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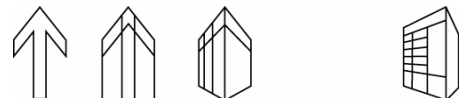
Phase 2 Report

Business and Economic
Impacts

Little Saigon & Chinatown/International District, Impacts on Local Businesses from Proposed Land Use/Zoning Changes and Dearborn Street Mixed-Use Shopping Center

DRAFT
**Phase II Summary: Evaluation of Likely Impacts of
Zoning Changes and Dearborn Street Project**

May 1, 2007
Client: City of Seattle, Department of Planning & Development



STRATEGICECONOMICS
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I. OVERVIEW AND SUMMARY OF KEY FINDINGS

Overview

This report summarizes the results of phase 2 of a three-part study to assess economic impacts to Little Saigon and Chinatown/International District from two specific forces: a) potential zoning changes to both areas, currently under consideration by the City of Seattle, and b) the Dearborn Street Project, a proposed shopping center and 550-unit housing development project at the existing Goodwill site on South Dearborn Street. Strategic Economics and Trang D. Tu Consulting are conducting this study for the City of Seattle's Department of Planning and Development (DPD) as part of DPD's Livable South Downtown study.

Phase 1 included quantitative and qualitative analyses of existing retail conditions in the business districts of Chinatown/International District and Little Saigon. A summary of findings from Phase 1 is detailed in a separate report.

Phase 2, results of which are documented in this report, focused on identification and assessment of the potential impacts to both business districts from the proposed zoning changes and development project. Key tasks included:

- Literature Review on commercial gentrification in ethnic business districts
- Case Studies of ethnic specialty shopping districts
- Retail Overlap Analysis between proposed uses in the Dearborn Street Project and existing Little Saigon business district
- Impact Analysis of proposed zoning changes and the Dearborn Street Project

Phase 3 will include formulation of targeted mitigation and economic development strategies based on the learnings from phases 1 and 2.

Summary of Key Findings

The following section summarizes key findings from the four Phase 2 tasks noted in the previous section.

Literature Review on Commercial Gentrification

- Asian-American immigrant-owned businesses are often formed due to discriminatory barriers that prevent entrepreneurs from entering the mainstream economy. Limited access to mainstream financing/financial institutions, language and cultural barriers, thin profit margins often lead to high failure rates.
- For workers in immigrant-owned businesses, jobs are often not the most desirable due to low wages and benefits, long hours, difficult conditions, and impediments to wage mobility.
- National studies have found that large format retailers retain significantly less earned revenue in the local economy than locally-based retailers.
- Strong community organizations and political support are integral to maintaining the identity of an ethnic business district in the face of external change.

Case Studies

- It is possible for an Asian District and rapidly growing downtown neighborhoods to co-exist in close proximity.
- City government can play a crucial leadership role in promoting cultural preservation as an asset to downtown revitalization setting forth priorities to achieve both.

- Without public intervention, market-driven downtown revitalization can lead to mixed results for ethnic businesses including displacement, relocation, and establishment of new businesses.
- A possible concept for Vietnamese business districts to cater to a wider audience is by preserving and promoting authentic culture, rather than changing to adapt to mainstream consumer preferences.
- Developer impact fees can be applicable in some circumstances. Efficacy is critically based on: having state enabling legislation, establishing a clear nexus between development and impact, and having a strong, proactive city leadership and planning department to set clear policy direction. Capturing residual value from private development for community benefits depends on both timing and scale of increased development potential.
- A thriving community with strong and diverse social fabric requires a stable residential base to support the health of the business district.
- Strong community-based organizations are crucial to support community-oriented growth. Often, financial and technical support from city government is needed to build this capacity.

Retail Overlap Analysis

- The Dearborn project will have a largely different mix of goods and services and primarily target a different market than Little Saigon businesses. Dearborn project is a mass market/weekly good shopping center with two large format anchors, four major retailers, a mid-market supermarket, 30 to 40 small retailers, and 10 subsidized micro-retailer spaces.
- In contrast, Little Saigon is a regional-serving, ethnic specialty district with retail niches in Vietnamese restaurants, nail and beauty salons (19), jewelry stores, and specialty grocery.
- There are modest overlaps in types of business with regard to jewelry stores, though the businesses under consideration serve different target markets. The Dearborn project may have one to two mass market jewelry stores, and Little Saigon has twelve jewelers serving Vietnamese-American and Asian-American specialty consumers.
- There is also modest overlap in general merchandise, with Dearborn project proposing inclusion of a Target mass market discount department store and approximately six Little Saigon businesses selling some general merchandise to a specialty market.
- If Little Saigon businesses shift toward serving a mass market, there is potential for direct competition with businesses in the Dearborn project.

Impact Analysis

- High probability impacts include: a) displacement of industrial businesses north of the Dearborn Street Project; b) modest increase in potential value of development in Little Saigon which may over time speed new development and displace existing businesses; c) increased exposure of Little Saigon businesses to mass market customer base; d) increase in potential value of new residential development in Japantown.
- Lower probability impacts include: a) in both sub-areas, increased attractiveness of residential development and non-ethnic local-serving retailers; b) additional mass market retailers adjacent to Little Saigon increasing retail rent/rate of property redevelopment in the district; c) modest increases in property values exacerbating Little Saigon businesses' ability to own property.
- Issues of note include: a) impact of upzoning in Chinatown/International District core; b) impact of Dearborn Street Project on Chinatown/ID local businesses given revenue trends.

II. LITERATURE REVIEW ON COMMERCIAL GENTRIFICATION

For this task, a literature review was conducted using both academic and practitioner sources for studies regarding commercial gentrification of ethnic business districts. Most of the literature pertains to the unique challenges faced by ethnic business districts and gentrification of housing in ethnic neighborhoods as opposed to commercial districts, but some lessons apply to both situations. Below is a synopsis of the literature that is most relevant to Seattle's Chinatown/ID and Little Saigon with respect to how the proposed Dearborn project and land use and zoning changes may affect these areas.

Population

The national Asian and Pacific Islander (APA) population is growing and projected to continue on this path for quite some time. Through a combination of immigration and natural increases, the APA population has grown tremendously in the last few decades, from approximately one and a half million in 1970 to eleven million in 2000. The APA population is projected to grow to twenty million by 2020 (Ong and Hee 1993; U.S. Bureau of the Census 2001). According to the 2000 Census, there are over 2.4 million people of Chinese ethnicity living in the U.S. and 1.1 million of Vietnamese ethnicity. In the City of Seattle in 2000, there were nearly 74,000 Asians or Asian-Americans living in the city, 26% of whom are ethnically Chinese and 16% are ethnically Vietnamese.¹

At the same, the APA population is increasingly decentralized. Other than cities like San Francisco and New York that receive large numbers of, in particular, Chinese immigrants who continue to live in the dense core of city, APA immigrants are increasingly arriving in outlying suburban areas that offer lower cost housing. Native-born APA populations are also increasingly found outside of central cities.

The APA population is complex, originating from many different countries and speaking many different languages. Generalizations are not effective in describing this population, its strengths and weaknesses, or its needs. As noted by researchers, APAs are amongst the richest and poorest, the best educated and least educated of all Americans (Jiobu 1996; Cheng and Yang 1996; Ong and Hee 1994; Ong 2000).² Because of this complexity, there are many misconceptions about Asian-oriented ethnic business districts, and false beliefs that they all are alike and share the same challenges.

Asian Enclave

Ethnic business districts around the country and the world have provided a cultural gathering place for immigrants when they arrive in new cities. Many immigrants live, work in and/or start businesses located in these ethnic business districts. In general, the businesses established are related to niches that harness the skills and ethnic identities of the community's business and residential occupants.

¹ US Census, Summary File 2 (SF 2).

² Ong, P., and Miller, D. (July, 2002). Economic Needs of Asian Americans and Pacific Islanders in Distressed Areas. *The Ralph and Goldy Lewis Center for Regional Policy Studies*
UCLA, School of Public Policy and Social Research. Working Paper Series. p. 4.

The concept of an ethnic business district gives rise to the notion of self-contained Asian-American enclaves that are often depicted as having a vibrant ethnic economy. This is true for some of the higher profile districts, such as San Francisco or New York's Chinatown, both of which enjoy a higher job-to-resident ratio than the national average. However, even in these successful districts, while jobs are available they are often in low-wage sectors such as restaurants, small retailing, and garment assembly.³ For many Asian enclaves, jobs and/or housing are scarce, leading many in the local Asian community to commute outside of their neighborhoods for work. According to a UCLA study of the economic needs of Asian-Americans and Pacific Islanders often the reality is that Asian neighborhoods are not self-contained, isolated sub-economies.⁴

The National Coalition for Asian Pacific American Community Development (CAPACD) asserts that APA businesses play an important role in the community and economic development of low-income communities. The prevailing public perception is that APA-owned businesses are profitable and successful. Indeed, the Small Business Administration reports that APA-owned businesses nationally grew at a phenomenal rate, suggesting that business owners are reaping economic success. However, based on the few studies that exist on APA businesses, a different situation emerges. According to the LEAP Public Policy Institute and the UCLA Asian-American Studies Center, APA businesses in Los Angeles are formed because the owners were unable to find work due to discrimination barriers in the mainstream economy. The businesses primarily concentrate in small service and retail businesses where failure rate is high, profit margins are low, and business hours are long. Dependent on unpaid family labor or immigrant workers who are low skill or have limited English proficiency, the businesses are often unable to improve the wages, benefits or working conditions for their employees. Also, they are unable to access mainstream resources offered by American financial institutions because of their lack of knowledge and experience with credit and the lack of language services. The study suggests that APA businesses in cities nationwide may face similar issues.⁵

Challenges for APA Business Districts

In general, ethnic business districts face numerous challenges. As noted in the aforementioned UCLA study, some contemporary APA communities have prospered, while others continue to face significant economic development challenges. Many of the most disadvantaged are found in inner-city ethnic enclaves that share common problems with African-American and Latino communities, but that also have unique characteristics (Ong and Umemoto 1994; Ong et al. 1993 and 1999; Urban Institute 2000), such as:

- Low-wage work rather than unemployment (Hum 2000; Ong 1984);
- Marginalized businesses even though entrepreneurship is higher than for other ethnic groups (Bonacich and Light 1988);
- Skill deficits that characterize all low-income communities;
- Language and cultural barriers.⁶

³ Ibid, p. 17.

