

Retail Spaces in Mixed-Use Developments: Supporting Small Businesses and Creating Place in Seattle's Neighborhoods

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Abstract

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At a time of breakneck development in Seattle, mixed-use developments are seen as a way to provide increased housing options for the city's newcomers, concentrate and strengthen existing commercial corridors, and protect surrounding historic single-family development. However, while planning theory suggests that ground-floor retail in mixed-use developments plays a crucial role activating neighborhood public spaces, in practice, retail vacancies in newly-built developments are dragging down Seattle's commercial districts and contributing to public unease over the pace and nature of development. The study below evaluates eight separate mixed-use developments, completed between 2007 and 2017, for characteristics contributing to either occupancy or vacancy on their ground floors. The findings indicate that retail vacancy results from an imbalance in the incentives between the City, the developer, and the business community. These three actors, together the three main stakeholders in mixed-use retail development, each pull on the building process in different ways and must cooperate if new properties are to be successful.

Contents

Introduction 1

Literature Review 3

 Defining Mixed-Use Development..... 3

 Praise and Criticism for Mixed-Use Development..... 7

 The Value of Mixed-Use Development 10

 Defining Successful Mixed-Use Development 15

 The Study Context and the Value of Place in Seattle..... 23

 The Importance of Studying Mixed-Use in Seattle 26

Methodology..... 29

 The Physical Factors Leading to Retail Vacancy..... 29

 Selecting Neighborhoods for Study 32

 Selecting Developments for Study..... 35

Results..... 39

 Wallingford 39

 Smith and Burns..... 42

 Prescott..... 44

 Neighborhood Analysis 46

 The University District..... 47

 50th and Roosevelt 50

 Lothlorien..... 52

 Muriel’s Landing..... 55

 Neighborhood Analysis 57

 Yesler Terrace 58

 The Decibel..... 61

 The Anthem..... 63

 Barclay Broadway..... 66

 Neighborhood Analysis 68

Discussion..... 71

Conclusion..... 79

References 82

Introduction

In successful cities, small scale, mixed-use main street retail encourages walkability, helps generate a sense of local community, and provides an anchor to people of many different incomes and cultures (Pendola and Gen 2008; Carr and Servon 2009; Saelens et al. 2012). Enabling residents to live, shop, and work in the same neighborhood brings the benefits of Jane Jacobs' "eyes on the street," while cities with flexible, mixed-use areas enjoy the advantages of reduced vehicle trips, more efficient infrastructure delivery, and increased environmental sustainability (Jacobs 1961; Hirt 2016). The mixing of uses has consequently become a central tenet of modern planning in the last two decades, especially in the United States (Grant and Perrott 2011; Speck 2012). In practice however, mixed-use developments have proven difficult to develop successfully (Bartlett 2003). Rational yet competing and contradictory decisions by developers, cities, and business-owners with regard to new mixed-use developments stunts the developments' potential to successfully attract retail tenants, encourage shoppers to walk or take transit, or even to meaningfully change the dominant single-use zoning pattern (Hirt 2007).

Despite competing incentives between builder, regulator, and tenant, the study of mixed-use development is of crucial importance because the pattern's benefits to cities have the potential to be so substantial. The goal of this paper is to explore the decisions made by each stakeholder and the incentives behind them, particularly the gaps among: 1) what the city wants to provide, 2) what private developers prioritize, and 3) what small businesses need, with particular focus on certain areas of Seattle. Each area in the study has mixed-use properties that have successful long-term retail tenants, suggesting that in some cases, whether by luck or design, the incentives of the three stakeholders aligned to attract businesses to the development. Other new mixed-use developments in the same neighborhoods, however, have failed to attract any retail tenants at all. I hypothesize that much of the

failure of mixed-use developments stems from a misalignment of the priorities between city, developer, and business, resulting in a misapplication of mixed-use principles on a small scale and an unfavorable environment for small businesses. To find why this might happen, I'll observe the effects of those incentive gaps and what the layers of competing incentives mean for Seattle's future development. By examining cases of both successful and unsuccessful developments in the city, the paper will help to refine the development principles undergirding ground-floor retail in new mixed-use developments, encouraging the development of high-quality retail space in attractive retail areas while enabling further residential development in areas where mixed-use is unnecessary or would be unsuccessful.

By exploring the reasons behind why: 1) builders build what they do, 2) businesses want what they want, and 3) the city government encourages certain types of growth, this paper aims to reconcile the three groups in a way which works to the common advantage and benefits the social fabric of the city as a whole. Approved upzones in North Seattle and the impending completion of light rail stations in the U-District, Roosevelt, and Northgate neighborhoods will have a transformative effect on those areas, while proposed upzones elsewhere lend even more urgency to the questions of how best to develop mixed-use buildings and for whom they should be developed in the first place. I argue that small, local, independent retailers play an important role in neighborhood identity and placemaking, and that they should be encouraged and supported by developers and by the city of Seattle's development policy.

Literature Review

Defining Mixed-Use Development

In North America, the literature surrounding mixed-use development picks up in earnest in the early 1990s, when the relationship between cities and suburbs began to shift back in favor of dense centers after decades of car-oriented growth had fundamentally defined the urban environment. Following Oregon's example in the late 1970s, numerous states enacted growth management plans in the 1980s and 1990s, often informed by the burgeoning New Urbanist movement then emerging from planning schools. Mixed-use development had always existed, of course, and many New Urbanist concepts were inspired by examples in historic European centers or, more directly, by Jane Jacobs's writing and community organizing. However, the explosion of interest in the 1990s initiated the process of defining what mixed-use development meant, how it could be applied in contemporary American cities, and how it could be used to the advantage of urban areas.

An early and important definition of the concept came from Rowley (1996), who identified four scales at which urban land uses could be mixed. From large to small, they are mixed uses within neighborhoods, within streets, within street blocks, and within individual buildings. All four scales occur regularly in Seattle and even in many of its suburbs, though the extent of mixing varies widely between neighborhoods and cities. According to Rowley, the degree to which uses are mixed is a key component of a city's character, as are more tangible aspects of building and neighborhood design such as texture, grain, density, and permeability (Rowley 1996). In Rowley's definition, fine-grained cities mix uses substantially, especially within buildings or blocks, while coarse-grained cities separate uses more sharply. In Seattle, differences of grain, density, and permeability are most visible on the neighborhood scale, especially where land use patterns change at the city's urban village boundaries. However, they can also be used to characterize the environment within urban villages themselves, and can result in significant differences between neighborhoods and the potential for local businesses to find success

within them. For individual developments and the retail spaces located within them, attracting small businesses seems to be easiest where uses are most finely-mixed. A business's customer base expands when retail, office, and residential uses are all within walking distance, activating the street at all hours of the day and giving people a reason to come to an area every day of the week (Jacobs 1961; Speck 2012). The Seattle city government recognizes the value that fine-grained mixing has for its retail corridors and is actively encouraging it in the city's new developments.

Building on Rowley's work, Grant and Grant and Perrot's (2002; 2011) studies on mixed-use properties in Canada defined three conceptual ways of increasing the degree of mixed uses in cities. The first is to increase the intensity of a given use, by, for example, allowing multi-family residences in single-family areas. The second is to increase the diversity of compatible uses in a single area, which is what Jane Jacobs described in *The Death and Life of Great American Cities* (1961) and what planners commonly think of in regard to mixed-use. Finally, the third conceptual level of mixing use suggested by Grant is that incompatible uses, such as heavy industry, can be more mixed in the fabric of a city by increasing permeability and reducing the buffers between different uses (Grant 2002).

The outlines of mixed-use are already well-established in Seattle's urban village areas, which are the locations where the city's growth will concentrate in the coming decades. Residential, commercial, and office uses mixing somewhat freely, both across corridors and in individual buildings, in the urban villages, and the literature on growth in the city suggests that will continue to be the case. However, Seattle's urban villages will also have to expand somewhat into adjoining single-family or low-intensity residential areas in order to accommodate the city's growth (City of Seattle Office of Planning and Community Development 2015; Puget Sound Regional Council (PSRC) 2017). By increasing the intensity of use in urban villages and expanding mixed-use urban villages into surrounding single-use residential areas, Seattle is making significant citywide efforts to increase the mixing of uses at the first two of Grant's conceptual levels.

Grant's third conceptual level on the other hand, where barriers between incompatible uses are reduced, is less necessary in the eyes of city leaders. Uses which are often incompatible with residential and light commercial, such as heavy industry and warehousing, will generally continue to be restricted to specific though shrinking places within the urban area. Recent initiatives, including the Lander Street Overpass and ordinances to restrict residential and commercial uses in industrial zones, attest to the city government's reluctance to fully eliminate the barriers between different land uses and its hesitance to fully embrace mixed-use across all of Grant's conceptual levels (Port of Seattle 2017; Steinbrueck 2007). Nonetheless, though the city will help minimize the impacts of population growth on industrial areas, growth will continue to put pressure on urban villages throughout the city and will force increased mixing in Seattle's urban fabric.

The primary statewide legislative tool affecting the placement and nature of development in Seattle is the Washington State Growth Management Act. Miller's papers (2010; Miller and Lee 2002) offer evidence for the Act's effectiveness in increasing density in Washington's urban areas, including Seattle. He explains how it reduced sprawl in the state and, after surviving numerous legal challenges over the past 20 years, eventually won over city governments and citizens, who at this point are generally in favor of maintaining it (Miller and Lee 2002; Miller 2010). At the city level, Johnson (2016) and Morgan-Cross (2012) wrote theses for the University of Washington in which they outlined compelling visions for the future of retail development in the city based on trends since 2000. Though both theses were focused more specifically on the effects of commercial gentrification in poor or formerly-poor neighborhoods, both considered it fundamental that retail development would continue, that it would be concentrated in urban villages, and that new developments would almost always be composed of mixed commercial and residential components, with office space occasionally included in specific areas of the city (Morgan-Cross and Whittington 2012; Johnson and Chalana 2016). Johnson and Morgan-Cross were particularly concerned with growth's impacts on small-scale, locally-based retail of

the sort that cities encourage and planners idealize, and suggested or evaluated ideas that the city could pursue to support small businesses and local retailers affected by or displaced by commercial redevelopment. Though neither found satisfactory answers to the issues of commercial displacement in gentrifying neighborhoods, for both, more mixed-use development was a factor in answering the question of how best to support small and legacy businesses in the city.

Because the bulk of Seattle's growth in urban villages is projected to take the form of mid-rise residential over a single story of retail, mixing residential and commercial uses will be the operational definition of mixed-use for the remainder of this paper. In reference to Rowley's schema, mixed-use here will typically be on the scale of the individual building because urban villages are already mixed to some degree and often have examples of both successful and unsuccessful individual developments. Neighborhood characteristics will be incorporated into the analysis however, and contextual elements of specific mixed-use developments, including the degree to which the rest of the neighborhood mixes uses, are important factors in their success (Jackson 2006; Beyer 2015). In terms of Grant's conceptualization of the ways in which different land uses can be mixed, Seattle is primarily increasing the intensity of already-existing uses in certain areas. Mixing compatible but heretofore unmixed uses is being pursued to some degree, especially where urban village boundaries are being extended or in the University District where office space is being incorporated into a largely residential and commercial neighborhood (Steinbrueck and Mcnair 2017; Meier et al. 2016). However, the city's single-use residential zones will largely be preserved, as will its industrial areas (City of Seattle Office of Planning and Community Development 2015). Instead, the primary development pattern in Seattle, and in regard to mixed-use in this paper, will be characterized by low-intensity mixed-use areas in urban villages transitioning to high-intensity mixed-use areas, where the land-uses being mixed generally remain constant.

Praise and Criticism for Mixed-Use Development

In academic planning circles both within and outside the Pacific Northwest, the importance of mixed-use development is well-established and generally accepted without substantial criticism (Hirt 2016). Precepts of the school of New Urbanism, which began to gain traction in the early 1990s, are firmly rooted in university planning programs throughout the country and have for the most part made their way into municipal planning offices, especially in urban areas (Hirt 2007; Grant 2002). New Urbanist theory is generally characterized by advocacy for relatively high densities, a greater mixing of uses, and a reduced emphasis on cars in the urban fabric, and has come to constitute the framework upon which cities looking to encourage mixed-use developments base their decisions (Duany, Plater-Zyberk, and Speck 2000). Relatedly, it's also offered cities political and marketing cover for a number of substantial philosophical changes in their approach to land use, transportation, and housing. As city residents become more aware of the value of living in well-organized cities, municipal governments are able to point to the growing body of literature surrounding New Urbanism and promote it as a mature model of modern planning, easing the pressure on them to justify their experiments on the urban fabric (Florida 2012).

Unlike in city governments and planning schools, developer opinions toward mixed-use and New Urbanist-inspired development are more varied. Some are positive, viewing ground-floor retail as an important amenity for their upstairs residents (Littman 2017; Leinberger 2008). It can be an important way to generate a sense of place in a neighborhood, setting a property apart from others in the city and allowing building owners to charge a premium for their residential and commercial units to renters wanting to locate in specific areas (Pendola and Gen 2008). At the Belmar development in Lakewood, Colorado in suburban Denver, developers have found ways to work closely with governmental partners to fund a new suburban downtown center that mixes uses at all four of Alan Rowley's scales while leveraging local and national environmental and transportation investments. In the process, they've

been able to generate substantial long-term returns on their initial investment, and have created a vibrant, interesting downtown area for people to live, work, and shop. Not coincidentally, residential property values in the development rose by over 700% between 2004 and 2012 compared to 36% in the surrounding area, demonstrating that people want to live in places modeled on New Urbanist philosophies (Myers 2013; Briggs 2014). For developers that find the right balance of uses in the right neighborhoods, Belmar also shows that there is substantial profit to be made in this sort of project above and beyond what would be possible in a more conventional, single-use development.

At the same time, however, developers have levelled some substantial criticisms of mixed-use and New Urbanist thinking. Due to the enormous upfront costs and risks associated with buying land and financing buildings the industry is inherently conservative, and for decades developers have been building single-use neighborhoods on the suburban fringe. At this point, they're adept at financing and delivering that sort of project (Rowley 1996). The philosophical shift toward mixed-use requires a significant change in mindset and expertise, which has been slow to come. In cities, one reason for this is simply that mixed-use is more difficult to build. Because each use has its own demands for space, utilities, and connections, the costs and risks involved in building rise relative to single-use projects where architecture can repeat floor after floor. In some cases, costs can be so high that developers can't build mixed-use because the investment doesn't pencil out (Hirt 2007). Jill Grant's experience interviewing Canadian companies backs up the industry's conservatism and reduced appetite for risk-taking, while adding in the fear that developers have of building something like one of the high-profile New Urbanist failures in suburban areas of major Canadian cities. In Canada, experience has shown that when land costs are high residents are willing to move to mixed-use developments, but when they are low, as they still are in many suburban areas, many people still prefer single-use, low-density living (Grant 2002). Developers have internalized these lessons and are often at odds with city planning agencies over the right to build large-scale, sprawling, auto-oriented developments that, the developers

believe, consumers still want (Grant and Perrott 2011). Further, even when mixed-use developments are successful at attracting and keeping both residential and commercial tenants, small businesses by their nature necessitate higher management costs than either large businesses or residents, representing an additional, longer-term burden that developers may not want to absorb (Rowley 1996).

