel lanes. By moving to 10-foot travel lanes it is often possible to make room for bike lanes and/or wider sidewalks, with no loss in capacity. Sidewalks of 12 to 16 feet allow for greater uses and a better public space.

Improve transit service. If regular bus service can be provided at less than 12-minute intervals, riders don’t need to consult a schedule. At that point, many people who have a choice will choose transit; and the district can become known as a place that is accessible without a car. Along with more frequent service, improved shelters and signage can help encourage people to think of the area as one that is easy to get to.

Align regulations on private development with public goals for the sector. Closely examine processes and requirements with a view to making it easy for businesses and developers to do what you want done. Wherever possible, simplify processes for desired outcomes. This means looking at administrative processes, local development codes, and related ordinances. Consider whether process reengineering for things like permit-approval might

expedite actions, without jeopardizing the legitimate goals of regulation. It's good to engage all those involved in development and investment in a dialogue about the obstacles that they perceive, as well as members of the broader public. It is probably worth asking businesses what regulations are most inhibiting and considering how important those regulations really are to the well-being of the community.

In particular, parking. Review parking requirements; allow shared parking; and don't tie parking requirements to individual lots. Consider whether providing some municipal parking, with relief from on-site parking otherwise required by zoning, might increase the market potential of smaller properties. (But don't allow it on the main street, against the sidewalk; place it behind buildings, even a block back.) Consider a BID (or other place management entity) as a possible mechanism to manage parking.

Commercial signage. Many communities have ordinances regulating commercial signage that are quite restrictive, and may be a problem for the small, entrepreneurial businesses that are important to generate active street life and create the sense of place that is being sought. This includes things like the amount of signage allowed per building, the placement of business names on awnings, and the use of A-frame signs placed outside of shops.

Use of public space. Some local codes may not prohibit sidewalk restaurant seating, but may make it very difficult in practice. Some restrict the appearance of product names on the umbrellas used to provide shade for outdoor seating.

Encourage mixed-use developments. While there are strong reasons to require retail uses on the ground floor of buildings fronting on the commercial street, allowing the use of upper stories as either commercial or residential, as the market may dictate, is likely to hasten progress. To 'work with the market', zoning and other regulations may need to be revised.

Develop a comprehensive housing strategy for the area. It is important to plan for a variety of housing to meet the needs of the district as it is built out and ultimately achieves its goals. The process for developing a housing plan should help determine what the supply of housing should encompass, such as how much is needed of: rental versus owner-occupied; large unit versus small; single-family versus multi-family; market-rate versus committed affordable, etc.

A strategy needs to address both immediate issues, like the current high vacancy of residential property, and the long-term preservation of affordable housing (which can quickly become an issue once the area achieves significant success). Setting goals now, and identifying mechanisms for achieving them, is key to attaining long-term balance.

Resolve outstanding issues to stabilize the residential neighborhoods. Work with the Washington DOT to get final resolution of the I-90 corridor situation. Ideally, much of the land acquired by DOT would be restored to the City for neighborhood use; in any case, decisions

should be made that will clarify the ultimate definition of the neighborhood, and permit private land owners to move forward in an atmosphere of relative certainty.

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ⁱ See; “The Changing Shape of American Cities,” Luke J. Juday, Weldon Cooper Center for Public Service, University of Virginia, March 2015.

“Demographic Reversal: Cities Thrive, Suburbs Sputter,” William H. Frey, Brookings Institution, State of Metropolitan America Series, June 29, 2012.

ⁱⁱ “Suburbs Try to Prevent an Exodus as Young Adults Move to Cities and Stay,” Joseph Berger, New York Times, April 16, 2014 (on-line at, http://www.nytimes.com/2014/04/17/nyregion/suburbs-try-to-hold-onto-young-adults-as-exodus-to-cities-appears-to-grow.html?_r=0.)

“See ya, suburbs: More want to live in the big city,” Greg Toppo and Paul Overberg, USA TODAY, March 27, 2014.

“Why urban demographers are right about the trend toward downtowns and walkable suburbs,” Kaid Benfield, bettercities.net, February 28, 2014.

“NAR 2013 Community Preference Survey: Americans Prefer to Live in Mixed-Use, Walkable Communities,” National Association of Realtors, November 1, 2013.

ⁱⁱⁱ For more information, see: <http://www.smartgrowthamerica.org/research/the-fiscal-implications-of-development-patterns/>

^{iv} A description of the methodology and summary of the results of each case studied can be found in Government Finance Review

^v See: “Business Performance in Walkable Shopping Areas,” Gary Hack, Robert Wood Johnson, Technical Report, November 2013 (available at http://activelivingresearch.org/files/BusinessPerformanceWalkableShoppingAreas_Nov2013.pdf).

“DC: The WalkUP Wake-Up Call” (2012) and “The WalkUP Wake-Up Call: Atlanta” (2013), Christopher B. Leinberger, George Washington University School of Business. (Downloadable at <http://business.gwu.edu/walkup/>.)

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“The Built Environment and Travel: Evidence from the United States,” Robert Cervero, European Journal of Transport and Infrastructure Research, 3, no. 2, (2003).

^{vi} The full report can be downloaded at, <http://www.smartgrowthamerica.org/building-better-budgets>.