⁴ Ibid.

⁵ <http://www.nationalcapacd.org/>

⁶ Ibid, p. 4.

In this same UCLA study, a survey was conducted of Community Based Organizations (CBOs) working with distressed APA neighborhoods, and the top three problems identified by the CBOs, in order of severity, are:

1. Underemployment
2. Inadequate Healthcare
3. Gentrification

Gentrification

There is no agreed-upon definition for gentrification, be it residential or commercial. A study conducted by The Urban Institute put forth the following definition:

Gentrification is the process whereby higher-income households move into low-income neighborhoods, escalating the area's property values to the point that displacement occurs. In addition to changes in economic class, gentrification often involves a change in a neighborhood's racial and ethnic composition, which can further alter an area's characteristics, potentially leading to community tension.⁷

Although the Urban Institute study refers to residential gentrification, the same concept can be applied to ethnic business districts. As a commercial area becomes more attractive, new businesses will want to move in. The increased demand will drive up the property rental/lease rates, and current business owners may have a hard time affording the new rent. Gradually, existing businesses will relocate to other lower-rent areas and the ethnic business district will have lost its cultural identity through the loss of these long-standing ethnic businesses.

This process has been seen around the country, with the most widely documented examples being that of large chain stores driving up rents and displacing local mom and pop businesses. Notable studies have been conducted in Chicago and Austin showing that locally owned businesses provide substantial economic benefits to cities, and cities need to ensure that their policies don't unintentionally disadvantage local businesses. In studies conducted in Chicago and Austin, it was shown that locally owned businesses generate more revenue per square foot than chain stores given that a larger percentage of dollars spent at locally owned stores remain in the local economy. The Chicago study showed that, "For every \$100 in consumer spending with chain firms, \$43 will remain in the local economy; if that same spending occurs with a locally-owned firm, that value jumps by 58 percent, to \$68. Similarly, for every square foot of space occupied by a chain, the local economic impact is \$105; if a local firm occupies that same space, impact jumps by 70 percent, to \$179."⁸

Another study conducted at Loyola University for the City of Chicago found that the impact of gentrification in any community is multifaceted. New residential development or increased housing costs can displace some residents while bringing new residents into the community. The demographic structure of the population can change; for example, fewer older residents and fewer children may be present in the gentrified community. This demographic shift can change the culture or character of the community, particularly in the case where the community has a particular racial or ethnic identity that is anchored not only in its residents, but also in a

⁷ Levy, D., Comey, J., and Padilla, S. "In the Face of Gentrification: Case Studies of Local Efforts to Mitigate Displacement." *Urban Institute – Metropolitan Housing and Communities Policy Center*. (2006), p. 1.

⁸ Civic Economics. *The Andersonville Study of Retail Economics*. Chicago, Illinois. 2004, p. 5.

variety of institutions, such as stores, religious institutions, and community organizations. All of these changes can feed tensions and misperceptions among various community groups.⁹

The Loyola study focused on different neighborhoods in Chicago and specifically discussed many of the challenges faced by the diverse Asian community. Below is an excerpt from this study that is particularly relevant to Seattle's Chinatown/International District and Little Saigon.

Income differences and ethnicity within the Asian community have produced different experiences with gentrification. Southeast Asian immigrants have lower income levels than other Asian ethnic groups and hence are more vulnerable to gentrification and displacement. Some interviewees (Asian and non-Asian) suggested that Asians are less affected by gentrification because they are "economically better off." This view may be partially the result of buying into the stereotype of Asians as the "model minority," rather than making distinctions among the wide variety of ethnic groups included under this broad racial category. For example, Southeast Asian immigrants from Vietnam, Cambodia, Laos, and Thailand have not had the income levels that immigrants from India have had (See for example Chicago Tribune, 2003). Unlike other racial and ethnic groups, income differences in the Asian community are related to different levels of integration with the non-Asian community. This, in turn, is likely to result in different levels of vulnerability to displacement when communities experience reinvestment.¹⁰

The observed displacement in Chicago's Chinatown has been one of upper-income Asians displacing lower-income Asians; the lower-income cohort relocated to the outer portions of Chinatown. The study asserts that Chinatown in Chicago may represent a model of more balanced development, or at least a model that is able to resist entire displacement of one ethnic group by another.

The ability of Chicago's Chinatown to prevent gentrification is multifold and can be attributed to:

- A strong array of ethnic-based community organizations and other organizations established to promote economic and tourism interests;
- Promotion of policies that provide protections for residential and retail stability.
- A stable, unique and thriving commercial district.
- Developers less interested in Chinatown given its strong institutional and political support.

Application to the International District and Little Saigon

While the gentrification studies described above are focused on residential communities that may or may not have a commercial district, one lesson is clearly applicable: **strong community organizations and political support are integral to maintaining the identity of an ethnic business district in the face of external change.**

The distinction between Chicago's Chinatown and predominantly Southeast Asian communities in the area reflects to some extent the differences between Chinatown/International District west of Interstate 5 and Little Saigon. Chinatown/International District is a more established district than Little Saigon and has had more time to build its reputation and institutional support.

⁹ Nyden, P., Edlynn, E., and Davis, J. The Differential Impact of Gentrification on Communities in Chicago. *Loyola University Chicago Center for Urban Research and Learning – For the City of Chicago Committee on Human Relations*. (January, 2006), P. 5.

¹⁰ Ibid, pp. 27-28.

Additionally, as seen in other communities around the country, due to the more recent arrival and a lower rate of integration among Vietnamese immigrants, Little Saigon's community organizations have less robust capacity, and do not yet have the same strength of collective voice as does Chinatown/International District.

Chinatown/International District is distinct from other extensive Chinatowns around the country in that a very small portion of its customer base lives within the neighborhood. In New York and San Francisco's Chinatowns, many Chinese-Americans in the city live within the borders of the business district. In addition, these Chinatowns are still among the first places new immigrants coming to these cities reside and make cultural connections. In contrast, Seattle's Chinatown is largely supported by customers from outside the business district. According to the 2000 US Census, approximately 3,000 people lived in Chinatown/International District, a far-from-sufficient population to support the over 300 businesses in the district. As described in Phase I, almost two-thirds of local businesses report their primary customer base coming from outside of the District and traveling to the District from Downtown or other areas of the city for its unique blend of retail offerings and atmosphere.¹¹

This geographic separation of primary customer base and business district is even more true for Little Saigon and this, coupled with the lack of strong community organizations, makes Little Saigon more susceptible to change. As Little Saigon effectively has no residential population, its customers either travel to the district from other neighborhoods or outlying areas to shop and frequent the restaurants, or visit the area at lunchtime from nearby employment centers. The lack of both a supportive local customer base *and* organizations or institutions that make the area more compelling for potential APA customers from elsewhere, renders the area vulnerable to competition from other APA commercial districts in areas more proximate to their customers.

In order to weather competition from outlying APA districts, as well as the changes that a new residential population base and the introduction of mass market retail will bring, both districts must consider how best to maintain their cultural identity, while evolving amidst changing market conditions. In Little Saigon especially, an objective of preserving ethnic identity has not yet even been collectively built given the constraints of community organizing capacity. Currently, Chinatown/International District has relatively strong community organizations and cultural institutions and relationships with city government borne of longstanding community activism that helps address significant issues. If Little Saigon is to maintain its ethnic niche identity, it will also need strong community support organizations to help organize, build consensus and work toward community objectives.

¹¹ See *Draft Phase I Summary*, April 5th, 2007, pg 19.

III. CASE STUDIES

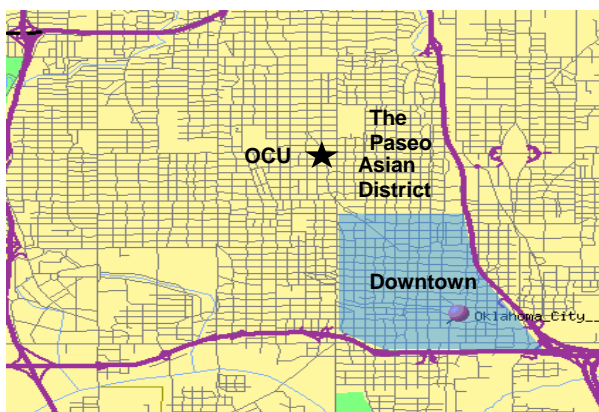
For this task, four cases were researched and analyzed with the goal of identifying lessons and potential strategies that might be applicable to the study areas. To select the case study areas, an initial scan was conducted of cities and counties with the largest concentrations of Vietnamese-Americans (see Appendix A). Additionally, baseline research on approximately two dozen communities was conducted; these are listed in Appendix B.

The scan and baseline research revealed the lack of any one business district that was similar to Little Saigon or could offer relevant insights in: a) existing conditions, b) impacts from zoning changes and/or significant commercial development, and c) relevant preservation strategies (local government and community-based). Given this, the consultant team selected four areas that together provide relevant insights in the three aspects described above: Oklahoma City, San Jose, Rincon Hill in San Francisco, and Dorchester in Boston. The table in Appendix C relates each of these four areas to the primary categories in which they offer relevant insights. For each of the four areas, research included collection of basic demographic data; review of local government plans and policies; recent development projects and market trends; and interviews with community representatives and city officials (listed in Appendix D).

OKLAHOMA CITY

Existing Conditions

Oklahoma City's Asian District is a pan-Asian business district with primarily Vietnamese-American businesses located approximately ½ mile north of downtown Oklahoma City, around the intersection of 23rd Avenue and Classen Boulevard, west of the Paseo Arts District and east of Oklahoma City University (see area map below). The district originated following an initial wave of Vietnamese refugees who migrated to the city from Fort Chaffee, one of four major refugee resettlement camps established in the United States after the Vietnam War. Many of the initial Vietnamese refugees were Catholic and chose to live near a Catholic Church in this area; businesses were gradually established from this core.