From academia, an economic criticism was levelled by Bartlett in 2003. He showed that the people living in mid-rise mixed-use developments could not possibly spend enough to support the shops and restaurants on the ground floor, and that, in fact, virtually every type of business at every size is substantially dependent on people coming in from outside its walkshed in all but the most dense urban environments. Providing a safe way for “an 8-year old walking to the store to buy a popsicle” is a central justification for mixed-use development, but Bartlett flips the theory on its head by asking whether a store can survive by selling popsicles to walk-up 8-year-olds. If not, it will go out of business quickly unless shoppers can come in from outside, whether by public transit or by car. Instead, he argues that municipal governments and planners should be more flexible in their demands of developers, especially where they impose mixed-use in areas that may not otherwise be viable retail locations. Without either local residential density on levels approaching the 90th percentile of American city centers or substantial allowance for parking and in-shopping, Bartlett argues that new retail development is doomed to fail (Bartlett 2003). Developers are well-aware of the issue of retail viability in certain areas and may find themselves forced to raise rents elsewhere in the building, especially in the residential units above, in order to cover both their upfront costs and the costs of vacancies in commercial units down below (Anderson 2016; Ferm 2016).

Despite some residual reticence on the part of developers, in cities like Seattle, where outward expansion is constrained and successive administrations have made commitments to increasing both residential and commercial density in certain areas while leaving others as they are, the reality is that most or all new construction will be multi-story mixed-use of the type defined here. It’s also true that,

though they may not prefer to build in that way, developers in this city are at least accustomed to mixed-use building and the New Urbanist theory underpinning it. Rather than encouraging more mixed-use to create walkable urban centers, the challenge for the city in the future will be mandating it more judiciously, in order to provide adequate residential and commercial density to activate sidewalks and support local businesses without forcing developers to build space that may not otherwise be viable.

The Value of Mixed-Use Development

For city governments, developers, and small businesses, well-designed and built mixed-use development offers substantial value. For governments like Seattle's, increased revenue, greater social equity, and an improved urban setting are all major incentives to encourage mixed-use development. At a fundamental level, when a large part of city revenues come from sales taxes, opening up new retail areas within the city unlocks the potential for substantial additional tax revenues. Robert Wassmer described this dynamic in 2002 when he made the case for urban growth boundaries and property taxes as antidotes for urban sprawl. His paper described what he called the "fiscalisation of land use," which was the process by which cities dependent on sales tax revenues continuously opened land on the urban fringes for commercial development (Wassmer 2002). Seattle has no urban fringe into which it can grow, but the same dynamic is playing out when the city increases the intensity of commercial land uses in a certain area or opens up residential areas to mixed-use developments. In those cases, one of the city government's incentives is to unlock opportunities to drive its own revenue stream. Finding ways to encourage businesses to locate in the city rather than on greenfield areas in the suburbs helps ensure that the city's residents continue to eat and shop in the city, driving revenue growth and allowing Seattle's government to expand the services it can offer residents.

In addition to the financial advantages of opening up more of the city to retail or high-intensity retail use, in places where residential equity is an important part of the municipal decision-making

process, like Seattle, mixed-use development can be an important opportunity to provide access for low-income residents. Parente and his co-authors describe how small-scale retail such as the space often located in mixed-use developments tends to be easier to access by public transit than its out-of-town counterparts, making it less expensive for low-income residents to do their shopping (Parente et al. 2012). Carr and Servon add that the owners of these sorts of establishments also add to the political capital of a community, often by allowing their businesses to be used as meeting space or by forming local advocacy groups to fight for issues specific to the neighborhood at public hearings or city hall (Carr and Servon 2009). Finally, both Saelens and Foster note the positive health benefits of walkable communities, both mental and physical, on people living in them (Saelens et al. 2012; Foster et al. 2013). At a time when re-election challenges for Seattle's city council and mayoral positions will often come from farther to the political left, advancing equity arguments for mixed-use developments allows elected officials to tout their progressive credentials while avoiding the impulse to preserve the city in amber.

A third reason mixed-use development appeals to elected officials in cities like Seattle is that, at least according to planning theory, it has a significant positive effect on the urban experience. Small shops at ground level hold the interest of pedestrians passing by while residential floors above serve both to provide customers for the shops lower down and to create a calming sense of enclosure for people walking by. In theory this helps activate the street, which takes off under its own momentum until it turns into a community oasis suffused with history, identity, and character (Speck 2012). Though cities can't build history and creating character requires much more than allowing mixed-use development, the literature does agree that local retail is a crucial aspect of both, and cities that provide spaces for local retail and a welcoming environment for shoppers can push the process along. Sharon Zukin in Harlem, Catherine Jackson in the UK, and Jill Grant in Canada all describe how cities can

facilitate the emergence of neighborhood retail and a local sense of place, with Grant especially relating retail development to mixed use theory (Zukin et al. 2009; Jackson 2006; Grant and Perrott 2011).

Though developers traditionally have concerns about the viability of mixed-use development, especially in terms of the extra cost and risk involved in building mixed-use projects and serious doubt about whether customers truly want to live above commercial spaces if given the choice, they have also begun to see the value of mixed-use in certain situations. As a low-income developer in Seattle said, “the big developers [in Seattle] see it as an amenity. They’ll put commercial on the bottom because it draws people to live in their buildings, and they can subsidize lower commercial rents below with the residential rents above.” He went on to note that “low income developers can’t use the residential rents to subsidize the commercial because we have to keep the two revenue streams separate for our grants and tax exemptions, so mixed-use is really hard for us. It’s too expensive,” confirming that the worries of the suburban developers interviewed by Grant and Perrot are still present in urban centers (C Morgan-Cross, personal communication, April 11, 2018). However, when developers can absorb the costs of ground floor retail, it does add value to the residential spaces above (Meeks et al. 2014; Steinbrueck and McNair 2017; Littman 2017; Briggs 2014).

From a long-term financial perspective, Catherine Jackson’s paper on institutional property investment in the UK also sheds light on potential developer incentives surrounding mixed-use development. Her focus is on the added property value that cities can generate in their downtowns by investing in comfortable commercial areas and providing amenities that encourage shoppers to stay and live in certain neighborhoods. The argument is that the major investors in city-center retail are institutional actors looking for safe, long-term yields but not necessarily needing high rates of return, and that the best way to attract these investors is to show that the city has built a space where customers want to shop (Jackson 2006). To some extent, the same pattern must hold true for developers as well. Because their business mode involves building a building and then selling to long-

term investors, the goal of each development should be to create appealing and high-quality retail spaces. In this case, the incentives of cities and their developers should align with each other and with the needs of the major investors that will eventually fund and maintain these mixed-use developments.

Businesses also can see substantial benefits from Seattle-style mixed-use development. In marketing journals, a number of studies have been completed in the past decade on consumer preferences in retail areas. Teller and Elms (2010), for one, note that the two most important factors in customer retention, satisfaction, and intention to buy at a retail center are its attractiveness and its mix of tenants. Factors that contribute to attractiveness include pedestrian improvements and building refurbishments, both of which would happen naturally in Seattle as a result of redevelopment from low-intensity single use to high-intensity mixed-use. Surprisingly, location, accessibility, and parking were also considered in the Teller and Elms study, but were found to only be significant to customer satisfaction at large, purpose-built shopping centers such as malls on the periphery of the city. In town centers, location and accessibility were less relevant to customers. While keeping in mind that many of these studies, including Teller and Elms, were conducted in European cities, businesses in dense parts of Seattle may prioritize parking lower than other improvements to the pedestrian realm or than transit improvements, both of which can be facilitated by mixed-use (Balsas 2014; Teller and Reutterer 2008; De Nisco and Warnaby 2014).

The types of space built in typical mixed-use developments in Seattle today can also be of particular interest to smaller, more neighborhood-oriented businesses in the city. In recent years, a number of surveys and panels have been commissioned by the city and by neighborhood stakeholder groups in an attempt to determine what local businesses want from their individual space and from the larger context in which they're located. Steinbrueck Urban Strategies (2017) focused on the University District, especially on University Way. Just a block from the University of Washington campus, the strip has a strong retail scene characterized by narrow storefronts, low-rise buildings, and a variety of

establishment types and uses including bookstores, pharmacies, restaurants, homeless services, and theaters. According to the Steinbrueck survey, nearly 75% of the businesses on University Way (The Ave) have been in their current location for over 5 years, suggesting a substantial amount of stability and potential for the development of local character and social capital. In addition, only 8% of business owners believe that their business will leave the Ave in the next 10 years, indicating that they would prefer to stay if rents in the area remain affordable. The goals of much new mixed-use development in Seattle is to re-create or preserve the feel of successful existing mixed-use areas, and the popularity of the type of commercial frontage on streets like the Ave suggests that businesses have much to gain from increased development.

Finally, new development often generates its own feedback loops in areas where it takes place, indicating to investors that the neighborhood is on the upswing, catalyzing additional investments, and opening up new market opportunities for businesses. The most visible example in Seattle is South Lake Union, which was a low-density area of warehouses and car shops before investments by Amazon turned it into one of the city's most dense residential and commercial neighborhoods. As they were in South Lake Union, in areas where retail vacancies are high, new businesses of any sort are often welcomed with open arms by existing residents. Zukin and co-authors highlight boutiques moving into Harlem and Williamsburg in New York City over the past two decades, bringing jobs and growth to those areas while catering to a higher-end clientele that is simultaneously changing the residential mix of the formerly-poorer neighborhoods (Zukin et al. 2009). Hill (2005) suggests something similar in parts of Atlanta, noting that new development and attention from City Hall have brought economic opportunities to poorer neighborhoods. In both cases, early-mover establishments signaled to others looking to move in that a neighborhood was safe and economically viable, leading to increased investment and vibrant commercial areas. Examples of commercial development following other commercial development are also present in Cleveland, Philadelphia, and Milwaukee, among others, in

areas that New Urbanist-inspired mixed-use directly emulates (Beyer 2015; Campo and Ryan 2008; Meeks et al. 2014). If it emulates these areas successfully, new mixed-use development should be a boon to entrepreneurs looking for unique, successful spaces for their business.

Defining Successful Mixed-Use Development

Though mixed-use development in theory offers several significant advantages to growing cities like Seattle, few of its benefits will be realized unless developments align themselves with the needs and incentives of the city, the developer, and the business community. These three are the three major stakeholders in new mixed-use development, and have the most to gain from its success. Cities want the sales and property tax revenues that come with quality retail space and high-performing residential space, along with the boosts to efficient service provision and urban placemaking that come with increased density. Developers want to manage their upfront costs while maximizing the long-term value of their investments, while businesses want a stable customer base, affordable rents, an attractive retail environment that brings people in from outside the neighborhood and encourages them to stay and shop, and a physical space that meets their needs in terms of size and infrastructure.

The first, most obvious outcome of a development that reflects the needs of each of the three stakeholders is occupancy, especially of the ground floor retail. A healthy development offers an active presence to the street, is filled with stable, long-term tenants, and provides a place where entrepreneurs opening businesses can find the space they need and tap into nearby customers. However, there is a tension between the needs of each group. If cities mandate too much mixed-use, a glut of retail space will drive up costs for developers (and residents) while filling streets with vacant storefronts (Grant and Perrott 2011). Developers who focus on cutting costs on their ground floor or who build a new building on the assumption that residences will subsidize retail vacancies run the risk of being stuck with a less valuable investment later on, especially as the residential rental market cools

(Wu 2015; Rosenberg 2018a; Littman 2017). Finally, businesses themselves who don't or can't advocate for their needs will find that the spaces on offer are too big, or too small, or too inaccessible, and will have to compete for an ever-shrinking pool of options in older buildings as existing commercial space is redeveloped (Morgan-Cross and Whittington 2012; Chalana 2016; Commercial Affordability Advisory Committee 2016).

Ground floor retail vacancies indicate cases where the three groups couldn't or wouldn't work together to balance their needs. They may suggest that cities over-prescribed mixed-use, imposing retail on unwitting developers and forcing it into areas where it may not be viable. There are a number examples of this in the literature, in both the US and in Canada (Grant 2002; Hirt 2007; Grant and Perrott 2011). Another issue may be that developers, in their rush to build spaces appealing to a certain type of client or to save money on commercial space that they didn't want to build, built too much of the wrong type of space for an area's local businesses, pushing those businesses out of the market and missing an opportunity to contribute positively to the local community. Some Seattle-focused studies have made the argument that this happens too often (Meeks et al. 2014; Morgan-Cross and Whittington 2012; Chalana 2016; Commercial Affordability Advisory Committee 2016). Finally, though developers may build appropriate spaces and the city may balance the amount of commercial space in a neighborhood against the neighborhood's ability to support small businesses, it may happen that entrepreneurs fail to move to a particular development because they don't see it as attractive enough for their customers or because the neighborhood is missing some historical or cultural element that they're looking for. Seattle's long history of strong neighborhoods and recognizable centers may make this less likely, though vacancies in older buildings on 3rd Avenue downtown prove that the type of clientele is as important as the volume of clientele for some businesses. Other cities regularly have trouble attracting retail to certain areas and getting people to walk or bike to those areas once they exist, however. In making their location decisions, small businesses may prize neighborhood familiarity,

culture, or some other characteristic over the availability of space (Cory Crocker, personal communication, 2018; Beyer, 2015; Foster et al., 2013; Saelens et al., 2012)¹.

If the main indicator of successful mixed-use development for each of the three actors is full occupancy of the development's commercial space, the framework above should offer some clues to determine the factors that go into making mixed-use successful. First, cities should do their part by ensuring that retail spaces in mixed-use developments are supported, that their nearby customer base is appropriate for the shops located within, and that the retail area itself is big enough that it has a diverse range of choices for customers. Acting to clean up sidewalks, install public artwork or benches, and plant trees is within the city's range of responsibilities and contributes to the success of its commercial spaces. Cities can also make sure that new commercial zones are created in areas where the existing residential density is high enough to provide a built-in customer base or where transit is good enough to facilitate customer access. Randall Bartlett (2003) tells us that residential densities in the United States tend to be too low for businesses to survive based on walk-up customers alone, meaning that the city will either have to build residential density in retail areas or provide a way for customers to get there. Gray (2018), Teller and Elms (2010), Zukin (2009), and Teller and Reutterer (2008) suggest that a key component of successful retail spaces is proximity to other retail spaces, meaning that the city also must think about how retail in new buildings fits into the larger community context. Having a diverse range of businesses in an area is great for customers and helpful for shop owners, and the city must find a balance between too little and too much if it wants to keep its commercial centers healthy (van der Krabben 2009).

In order to begin to gauge the sweet spot between too much and too little commercial space, I'll calculate the total commercial square footage per person within a quarter-mile and within a mile for

¹ Cory Crocker is a resident of the University District, where he is active in the neighborhood's small business council and in advocating for public space in the neighborhood. He played a major role coordinating outreach for the Steinbrueck Urban Strategies survey of local businesses.

each of the developments studied below. The literature doesn't suggest an ideal amount of commercial square footage per person, but that number would surely vary by the particular context of the location anyway. However, it will provide some justification for the relative success or failure of developments in the same neighborhood, where conditions that would affect retail, such as local income or degree of out-shopping, could be expected to affect each development equally (Harris 2014). From sources both at the city and in the development community, there is a sense that Seattle has right-sized mandates for mixed-use space. "There was way too much, but a few years ago they changed the rules so that ground-floor retail was focused in p[edestrian] zones, and I think everyone is happy with that," said one developer (Matt Anderson, personal communication, 2018)². However, there are some on both sides that are still questioning whether the city has too much commercial space and whether requirements for mixed-use development should be eased or allowed to be more flexible (Heidi Hall, personal communication, 2018)³.