Today, The Asian District is slightly smaller than Seattle's Little Saigon, with approximately 70 total businesses including 28 restaurants, 4 groceries, 2 drug stores, 2 cleaners, 3 salons, 3 doctors' offices, 3 law offices, and others. The customer base is primarily Vietnamese, with the 3 largest supermarkets having a more mixed clientele drawing from other Asian ethnicities.¹² The Asian District is similar to Little Saigon in its pattern of strip commercial development, its relatively small residential base of 600 to 700 people, and a citywide population of approximately 10,000 (see Figure 1 below).

¹² City of Oklahoma City. The Plan for the Asian District. Oklahoma City: 2005.

The City of Oklahoma City planning department states that the businesses are generally healthy, despite a trend of Vietnamese-American families moving to outlying areas for industrial jobs. This is at least partially due to the dearth of concentrations of Asian businesses in outlying areas, compelling families that have moved out to return to shop in the Asian District.

Figure 1. Vietnamese-Americans in Oklahoma City	
# Vietnamese in Oklahoma City	10,000
Rank among Vietnamese enclaves in US	19th
Within 1-mile radius of Asian District:	
➤ Vietnamese population	700
➤ % households below poverty level	46 %
➤ # total housing units	1,330
➤ % housing units owner occupied	30%
➤ Median household income	\$15,285

Source: U.S. Census 2000.

A significant number of Vietnamese merchants have been able to purchase their property over time, at least partly due to the relatively cheaper land and, until recently, slower development market in Oklahoma City (citywide, the average sales price of new housing in 2006 was \$214,000, with average apartment rent of \$555). According to the City's planning department, in the last 5 years, there has been some interest in development in the Asian District from local Asian investors.

City Policies and Impacts

Downtown Oklahoma City experienced historic decline after World War II, as urban renewal destroyed over 1,000 buildings in the 1960s and middle- and upper-income Caucasians migrated to the suburbs, leaving downtown abandoned and deeply underinvested.

In 1993, with leadership from the Chamber of Commerce, voters approved MAPS, a package of downtown development projects that would be funded by a one-cent sales tax increase over 5 years. The assessment raised \$300 million for downtown development projects (see Figure 2 below) intended to catalyze a revitalization of the city's core with the broad goals of increasing residential, office, commercial development and growing an entertainment/cultural district.¹³

Figure 2. Oklahoma City MAPS Projects		
Project Name	Project Costs	Completion Date
Southwestern Bell Bricktown Ballpark (15,000 seats)	\$34 million	1998
Bricktown Canal (shops, restaurants, hiking and biking trails, park areas)	\$32 million	1999
Renovation and Expansion of Convention Center	\$63 million	1999
Renovation of Civic Center Music Hall	52 million	2001
Ford Center (20,000 seat sports arena)	87 million	2002
Renovations of Oklahoma City Fairgrounds	\$14 million	1998
Downtown Library and Learning Center	\$21 million	
New Trolley System		
Oklahoma River Amenities (7 miles of trails, landscaped areas, recreational facilities)	\$23 million	

Source: Oklahoma City Convention and Visitors Bureau.

Fueled by the MAPS investments, numerous neighborhoods in downtown Oklahoma City have undergone major investment activity in the last 10 years. The Paseo, noted above and located east of the Asian District, is a historic arts district with 17 gallery/working studios, 60 artists, restaurants, coffee houses, clothing boutiques, gift shops, yoga studio, and salon. Bricktown, an old warehouse district just east of the civic center, has become the premier entertainment/tourist district. From 1994 to 2004, Bricktown properties increased in assessed value by 1,300 percent, in comparison to an average 7% per year throughout the late 1980s to early 1990s. Three

¹³ Oklahoma City Convention and Visitors Bureau. "MAPS Narrative."

adjacent neighborhoods--Automobile Alley, the Flatiron District and Deep Deuce—have seen residential development take off.

New residential projects include: renovation of the historic Skirvin Hotel (13 floors) and Colcord Hotel (150 rooms, 13 floors); new development: Block 42 (luxury condos), The Hill (200 townhomes), The Triangle (700 loft units, office and retail space), The Deep Deuce (294 units), Legacy Summit (200 units), and The Park Harvey Center (164 affordable apartments).¹⁴

In the midst of downtown revitalization, the City of Oklahoma City has also made efforts to preserve and strengthen the Asian District. Several plans, in 1992, 1994 and 2000, establish policies and guidelines for development in the area, of which the most recent is the 2005 Asian District Plan. The plan calls for marketing the unique cultural aspects of the District as a regional tourist attraction, in concert with downtown development. The plan's implementation items include streetscape and pedestrian improvements funded via a \$1.5 million bond; rezoning to allow mixed-use development; addressing parking management; establishing an urban design review process; and establishing a property owner's association.¹⁵

Lessons Learned

Oklahoma City offers several take-away learnings:

- It is possible for an Asian District and rapidly growing downtown neighborhoods to co-exist in close proximity.
- City government viewed cultural preservation as an asset to downtown revitalization and played an important role in setting priorities to both: 1) preserve the cultural district and 2) promote downtown growth.
- Availability of affordable land enabled business owners to purchase property.

SAN JOSE

Existing Conditions

The Vietnamese-American community in San Jose is the largest in any city in the United States, numbering 78,842 in 2000, or 8.8% of the city's population. Socioeconomic status amongst the population varies widely, from affluent households in several suburbs to concentrated poverty in downtown San Jose. Figure 3 below contrasts households in two suburbs with particularly significant concentrations of high-income Vietnamese-Americans, and two areas of downtown. In the two suburbs, median household income of the Asian population ranges from \$90,000 to \$114,000 with poverty level between 3% and 5%. In contrast, downtown areas have median household income between \$42,000 and \$56,000 and poverty levels between 12% and 17%.

	Suburbs		Downtown Area	
	Evergreen	Berryessa	District 7	Downtown
Total Asian Population	15,603	47,642	45,340	22597
# Vietnamese population	5,485	14,119	25,037	8752
Median household income of Asian population	\$114,429	\$89,795	\$56,655	\$42,000
% Asian individuals living below poverty level	3.2%	5.5%	12.8%	17.0%
Asians below poverty as % of total area population	0.2%	2.9%	4.0%	3.3%

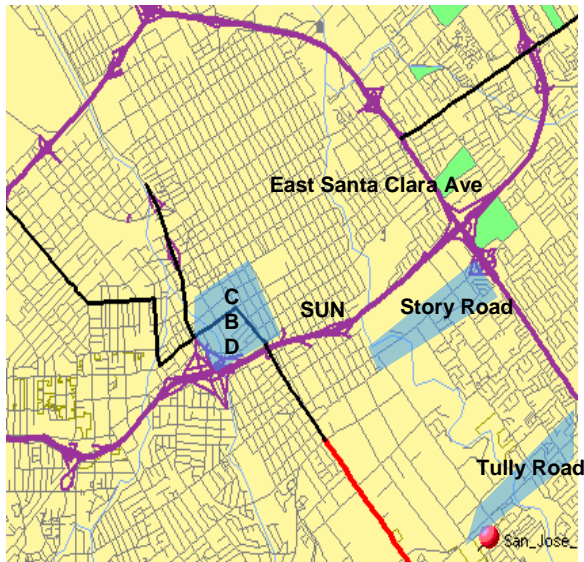
Source: U.S. Census 2000.

¹⁴ Ibid.

¹⁵ City of Oklahoma City. The Plan for the Asian District.

The large population has supported the growth of Vietnamese business districts in multiple areas, with an estimated total of 5,000 businesses. Concentrations include (see area map on next page):

- East Santa Clara Avenue: area of early business settlement; today is a mix of newer establishments (restaurants) and older businesses (medical offices, pharmacies)
- SUN: area of early business settlement south of San Jose State University (SJSU); fewer than 10 businesses; most established over 20 years ago, primarily serves low-income residents in surrounding neighborhood
- Story and Tully Roads: area of more recent business establishment approximately 1 mile south of downtown; Grand Century Mall at Story Road and Interstate 101 is a focal point.



Businesses have developed primarily through individual private initiative, rather than community-wide development efforts or public policies and plans. While most businesses do not own their properties, a few have begun engaging in small-scale development in recent years. A few business owners have begun promoting a vision for a “Vietnam Town” that would focus additional development in the Story Road area. Part of this vision focuses on catering to a broader audience by preserving and marketing authentic Vietnamese culture.

Japantown

In addition to the Vietnamese business enclaves, the consultant team also identified potential relevant insights from the case of Japantown in San Jose. This 4-block area sits in the heart of downtown just northeast of the civic center. Japantown has been called one of the three most authentic Japantowns outside of Japan, and is home to the Japanese American Museum of San Jose, San Jose Taiko, the widely-known Shuei-do Manju Shop, and San Jose Tofu. There are approximately 129 Japanese businesses that remain, despite burgeoning downtown growth in the surrounding area and several new market-rate housing developments in the neighborhood in the last 2 to 3 years. A 2005 survey found that 30% of these businesses were established over 30 years ago, and 30% were opened in the last 5 years, indicating both stability and growth.¹⁶ Community organizations include the Japanese American Citizens League, the Japantown Business Association, Japantown Neighborhood Association, and the Japantown Community Congress of San Jose, a community partner to the City of San Jose which looks after cultural preservation of the area.

City Policies and Impacts

Since the 1980s, the City of San Jose has pursued policies to promote downtown growth. The City’s 2020 General Plan included downtown revitalization as 1 of 7 major strategies, and the 1994 update of the General Plan focused downtown priorities on:

- Additional development of retail and high-density housing,
- Pedestrian- and streetscape improvements,

¹⁶ Japantown Business Association. Japantown Business Survey. San Jose: 2005.

- Convention Center expansion,
- Updating the zoning code with mixed-use overlays, strategies for shared parking, density bonuses.¹⁷

A major vehicle for fueling downtown development is the San Jose Redevelopment Authority (SJRA), which has designated 7 areas of downtown as community renewal areas specifically for focused investment. These areas are detailed in Figure 4 on the next page.

Figure 4. San Jose Downtown Community Renewal Areas			
Name	Year Established	Location	Primary Uses Promoted
Almaden Gateway	1988	7 blocks in NW downtown	Commercial/office
Century Center	1983	3 blocks in Downtown Commercial Historic District	Office and retail
Guadalupe-Auzerais	1983	75 acres in SW downtown	Cultural and recreational uses
Market Gateway	1983	6 blocks in south downtown	Theater, arts and entertainment uses
Park Center Plaza	1961	13 blocks in west downtown	Civic plaza
Pueblo Uno	1975	3 blocks	Office and retail
San Antonio Plaza	1968	Downtown core	Mixed-use

Source: San Jose Redevelopment Agency.

With the close of the 1990s and start of the next decade, downtown San Jose saw significant growth. Figure 5 below details development in 2004 and projections for 2001 to 2010. The data and projections were established prior to the dot-com decline in recent years, but provides information about the prior results of downtown-promoting policies.

Figure 5. Development in Downtown San Jose		
	2004	projected 2001-2010
total retail space (2004)	1.43 million sf	500k to 1 million sf
total office space (2004)	7.20 million sf	8 to 10 million sf
# residential units (2001)	2,600	8 to 10,000 units
# hotel rooms (2001)	1,500	2,000+
# restaurants (2004)	140	
# retail/services (2004)	118	
# entertainment venues	40	

Source: San Jose Redevelopment Agency

Community Impacts

Amidst the downtown growth, there is anecdotal evidence that at least some of the Vietnamese businesses along East Santa Clara Avenue were impacted and displaced due to construction of the new City Hall, while others, such as several medical offices and pharmacies, remain. Also, several new Vietnamese-owned restaurants have opened in the immediate vicinity of the new City Hall and primarily serve daytime downtown workers. At the same time, migration of community to outlying areas at least partially fueled the emergence of the newer business concentration on Story and Tully Roads.

From an institutional standpoint, there does not seem to have been a clear City policy to preserve or strengthen Vietnamese-owned businesses that had been located downtown. The

¹⁷ San Jose Redevelopment Agency. Strategy 2000: San Jose Greater Downtown Strategy for Development. San Jose: 2000.

San Jose Redevelopment Authority established the Strong Neighborhoods Initiative (SNI) to support neighborhood development through planning and infrastructure investment. SNI is a partnership of the City, SJRA and neighborhoods and includes 22 designated areas that are also community renewal areas. One of the SNI areas is Japantown, which is also a designated historic district, reflecting the City's seemingly significant focus on preserving the area.

Lessons Learned

San Jose offers several take-away learnings:

- Without public intervention, market-driven downtown revitalization led to mixed results for Vietnamese businesses: some were displaced, some relocated voluntarily, some stayed and some new establishments opened.
- A possible concept for Vietnamese business districts to cater to a wider audience is by preserving and marketing authentic culture.
- In the case of Japantown, City government viewed cultural preservation as an asset to downtown revitalization and played an important role in setting priorities to both: 1) preserve the cultural district and 2) promote downtown growth.

RINCON HILL

Existing Conditions

Rincon Hill is a neighborhood located in the southern portion of San Francisco, bounded by Market Street to the north, San Francisco Bay to the east, the South of Market (SOMA) neighborhood to the west, and the Mission District to the south (see area map below). Rincon Hill was a historically industrial and underutilized area and included an assortment of access ramps for the Bay Bridge, Transbay Terminal and Embarcadero Freeway in its midst.¹⁸



In 1985, the City of San Francisco adopted the Rincon Hill Plan, which called for redeveloping the neighborhood to accommodate high-density residential development. Among other implementation actions, the plan included rezoning and design guidelines to encourage the redevelopment. While a number of new developments did come in subsequent years, overall investment was slower than anticipated due to the presence of the elevated freeway and lack of public enhancements. Additionally, zoning loopholes led to poorly designed projects not in keeping with design objectives (e.g. overly bulky buildings too close together).¹⁹

2005 Rincon Hill Plan

In 2005, the City established an updated Rincon Hill Plan focusing on a 55-acre area of 12 blocks and 20 public and private parcels. The overall objective was to create a high-density urban sustainable neighborhood of up to 10,000 new residents. Several rationales undergirded

¹⁸ Lockwood, Charles. "A History of Ever-changing Rincon Hill." San Francisco: January 2003. http://www.spur.org/documents/030101_article_02.shtml

¹⁹ City of San Francisco. Rincon Hill Plan. San Francisco: 2005.

the plan: a) large number of vacant and underutilized parcels, b) urgent citywide housing need, c) opportunity to improve urban design, d) opportunities to plan comprehensively due to the removal of the elevated freeway and a proposed new Transbay Terminal (4,700 residential units, a new intermodal transit station and new office/hotel/commercial on 40 acres). Figure 6 below describes the key provisions of the Rincon Hill Plan.²⁰

Figure 6. Key Provisions of Rincon Hill Plan (2005)	
Housing	<ul style="list-style-type: none"> ▪ 2,220 new units, including 266 to 377 affordable units ▪ Developments over 10 units will meet citywide requirement for 12% on-site or 17% off-site affordable housing ▪ Off-site affordable units must be built within SOMA neighborhood ▪ 40% of all units in new developments will be 2+ BR units ▪ Publicly owned land will be developed with 100% affordable housing
Urban Design	<ul style="list-style-type: none"> ▪ Transparent, ground floor retail storefronts ▪ Townhouses with stoops and front entries ▪ Tall buildings: 4-8 story base and slender residential towers from 250-550 feet; towers with ▪ strict bulk/spacing requirements (115 feet apart)
Streetscape and Community Space	<ul style="list-style-type: none"> ▪ “Living streets” improvement plan—beyond standard improvements ▪ Community center renovation ▪ New parks
Business Preservation	<ul style="list-style-type: none"> ▪ Use zoning to recreate types of spaces to help small businesses: ▪ Max. retail store frontage of 5,000 sf ▪ Each block may have up to 1 storefront max. 15,000 sf (grocery store) ▪ Floor-to-floor height minimum of 12 feet ▪ Community stabilization funds for business support

Source: City of San Francisco.

Developer Impact Fees

In addition to the provisions above, the Rincon Hill Plan also stipulated a structure for developer impact fees. California state law allows local governments to exact impact fees on private developers to provide public infrastructure for the new demands created by new development.

The process of establishing the impact fees and the uses for which they would be deployed involved lengthy negotiations amongst the developers (in this case, a consortium of several development projects), the City of San Francisco, and community advocates. At least three consultant studies were commissioned to establish a nexus among potential development windfall, development impact, and level of impact fee.

The analyses were an integral element of developing the impact fees, and much of the negotiations focused on key assumptions that influenced the level of projected profits, which in turn drove the level of fee deemed feasible. Some of the assumptions that were scrutinized included: unit mix, cost of project amenities, development costs for condominiums vs. rental apartments, development costs for various floorplate sizes, capitalization rate, development costs for affordable housing units, anticipated escalation in housing prices, size of parking stalls and estimated parking revenues, expected ground floor retail revenue, assumed profit thresholds, operating costs per unit, and overall assessment of market strength/expected sales prices and rent levels.

In addition to the analysis, community and City members played a central role. A partnership amongst community groups led by the South of Market Community Action Network (SOMCAN) played an important advocacy role and established an “inside-outside” advocacy relationship

²⁰ Ibid.

with the City planning department, who had chosen to play a strong and pro-active role in setting clear policy terms with developers. This strategy helped bring about Executive support for the impact fees. SOMCAN took a key position that they were not against new development but that there had to be clear community benefits. A community platform was developed based on this. Additionally, there was strong backing from the District Supervisor for the area, who is a geographically-based local elected representative.

At the end of the process, in 2005, the final impact fee for the Rincon Hill area was set at a \$25 per square foot increment (in addition to other standard fees such as schools that developers in California typically pay). This increment was allotted to two uses:

- a) \$11 per square foot for community infrastructure improvements (streetscape, community center, new parks), according to a list of specific improvements that had been identified and cost-estimated by the City (see Figure 7 below), and
- b) \$14 per square foot toward a Community Stabilization Fund, which would support affordable housing, and small business programs in the adjacent SOMA neighborhood.²¹

Figure 7. Cost Summary of Rincon Hill Community Infrastructure Improvements	
Mitigation	Cost
Living Street Open Space Improvements	\$5,924,406
Pedestrian Safety and Streetscape Improvements	\$3,883,953
Traffic Calming to Residential Alleys	\$1,381,000
Rincon Hill Park	\$12,866,052
Essex Hillside Park	\$472,050
Sailor's Union of the Pacific Community Center	\$2,500,000
Library Services	\$601,718
Gross Cost of Community Facility Improvements	\$27,629,179
Less Current Requirements for Street Improvements	\$1,701,679
Net Cost of Community Facility Improvements	\$25,927,500

Source: City of San Francisco. City Ordinance enacting Rincon Hill Plan. San Francisco: 2005.

Two concessions were provided to developers: a) impact fees could be paid at escrow, (as opposed to at the time of permitting, when the developer typically does not have cash flow), so developers could avoid having to borrow funds at interest; and b) developers could pay impact fees through in-kind construction of facilities. Implementation of the impact fees is led by the Mayor's Office of Community Development (OCD), with a Community Advisory Committee. These entities are currently developing recommendations for disbursement of funds.

Two important factors contributed to the ability to capture the windfall from development projects: a) much land had already been purchased by developers so property values had not yet corrected, creating a sizable windfall, and b) the significant increase in development potential (doubling of height limits) created real value to be able to invest toward community benefit. As a result, community organizations became strong advocates for growth.

The Rincon Hill impact fees, as San Francisco's first rezone in fifteen years, set a precedent for subsequent development projects, and established tacit expectation around developer contributions to mitigate community impact.

²¹ City of San Francisco. City Ordinance enacting Rincon Hill Plan. San Francisco: 2005.