Second, the specifics of the commercial space on offer also play a large role in whether a development successfully rents out its ground-floor retail. Developers who prefer building (and managing) larger spaces that cater to national chains or high-income tenants are in tension with the small and local businesses that form the bulk of the city's retail lessees, in number if not in value. The National Trust for Historic Buildings (2014) and the Mayor's Commercial Affordability Advisory Committee (2016) both indicate that the spaces being developed today are too big for the needs of local entrepreneurs, while the businesses on the University Way commercial strip in the U-District generally think their older, smaller spaces are about right (Steinbrueck and Mcnair 2017). The Mayor's Commercial Affordability Advisory Committee notes that spaces of around 1,000 square feet are ideal

² Matt Anderson is a principal and senior project director at Heartland LLC, a Seattle-based property development and advising company.

³ Heidi Hall is a senior community development specialist in the Office of Economic Development at the City of Seattle, helping oversee numerous small-business initiatives.

for the small businesses it represents, but estimates that the amount of space leased by the average commercial tenant in Seattle rose between 2007 and 2016 from 2,600 square feet to 2,750 square feet (Commercial Affordability Advisory Committee 2016). The Committee notes that the average size of space in new buildings has been steadily increasing, so 2,750 square feet is almost certainly larger than the average commercial space in the city. However, growth in the size of retail spaces has come despite calls for smaller spaces from small businesses and the city government, and as developers focus on the residential portions of their buildings at the expense of the commercial areas, they should be expected to continue to increase (Gruber, personal communication, 2018). If developers build spaces with a tenant in mind, such as a gym or a grocery store, large spaces can fit into the surrounding fabric of the community. However, smaller spaces tend to be more versatile for smaller businesses thanks to their lower rental costs, allowing a greater range of businesses to inhabit them and providing more flexibility for the corridor. However, if smaller spaces don't allow developers to recoup their construction costs, they simply won't be built in today's development climate. The city, developers, and small businesses alike may need to come together to find creative solutions ensuring that the spaces on offer meet the needs of the businesses intended to inhabit them.

In addition to size, the physical layout of the space being leased also has an impact on the type of tenant that might locate there and its likelihood of being rented. The two main categories of retail spaces are those for restaurants and those for everything else. The everything else category, typified by the sale of consumer goods, is in a long decline, buffeted by e-commerce, years of overbuilding, and the failure of large-format shopping malls to adjust to experience-oriented customers (Florida 2017; Briggs 2014; Perez 2015; Talen, Menozzi, and Schaefer 2015). Traditional streetscapes of the type mixed-use is designed to emulate may provide an experience that customers choose travel to rather than shop online, temporarily stemming the loss of family businesses selling physical things, but it's also not uncommon to hear that the future of physical retail space is almost entirely restaurants, bars, and

entertainment (Anderson, 2018, personal communication; Florida, 2017; Schulze, 2018, personal communication). Like many cities, Seattle's retail was mostly built in a world that didn't yet have Amazon Prime, and the city's balance of retail space now finds itself tilted too much toward spaces for selling things rather than spaces for selling food. However, converting spaces after they are built could cost new tenants over \$100,000, which many find completely unaffordable (Hall, 2018, personal communication). Small businesses in particular can't make that commitment before they've served a single meal, meaning that, in Seattle, there may be greater competition for the relatively limited number of restaurant spaces as opposed to conventional spaces.

In practice, the best way to ensure that this happens is for connections to be made between developers and the business community as a building is designed and built, allowing business owners to shape the retail spaces early. The result is that, at completion, there is a place customized for a business and a business ready to fill that space immediately, minimizing tenant improvements costs for the business and lease-up periods for the developer. However, despite a number of examples around the city where ground-floor commercial is quickly occupied and acts as a major amenity for residential above, other developers still see the outreach process as expensive, time-consuming, and not worth the effort (Matt Anderson, personal communication, 2018). Where retail space is vacant, it may be possible to understand the motivations of developers by looking at the particulars of the space on offer. The size and projected use (restaurant or shop) of a space impacts the type of tenant that might occupy it as well as the likelihood that it will find a willing tenant at a given price point. For each development studied below, both data points will be compared against others in the same neighborhood, giving an indication of a development's potential for success as well as evidence for the developer's dedication to filling the space.

Third, the environment surrounding successful mixed-use development should be "attractive." Teller and Elms (2010) and Teller and Reutterer (2008) are helpful in defining what attractive means to

customers, especially from the development perspective, while Speck (2012), Carr and Servon (2009), Deener (2007), and Jackson (2006) all suggest ways in which cities can contribute to the attractiveness of an area. Each author indicates that wide sidewalks, street trees, and some amount of street furniture, such as benches, contribute to the pedestrian experience. Business improvement districts in Seattle, including the U-District Partnership and the Downtown Seattle Association, have experimented with hiring local ambassadors to pick up trash, provide wayfinding advice, and present a friendly face for local walkers and shoppers, also adding to an area's attractiveness (Gruber, 2018, personal communication⁴).

In terms of transportation, Teller and co-authors downplay the value of accessibility from the customer standpoint in terms of parking or transit, though Speck and Perez (2015) emphasize it. The University District Parking Authority, which was originally formed to buy and preserve the neighborhood's parking lots, has decided to lease their lots to developers moving into the neighborhood in order to increase the amount of residential, office, and retail space in the area, which suggests that the neighborhood's business owners don't see parking as incredibly important to their business (Schulze, 2018, personal communication)⁵. However, the U-District is unique for Seattle in its residential density, transit connectivity, and volume of foot traffic, and others in the neighborhood business community do say suggest that loading spaces, at least, are highly valued by businesses on the commercial strip (Cory Crocker, personal communication, 2018). Some amount of on-street parking is clearly important to attractiveness even if it's time-limited, but large amounts are not critical.

Attractiveness necessarily involves both objective and subjective dimensions. Andrew Deener, for example, writes that businesses along Abbot Kinney Boulevard in Venice, California have installed trees, benches, and bike racks themselves in order to create a more pleasant shopping environment and

⁴ Jacqueline Gruber is the Senior Economic Development Manager at the Downtown Seattle Association.

⁵ Don Schulze is the President of the Board at the University District Parking Authority. He is also the owner of Shultz's Bar and Grill, a restaurant on the Ave.

symbolically take ownership over the street (Deener 2007). Those elements, and others including vehicular and pedestrian traffic volume, sidewalk width, transit accessibility, and distance to loading zones, can be counted and will be in the analysis. Teller and Elms, on the other hand, focus their questions on subjective measures of attractiveness. Their survey includes questions about smell, noise, and “mood,” even going so far as to ask subjects what an ideal shopping center would be like and to what degree the study center meets the ideal (Teller and Elms 2010). Subjective measures of attractiveness are important factors in where businesses choose to locate and where customers choose to shop and can be addressed by managers in enclosed shopping areas like malls or contained outdoor shopping centers like the University Village. However, with the possible exception of providing for increased public safety, subjective measures of attractiveness are almost impossible to affect in areas of typical Seattle-style mixed-use development, which sets them outside the scope of this study.

Finally, the fourth crucial factor in successful, occupied mixed-use development in Seattle is the cost of the commercial space. The theses by Colin Morgan-Cross (2012) and Elizabeth Johnson (2016), Manish Chalana’s paper on historic overlays in Capitol Hill (2016), and the surveys done by Steinbrueck Urban Strategies, (2017), the Mayor’s Commercial Affordability Advisory Committee (2016), and the National Trust for Historic Preservation (2014) all mention cost as a crucial aspect of attracting and retaining commercial tenants. Though other factors entering into a business’s decision concerning where and when to move are more readily influenced by city policy, cost can’t be ignored in any evaluation of a mixed-use development’s success or failure. Rent levels are also clearly important for developers, especially those looking to hold their buildings for a short period of time and then sell to long-term investors. Small differences in rent for commercial space can have an enormous impact on the eventual resale value of a development, meaning that low rents may affect a development’s ability to pencil out (Matt Anderson, personal communication, 2018).

Assessments of cost per square foot of vacant retail space are readily available online, while costs per square foot of occupied retail space can often be found on CoStar and compared with rents elsewhere in the neighborhood. Though space in new development is always more expensive than space that already exists, broadly-increasing incomes and population densities in the city mean that businesses should be able to either increase prices or depend upon increased traffic to support the higher rent. However, rents that are too high relative to the surrounding neighborhood, especially combined with the substantial tenant improvement costs that commonly accompany moving into a newly-built space, make spaces impossible to lease for all but the wealthiest prospective tenants and may be a sign that building owners see their ground floor retail space as a burden to be overcome rather than a key amenity for upper-floor residents.

The literature and interviews with stakeholders involved in retail development suggest that each of the dimensions listed above has an impact on whether a space will rent or not, ultimately determining whether or not the larger mixed-use building in which it sits will be successful in a way that meets the needs of the city, the developer, and the local business community. Each of the developments in the study will be evaluated across each of the four dimensions, with references to neighborhood and local context, in order to home in on the mix of factors that predicts success in an area and turns a new development into a true asset to the community.

The Study Context and the Value of Place in Seattle

Within Seattle, the context for this study will be in the city's rapidly-changing urban villages where the bulk of the city's growth over the next two decades will take place (City of Seattle Office of Planning and Community Development 2015). The three neighborhoods selected, Wallingford, the University District, and Yesler Terrace, are all historic, pre-automobile neighborhoods with long histories in the city. The first two also have important local retail corridors, while the retail area around Yesler

Terrace caters to a large daytime population and will grow in visibility and vitality as the neighborhood redevelops. In all three, mixed-use, in the form of one or more floors of residential over ground-floor retail, will be the dominant land use pattern for new development in the foreseeable future, especially on arterials where height limits are the least restrictive and new developments have the most scope to change the existing urban fabric (Grant and Perrott 2011; Seattle Housing Authority 2011). However, though rezoning throughout the city typically favors mixed-use developments, existing vacant commercial space in urban villages suggests that demand for retail in those areas may not be as strong as planners hope (Commercial Brokers Association, 2017). Despite the theoretical benefits of mixed-use, its indiscriminate application throughout the city, or even throughout urban villages, often forces developers to build commercial space where it may not be successful in attracting customers or business owners. In turn, vacancies in street-facing retail spaces drive up costs both for developers and their residential tenants while failing to create the walkable, identifiable neighborhoods that mixed-use developments are intended to promote (Rowley 1996). For that reason, it's important to understand the requirements of mixed-use stakeholders before implementing major changes to the existing neighborhood fabric.

At the neighborhood level, commercial space is held to be crucial to distinct, identifiable town centers, infusing them with a sense of "place" (Pendola and Gen 2008). The ultimate goal of this paper is to help build a shared culture and character in Seattle's communities, and retail spaces of the type found in mixed-use developments are key contributors to a sense of place in neighborhoods. By evaluating how policies governing its application might be changed from a city planning perspective, mixed-use can be improved to create more supportive, welcoming environments for local businesses to survive and thrive. Development pressures in Seattle will have significant impacts on the structure and form of retail space available for local businesses, and understanding and redirecting those impacts will go a long way toward ensuring that locally-oriented retail continues to find a niche in the city

(Commercial Affordability Advisory Committee 2016; Hill 2005). Revenue pressures on cities, especially ones as driven by retail sales taxes as Seattle's, will tend to pull them toward more efficient large-format, single-use retail areas which maximize retail sales at a particular location (Gray 2018; Wassmer 2002). However, it is crucial that policies governing retail development align with the needs of businesses, and that the city government works to maintain Seattle's economic diversity and preserve the benefits of character, identity, and economy that local businesses bring to the city.

Too much retail development, development that is too far from existing retail corridors, or retail spaces that don't meet the needs of small businesses are all representative of imbalances in the needs of the city and the development and business communities. Each can lead to retail vacancies in new developments, depriving high-density areas of opportunities to create and strengthen new communities (van der Krabben 2009; Commercial Affordability Advisory Committee 2016; Beekman 2017). Vacancy represents lost revenue, lost efficiency, and a lost opportunity to build a sense of place. However, good mixed-use development expands upon existing strengths as urban villages add jobs and residents, opening up their potential as unique destinations (Carr and Servon 2009). Seattle's neighborhoods already have strong identities, and as development provides access to markets and customers for new small businesses, those neighborhoods will evolve and grow as new sets of residents move in and build their own communities. As that happens, developers and the City itself can design and incentivize mixed-use areas to create extra value for residents and maximize their investments. Small retail spaces appropriate for locally-specific businesses, streetscape enhancements to boost walkability, or thoughtfully laid-out ground floors incorporating public space into retail areas all attract residents and customers to a development and contribute to the building of community in a neighborhood (Talen, Menozzi, and Schaefer 2015; Littman 2017).

The Importance of Studying Mixed-Use in Seattle

Efforts to get mixed-use development right in Seattle are going to define the city's next decade. Population growth of nearly 20% since 2010 has strained the city, and though Seattle's policy of preserving much single-family zoning and concentrating growth in designated urban villages has helped to mitigate some of the development pressure on its historic housing stock, the city's commercial spaces have been and will continue to be stressed (Rosenberg 2018b; Seely 2018). The effects of this stress are evident in every neighborhood, but are especially acute in lower-income places where residents are less likely to own their own homes and where businesses are less likely to own their buildings or be protected by formal, long-term leases (Beekman, 2017; Graves, 2016; Hall, 2018, personal communication). In many communities, local businesses act as cultural institutions and community gathering places, playing a crucial role in establishing and maintaining distinct local identities (Carr and Servon 2009; Baldock 2004). The loss of these businesses as their buildings redevelop goes hand in hand with the loss of the people who depend upon them, disrupting historical communities and severing the ties that sustain families and social networks.

However, replacing old storefronts is unavoidable in an evolving city, and the businesses in an area should change to reflect the people who live in that community. More worrying than the loss of the city's traditional businesses is their loss coupled with vacancy in the developments that succeed them. Replacing vibrant, affordable retail space housing historic businesses with modern spaces in new buildings that are too big, too expensive, or too out-of-keeping with the traditional urban fabric is the worst outcome for residents, business owners, and the city at large. And though efforts are being made throughout Seattle to understand why existing retail spaces are vacant and to encourage developers and building owners to focus on filling them, the fact remains that the best way to ensure that new spaces can be filled by locally-relevant businesses is to ensure that the physical aspects of the space, in terms of size, location, nearby amenities, and cost, are thoughtfully planned out during design (Commercial

Affordability Advisory Committee, 2016; Gruber, 2018, personal communication; Hall, 2018, personal communication).