It should also be noted that the City of San Francisco has taken a tailored approach to setting impact fees in different neighborhoods around the city, based on a principle of exacting fees in proportion to anticipated impact. For example, another neighborhood, Market and Octavia, anticipates growth of nearly 6,000 new housing units, 10,000 new residents, and 4,300 new jobs. The City identified key community improvements costing a total of \$254 million. Less intensive upzoning, from 6 to 8 stories, was proposed for this area in comparison to Rincon Hill. The nexus analysis determined a feasible impact fee of \$10 per square foot on new residential development, and \$4 per square foot on new commercial development.²²

Lessons Learned

Rincon Hill offers several take-away learnings:

- Enabling state law provided city government with the authority to exact impact fees on private developers.
- The City's strong, proactive planning department was crucial in setting clear policy direction, leading negotiations with developers and forming effective partnerships with community representatives. Additionally, support of elected officials crucial.
- Ability to capture a sizable windfall from private developments was enabled by both the timing and significant scale of increased development potential (doubling of height limits). If the increase in development potential had been marginal, it may not have yielded a windfall.

DORCHESTER

Existing Conditions

The Vietnamese-American in Boston is the 11th largest concentration of Vietnamese in the United States, according to the U.S. Census, totaling 18,000 people and comprising 24% of the Asian-American population. The majority of Vietnamese-Americans, 10,000, live in South Boston's Dorchester neighborhood, particularly concentrated in the Fields Corner area.

Fields Corner, an area of 1.2 square miles, is home to 20,000 residents, of whom 8,000 are Vietnamese-American. Eighteen percent of families live below the poverty line, with 35% of households earning less than \$20,000 per year. A 2005 business survey conducted by MIT identified over half of the businesses in Fields Corner (143 of 285) as Vietnamese-owned. These merchants occupy 116,000 square feet of commercial space, 25% of gross leasable area, but only provide 2% of sales. Most are family businesses with less than \$500,000 in sales annually, but have a strong regional-serving niche. Businesses are over-represented by financial/insurance services, building materials/hardware stores, and medical/dental offices, and under-representation of dry cleaners, supermarkets, and drugstores.²³

Figure 8. Vietnamese-Americans in Dorchester	
% growth Vietnamese population 1980 - 2000	128%
# Vietnamese in Boston	18,000
Vietnamese as % of Asian population in Boston	24%
Rank among Vietnamese enclaves in US	11th
# Vietnamese in Dorchester	10,000
# Vietnamese in Fields Corner neighborhood	8,000
% families in Fields Corner below poverty level	18%
% households earning less than \$35,000/year	35%

Source: U.S. Census 2000.

²² City of San Francisco. Market and Octavia Redevelopment Plan. San Francisco: 2006.

²³ Viet-Aid. Recommendations for Sustainable Development in Fields Corner. Boston: 2004.



Factors in Community Development

Several key factors have influenced the development of the community node in Fields Corner:

- Pre-existing density: Typical of numerous East Coast cities, Dorchester has a physically dense fabric. The most prevalent type of residence is the “triple-decker”, tri-level duplexes that can house numerous families in one building. In the business districts, buildings tends to be several stories high. This residential and commercial creates a significant residential base in close proximity to small businesses.
- Extensive public transportation: Boston’s extensive subway system serves virtually all in-city neighborhoods, including Dorchester, providing crucial mobility options for those without automobiles, especially seniors.
- More intensive racial segregation. Historically, Boston’s immigrant communities have been tight-knit and choosing to locate in geographic proximity and maintain strong social and economic cohesion. This remains true for some of the more recent refugee and immigrant communities as well, and can serve to enhance the development of ethnic enclaves.
- Strong community-based organizations: The evolution of two key Vietnamese-American organizations in Fields Corner (discussed below) have helped strengthen the social and economic fabric of the community.

The above factors have created a thriving Vietnamese-American community centered in Fields Corner. Even in the midst of broader growth and property appreciation in Dorchester, the community has remained a stable place for businesses and families. While some families have moved out, many stayed to purchase homes and rent to other Vietnamese. As residential property values rose 180% in the last 15 years, this has helped to build the wealth base of many residents and contributed to staving off gentrification. In turn, the stable residential base supports business health while community organizations help knit together the community fabric

Figure 9. Dorchester Residential Development		
Year	Indicator	
	Median home sales price	Median condominium sales price
1997	\$125,000	\$70,000
1998	\$140,000	\$73,000
2000	\$194,500	
2005	\$384,900	\$269,000
2006		\$290,000

Source: City of Boston Department of Neighborhood Development

Community-based Organizations

Two organizations in the Vietnamese-American community have played a significant role in supporting the neighborhood's growth.

Viet-Aid, the first Vietnamese-American community development corporation (CDC) in the United States, was established in 1994. Today, Viet-Aid is supported by approximately 16 to 18 staff and a strong and diverse Board. Viet-Aid's program areas include:

- Community real estate development. Projects include:
 - St. Williams School: renovation of church for affordable housing
 - 1460 Dorchester Ave: a \$14 million project to build a new 4-story mixed-use development with 43 affordable housing units and 7,000 square feet of ground floor commercial spaces on a 16,000 square foot parcel across from the Fields Corner subway station.
 - Bowdoin-Geneva III: 20 affordable homeownership units for first-time homebuyers on scattered sites using green construction methods. Project under construction.
 - Completed projects:
 - 1392 Dorchester Ave: 12-units for very low-income individuals
 - Vietnamese-American Community Center: First in the nation. Houses preschool, health programs, elderly services, cultural/recreational activities, classrooms. Cost \$5 million.
 - 19-21 Faulkner Street: 6 units of family housing
 - Toledo Terrace: 3 units of family housing
- Small business assistance. Viet-Aid has provided technical assistance to 50 local businesses including \$400,000 in loans, created 21 new jobs, and developed a family-owned cleaning cooperative.
- Other programs: family childcare coop, crime watch group, voter drive, recreational, youth, cultural activities

The Vietnamese-American Civic Association (VACA) was established in 1984 as a Mutual Assistance Association (MAA). Today, has over 30 staff and provides naturalization assistance, ESL classes, employment and social services, and health education.

Both Viet-AID and VACA have intentionally focused on complementarity and targeting their work to serve different needs/niches.

Lessons Learned

Dorchester offers several take-away learnings:

- Pre-existing physical conditions created built-in density which nurtured a thriving community with strong and diverse social fabric. The stable residential base helps to support the health of the business district.
- Growing strong community-based organizations was crucial to support community growth. In particular, efforts were focused on building capacity of two groups, rather than diluted and scattered efforts to support a plethora of organizations.

The case studies present an array of relevant insights that may be useful for Seattle's Chinatown/International District and Little Saigon. These lessons will be reconsidered more broadly in the development of potential tools and strategies in phase 3 of this study.

The next two sections provide analyses of the specific impacts of the proposed Dearborn Street Project and potential zoning changes on the study area.

IV. ANALYSIS OF OVERLAP BETWEEN DEARBORN STREET PROJECT RETAIL AND LITTLE SAIGON BUSINESSES

In this task, the consultant team assessed the likely overlaps or distinction between the types of goods and services to be offered by retailers in the proposed Dearborn Street Project and existing businesses in Little Saigon, as well as the competitiveness or complementarity of each retail node's market orientation.

Overall, the tentative list of retailers at the proposed Dearborn project provides many complementary and few competitive offerings in its retail mix. The project will draw upon a broader market than Little Saigon given the former's retail mix of large anchor stores with national reputations and diverse mix of goods and services. In a few product areas there is some general overlap: jewelry, general merchandise, grocery, electronics and clothing; however, the product lines and brands offered will be quite different. Additionally, store format and customer service provided by Little Saigon businesses specifically target an APA clientele, in particular, Vietnamese-Americans. The majority of businesses at the Dearborn project will have a different mix of goods and serve a different target market than that currently being served by existing businesses in Little Saigon.

Little Saigon

Many of the estimated 175 businesses fall into four major retail niches: restaurants (24 of 35 restaurants are Vietnamese), beauty and nail salons (19 total), jewelry (12) and grocery and specialty grocery (2 and 5, respectively). The other retail and consumer services market segments represented within the business district are pharmacy, clothing, cellular/electronics, banks and small office users, including medical and travel. Greater Little Saigon also has social services/community services agencies, industrial businesses, and educational organizations.

The customer base is largely citywide/regional and Vietnamese-American/Asian-American, although a few businesses serve a broader population; the majority of Little Saigon businesses are culturally identifiable as Vietnamese. This district is not as established as the neighboring International District, but is currently the most significant cluster of Vietnamese-American owned businesses in Seattle.²⁴

Dearborn Street Project

The commercial component of the proposed Dearborn project is a mass-market daily/weekly needs shopping center of approximately 750,000 square feet, including the Goodwill offices and training center. Target and Lowe's, both large format national chain retailers in their segments of discount general merchandiser and hardware, respectively, anchor the shopping center. In addition to the anchors, four major retailers in office supplies, pet supplies, home electronics and home furnishings (150,000 SF total), as well as a mid-market supermarket (such as Safeway or QFC, 50,000 SF) are proposed. Goodwill Industries, the current occupant of the site, will also be establishing a store presence selling second-hand items. Finally, approximately 100,000 square feet in 30 to 40 smaller stores are proposed, including 10 to 20 micro-retailers. These other businesses, which have not yet been finalized, will be a mix of retail and service-oriented businesses, with the largest concentration being in clothing. Amongst the smaller

²⁴ For in-depth discussion of business mix and market, see *Draft Phase I Summary*, April 5th, 2007, pgs. 28 & 37.

stores will be a number of spaces that benefit from a \$1 million rent subsidy provided by the project developers to help local businesses with affordable space in the center.

The primary trade area for the shopping center is greater central Seattle extending from Lake Union south to approximately Rainier Beach. The secondary trade area includes West Seattle, Mercer Island and Queen Anne/Interbay/Magnolia. Below is a description of each market segment being proposed for the Dearborn project and how it complements or competes with the Little Saigon business district.

Major Retailers

Target. The proposed Target will be approximately 160,000 square feet. Typically, Targets carry hardlines ("normal" products and goods), softlines (clothing), and a limited amount of groceries, usually non-perishable. Specifically, Target stores carry clothing, shoes, jewelry, health and beauty products, electronics, compact discs, DVDs, bedding, kitchen supplies, sporting goods, toys, pet supplies, automotive supplies, hardware supplies, and food. They also carry seasonal merchandise such as patio furniture during the summer and holiday decorations during November and December. Many stores also have one-hour photo processing, a portrait studio, a tire and oil change shop, an optical store, a pharmacy, and a garden center and snackbar, and may include quick service restaurants.

Target currently has two locations in Seattle with three others in the surrounding areas. The two within the City proper are located in the northeastern and southwestern portions of the city. Those outside the city limits reside in Bellevue, Tukwila, and Redmond. Target is also looking for an additional store location in the northern area of the central city.

Little Saigon has no small mass-market general merchandisers, drugstores, discount or variety stores that would be most affected by competition from a Target. The kinds of general merchandise offered by local niche stores and the customer base interested in these goods is sufficiently different that Target should not compete with existing businesses.²⁵ There may be some competition in clothing and electronics, although the Little Saigon businesses target the Asian sub-market.

Lowe's Home Improvement Warehouse. Lowe's is a chain of retail home improvement and appliance stores. The Dearborn store is proposed to be approximately 160,000 square feet. The store is re-locating from its current location further south on Rainier Avenue South at South McClellan Street. There is also a Lowe's in north Seattle. There are seven other stores in the surrounding region. Home improvement and appliance stores are not part of the Little Saigon retail mix. Lowe's will compete primarily with the Home Depot located in industrial SoDo on Utah Avenue South.

Goodwill Industries International. Goodwill Industries currently owns the majority of the proposed Dearborn project site and occupies it with training facilities and offices.²⁶ A retail store is proposed as part of the Dearborn project. Goodwill stores feature second-hand items, clothing, housewares and appliances, and furniture. Larger Goodwills also include jewelry, wedding gowns, computers, and antiques.

²⁵ For example, specialty cook- and tableware designed for Asian food preparation and service.

²⁶ Goodwill is one of the world's largest nonprofit providers of education, training, and career services for people with disadvantages, such as welfare dependency, homelessness, and lack of education or work experience, as well as those with physical, mental and emotional disabilities.

The Seattle area is home to a number of Goodwill stores, two of which are within two miles of the proposed Goodwill project. The tenancy of a second-hand Goodwill store within an urban format (i.e. multi-story and mixed-use) shopping center is an innovative opportunity created by their ownership of the site.

The second hand retail segment is not directly represented in Little Saigon, but Goodwill does sell clothing, and other items that are currently offered by retailers in the business district. It is, however, unlikely that a Goodwill store would draw customers away from Little Saigon.

Supermarket. The final major tenant is a mid-market supermarket, such as a Safeway or QFC of approximately 50,000 square feet. Little Saigon currently has five specialty and two small, more general convenience groceries. The specialty groceries should not be affected by the supermarket. The general convenience groceries will have minor overlap, but should continue to capture the majority of sales of convenience goods that do not merit a trip to the grocery store.

Medium-Sized Retailers

Four medium-sized retailers in office supplies, pet supplies, home electronics and home furnishings will also be included in the project. The stores will vary in size between 15,000 and 40,000 square feet, totaling 150,000 square feet. There is currently one cellphone/electronics store in Little Saigon that would have limited overlap with a major home electronics retailer.

Small Retailers

Approximately 100,000 square feet of space will be occupied by 30 to 40 small stores and restaurants of 400 to 5,000 square feet each. These consist of jewelry, clothing, kids' shoes, sunglasses, cosmetics, gifts/cards, and some local tenants (e.g., flowers). There is some overlap with Little Saigon's two clothing stores, but again, the target market for retailers at Dearborn will be quite different than that currently served by Little Saigon.

Jewelry. Potentially more competitive with Little Saigon are two proposed jewelry and custom jewelry stores. While the twelve jewelry stores in Little Saigon have a specialty orientation, the number of stores makes this an important niche for the district. The Dearborn project jewelry stores and Target jewelry department are likely to capture a large portion of local jewelry sales. Should any of the existing specialty stores in Little Saigon try to expand to more of a mass market, this may be challenging.

Restaurants. Four to six full and quick service restaurants are proposed for the project, including one Japanese, one Asian, and two sports/bar and pizza. Little Saigon's business mix is dominated by restaurants, in particular Vietnamese, and does have one Japanese restaurant and one general Asian restaurant. The patrons of the proposed Dearborn restaurants will typically be those customers who have come to shop and then decide to visit a restaurant and will not draw existing customers away from Little Saigon. However, of all Little Saigon businesses, local restaurants have the best opportunity to benefit from the additional customers brought into the area by the Dearborn project. Mass-market customers who shop at the center might be attracted to eat at Little Saigon restaurants, in particular if the center does not also have Asian restaurants.

Services

The majority of the proposed services are not competitors to current businesses: health clubs, real estate, repair shops etc. The two areas where there is overlap are banking and salons.

While there is a major concentration, perhaps over-saturation of nail and beauty salons in Little Saigon, they target a distinct APA market. Similar to restaurants, customers of these salons are likely to be individuals who have come to shop at the Dearborn project, and not the type of customer who is already going to Little Saigon's salons and other service businesses.

Office

Although the Dearborn project will include some office space, this reflects an expansion of the Goodwill offices that are already in existence at the site. No additional office space will be made available to other organizations or businesses.

V. IMPACT ANALYSIS OF POTENTIAL LAND USE/ZONING CHANGES AND PROPOSED DEARBORN STREET PROJECT

OVERVIEW

This section describes likely impacts of proposed land use and zoning changes, as well as the proposed Dearborn Street Project, on the businesses in the commercial districts in Little Saigon and Chinatown/International District. The assessment draws on the research and analysis performed as part of Phase I: evaluation of current business mix, distribution and tenure; business revenue trends; retail real estate market conditions; customer base, business and property owner characteristics and plans; and general development trends. Additionally, Appendix F includes perspectives obtained from business and property owners during Phase 1 interviews regarding their perceptions of potential impacts from the Dearborn Project and zoning changes. The impact analysis also draws on results of the Phase 2 tasks described in previous sections: commercial gentrification literature review; case studies; and direct competitive analysis of Little Saigon and the Dearborn Street Project. Finally, it relies on development feasibility findings from a previous consultant study performed by BHC Consultants and Property Counselors in 2006.²⁷

GENERAL APPROACH

The impact analysis was guided by several general principles:

1. Two sources of impacts. Specific focus on identifying potential impacts from two sources:
 - Potential zoning changes to the Chinatown/ID study areas being considered by the City of Seattle
 - The proposed Dearborn Street Project
2. External forces. An array of additional external forces adds or will add to overall impacts in the study areas. While this study does not include in-depth analysis of these factors, it is important to recognize their role in the current and/or future development of the study areas, and they are revisited in Phase 3 of this study. These factors include:
 - Redevelopment of the Seattle Housing Authority's (SHA) Yesler Terrace community. Yesler Terrace is located adjacent to Little Saigon, just north of the intersection of 12th Avenue South and South Jackson Street. Currently, SHA is conducting a community process to plan for redevelopment of the area, which will likely result in a mixed-income, mixed-use, higher-density community. Redevelopment would influence Little Saigon nearby, as have similar SHA redevelopments at Holly Park, Rainier Vista and High Point to their surrounding neighborhoods.
 - Existing deficits in neighborhood infrastructure. Previous studies have documented challenges in neighborhood infrastructure in both study areas including need for improved sidewalks and other pedestrian amenities, enhanced hygiene and sanitation, expanded transit facilities, and traffic and parking congestion.
 - Sound Transit First Hill Connector. Sound Transit is considering a possible streetcar line to connect Chinatown/International District and Capitol Hill light rail stations, of which one of the options would run along South Jackson and South King Streets and turn north on South Jackson Street. If this alternative is realized, there would likely be increased development along the line and particularly near the stations.
 - Citywide shifts in location of industrial activity. In the last decade, as Seattle has continued to attract new residents and job growth, some in-city neighborhoods with

²⁷ "An Assessment of Real Estate and Economic Conditions in South Downtown Neighborhoods for *Livable South Downtown Planning*," BHC Consultants and Property Counselors, 2006.

historic industrial uses have shifted to increased residential and retail activity. Examples include South Lake Union, parts of Fremont and Ballard, and to some extent, portions of the Rainier Valley. As these trends occur, more and more industrial businesses have relocated to the outskirts of the city or beyond. Such shifts in the study areas may also be influenced by these broader trends.

- Community migration. The Vietnamese-American community in Seattle has increasingly migrated to outlying areas in the last decade. Little Saigon continues to be a regional serving magnet, but with particularly high traffic (pedestrian and auto) on weekends, when families return to shop. As parking constraints amplify, this may disincentivize customers, who instead may choose to shop at alternative clusters of Vietnamese businesses in the Rainier Valley (especially King Plaza), and in Renton (e.g. Ranch 99 Mall). If this trend continues it could further erode the health of Little Saigon businesses.
 - Current development market. Currently, the private development market views Little Saigon as premature. As a result, under current zoning, there is significant unrealized development potential. This existing condition forms an important basis for the impact findings and is described further as part of Little Saigon impact #2.
3. Snapshot-in-time and no future intervention. The analysis discusses likely potential impacts given today's conditions in Chinatown/International District and Little Saigon. It also assumes no future interventions to mitigate or otherwise alter potential impacts. The purpose of this is to define a baseline scenario from which Phase 3 strategies and interventions can be formulated.
 4. Winners and losers. Any given impact can have positive or adverse impacts; these will be positive or negative depending on the public goal or vision for development and the viewpoint of the constituency or stakeholder affected by an impact. While the analysis focuses more deeply on adverse impacts, it also discusses, where relevant, potential positive impacts to provide a clearer analysis of trade-offs to inform decision making.

FINDINGS

The findings are grouped into three categories: a) major high probability impacts, which are described in summary table format and explanatory narrative, b) additional speculative or lower probability impacts, and c) issues of note raised by staff from the City's Department of Planning and Development or community members.