Thoughtful planning of commercial spaces should take place in the design phase for every major development in the city, and should include all three (city, developer, and business community) of the identified stakeholder groups. The city, most importantly, should ensure that new mixed-use zoning is sited in areas that can support ground floor commercial. Though the developers and businesses owners interviewed generally believe that Seattle's planning department applies zoning requiring ground-floor commercial space appropriately, city planners must make certain that any upzones currently in the development or proposal stages are equally well-considered. Second, needs for specific features in the spaces on offer, including their size and infrastructure, have to be communicated between businesses and developers, with developers taking ultimate responsibility for reaching out to the business community and ensuring that their spaces meet the needs of the tenants that might fill them. Third, commercial areas should be attractive and well cared-for. Effective partnerships between the city and local improvement districts or business groups arrange for this in certain neighborhoods today, helping to draw in more customers and providing a more welcoming environment for businesses moving into new vacant space. Finally, costs must be managed. Though the city is restricted by the state constitution from offering commercial rent subsidies or grants for tenant improvements, both of which would directly lower costs for businesses, it can still indirectly reduce costs for both businesses and developers by helping write business plans, providing legal and leasing advice, advising on the creation of BIAs where they don't exist, and facilitating connections and outreach between developers and the business community (Commercial Affordability Advisory Committee, 2016; Hall, 2018, personal communication).

When these four elements are not in place, developments are less successful leasing their retail spaces. Though the residential space may still fill (and developers may still be happy with their building's performance), ground-floor vacancy detracts from the building's identity, discourages foot traffic, and

reduces the street's and the neighborhood's appeal. When the four elements are in place however, new mixed-use development in Seattle has proven that it can fill with commercial tenants. Buildings in the city will attract with both residents and businesses if the space is right and the three stakeholder groups have worked out how the space should look and where it should be located. Mixed-use development lives up to its potential in those cases, bringing people out onto the street, building community, and fostering a more active, inclusive public realm.

Methodology

The Physical Factors Leading to Retail Vacancy

The literature surrounding mixed-use development primarily suggests four development-specific factors that are crucial for successfully filling ground-floor retail space, each of which corresponds to an imbalance in the relationship between developer, city government, and small business. First, mixed-use works best when it's located appropriately, near enough to other retail to provide variety to customers without there being so much that neighborhoods are flooded with space that the local customer base is too small to support. Ensuring the right balance is the city government's role. In Seattle, that means resisting the temptation to overbuild retail in an attempt to expand the sales tax base, balancing the city's need for revenue with the public's need for occupied storefronts. Second, ensuring that spaces are appropriately sized and equipped is a collaborative effort between developers and businesses. Spaces can't be too small because they're hard for developers to manage and they work against consolidating impulses in development economics, but they also can't be too big because they're too expensive and too difficult for small businesses to fill. Third, developments and their surroundings must be attractive. In Seattle, this is usually accomplished in a joint effort between business districts and the city, who occasionally find themselves in tension over what to fund and prioritize. Fourth, cost is an issue in a business's location decision that must be explored. Developers must set rents high enough to offset their construction costs and profit off their developments when they sell, but low enough that businesses can afford to fill the space. Occasionally building owners are willing to offer concessions on their leases if they're having trouble filling their spaces and the market favors renters, but in general in Seattle they'll only do so for businesses that have strong plans and will be stable, long-term tenants. As the development industry evolves from locally-oriented to nationally-competitive, businesses must evolve alongside by developing and implementing sustainable long-term visions. The city has an

opportunity to assist in this evolution, helping business owners reduce cost and develop the sophistication to act in modern property markets.

In the analysis, I'll first find the amount of retail space, in restaurant and non-restaurant categories, within ¼ mile of each development, expressed in square feet per person living within that boundary. My expectation is that there is a balance between too much and too little nearby retail, and that it differs for both restaurant and non-restaurant spaces. The appropriate balance must also vary by neighborhood, local demographics, and the amount of consumer activity the neighborhood attracts or loses from others in the city and region, but understanding the amount of nearby retail square footage at least sets the developments in each neighborhood in context relative to themselves. It also provides a measurable way for businesses, developers, and policy makers to understand retail corridors and how distance from them affects occupancy rates in new developments. The quality of nearby retail also affects the attractiveness of space in a new development, but quality is difficult to measure and assess. The study will only evaluate the quantity of nearby retail space, but the retail space within ¼ mile of most of the developments evaluated shares a similar physical profile. It's typically comprised of either the ground floors in older mixed-use developments or low-rise non-mixed retail storefronts, with comparable average unit sizes, commercial uses, and years of completion. There is one exception to this rule, at 50th and Roosevelt in the University District where much of the surrounding commercial space is occupied by auto dealerships, but otherwise the quality of retail space near each development is similar to the quality near others in the same neighborhood. The vacancy or stability of retail within ¼ mile is not assessed, but overall retail vacancy in each study neighborhood is close to or below the natural rate, suggesting that each neighborhood has enough vitality to support some additional retail space.

Second, I'll examine the spaces being offered in each new development. Businesses have requirements of their space in terms of size and type that must be met before they want to move in, and ideally new buildings would match those requirements. The total retail square footage in each

development, the number of commercial units offered, the size of each space, and the proposed (restaurant or non-restaurant) use of each space offer insight into the developer's thought process entering into construction, and the occupancy or vacancy of those spaces is an indicator of whether or not the developer accurately evaluated market demand and worked to meet it.

Third, amenities along the retail corridor help improve an area's attractiveness and are an important indicator of the city's or the local business community's commitment to improving the environment for both developers and businesses. I'll count traditional indicators of walkability along arterials within a ¼ mile of each development, including street trees, benches, bike racks, wayfinding signs, and plantings, as well as transit stops and, if they exist, light rail stations. I'll also note the presence of nearby loading zones, which interviews have suggested are important. In many areas of Seattle, some of the responsibility for suggesting and implementing streetscape improvements belongs to local business improvement districts rather than with the city directly, so I'll also note where developments would belong to a BIA. BIAs such as the U-District Partnership help connect businesses with support ranging from writing business plans to cleaning up graffiti, providing additional value for small businesses thinking of moving and, though they raise costs in terms of taxes or rents assessed, may lower the transaction costs associated with moving and operating even more. The neighborhood itself is also an amenity that a retail corridor takes advantage of, so I'll note the presence of major employment centers and the amount of spending power within a one-mile radius of each development in the study.

Finally, the fourth crucial factor in vacancy or occupancy is cost, which for retail is expressed in dollars per year per square foot. Costs, and evidence of being flexible on costs, indicate whether building owners understand their retail space as an amenity to be utilized or as a burden to be endured, with ramifications for the urban experience in the city. Interviews with stakeholders close to the development community suggest that building owners are willing to be flexible for tenants with strong

business plans, good financial backing, or that will provide important services for building residents.

Costs can only come down so far however, and vacancy where costs are on par with the rest of the

neighborhood may indicate that the local demand is not strong enough to support new businesses. All

four factors and the metrics used to evaluate them are in the table below.

Major Factor	Evaluation Metrics	Expressed in
Nearby retail	Restaurant/non-restaurant square footage within ¼ mile	Sq. ft. per person within ¼ mile
Spaces offered	Total retail space in development	Sq. feet
	Number of retail spaces in development	Count
	Size of retail spaces	Sq. feet
	Type of retail spaces	Restaurant or non-restaurant
Nearby amenities	Street improvements within ¼ mile, along the major commercial axis (or both, if the building is at the corner of two commercial streets)	Count of benches, bike racks, trees, wayfinding signs, plantings
	Transit within ¼ mile	Count of bus/light rail stops
	Loading zones within ¼ mile	Count
	Presence of neighborhood BIA	Yes/no
	Foot traffic	Count of people walking and biking on a weekday between 12 and 1 pm
	Major employment centers within 1 mile	Yes/no
	Spending power of residents within 1 mile	\$ per person
Cost	Yearly rent	\$/sq. foot, NNN

Selecting Neighborhoods for Study

Successful and unsuccessful developments in three of the city’s neighborhoods will be evaluated based on the metrics listed above, with results for each development compared, first, against other developments in the same neighborhood and, second, against selected developments in different neighborhoods. Each neighborhood in the study has played an historically important role in Seattle’s development. However, they’re also all unique, highlighting a different set of social and cultural

challenges facing the city as it grows. From historic preservation, gentrification and displacement to transit-oriented development and rapid demographic shifts, the study neighborhoods are under pressure to evolve, with long-lasting implications for their retail and commercial corridors.

Nowhere is this more true than in the University District, which in February of 2017 was approved for an upzone that is intended to position the neighborhood as a commercial, office, and residential rival to downtown, with the skyline to match. Especially between NE 45th and NE 55th streets, the area as it stands is somewhat low-intensity, composed of a mixture of churches, parking lots, legacy apartment and commercial buildings, with some new development mixed in, notably on Roosevelt and on University Way north of NE 50th. University Way south of 50th is the primary walkable commercial strip in the neighborhood and the beating pulse of student life off of the university campus, but has been spared the upzone and will not be redeveloped in the near future. However, new, non-student residential towers and the 2021 completion of a light rail station at 43rd and Brooklyn will change the demographics in the rest of the neighborhood, bringing more families, professionals, and high-earners to today's student-centric, low-income area. As has happened in areas such as Capitol Hill and South Lake Union, these newcomers will put pressure on the historic businesses in the area to either increase efficiency or sell their space (Johnson and Chalana 2016). Getting retail right in mixed-use buildings elsewhere in the neighborhood will ease pressure on the Ave, providing outlets elsewhere in the U-District for the families and professionals the city hopes to attract with the upzone, reducing conflict with existing business owners, and expanding the neighborhood's shared communal space to encompass a wider variety of people and groups. A total of three recently-built mixed-use developments evaluated in the study are located in the U-District, one of which is fully-occupied, one occupied though only recently-so, and one completely vacant.

The second neighborhood in the study will be Wallingford, a leafy single-family neighborhood directly across the interstate from the U-District with an established commercial corridor along N 45th

Street and a burgeoning one on Stone Way. Though higher income than many neighborhoods, Wallingford is typical of North Seattle in its residential mix and presence of a strongly-defined commercial area, and its position slightly ahead of other North Seattle neighborhoods on the development curve makes it a valuable case for the region. Resistance to new development is strong in the area and new mixed-use development has been rare on 45th itself, but Stone Way between 40th and 35th has almost completely transformed in the past 5 years and the area on Stone Way between 45th and 40th is coming in the next 5. Curiously, as a percentage of their total frontage along the block, many Stone Way developments haven't been required to provide as much retail as is common in the U-District or downtown, with the city allowing lobbies, building-oriented common space, or flexible ground-floor residential to take the place of more conventional restaurant and retail instead. The city's restraint, in addition to Wallingford's high median income, good transit, and improving walkability, has generally allowed even poorly-designed retail spaces to find tenants, which makes it strange that some developments have not managed to fill their spaces. Of the two Wallingford developments in the study, one development has had a particular challenge filling its three retail spaces, while the other was completely leased soon after completion.

Finally, Seattle's most significant concentration of unleased retail space in relatively new buildings is in the Yesler Terrace area on the southern slope of First Hill, between the hospitals at the top of the hill and the Little Saigon area at the bottom, just east of the interstate. Seattle University is nearby, but otherwise the area is a relatively low-income part of the city near public housing developments at Yesler Terrace itself and traditional communities of color in Little Saigon, the International District, and the Central District. Though transit is already reasonably good, a Seattle Streetcar line has recently been completed through the neighborhood as part of a period of massive residential redevelopment of both affordable and market-rate units. Otherwise though, the area lacks a strong commercial identity on the scale of the Ave in the U-District or 45th in Wallingford. It is at the

epicenter of the battle against gentrification though, and between the Yesler Terrace projects and the fight against the new youth jail, there are the makings of a hotbed of grassroots activism. The urgency of the issues at Yesler Terrace raise the area's profile and increase its importance to the study. Three developments in the neighborhood that meet our definitions have been evaluated, two of which are 100% vacant in their commercial space. Though both may have been intended by the city to anchor a new commercial strip along 12th Ave S to serve the needs of an expanding community, businesses have yet to come and the strip has yet to materialize. The third development in the study, closer to the hospitals farther north, is completely occupied with businesses catering to the lunchtime rush and health-conscious hospital employees.

Selecting Developments for Study

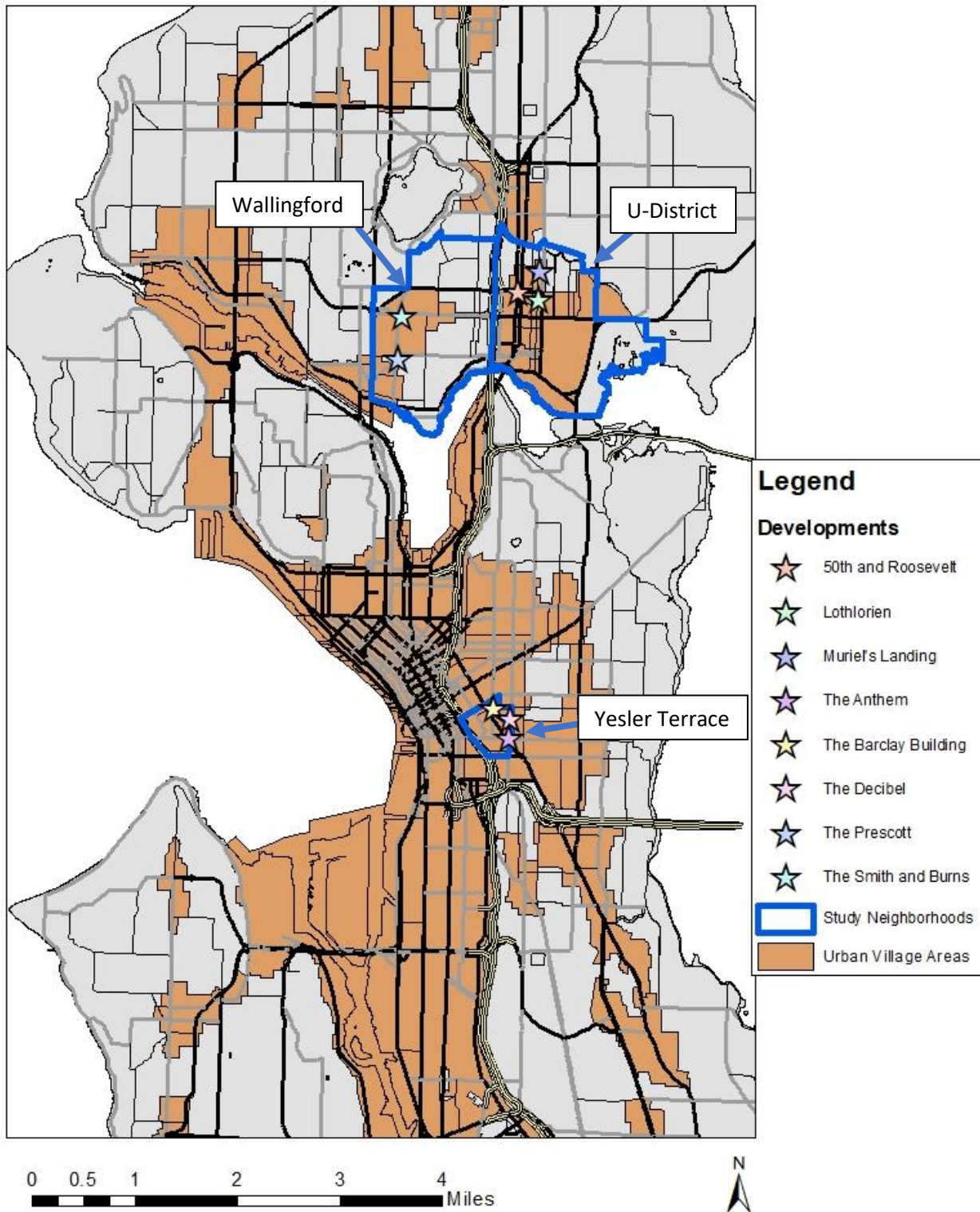
To select properties for the study, the first major criteria employed is that buildings should have been completed between 2012 and 2017. Selecting properties completed more than one year ago gives leasing agents time to rent their retail spaces, meaning that any vacancies are indicative of the spaces themselves rather than the time it takes a small business owner to write a business plan and sign a lease. On the other hand, buildings completed in 2012 or later will be more representative, in form and development philosophy, of the developments coming to the city in the near future. Seven of the eight developments in the study fall within this age range while the eighth, completed in the University District in 2007, is one of very few buildings built in the heart of the U-District's commercial core in the past 30 years and is the neighborhood's newest unequivocally-successful property.