High Probability Impacts

The following four impacts are those considered to have a high probability of affecting the current conduct of business by local firms. The severity and type of impact vary by impact, but all four are quite likely to occur. The table at the beginning of each impact discussion summarizes the cause of the impact, its type, the approximate number of businesses impacted and likely severity of the impact, and the timeframe for the impact to occur (0 to 5 years, 6 to 12 years and/or 13+ years). The designation of type indicates the causal relationship between the proposed change and impacted outcome and is categorized as follows:

- Direct – immediately intervening in the normal conduct of business;
- Indirect – impelling some further change that affects businesses; or
- Exacerbating – contributing to a change that is already taking place.

The likely severity of the impact-low, medium or high-indicates how intense the level of impact will be on those affected business.²⁸

²⁸ The severity category indicates the degree to which affected businesses will be impacted, rather than the likely number of businesses that will be affected.

Little Saigon, High Probability Impact #1:

Inconvenience to and eventual displacement of production, distribution and repair businesses along north side of South Weller Street and on South King Street between 12th Ave South and Rainier Ave South

Cause	Type of Impact: (Direct/Indirect/Exacerbating)	Degree of Impact: Number of Businesses Impacted & Severity (Low/Medium/High)	Timeframe: (1 to 5 years, 6 to 12 years, 13+ years)
Allowance of residential land uses in current industrial zone; Dearborn Project on south side of South Weller Street introducing a large number of residents and pedestrian-oriented commercial activity to area.	<p>Direct Pedestrian and vehicular traffic interference with conduct of production and distribution business; new residents object to industrial business activity; major change in land value incentivize land sale for mixed use or residential development.</p>	<p>No. of Businesses: 7 – 8</p> <p>Severity: High Land use changes will result in movement of industrial businesses over time; relocation is a significant business cost and inconvenience. For businesses that own their property, the financial windfall of a major increase in land value will mitigate the disturbance of moving; for tenants, the level of negative impact depends on availability of industrial space elsewhere.</p>	<p>6 to 12 years Residential occupation of the Dearborn project is likely to take at least 2 to 3 years; development of additional rezones of nearby properties is likely to wait for signs that the Dearborn project is financially successful.</p>

The interruption of industrial activity and eventual movement of production, distribution and repair businesses out of the area north of the proposed Dearborn Street project and south of South Jackson Street is the most direct and severe impact likely to result from the proposed land use/zoning changes and the proposed Dearborn Street project. Currently, the area north of South Dearborn Street and south of the mid-block parcel line just south of South Jackson Street, east of 12th Ave South and west of Rainier Ave South is zoned Industrial-Commercial (IC-65') and

does not allow residential uses. With a rezoning to either Neighborhood Commercial (NC3-85') or Downtown Mixed Residential (DMR 125')²⁹, this area would open up to residential development. Most immediately, the Dearborn Street project, if approved, will include approximately 550 residential units, in keeping with this proposed change in zoning.

²⁹ There is also a no-change alternative.

Current Condition

Many of the units in the proposed Dearborn Street project will face South Weller Street, the north side of which currently has five active industrial or quasi-industrial businesses: one auto-repair shop, two food distribution or production businesses and two other distribution/production businesses, as well as one apparently inactive food distribution/production business. The industrial businesses generate considerable truck traffic that is relatively unimpeded by pedestrian activity. This block also has three office buildings, but no retail or residential uses. One block further north, South King Street also has two active auto repair businesses; however, there are also a number of older detached single family homes (approximately five), a multi-family apartment building and two retail businesses, one of which, Lam's Seafood Market, is quite active.

Direct Change

The proposed change in allowed land uses will incentivize redevelopment of existing industrial parcels to residential or mixed use, given the significantly higher value of these uses relative to industrial. The development of the Dearborn Street project will hasten this change on South Weller Street, as it will introduce a sufficient number of housing units and small-scale retailers to begin to change the overall character of the street from industrial to a residential neighborhood and shopping. Inevitably, the new pedestrian and vehicular activity generated by the Dearborn Street project will impede truck traffic in and out of the industrial businesses, a critical aspect of distribution, and residents living in units facing South Weller Street may likely express a desire to minimize or remove adverse industrial business externalities (i.e. noise, diesel fumes, etc.).

Over time, the repair businesses on South King Street are also very likely to relocate out of the area, although this transition will be more gradual, given that the area is already mixed and these businesses are already accustomed to coexisting with

residential and retail uses. The change in the value of the land and its development potential, however, is quite likely to result in the movement of these businesses over time.

Business Outcome

The severity of the impact is designated as high, due to the generally high cost of business relocation. For businesses that are tenants, the success of relocation will depend on the availability of appropriate industrial space elsewhere and, for distribution businesses, the proximity of this space to customers.³⁰ For businesses that own their space, the proposed change in allowed use and development of the proposed Dearborn Street project, while immediately inconvenient, could have considerable financial upside. The increased land value creates a financial windfall that businesses should be able to realize through sale of their property.

³⁰ Two of the active industrial businesses on S. Weller Street appear to be Asian food suppliers (Golden Pheasant Noodle and King's Oriental Foods Co.); these businesses may supply the many Asian restaurants (approximately 110) and grocers in Chinatown/International District and Little Saigon and benefit from their proximity.

Little Saigon, High Probability Impact #2:

Modest increase in potential value of development in remainder of Little Saigon with additional allowed height; may over time speed new development and the displacement of existing businesses.

Cause	Type of Impact: (Direct/Indirect/Exacerbating)	Degree of Impact: Number of Businesses Impacted & Severity (Low/Medium/High)	Timeframe: (1 to 5 years, 6 to 12 years, 13+ years)
Increase of height limit from 65 to 85 feet or 125 feet (change areas and change in height depends on alternative). ³¹	<p>Exacerbating</p> <p>Existing businesses in Little Saigon are likely to be displaced by new multi-story mixed-use development over time. Residential and office uses are currently allowed in existing C1 and NC3 zones; all areas of Little Saigon proposed for rezone already have significant additional development potential under current zoning and will redevelop based more on market momentum than allowance of modest additional development envelope.</p>	<p>No. of Businesses: Approximately 65 - 130, depending on alternative</p> <p>Severity: Low</p> <p>The role of the proposed rezone, in and of itself, in spurring new development will be modest.</p>	<p>6 to 12 years; 13+ years</p>

Existing businesses in the remaining areas of Little Saigon also face potential displacement from new mixed-use development of properties they occupy. However, the prospective upzoning of these areas, (from approximately I-5 to 12th Avenue South from South Main Street to South Dearborn Street and 12th Avenue South to Rainier Avenue South to the mid-block parcel line south of South Jackson Street), will have a modest role in spurring new development in the area, given the considerable un-used existing development potential under current zoning and the limited degree to which the upzoning improves the feasibility of development. The remaining areas of Little Saigon are currently zoned Neighborhood Commercial (NC3-65') or Commercial (C1-65'), both of which allow residential and

mixed-use development up to six stories. The proposed rezones to International District Mixed (IDM 75'/85'), Neighborhood Commercial 3 (NC3-85') or Downtown Mixed Residential (DMR-125') would allow one or six additional stories of development.

Current Condition

The areas proposed for possible height increases to either 85 feet (South Jackson Street) or 125 feet (central portion of Little Saigon) are largely one- to two-story strip commercial development, or one- to two-story warehouse/industrial or office space. With a few exceptions, the majority of the existing development is at least 20 years old and has not been carefully maintained. As the area is now zoned to allow commercial or mixed-use development to 65 feet, there is currently a considerable amount of unrealized development potential in the area.

³¹ In addition to the no-action Alternative #4, Alternative #2 maintains the existing height limit of 65 feet along S. Jackson Street.

However, because the strip commercial, industrial uses and lack of streetscape amenities have made Little Saigon less appealing for residential projects and there have been comparatively more attractive areas of Downtown available for redevelopment, the area has seen little residential development activity.³²

Exacerbating Change

The nascent residential market in Chinatown,³³ prospective redevelopment of Yesler Terrace and the residential component of the Dearborn Street project should begin to change the perception of Little Saigon as unable to support housing. As adjacent mixed-use and residential projects proceed and generate market momentum, Little Saigon's development potential should become more attractive to real estate equity investors and, over time, the area should see increased development interest.

The role of the proposed zoning changes in attracting development is likely to be modest, contributing to development momentum rather than spurring it. A change in height from 65 to 85 feet is likely to result in one additional story of residential or office development, given current building codes and practices.³⁴ According to the development feasibility analysis performed by BHC Consultants and

Property Counselors³⁵, a prototypical apartment development project under the base NC3-65' zoning would have a return on cost of 15.2 percent, while a prototypical condominium project would have a return of 38.2 percent. Under the proposed NC3-85' zoning, prototypical apartment and condominium development projects would have returns of 16.6 percent and 45.1 percent, respectively, increases of 1.4 and 6.9 percent, respectively. These increases make already feasible development projects more attractive.

Due to the significant increase in construction cost when shifting from wood to steel frame, the DMR-125' development prototype delivers a comparatively smaller return on cost than the base NC3-65' development prototype. As a result, the apartment scenario becomes infeasible with the change in construction type, with a negative return on cost, while the condominium scenario decreases from a 38.2 percent return on cost to a 29.5 percent return on cost. While 29.5 percent is a quite feasible level of profitability (a base profitability threshold being approximately 15 percent), on a percent basis it does not justify the additional investment required. The proposed 125-foot up-zoning may therefore not result in development to the full allowed height under current development conditions.

The proposed increases in allowed height, at most, modestly increase the profitability of potential development. Given that market momentum based on the recent expansion of condominium development to the southern portions of

³² The exception is the Pacific Rim Center (2000/1) immediately adjacent to I-5 on S. Jackson Street, which has had a troubled sales record; the project sold approximately 10 of 40 units and ultimately leased the remainder.

³³ See description of residential development trends, most notably two highly successful condominium conversion projects, in *Draft Phase I Summary*, April 5th, 2007, pg. 40.

³⁴ Five stories of woodframe construction are allowed over concrete podium; there is market precedent for two stories of concrete podium with woodframe above, but additional concrete stories would be unusual.