The second major criteria for selecting developments to be evaluated is that they are located within one of Seattle's "urban village" zones. Urban villages are the areas designated by the city government and the comprehensive plan as those which will experience the bulk of Seattle's development through the rest of the planning cycle. Over the past decade, development has most

visibly changed the skyline in existing high-density urban villages such as South Lake Union, Capitol Hill, and the northern half of downtown. As land in those areas is built out, increasing density in the next decade will come in the more residential urban villages of north and south Seattle. Each study development is located in either a developing urban village or on the outer fringe of a developed one, setting them early on the development curve of their typically lower-density residential environment. They represent examples for future developments in their neighborhoods to model, and are important foundation pieces for expanded and evolving commercial corridors.

The map below shows the location of each of the eight developments to be evaluated, along with the boundaries of the neighborhoods they're located within and the extent of the city's designated urban village areas. The largest contiguous patch of urban village land is the built-up area radiating out from downtown up to the shores of Lake Union, south through the Industrial District, and into Capitol Hill and the Central District. Three developments are located in Yesler Terrace at the edge of the downtown patch, in a fringe area previously reserved for public housing. Seattle's second-largest connected urban village is along the northern shore of Lake Union, running from the industrial part of Ballard through Fremont to the waterfront in Wallingford. Ballard is the farthest along the development curve of any neighborhood in north Seattle, while in Wallingford new development is just beginning to creep up from south to north along Stone Way. One study development is on Stone Way at the north end of the activity taking place along the street's southern half, while the second Wallingford development is situated more firmly in the narrow, neighborhood-focused urban village corridor on N 45th St. North Seattle's next-largest urban village area is in the U-District, the southern half of which is already mid-rise, mostly comprised of older, student-focused buildings. Further north between NE 45th St and NE 55th St is less dense, is where the University District's development will focus in the near future, and is home to three of the properties in the study. Urban villages in other north Seattle

neighborhoods, and even in the north of Wallingford, tend focus on individual corridors rather than many adjoining blocks, with the balance of the neighborhood reserved for existing single-family homes.



Aside from having some ground floor retail underneath 3 to 5 floors of residential space and having been completed in the relatively-recent past, the study developments are all substantially different. In selecting them, after accounting for year of completion and presence in an urban village, the third criteria used for property selection varied by neighborhood. In Yesler Terrace, the developments chosen were the only three within the neighborhood's boundaries that met the first two criteria and had significant retail space. Other developments were either completed too recently, had minimal ground floor retail, or were just outside the neighborhood's borders. In the University District, the three developments selected were the only three that met both of the first two criteria and that had ground floors designed entirely for retail, rather than lobby or office space. Office space is especially common in the neighborhood's new developments away from University Way. In Wallingford, the two developments chosen were the only two with large amounts of commercial space that met both earlier criteria and were either fully-occupied or fully-vacant. Others were partly leased, making it difficult to label them either successful or unsuccessful and complicating the analysis. Despite being selected for study, each development is designed for different clienteles, appeals to different tenants, and interacts with the street in different ways. They also have different obstacles to being rented, some due to the nature of the space and some due to the neighborhood in which they sit. Their neighborhoods are also substantially different, but each will feel the effects of the city's growth over the coming decades and must find a way to respond to it. Though the mix of the four factors identified in creating strong retail spaces will be different for each location, they all still have to find the right balance of factors if they hope to benefit from growth to become stronger, more community-oriented places. Rather than detract from the analysis, the variety in the developments and their neighborhoods allows the study to observe the impacts of the city/developer/business incentive imbalance from three different perspectives, confirming that the needs of each group must be tempered against the others if new commercial space in mixed-use buildings is going to lease successfully.

Results

Wallingford

The Wallingford neighborhood sits between I-5 and Highway 99, west of the University District and east of Fremont. The southern boundary is Lake Union and the Ship Canal, and the northern boundary runs west to east in a line from the southern tip of Green Lake. 16,333 people live in the neighborhood, with a per capita income of \$52,650. The population has grown by 1,689 since 2010, an increase of 11.5% compared to 17.3% during that time period in the city overall. The median age in the neighborhood's census tracts ranges from 32.9 to 37.5, similar to Seattle's 36.6 overall median. Two north-south bus lines bisect the neighborhood, while a high-capacity line on Highway 99 and a number of commuter lines on I-5 provide additional high-quality options for workers heading downtown. The east-west route 44 is a workhorse of the King County Metro system, providing relatively frequent transit along the 45th St retail corridor between Ballard and the University District.

Daytime employment is limited in Wallingford's core area along N 45th St, though the neighborhood's southern part along the ship canal has seen significant job growth in recent years. The 98103 zip code, which encompasses almost all of Wallingford plus adjoining portions of Fremont, has grown by nearly 5,000 jobs since 2012, a 28% increase, with most of that concentrated in the south. Brooks Running and Tableau Software have their headquarters at Stone Way and N 34th St and Wallingford Ave and N 34th St respectively, while Adobe Systems, Google, and Geocaching have offices in Fremont just west of the Aurora Bridge. Culturally the neighborhood, which has a number of historic single-family homes, has led the opposition to upzoning and mandatory housing regulations in the city, which has muted development levels in the neighborhood almost everywhere except on Stone Way between 34th and 40th.

The neighborhood's primary retail area extends along N 45th St from its intersection with Stone Way to the interstate, with its most significant historical heart between Woodlawn Ave N and Bagley Ave N. A small retail zone sits in the north of the neighborhood at the Tangletown area at N 55th St and Meridian Ave N, while Stone Way hosts a growing retail scene along the length of the street, but especially south of N 40th St. The map below shows Wallingford's boundaries and significant commercial areas, along with the developments chosen for additional analysis.

Smith and Burns



The Smith and Burns building at N 45th St and Stone Way was completed in December 2015 by Mack Urban LLC, a west coast developer/property manager with units in Seattle, Portland, and Los Angeles. Though surrounded by mixed-use multifamily developments, the Smith and Burns was the first new building completed in that part of the neighborhood since 2007. Despite its size relative to nearby buildings, both in bulk and in height, the developer did make an effort to incorporate urban-friendly features. The modulated, brick-faced façade, statues, signage, and glass awnings all help to enhance the pedestrian experience, which should be given a further boost by the development's location at the edge of Wallingford's primary commercial corridor.

The building's three commercial spaces, which all front N 45th St, range in size from 1,542 to 2,327 square feet. The biggest is already adapted for restaurant use, while the other two are geared toward non-restaurant retail. All three spaces have huge front windows, have asking rents between \$26

and \$30 per square foot, and have sat vacant since the building's completion despite occupancy rates greater than 95% in the 150 residential spaces above. With 30 months passed since the building's completion and its seemingly advantageous position at the corner of two major transit routes and on the edge of an historic commercial district, its as-yet unfilled retail space suggests that some aspect of the incentive balance between the developer, the city, and local businesses is out of sorts. The result is failing retail space, which is being subsidized by the \$1,900 studio apartments above. The table below shows the development's statistics based on the factors identified in the literature review and methodology sections.

Nearby Retail	
Population w/in 1/4 mile	3,131
Restaurant space within 1/4 mile	37,248 sq. ft
Non-restaurant space within 1/4 mile	225,254 sq. ft
Total Retail Space within 1/4 mile	262,502 sq. ft
Restaurant Sq. ft/person in 1/4 mile	11.90 sq. ft
Non-restaurant Sq. ft/person within 1/4 mile	71.94 sq. ft
Total Sq. ft/person within 1/4 mile	83.84 sq. ft
Spaces Offered	
Number of Restaurant Units	1
Restaurant Sq. Ft	2,327 sq. ft
Number of non-restaurant units	2
Non-restaurant Sq. Ft	3,469 sq. ft
Total Retail Space	5,796 sq. ft
Nearby Amenities	
Population w/in 1 mile (2018 Estimate)	35,184
Jobs within 1 mile	18,208
Median Household Income within 1 mile	\$ 96,159
Median Age within 1 mile	36.0
Transit Stops within 1/4 mile	11
Streetscape within 1/4 mile (N 45 th St):	
Trees	83
Bike Racks	18
Art/Benches/Wayfinding	20
Loading Zones	3

Streetscape within 1/4 mile (Stone Way N):	
Trees	85
Bike Racks	17
Art/Benches/Wayfinding	3
Loading Zones	2
Business Improvement Area (y/n)	No
Cost	
Restaurant Cost	\$ 26
Non-restaurant Cost	\$ 30

Prescott



The Prescott at N 40th St and Stone Way was completed in October 2012 and sold almost immediately to TIAA-CREF, a major pension fund manager. The 154-unit building was the first in a larger wave of developments along Stone Way, including smaller developments to the north at 41st and 43rd and larger ones to the south at 34th, 36th, and 38th. Though the building itself contributes to walkability in the area, its location across the street from a gas station and just up from decaying, block-width, single-story warehouse buildings disconnects it somewhat from commercial areas either on 45th or farther

down on Stone Way. It is, however, located at the junction of both of Wallingford’s downtown bus routes, making it a popular place to board for commuters from that part of the neighborhood.

The building has two commercial spaces, the leases for both of which have been filled since October 2013. The first, a small restaurant space, is the successful second location of Capitol Hill bagel and coffee mainstay Eltana Bagels. It’s located at the south end of the building, allowing it to take advantage of both building residents and intrepid residents of the new developments farther south. The second space, over 15,000 square feet, is occupied by a gym and workout facility, one of few full-service gyms in north Seattle. The rest of the building’s ground floor is taken up by lobby or residential space, nearly all of which is occupied. In this case, the occupied retail spaces are an important amenity for the building community, and the evidence indicates that the competing incentives in mixed-use development were in better balance here than they were at the Smith and Burns farther north. The table below shows the building’s statistics on the four dimensions of retail success.

Nearby Retail	
Population w/in 1/4 mile	3,613
Restaurant space within 1/4 mile	20,885 sq. ft
Non-restaurant space within 1/4 mile	120,465 sq. ft
Total Retail Space within 1/4 mile	141,350 sq. ft
Restaurant Sq. ft/person in 1/4 mile	5.78 sq. ft
Non-restaurant Sq. ft/person within 1/4 mile	33.34 sq. ft
Total Sq. ft/person within 1/4 mile	39.12 sq. ft
Spaces Offered	
Number of Restaurant Units	1
Restaurant Sq. Ft	1,988 sq. ft
Number of non-restaurant units	1
Non-restaurant Sq. Ft	15,417 sq. ft
Total Retail Space	17,405 sq. ft
Nearby Amenities	
Population w/in 1 mile (2018 Estimate)	33,532
Jobs within 1 mile	19,474
Transit Stops within 1/4 mile	7
Median HH Income within 1 mile	\$ 96,591
Average Age/Median Age	36.1

Streetscape within 1/4 mile:	
Trees	98
Bike Racks	22
Art/Benches/Wayfinding	5
Loading Zones	8
Business Improvement Area (y/n)	No
Cost	
Restaurant Cost	\$ 22
Non-restaurant Cost	\$ 26

Neighborhood Analysis

The example of the Wallingford developments suggests that the neighborhood’s core retail area, despite being on the same street as the Smith and Burns, has not quite extended all the way to Stone Way. The primary differences between the two developments are in the amount of retail located nearby and the spaces offered in the buildings itself. In the case of the Smith and Burns, there is more nearby retail and the type of spaces in the building reflect the developer’s or the city’s intention to see it joined with the rest of the 45th St retail corridor. However, the relatively high cost of the Smith and Burns space (though the restaurant space is somewhat reasonably-priced for the area) combined with a little bit of vacancy in the past two years in spaces closer to the retail core’s center has created a situation where small businesses don’t yet have to move that far to the periphery to find units, even well-designed ones. Spaces nearby the Smith and Burns that are successfully occupied, such as the Seattle Meowtropolitan or The Bounty café, have similar sizes and amenities to the S&B units, indicating that the developer probably has done as much as they could to support businesses that want to locate there. However, it may be that the building is too far away from the core, where it would have been better for the city to allow some of the ground floor space to be occupied by residential or flexible live-work units to ensure that the spaces would be occupied and to focus its support on small businesses farther east.

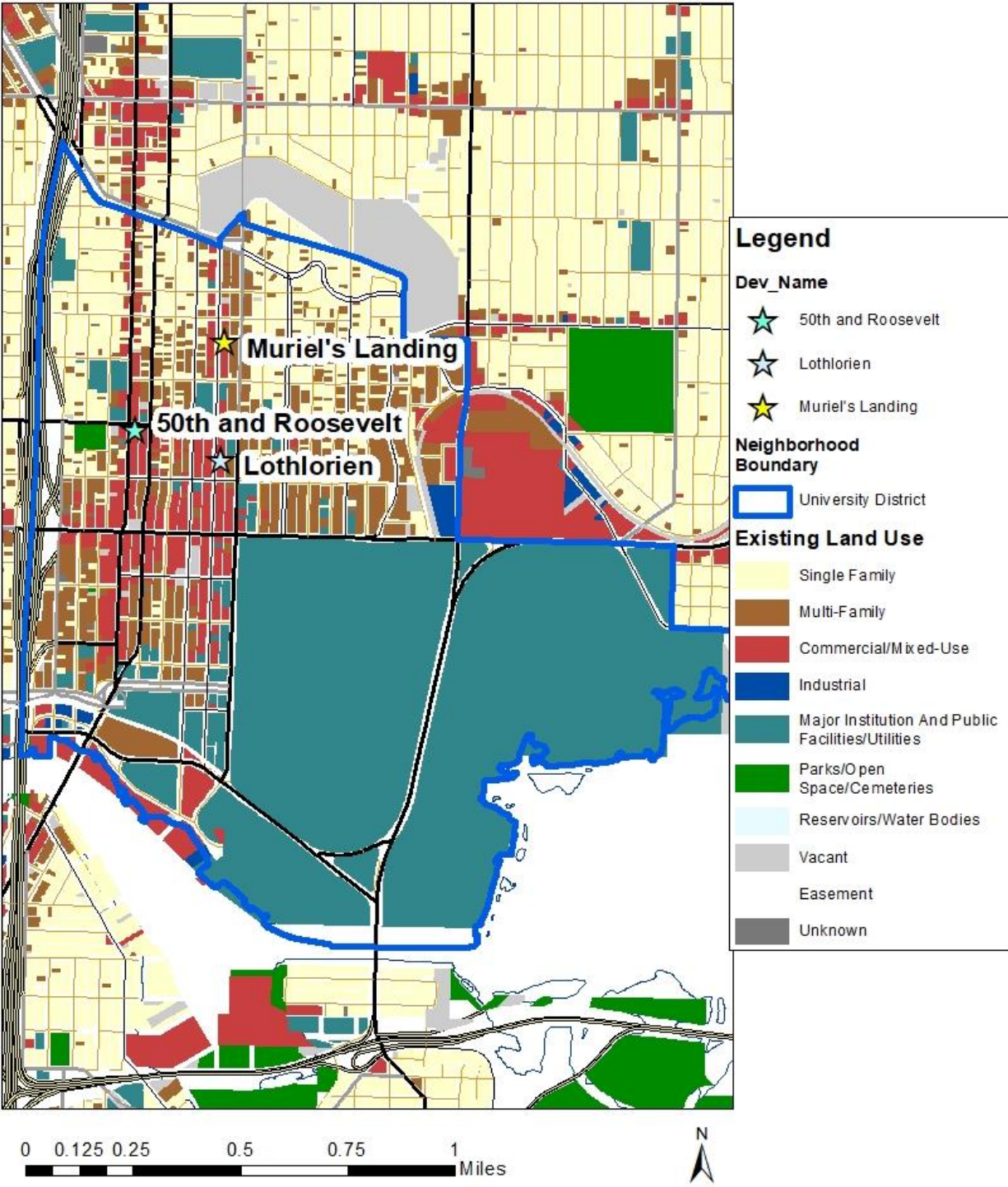
The Prescott provides a good example of this thinking. There, though the building takes up the entire block between N 40th St and N 39th St, less than half is devoted to retail space, with the balance given to lobby and ground floor residential. In addition, a 15,000 square foot space is good for only a small number of potential occupants, suggesting that the gym had already committed to the space before the building was completed. The developer would have had to establish relationships with potential businesses early in the design process and would have had to have been given flexibility by the city to design the space in an unconventional way. Like the Smith and Burns, the Prescott is disconnected from other retail areas in the neighborhood. Unlike the Smith and Burns, at the Prescott the city allowed for ground floor residential to enable the developer to mitigate the risk associated with retail and helped ensure the sustainability of the businesses that did come by protecting them from either local competition or from being associated with vacant spaces next door.

The University District

The University District is north Seattle's most historic neighborhood. Sitting on a hill between the interstate to the west and an abrupt drop into residential areas east of 25th Ave NE, the neighborhood is almost as well-defined physically as it is culturally by the over 46,000 students in attendance at the University of Washington. Median ages in U-District census tracts range from 22.7 to 31.1, making it one of the youngest in Seattle, while 25,780 people also make it one of the most heavily-populated. Growth since 2010 is estimated at 4.6% compared to 17.3% in Seattle overall, though the 2021 completion of an extension to the light rail system at 43rd and Brooklyn and a substantial neighborhood-wide upzone approved in February 2017 will combine to accelerate the growth rate in the next two decades. Even without the light rail, the University already acts as a secondary hub in the King County Metro system, well-served by buses from all over northern and central Seattle and from the northern and eastern suburbs. The annual per capita income in the U-District is dragged down by the high number of students to \$16,453, but census tracts in the north and west parts of the neighborhood

have per capita incomes above \$50,000, consistent with other areas of north Seattle. The University of Washington is the neighborhood's most significant major employer, supporting over 30,000 jobs county-wide (Economic Development Council of Seattle and King County 2018).

The neighborhood's, and indeed one of Seattle's, most iconic commercial area is on University Way, colloquially "The Ave" and two blocks west of the campus itself. Cheap food predominates, catering mostly to the student clientele, while traditional retail, especially men's and women's clothing, struggles to compete with the relatively upscale University Village shopping center just on the other side of the neighborhood border east of campus. Recent mixed-use development has focused on Roosevelt Way NE, 11th Ave NE, and 12th Ave NE between NE 50th St and NE 45th St, bringing more commercial options to the northwestern part of the neighborhood. The area hasn't quite coalesced into a secondary retail center with an identity comparable to the secondary areas of Wallingford, such as Tangletown, but the city's intention to create commercial spaces off The Ave speaks to its long-term vision for the U-District as a place for professionals, families, and seniors in addition to students. The map below shows the heavy concentrations of retail and mixed-use development in the neighborhood in addition to the three U-District developments singled out for deeper analysis.



50th and Roosevelt



The 60-unit 50th and Roosevelt building is a relatively small development in the northwest of the University District near the neighborhood's public library, a Planned Parenthood, and a well-utilized food bank. It was completed in May 2017 by a developer/property manager with a number of other properties, both new and old, all catering to students in the University District. A large part of the development in the neighborhood in recent years has come in the area between NE 45th St and NE 50th St on Roosevelt Way, 11th Ave, 12th Ave, and Brooklyn Ave, stretching from the 50th and Roosevelt southeast toward the Ave and the UW campus. However, the area's redevelopment is not yet complete. Though the building statistics show a high amount of nearby retail square footage per person, much of the neighborhood immediately around the building is comprised of parking lots, auto dealerships, and low-density student housing. Though other developments in the study have some surrounding low-

quality commercial space, 50th and Roosevelt is unique in that nearly every bit of retail within a ¼ mile is low-quality and incapable of supporting a vibrant walkable environment.

The building itself has two commercial spaces which, according to the development brochure, can be combined into one large space. The bigger of the two is set up to be a restaurant, while the smaller, which is under 1,000 square feet, is designed for conventional retail. Both have large front windows, and the building’s corner location and high nearby residential density ensure heavy foot traffic, especially during the school year. Both spaces remain unfilled a year after the building’s completion however, with the larger space currently being used by management to store mattresses for the furnished student rooms above. For the neighborhood, transit in the immediate area is relatively poor, though a protected bike lane runs south on Roosevelt. Costs for the spaces are high though, and perhaps driven higher for businesses trying to locate in the building by the University District business improvement area, which focuses its efforts on the Ave to the detriment of developments farther afield. The table below shows the specific statistics.

Nearby Retail	
Population w/in 1/4 mile	4,296
Restaurant space within 1/4 mile	55,230 sq. ft
Non-restaurant space within 1/4 mile	486,598 sq. ft
Total Retail Space within 1/4 mile	541,828 sq. ft
Restaurant Sq. ft/person in 1/4 mile	12.86 sq. ft
Non-restaurant Sq. ft/person within 1/4 mile	113.27 sq. ft
Total Sq. ft/person within 1/4 mile	126.12 sq. ft
Spaces Offered	
Number of Restaurant Units	1
Restaurant Sq. Ft	3,907 sq. ft
Number of non-restaurant units	1
Non-restaurant Sq. Ft	941 sq. ft
Total Retail Space	4,848 sq. ft
Nearby Amenities	
Population w/in 1 mile (2018 Estimate)	51,727
Jobs within 1 mile	21,713
Transit Stops within 1/4 mile	6

Median HH Income within 1 mile	\$ 51,408
Average Age/Median Age	30.6
Streetscape within 1/4 mile (Roosevelt Way NE):	
Trees	74
Bike Racks	22
Art/Benches/Wayfinding	1
Loading Zones	4
Streetscape within 1/4 mile (NE 50th St):	
Trees	66
Bike Racks	8
Art/Benches/Wayfinding	5
Loading Zones	0
Business Improvement Area (y/n)	yes
Cost	
Restaurant Cost	\$ 30
Non-restaurant Cost	\$ 30

Lothlorien



The Lothlorien, located one building north of NE 47th St and the Ave, was completed in June 2007, at the height of Seattle’s last development boom shortly before the world financial crisis. Though slightly older

than the other developments in the analysis, the building nonetheless merits study because of the runaway success of its retail spaces. Its location in the central core of the U-District commercial area ensures businesses of the area’s commercial viability, while its well-designed commercial spaces and proximity to both transit and high-density residential areas generate some of the highest foot traffic of any development in the study.

The 6 commercial units that comprise the building’s ground floor are a mix of restaurant, service, and retail, catering to the type of student that wants to get a cheap haircut while they have their phone screen fixed and treat themselves to a celebratory bubble tea afterward. It’s not clear from the building or from its marketing materials whether any of the spaces are set up with commercial cooking infrastructure, though one of them, housing a fast-food sandwich place, may have a ventilation system. The poké restaurant next door would not need one, and nor would the tea or juice places. In any case, the preference of businesses for spaces that can accommodate food services is clear. Because the building is slightly older the prices per square foot for space are a little less than they are in new buildings, though not by much. The spaces themselves average around 1,600 square feet. More specifics, especially the strength of the nearby amenities, are highlighted in the table below.

Nearby Retail	
Population w/in 1/4 mile	7,434
Restaurant space within 1/4 mile	68,518 sq. ft
Non-restaurant space within 1/4 mile	811,670 sq. ft
Total Retail Space within 1/4 mile	880,188 sq. ft
Restaurant Sq. ft/person in 1/4 mile	9.22 sq. ft
Non-restaurant Sq. ft/person within 1/4 mile	109.18 sq. ft
Total Sq. ft/person within 1/4 mile	118.40 sq. ft
Spaces Offered	
Number of Restaurant Units	-
Restaurant Sq. Ft	-
Number of non-restaurant units	6
Non-restaurant Sq. Ft	9,500 sq. ft
Total Retail Space	9,500 sq. ft

Nearby Amenities	
Population w/in 1 mile (2018 Estimate)	49,107
Jobs within 1 mile	51,411
Transit Stops within 1/4 mile	10
Median HH Income within 1 mile	\$ 48,273
Average Age/Median Age	30.2
Streetscape within 1/4 mile:	
Trees	100
Bike Racks	26
Art/Benches/Wayfinding	44
Loading Zones	8
Business Improvement Area (y/n)	yes
Cost	
Restaurant Cost	n/a
Non-restaurant Cost	\$ 25

Muriel's Landing



Muriel's Landing was built in 2012 and sold in 2014 to a small Los Angeles-based realty company. The building, almost entirely studio apartments, is at the far northern end of the Ave. Nearby buildings apart from the historic University Heights School are either being actively redeveloped or are prime candidates for redevelopment, but for now are a mix of mid-rise mixed-use, low-rise apartments, and single-story commercial. As development creeps farther and farther north on the Ave, Muriel's Landing is well-placed to someday anchor the northern half of the street. Today, however, it sits substantially apart from the core retail area. Nonetheless, relatively inexpensive space above ensures that occupancy in the residential part of the building remains high, and its location on a number of high-capacity transit lines helps encourage foot traffic this far north.

A Korean nightclub/fried chicken restaurant, a pizza place, and a popular vegan Thai restaurant fill three of the development's four spaces, while the fourth, the only one not equipped with restaurant infrastructure, has been leased by a juice café, further confirming the Ave's bias for food and entertainment venues. The restaurant spaces are relatively large, averaging over 2,000 square feet, but, at \$24 per foot, are also relatively inexpensive. It did take the building two years to find a tenant for one space and five years to find a tenant for another, indicating that the building may not have been as successful in filling its retail areas as the Lothlorien. However, reduced prices indicate that the building owners are focused on ensuring the development's success, while the Ave's steady march northward has made spaces viable where they may not have been previously.

Nearby Retail	
Population w/in 1/4 mile	5,244
Restaurant space within 1/4 mile	38,759 sq. ft
Non-restaurant space within 1/4 mile	432,512 sq. ft
Total Retail Space within 1/4 mile	471,271 sq. ft
Restaurant Sq. ft/person in 1/4 mile	7.39 sq. ft
Non-restaurant Sq. ft/person within 1/4 mile	82.48 sq. ft
Total Sq. ft/person within 1/4 mile	89.87 sq. ft
Spaces Offered	
Number of Restaurant Units	3
Restaurant Sq. Ft	6,568 sq. ft
Number of non-restaurant units	1
Non-restaurant Sq. Ft	800 sq. ft
Total Retail Space	7,368 sq. ft
Nearby Amenities	
Population w/in 1 mile (2018 Estimate)	52,112
Jobs within 1 mile	20,968
Transit Stops within 1/4 mile	10
Median HH Income within 1 mile	\$ 52,600
Average Age/Median Age	30.9
Streetscape within 1/4 mile:	
Trees	54
Bike Racks	21
Art/Benches/Wayfinding	7
Loading Zones	8
Business Improvement Area (y/n)	yes

Cost	
Restaurant Cost	\$ 24
Non-restaurant Cost	\$ 26

Neighborhood Analysis

The developments analyzed in the University District illustrate the importance of the retail core. The Lothlorien, in the center of the core, is the most successful, while Muriel’s Landing and 50th and Roosevelt are successively less successful as they get farther away. They also demonstrate how the U-District Partnership, the neighborhood business improvement area, may serve to augment those challenges. The Partnership’s primary point of focus is on the Ave, as can be seen in the streetscape portion of the data. Artwork, trees, bike racks, and wayfinding all help support the experience for pedestrians and the businesses that depend upon them, and for businesses on the Ave, the benefits from the UDP’s investments clearly outweigh the costs of being a member. Farther away at 50th and Roosevelt though, where the BIA’s influence is less obvious, the costs and benefits for businesses looking for space may tilt the decision against the neighborhood’s northwest corner.

The developments also demonstrate the potential issues with allowing building designers too much freedom in how they arrange their commercial spaces. The corner space at 50th and Roosevelt, 3,907 square feet at its smallest, is by far the biggest single retail space in any development studied apart from the purpose-built gym at the Prescott in Wallingford. Its current use as building storage suggest that management is having trouble finding any potential renters for the space, while its continued high cost, even one year after the building’s completion and nearly two since the space was originally put on the market, suggest that the building owners don’t quite see the space as an amenity for residents. Interviews with the city and with the Downtown Seattle Association suggested that developers, when forced to put retail in areas where they don’t otherwise believe it will be successful,

may elect instead to build the biggest, cheapest space they can and allow vacant ground floor commercial to be subsidized by the residential units above. This may have been the case here.

Yesler Terrace

The Yesler Terrace neighborhood is on the south slope of First Hill, immediately east of I-5 and north of Little Saigon and the International District. Proximity to both of those areas and to the Central District have traditionally made it a hotspot for black and Asian residents, especially in the Yesler Terrace development itself, which became the first racially-integrated public housing development in the country when it was completed in the early 1940s (Marcut 2017). The traditional low-income communities are aging however, especially the Japanese community, to be replaced by newcomers moving into the rapidly-redeveloping area. 3,667 residents live in the area bounded by James St, 12th Ave, Jackson St, and I-5 today, which is a 9.6% decrease from the 4,057 living there in 2010. The drop can be attributed to the redevelopment, which by 2017 had progressed enough that residents had moved away but not so far that they were moving back in. Recently-completed developments will reverse this trend, and the neighborhood's ideal location for downtown jobs, ample connections by bus and streetcar, and relatively low cost should position it for significant growth in the next decade. However, the current per capita income in the neighborhood is below \$10,000, meaning any new development will have to either include affordable units or risk pushing existing residents out of the neighborhood entirely.

Locally, the most significant major employers are Seattle University and the hospitals atop First Hill. The southern half of the downtown core, with its focus on jobs in city and county government, is also only a short ride or a long walk from the Terrace. Jobs in technology are relatively absent in South Seattle, but the completion of the Center City Connector, should it happen, will facilitate access to South Lake Union and the companies located there. For now, however, the major cultural player in the

neighborhood is Seattle University, which operates a number of student-led social justice programs from its Center for Community Engagement. Tutoring students at local schools and environmental restoration work are particular points of emphasis, though the university even helps pay restricted parking zone fees for residents in an effort to bolster goodwill. Efforts by the university and local community to increase political capital in the area have borne fruit, especially in the neighborhood's representation in citywide battles over the redevelopment of public housing and the building of the new youth jail at 12th and Spruce.

Though community identity is growing in the area, Yesler Terrace still lacks a noticeable commercial corridor for its own. Nearby commercial areas include the intersection of 12th and Jackson in the far south of the neighborhood, which is the historic center of Little Saigon and still a major gathering place for Asian businesses, and 12th Ave north of Jefferson St, which caters to students at Seattle University. Neither, however, is truly representative of the population itself, which is just as likely to shop on Broadway farther north in Capitol Hill as in the International District. City efforts to support a unique, locally-specific neighborhood identity have come alongside new development in the area, but commercial vacancies on 12th, Yesler, and Broadway suggest that there is still work to be done to encourage businesses to come to the neighborhood and begin the process of building a distinct local sense of place. The map below shows the relative lack of commercial space in the area compared with its adjoining neighborhoods, with the three developments selected for deeper analysis highlighted.

The Decibel



The Decibel, in Yesler Terrace at 12th and Alder, sits just across the street from the Seattle Youth Jail. It was completed in June 2016 by Spectrum Development, a Seattle-based developer with interests in affordable development and student housing. The building itself contains a mix of affordable and market rate residential units, as is the intention in the redevelopment of the Yesler Terrace public housing complex a short distance to the south. Parking lots, gas stations, a small green space, and low-quality residential and office space dominate the streetscape, while nearby commercial space is limited. Transit is also paltry on the 12th Avenue corridor, though building residents can walk to streetcar and bus stops either 1,000 feet uphill on Broadway or 1,000 feet downhill to Yesler Way. A bike lane does run on both sides of the street, however, providing some measure of connection to Seattle University and the International District.

Recognizing the building's disconnection from nearby commercial areas, the Decibel's developers designed an open-layout ground floor commercial area that has been activated as a space

for residential tenants despite there not yet being any commercial tenants to be found. The two spaces, one outfitted to be a restaurant and one intended as an “indoor market” with a mixture of activities, are separated on the inside by a short stairwell but not by a door. Residents have free access to the commercial areas, and building managers have put ping-pong tables and café-style seating there while they search for retail tenants. At \$23 per square foot the spaces are some of the most inexpensive in the study, and the building manager clearly has a vision for how they will be filled when the time comes. For now, there isn’t enough nearby retail or enough of an established core along 12th to attract tenants. However, the developer seems to have planned for ground floor vacancy while the rest of the corridor develops, and the city offered the developer the flexibility to incorporate the commercial space into the rest of the building in a way that allowed it to remain usable even while vacant. Specifics are below.

Nearby Retail	
Population w/in 1/4 mile	3,385
Restaurant space within 1/4 mile	28,952 sq. ft
Non-restaurant space within 1/4 mile	119,844 sq. ft
Total Retail Space within 1/4 mile	148,796 sq. ft
Restaurant Sq. ft/person in 1/4 mile	8.55 sq. ft
Non-restaurant Sq. ft/person within 1/4 mile	35.40 sq. ft
Total Sq. ft/person within 1/4 mile	43.96 sq. ft
Spaces Offered	
Number of Restaurant Units	1
Restaurant Sq. Ft	1,378 sq. ft
Number of non-restaurant units	1
Non-restaurant Sq. Ft	1,174 sq. ft
Total Retail Space	2,552 sq. ft
Nearby Amenities	
Population w/in 1 mile (2018 Estimate)	60,908
Jobs within 1 mile	161,842
Transit Stops within 1/4 mile	4
Median HH Income within 1 mile	\$ 58,943
Average Age/Median Age	38.5

Streetscape within 1/4 mile:		
Trees		101
Bike Racks		17
Art/Benches/Wayfinding		34
Loading Zones		8
Business Improvement Area (y/n)		No
Cost		
Restaurant Cost	\$	23
Non-restaurant Cost	\$	23

The Anthem



The Anthem was completed in May 2015 by Gracorp, a Canadian development firm, with Seattle-based Spectrum Development acting as a local partner. Like the Decibel, it contains a mix of market-rate and affordable residential units, which were near-completely occupied almost immediately after building completion. It's location at the corner of 12th Ave and Yesler Way is somewhat more advantageous than the Decibel from both a nearby retail and nearby transit perspective. The streetcar stops on the street a

short way up, while busses to downtown, Capitol Hill, and the University of Washington stop just across the street. Meanwhile, 12th and Jackson is less than ¼ mile away, bringing the heart of Little Saigon and its rich cultural history to the new building. Like the Decibel however, the area immediately around the Anthem is as-yet underdeveloped. Retail from the International District spreads west to east rather than north toward the building, and Yesler Way itself is a significant east/west arterial connecting downtown with neighborhoods on Lake Washington but is not a commercial corridor in its own right. The building also has the lowest nearby residential density of any development in the study, and though that will change as the redevelopment of Yesler Terrace finishes up, the low number of nearby residents for now is almost certainly affecting the building's ability to attract retail tenants.

The building itself has three retail spaces, one of which is designed for occupation by a restaurant. The spaces are among the least expensive in the study, and though they are a little bigger than the miniscule spaces in the historic buildings of the International District, they're average or even slightly smaller in size than many of the spaces in the study. The streetscape is fair along this part of 12th Ave, though it doesn't compare with the University District in quality. As elsewhere, the spaces have large windows fronting the street, one of which is operable to open up the inside of the space and allow for outdoor seating. There are an impressive number of jobs located within a 1-mile radius, but most of those are located either downtown or at the far northern end of the neighborhood in the hospitals on top of First Hill. Downtown is on the other side of the interstate and First Hill has its own retail core even farther north, so any lunch traffic would be going significantly out of the way to end up at the Anthem.

Nearby Retail	
Population w/in 1/4 mile	2,816
Restaurant space within 1/4 mile	6,412 sq. ft
Non-restaurant space within 1/4 mile	282,450 sq. ft
Total Retail Space within 1/4 mile	288,862 sq. ft
Restaurant Sq. ft/person in 1/4 mile	2.28 sq. ft
Non-restaurant Sq. ft/person within 1/4 mile	100.30 sq. ft
Total Sq. ft/person within 1/4 mile	102.58 sq. ft
Spaces Offered	
Number of Restaurant Units	1
Restaurant Sq. Ft	2,004 sq. ft
Number of non-restaurant units	2
Non-restaurant Sq. Ft	2,062 sq. ft
Total Retail Space	4,066 sq. ft
Nearby Amenities	
Population w/in 1 mile (2018 Estimate)	54,333
Jobs within 1 mile	146,059
Transit Stops within 1/4 mile	7
Median HH Income within 1 mile	\$ 57,315
Average Age/Median Age	38.9
Streetscape within 1/4 mile:	
Trees	89
Bike Racks	11
Art/Benches/Wayfinding	24
Loading Zones	7
Business Improvement Area (y/n)	No
Cost	
Restaurant Cost	\$ 24.50
Non-restaurant Cost	\$ 24.50

Barclay Broadway



The Barclay Broadway building sits just across the street from 401 Broadway, an office building used by Harborview Medical Center, and less than ¼ mile from the main entrance to Swedish Hospital at the north end of First Hill. Seattle University is closer than that, and points farther north on Broadway in Capitol Hill are easily accessible by streetcar from immediately in front of the building. The 122 units, of which 24 are designated affordable, are nearly all occupied, as are the ground floor commercial units. The building was finished in October 2012 by Gerding Edlen, a Portland-based development firm with an environmental focus, and the building itself received LEED Platinum certification upon completion. Though it still sits at some remove from the principal commercial areas of Capitol Hill, First Hill, or the International District, the Barclay's proximity to jobs at First Hill's many hospitals is a major asset contributing to the successful occupancy of its retail space.

The building is comprised of four spaces. The corner space, of 1,666 square feet, is a restaurant occupied by a fast-casual noodle shop that does significant business during the lunch hour. The three remaining spaces, one around the corner to the east of the noodle shop and the other two on Broadway to the south, are leased by a spa and tea lounge that calls itself an “intimate date with the divine.” Though the divine don’t need fume hoods they do presumably need a lot of room, so the two non-restaurant units facing Broadway have been combined into one space of over 3,300 square feet. Rent is relatively inexpensive for the developments in the study, while nearby household income, while it seems low, is an inaccurate representation of spending power able to be captured by the development due to the high-paying hospital jobs nearby. Other than the noodle shop, the retail spaces don’t present themselves to the street as well as they do at other developments. Rather, small windows hide from the street behind plantings and a low fence, suggesting that their original intended purpose may have been office space rather than residential. They’ve filled with a spa, however, which seems appropriate for the health-conscious professionals on the hill.

Nearby Retail	
Population w/in 1/4 mile	4,196
Restaurant space within 1/4 mile	29,836 sq. ft
Non-restaurant space within 1/4 mile	85,514 sq. ft
Total Retail Space within 1/4 mile	115,350 sq. ft
Restaurant Sq. ft/person in 1/4 mile	7.11 sq. ft
Non-restaurant Sq. ft/person within 1/4 mile	20.38 sq. ft
Total Sq. ft/person within 1/4 mile	27.49 sq. ft
Spaces Offered	
Number of Restaurant Units	1
Restaurant Sq. Ft	1,666 sq. ft
Number of non-restaurant units	3
Non-restaurant Sq. Ft	4,313 sq. ft
Total Retail Space	5,979 sq. ft

Nearby Amenities	
Population w/in 1 mile (2018 Estimate)	65,976
Jobs within 1 mile	191,497
Transit Stops within 1/4 mile	11
Median HH Income within 1 mile	\$ 60,077
Average Age/Median Age	38.8
Streetscape within 1/4 mile:	
Trees	109
Bike Racks	10
Art/Benches/Wayfinding	39
Loading Zones	7
Business Improvement Area (y/n)	No
Cost	
Restaurant Cost	\$ 22
Non-restaurant Cost	\$ 22

Neighborhood Analysis

The Yesler Terrace developments demonstrate the effect foot traffic can have on the success of a development’s retail spaces. At the developments on 12th Ave, the population living within ¼ mile of the is the lowest of any building in the study, substantially hindering retail growth on the corridor. Up at the Barclay on Broadway however, though nearby residential density is relatively low for the study, the nearby daytime employment figures are the study’s highest. The Barclay is advantageously-located just across the street from a large Harborview clinic and less than ¼ mile from the main entrance to the Swedish Health Center and Seattle University, giving it a built-in customer base that the developments down the hill on 12th don’t enjoy. Recent investments along 12th, including redevelopment, the installation of bike lanes, and neighborhood-specific signage, are all tools out of the same playbook the city used to create a neighborhood around the Othello light rail station, indicating that the city sees this area as a place that will have a unique identity sometime in the future. However, complete build-out of the former public housing area is expected to take 10-20 years (Seattle Housing Authority 2011). Placemaking is difficult enough when a place has its full complement of residents, but will be especially difficult on this part of 12th Ave with the last of Yesler’s residents not coming until after 2030. In

response, the developers of the three buildings have pursued three different strategies for attracting people to their spaces.

At the Decibel, though the spaces are vacant and have been for some time, the building's developer seems to have understood the city's ultimate goal. The developer is also aware, however, of the difficulty of operating successful retail in the absence of other successful retail spaces. By providing a more flexible commercial space, the Decibel's builders created something that is an amenity for the community whether or not a business chooses to occupy the unit, providing value to both the building itself and the larger neighborhood. The space has the ability to switch back and forth freely from resident- to business-oriented between now and whenever it happens that 12th Ave turns into a vibrant commercial strip, allowing it to play an active role in the community's transformation and allowing the developer to minimize some of the risks inherent in building ground floor retail.

At the Anthem however, the developer went the other direction, building the same sort of mixed-use retail building that can be seen all over the city. Ultimately that might make more sense as people move into new buildings at the former Yesler Terrace public housing development, which sits just across the street from the Anthem. With new housing in the neighborhood filling up in that part of the neighborhood first, the demand for more conventional retail and restaurant spaces might come sooner to the corner of 12th and Yesler than to the Decibel three blocks farther north. In the meantime, the spaces are vacant and detracting from the local pedestrian and resident experience. And until nearby development finishes and the population within the Anthem's ¼ mile walkshed increases, those spaces will continue to be a drag on the neighborhood.

The Barclay, despite also being disconnected from nearby retail areas, deliberately takes advantage of First Hill's major employment centers. The building managers responded to disruption caused by redevelopment farther south by building spaces that met the needs of businesses geared

toward clients from the major hospitals on First Hill, which allowed them to mitigate some of the issues that come from locating in a relatively poor part of the city. The Barclay does benefit from proximity to more established residential areas to the north and west, giving it ¼-mile residential densities which are substantially higher than those at the Decibel or the Anthem, but given the daytime population from which it can draw, its relatively inexpensive space would likely be occupied and successful whether people lived nearby or not.

Discussion

The three neighborhoods and eight developments evaluated in the study demonstrate how, if one of the three stakeholders (City, developer, and business) get too much of what they want from the development process, the resulting property may find it difficult to rent its commercial space despite low retail vacancy rates in Seattle and a large, wealthy, and growing customer population. At the Smith and Burns in Wallingford, the City recognized the 45th St retail corridor’s strength and vibrancy and believed it had identified an opportunity to expand the corridor all the way to Stone Way in the west. However, the strongest part of the Wallingford retail area is over ¼ mile from the Smith and Burns itself, and despite the quality of the building and the relatively manageable size of its three spaces, businesses have proven unwilling to locate so far away from the central core. The Smith and Burns’ small spaces would add more to the vitality of the local retail corridor if leased, but small businesses are also highly dependent on creating mutually-beneficial foot traffic with surrounding businesses. Nearby business density is relatively low and cut off from the central core to the east, reducing foot traffic past the building and the overall attractiveness of the spaces. The Prescott, farther south on Stone Way, offers an example of how to mitigate that issue. There, the city allowed most of the ground floor to be occupied by lobby or residential space, while most of the commercial was reserved a gym capable of serving the entire neighborhood. Though nearby business density is even lower at the Prescott than at the Smith and Burns, by building a space for a business that is less dependent on foot traffic, the developer ensured that the space would rent and be an asset for the community. The chart below presents the statistics of the two developments side-by-side, with the most striking features highlighted.

	Smith and Burns	Prescott
Nearby Retail		
Population w/in 1/4 mile	3,131	3,613
Restaurant space within 1/4 mile	37,248 sq. ft	20,885 sq. ft
Non-restaurant space within 1/4 mile	225,254 sq. ft	120,465 sq. ft

Total Retail Space within 1/4 mile	262,502 sq. ft	141,350 sq. ft
Restaurant Sq. ft/person in 1/4 mile	11.90 sq. ft	5.78 sq. ft
Non-restaurant Sq. ft/person within 1/4 mile	71.94 sq. ft	33.34 sq. ft
Total Sq. ft/person within 1/4 mile	83.84 sq. ft	39.12 sq. ft
Spaces Offered		
Number of Restaurant Units	1	1
Restaurant Sq. Ft	2,327 sq. ft	1,988 sq. ft
Number of non-restaurant units	2	1
Non-restaurant Sq. Ft	3,469 sq. ft	15,417 sq. ft
Total Retail Space	5,796 sq. ft	17,405 sq. ft
Nearby Amenities		
Population w/in 1 mile (2018 Estimate)	35,184	33,532
Jobs within 1 mile	18,208	19,474
Median Household Income within 1 mile	\$96,159	\$96,591
Median Age within 1 mile	36	36.1
Transit Stops within 1/4 mile	11	7
Streetscape within 1/4 mile (E/W):		
Trees	83	-
Bike Racks	18	-
Art/Benches/Wayfinding	20	-
Loading Zones	3	-
Streetscape within 1/4 mile (N/S):		
Trees	85	98
Bike Racks	17	22
Art/Benches/Wayfinding	3	5
Loading Zones	2	8
Business Improvement Area (y/n)	No	No
Cost		
Restaurant Cost	\$26	\$22
Non-restaurant Cost	\$30	\$26

As the chart shows, the two developments share many similarities. Population demographics, streetscapes, and accessibility aren't significantly different. The Prescott has lower lease rents because it's older, but rents at the Smith and Burns aren't out of the norm in Wallingford according to either CoStar or the Commercial Brokers Association. The primary difference between the two is in the amount of nearby retail space and the amount and size of retail space found in the building itself. At 83.84

square feet per person, the amount of retail square footage within ¼ mile of the Smith and Burns seems to be just too little (the Lothlorien, for comparison, has nearly 120 square feet per person within ¼ mile). The Prescott is even lower at 39.12 square feet per person but the businesses there don't depend on foot traffic to the same degree. Its spaces have successfully leased for a number of years and seem primed to continue.

In the University District, the city may have not done enough to regulate the size and layout of retail spaces, giving the developer too much leeway over the layout of the ground floor without ensuring that they had a plan to fill an unorthodox space. There, the least successful development is at the 50th and Roosevelt, where nearly 4,000 square feet of ground floor retail space (in only one unit!) is currently being used as mattress storage for the furnished, student-oriented housing above. The space is currently advertised as available for rent, but it's not ready to show and it's clear that the property owner does not anticipate leasing it in the near future. An easy explanation is that the space is too big, especially compared to the average size of space in the other two developments studied in the U-District. At the Lothlorien and at Muriel's Landing the average unit size is less than 2,000 square feet, which is closer to the norm in the main part of the retail core on the Ave. The developer at 50th and Roosevelt, four blocks away from the Ave and surrounded by car dealerships and the lowest-quality commercial space in the study, may have realized that it would be difficult for any businesses locating in the property's ground floor to be successful long term. Rather than look for small businesses to fill the building's spaces before it was completed, the developer may instead have chosen to build the least expensive space possible and then to get value from it as a storage area rather than as an amenity for the residential population on the building's upper floors.

	50th and Roosevelt	Lothlorien	Muriel's Landing
Nearby Retail			
Population w/in 1/4 mile	4,296	7,434	5,244
Restaurant space within 1/4 mile	55,230 sq. ft	68,518 sq. ft	38,759 sq. ft
Non-restaurant space within 1/4 mile	486,598 sq. ft	811,670 sq. ft	432,512 sq. ft
Total Retail Space within 1/4 mile	541,828 sq. ft	880,188 sq. ft	471,271 sq. ft
Restaurant Sq. ft/person in 1/4 mile	12.86 sq. ft	9.22 sq. ft	7.39 sq. ft
Non-restaurant Sq. ft/person within 1/4 mile	113.27 sq. ft	109.18 sq. ft	82.48 sq. ft
Total Sq. ft/person within 1/4 mile	126.12 sq. ft	118.40 sq. ft	89.87 sq. ft
Spaces Offered			
Number of Restaurant Units	1	-	3
Restaurant Sq. Ft	3,907 sq. ft	-	6,568 sq. ft
Number of non-restaurant units	1	6	1
Non-restaurant Sq. Ft	941 sq. ft	9,500 sq. ft	800 sq. ft
Total Retail Space	4,848 sq. ft	9,500 sq. ft	7,368 sq. ft
Nearby Amenities			
Population w/in 1 mile (2018 Estimate)	51,727	49,107	52,112
Jobs within 1 mile	21,713	51,411	20,968
Transit Stops within 1/4 mile	6	10	10
Median HH Income within 1 mile	\$51,408	\$48,273	\$52,600
Average Age/Median Age	30.6	30.2	30.9
Streetscape within 1/4 mile (E/W):			
Trees	74	-	-
Bike Racks	22	-	-
Art/Benches/Wayfinding	1	-	-
Loading Zones	4	-	-
Streetscape within 1/4 mile (N/S):			
Trees	66	100	54
Bike Racks	8	26	21
Art/Benches/Wayfinding	5	44	7
Loading Zones	0	8	8
Business Improvement Area (y/n)	yes	yes	yes
Cost			
Restaurant Cost	\$30	n/a	\$24
Non-restaurant Cost	\$30	\$25	\$26

The University District example also shows the impact that small businesses can have in creating a supportive environment for themselves and for others looking to locate in their neighborhood. The

local business improvement area, the University District Partnership, provides a valuable service in keeping the commercial corridor clean and in drawing customers to the Ave with public artwork, benches, and bike racks. However, the statistics make clear the fact that streetscape improvements are most highly-concentrated on the Ave itself, especially south of NE 50th St. The six units at the Lothlorien all take advantage of the leafy tree canopy, ample bike parking, and flowers, benches, and murals, while buildings farther north and farther west, whose businesses have to pay into the BIA, don't see as many tangible benefits. Development on the Ave is creeping upward, increasing foot traffic farther north and allowing the commercial units at Muriel's Landing to lease (at lower rates than originally desired) after many years of vacancy, but Roosevelt Way is still comparatively hot and unstimulating for pedestrians, to the detriment of businesses looking for space along the street.

Along 12th Ave S in the Yesler Terrace area, developers have tried to come up with creative solutions to activate their ground floors and provide affordable spaces for local businesses. Relatively small spaces leasing at the study's most affordable rates should be a boon for local businesses, as should the city's efforts to encourage the development of a brand-new retail corridor on 12th between Jefferson and Jackson. However, businesses, despite the support, are not moving in. The reason is almost certainly due in part to the fact that 12th remains underdeveloped, with the local pedestrian experience hindered by the youth jail, a number of under-utilized parcels, and displacement of the area's historic residents brought about by the redevelopment of the Yesler Terrace public housing area and some of the surrounding buildings. However, an equally-likely explanation may be that the area's residents and potential business-owners, many of whom are low-income and may not speak English as a first language, might lack the support and the sophistication to write business plans to assure property owners of their long-term suitability or to engage with large-scale developers in the commercial leasing process. Though businesses may be getting what they need in terms of the space's physical amenities, there is an opportunity in the neighborhood for the city to step in and support people looking to invest

in the area. The city also could also work to act as mediator between businesses and developers, providing everything from legal to translation services in order to make sure commercial units lease and the neighborhood builds a distinct identity as it evolves. The median household income, highlighted below, is almost 40% lower than the median in Wallingford, suggesting that potential business owners may not have the resources to find and lease space in the modern market.

	The Decibel	The Anthem	Barclay Broadway
Nearby Retail			
Population w/in 1/4 mile	3,385	2,816	4,196
Restaurant space within 1/4 mile	28,952 sq. ft	6,412 sq. ft	29,836 sq. ft
Non-restaurant space within 1/4 mile	119,844 sq. ft	282,450 sq. ft	85,514 sq. ft
Total Retail Space within 1/4 mile	148,796 sq. ft	288,862 sq. ft	115,350 sq. ft
Restaurant Sq. ft/person in 1/4 mile	8.55 sq. ft	2.28 sq. ft	7.11 sq. ft
Non-restaurant Sq. ft/person within 1/4 mile	35.40 sq. ft	100.30 sq. ft	20.38 sq. ft
Total Sq. ft/person within 1/4 mile	43.96 sq. ft	102.58 sq. ft	27.49 sq. ft
Spaces Offered			
Number of Restaurant Units	1	1	1
Restaurant Sq. Ft	1,378 sq. ft	2,004 sq. ft	1,666 sq. ft
Number of non-restaurant units	1	2	3
Non-restaurant Sq. Ft	1,174 sq. ft	2,062 sq. ft	4,313 sq. ft
Total Retail Space	2,552 sq. ft	4,066 sq. ft	5,979 sq. ft
Nearby Amenities			
Population w/in 1 mile (2018 Estimate)	60,908	54,333	65,976
Jobs within 1 mile	161,842	146,059	191,497
Transit Stops within 1/4 mile	4	7	11
Median HH Income within 1 mile	\$58,943	\$57,315	\$60,077
Average Age/Median Age	38.5	38.9	38.8
Streetscape within 1/4 mile:			
Trees	101	89	109
Bike Racks	17	11	10
Art/Benches/Wayfinding	34	24	39
Loading Zones	8	7	7
Business Improvement Area (y/n)	No	No	No
Cost			
Restaurant Cost	\$23	\$24.50	\$22
Non-restaurant Cost	\$23	\$24.50	\$22

The Yesler Terrace area, especially in the north where it abuts the First Hill neighborhood, also has the highest nearby jobs numbers of any area in the study. The shops at the Barclay take full advantage of the building's location near thousands of hospital and university jobs, leasing successfully and staying busy through the lunch hour with traffic in and out. At the Decibel and the Anthem though, most of the jobs within one mile are actually on the south end of downtown. Employees coming from downtown to lunch at the properties on 12th would have to pass restaurants in the immediate vicinity, cross under the interstate, walk over First Hill past the restaurants there, and then come down the hill to the relatively-isolated buildings on the south slope. People working hospital jobs have fewer barriers getting to the Anthem or Decibel but can just as easily head north into the core of First Hill or even into Capitol Hill to find their lunches. To the east of 12th, by contrast, there is a sea of single-family homes extending to Lake Washington with virtually no daytime employment. Though the two developments are within the boundaries of Seattle's largest contiguous urban village zone, their location at its far fringes hinders the potential success of their retail spaces.

The three neighborhoods in the study each show how an incentive imbalance between city government, developer, and business can lead to vacancy in a new development's retail spaces. In Wallingford, the city may have sought to expand the 45th St retail core without ensuring that developments at the edge, such as the Smith and Burns, would have the foot traffic to sustain the new retail spaces. However, the building's developer did build spaces that the literature suggests that would be appropriate for small businesses, unlike the developer at the 50th and Roosevelt in the U-District. There, the 4,000-square foot retail space may prove almost impossible to rent, both due to its location in a sea of auto dealerships and to its size and layout. In that case, the developer seems well-aware of the space's leasing potential and uses it as storage instead. Finally, in Yesler Terrace the city and the developers both seem determined to build a new locally-specific retail core on 12th Ave to serve the rapidly-redeveloping area. Small spaces, an upgraded pedestrian experience, and increased political

attention from the city council and the mayor indicate that expanding the corridor will be a point of emphasis in the neighborhood plan in the coming decades. Businesses, however, whether they don't have enough funding to make improvements or aren't sophisticated enough to find spaces and connect with property owners, seem not ready to move in. Taken together, the study developments show that the desires of all three stakeholders must be balanced against each other in order for retail space to lease successfully.

Conclusion

Each in its own way, both the failed and successful developments in the three neighborhoods demonstrate how the competing incentives between city, developer, and business can be either out of balance or in relative harmony. Low residential densities, high household incomes, and disconnected retail areas in Wallingford, for example, helped support the commercial units at the Prescott. Competition for the gym, which depends upon a relatively large captive market, is reduced by the building's isolation from other commercial areas, while the nearby bagel shop is small enough to subsist on the coffee-drinking and brunch-going tendencies of Wallingford millennials within walking distance. At the Smith and Burns, however, despite the physical attractiveness of the spaces, the zoning code's attempt to shoehorn high-density retail into a development at the extreme edge of the retail corridor simply doesn't work. The building is just close enough to the retail core that shoppers can go to the core instead, but just far enough away that foot traffic doesn't make it to the Smith and Burns in numbers high enough to entice a small business. The city may have looked to expand the 45th St retail corridor too greedily, without providing an excuse for shoppers to go all the way there.

In the U-District, development and subsequent sidewalk traffic do extend all the way up to Muriel's Landing which, despite its distance from the central part of the Ave at 45th and University, still supports active ground floor commercial. Where the U-District fails, rather, is by focusing amenities too tightly on the Ave at the literal expense of businesses farther afield. Non-Ave businesses, such as a hypothetical occupant at 50th and Roosevelt, would pay into the neighborhood business improvement area, but though they would see some services, most of the BIA's beautification and pedestrian improvement projects are concentrated on University Way itself. The BIA provides value for Ave businesses by reducing costs associated with cleaning, wayfinding, benches, bike racks, or flowers. Developments like the Lothlorien, with its highly successful and visible retail, benefit enormously from the BIA. However, in reducing costs for Ave businesses, the BIA increases costs for businesses off the

Ave, increasing the burden of already-high rents. In this case, the incentive for businesses to band together and improve the neighborhood has resulted in choking off potential commercial development at 50th and Roosevelt.

The developer at 50th and Roosevelt obviously didn't help matters by building a 4,000 square foot space and filling it with mattresses, which is probably the most egregious case of developer malfeasance in the study. In Yesler Terrace, the situation presented to developers is more interesting, and demanded creativity above and beyond that asked in the established commercial areas of north Seattle. There, the city is in the early stages of creating an entirely new community centered around the Yesler Terrace public housing project, with a neighborhood commercial corridor on 12th Ave. The Decibel and the Anthem are anchors on the envisioned corridor, but their retail spaces for now are held back by a lack of nearby residents as the area's redevelopment continues. In response to the city's call for a new retail corridor, the Anthem built spaces that look exactly as they might in the U-District, with inexpensive small-scale retail and an opportunity for outdoor seating. Predictably due to the low and relatively poor nearby population, the spaces there remain vacant and unused, but they stand a good chance of filling up by the time the end of the redevelopment rolls around in 2030. At the Decibel, the developer decided not to wait that long and built commercial spaces that could be filled eventually by restaurants or market-oriented businesses, but could be used immediately as large, open gathering places accessible to building residents for ping-pong, working from home, or social events. By giving building residents a way to activate the space before commercial tenants move in, the Decibel is positioning itself to sit at the cultural and social center of the eventual 12th Avenue neighborhood.

In all cases, successful ground floor retail demands that stakeholders in city government, development agencies, and business associations come together early in the design process to understand what the conditions are in the neighborhood that draw in businesses and to mitigate the forces that might push them away. Every vacant space has its own story, but by understanding how the

incentives of the various groups interact and effect each other, stakeholders can start to anticipate what tenants will need before buildings are even started and begin to ensure their success upon completion.

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