³⁵ "An Assessment of Real Estate and Economic Conditions in South Downtown Neighborhoods for *Livable South Downtown Planning*," BHC Consultants and Property Counselors, 2006. Rents and sales prices used in the financial feasibility analysis are not specific to Little Saigon or Chinatown, but are generalized to South Downtown; they are also projected out approximately two years.

Downtown is the more critical factor in spurring development, the impact is designated as exacerbating.

Business Outcome

As described, most of the existing development in Little Saigon is well below the existing or proposed allowed development envelope, and of lesser physical quality. Additionally, a number of other external factors, noted in the General Approach section, will come into play, such as the redevelopment of Yesler Terrace and potential new public transportation infrastructure. These and the area's proximity to Downtown and transportation amenities makes it likely that many existing properties will redevelop at a more significant scale, over time, as market momentum builds. It is the confluence of these factors, above and beyond the proposed zoning changes themselves, that will ultimately likely create a major transformation of the area over time.

As described in the Phase 1 summary report, existing lease rates in Little Saigon are in the range of \$1.50 to \$2.00 per

square foot per month. This is a sufficient level of rent to support the development cost of new ground-floor retail space in mixed-use buildings, particularly if the retail is regarded as an amenity to residential units in upper stories. New development may or may not seek to retain existing small businesses in new space; regardless, existing businesses will have to relocate during demolition and construction, a considerable business interruption that often leads small businesses to permanently relocate elsewhere. Because the majority of shopping district businesses do not own their properties, many permanent relocations are likely to occur as the district redevelops unless retention strategies are put in place prior to redevelopment.

While this overall redevelopment dynamic may have significant consequences for the existing businesses, the up-zoning, in and of itself, is likely to play a small role in spurring this transition. Because the existing development envelope and general market momentum are more major factors, the severity of the impact of the proposed height change is low.

Little Saigon, High Probability Impact #3:

Increased exposure of existing ethnic niche retailers and restaurants to mass market customer base.

Cause	Type of Impact: (Direct/Indirect/Exacerbating)	Degree of Impact: Number of Businesses Impacted & Severity (Low/Medium/High)	Timeframe: (1 to 5 years, 6 to 12 years, 13+ years)
The Dearborn project will bring an expanded volume and diversity of central city mass market customers into the area.	<p>Indirect</p> <p>The Dearborn project creates a greater mass market opportunity for local businesses. Businesses may change to cater to expanded local market or remain focused on regional niche; impact could be positive or negative depending on business.</p>	<p>No. of Businesses & Severity:</p> <p>Number of businesses affected & severity of impact depends on consumer behavior of existing and potential customers, and capacity and interest of individual businesses. Businesses will have to actively pursue and target mass market in order to yield positive impacts.</p>	<p>1 to 5 years</p>

The proposed Dearborn Street project includes an approximately 650,000 square foot daily/weekly needs shopping center component. The shopping center will bring a new mass-market central city shopper demographic into the area. Little Saigon businesses that currently cater to a largely Vietnamese-American and Asian-American sub-market will be exposed to both vehicular and pedestrian traffic generated by the proposed Dearborn Street project and will have an increased potential for a mass market customer base. This both offers businesses an opportunity for expansion at the same time that it could dilute the district's existing niche orientation, displacing specialty businesses that do not adapt.

Current Condition

Most businesses in the Little Saigon shopping district currently serve a specialty Vietnamese-American and to some extent, Asian-American market from Seattle and the region. While a few of the businesses, particularly restaurants, draw a more ethnically diverse clientele, the majority of businesses serve the niche ethnic market. Customers travel to the district primarily by car, particularly on weekends, due to the migration of most families to outlying areas over time.

Depending on the type of business and the interest and capacity of individual businesses, the possibility of appealing to a broader market is either a potential boon to business or, alternately, not realistic and even potentially harmful.

Indirect Change

The Dearborn Street Project will bring a large number of new shoppers into the Little Saigon area, with a potential “spillover” effect into the ethnic business district. This could have a net positive or adverse impact on Little Saigon businesses, depending on several factors, discussed below.

- a. Consumer behavior of existing customers. Little Saigon currently has limited parking capacity, particularly during weekend peak customer hours. Numerous businesses have reported these constraints as having a deleterious effect on existing customers. They question whether customers will continue to patronize businesses if there are perceived or actual increases in future neighborhood auto traffic congestion and parking constraints. This is particularly critical as current customers are driving long distances from around the region. At the same time, other clusters of Vietnamese businesses in the Rainier Valley (e.g. King Plaza) and in Renton, offer competing shopping areas with greater parking capacity. The sensitivity of the existing customer base to the availability of parking and the parking advantages of competitive districts renders Little Saigon vulnerable to customer loss with any additional pressure on existing parking.
- b. Consumer behavior of potential new customers. If potential new customers travel from the Dearborn Street Project to Little Saigon, this could create a positive impact on area businesses. However, this will depend on the consumer preferences and needs of those customers and whether they are aligned with what is offered in Little Saigon, as well as better physical connections and improved streetscape to facilitate travel between the two locations. Given the types of shopping trips that will be made to the Dearborn Street project, it is unlikely that customers will park in Little Saigon and walk to the project, passing by

existing businesses and potentially stopping to shop.³⁶

More likely, Dearborn center shoppers will need to be attracted to either walk to Little Saigon after leaving their purchases in their vehicles, or to park a second time in Little Saigon. Compelling shoppers to park twice is considered challenging in the retail industry.

- c. Capacity and interest of individual businesses. Whether Little Saigon businesses will benefit from increased mass market customers depends on both the capacity and interest of individual businesses. The business survey conducted in Phase 1 provides some insight. The table below shows several measures of capacity and interest. Three of the 14 interviewed currently serve a highly diverse customer base, and the majority (10) expressed a strong desire to expand. However, all but one of the businesses ranked low or moderate in one or more measures of “capacity” as defined by a business possessing the financial resources, human resources, and technical capacity to align their business model to serve a mass market clientele. Additionally, for some businesses, it may not be possible to both serve existing ethnic markets and a broader audience due to the ways the respective sub-markets may identify the type of business which they will patronize. Further, there is likely a sample selection bias in the survey as businesses who were more willing to be interviewed are probably those relatively more likely to have capacity to expand, thereby overstating the capacity of businesses overall.

³⁶ The retail component of the Dearborn project is a daily/weekly needs shopping center anchored by a mass merchandiser, hardware chain, and supermarket. Shopping trips to the center will most typically involve purchase of items transported in a shopping cart, or even dolly, and customers will shop elsewhere rather than park multiple blocks away and carry multiple heavy/awkward items back up-hill to their vehicles on a regular basis.

Business Outcome

Given the above discussion, the impact is indirect and the overall impact of increased mass market customers on Little Saigon businesses is likely to be low to moderate. Any exacerbation of the currently limited parking capacity in Little Saigon would be a significant driver of existing customer decline; however, it is unlikely that Dearborn Street Project shoppers would park in Little Saigon, so the potential overall

impact on current customer traffic is a low negative effect. At the same time, the overall new customers generated by the Dearborn Street Project are likely to provide low to moderate positive effects on Little Saigon businesses given the current barriers to travel between the two sites and misalignment between current business offerings and new customer preferences. Finally, Little Saigon businesses currently have low capacity overall to effectively cater to a broader market.

Figure 10. Little Saigon Business Survey: Business Capacity/Interest to Serve Mass Market

Business Interviewed	Already Serving Diverse Customers?	Resources		Technical Capacity	Desire to Expand/Attitude toward Risk
		Financial	Human		
Restaurant	Med	Low	Low	Low	High
Deli	High	Low	Med	Low	High
Medical	Low	Med	High	Med	Med
Professional	Low	Med	Med	High	High
Medical	Med	Med	Med	High	High
Professional	Low	Med	Low	Med	High
Jeweler	Med	Med	High	Med	High
Supermarket	Med	Med	High	Med	High
Construction	High	High	High	High	High
Miscellaneous	Low	Low	Low	Low	Med
Restaurant	Med	Med	Med	Low	Low
Restaurant	Med	Med	Low	Med	High
Restaurant	High	Med	High	High	Med
Supermarket	Med	Med	High	Low	High

Source: Phase 1 Interviews, Little Saigon-Chinatown/International District Economic Impact Study, 2007.

International District/Chinatown, High Probability Impact #4:

Increase in potential value of new residential development in Japantown (South Jackson Street to Yesler Way, 4th Avenue South to 5th Avenue South) with additional allowed height; should speed course of development.

Cause	Type of Impact: (Direct/Indirect/Exacerbating)	Degree of Impact: Number of Businesses Impacted & Severity (Low/Medium/High)	Timeframe: (1 to 5 years, 6 to 12 years, 13+ years)
Increase of height limit from 120 to 180 feet or 240 feet (change in height depends on alternative)	Direct A height change to 240 feet increases development return on cost by 12.9%; change to 180 feet by 5.4%. ³⁷ This is enough of an increase to help incentivize new development, given current favorable market conditions.	No. of Businesses: 4 - 8 Severity: Medium Businesses in existing buildings that are redeveloped are likely to be displaced permanently, given the inconvenience of returning to the location after an extended construction period. Impact on business depends on availability of space elsewhere in Chinatown.	6 to 12 years Current issues with condo liability insurance may delay residential development activity.

Existing businesses in older buildings not within the Historic Special Review District in the three-block area between South Jackson Street and Yesler Way, and 4th and 5th Avenues South are likely to be displaced by redevelopment; redevelopment will be partly spurred by the proposed upzoning in height. The area is currently zoned International District Mixed (IDM 100'/120'); the proposed increases in height to either 180 or 240 feet for residential uses would improve the feasibility of development sufficiently to help incentivize new development.

Current Condition

The majority of land in this three-block area known as Japantown is surface parking lots. There are also multiple development projects that were constructed recently and thus unlikely to be redeveloped in the near future. However, there

are three existing properties with ground floor retail tenants that are likely to redevelop. There are four existing businesses: a club, bar, grocery and restaurant, located in single-story concrete buildings surrounded by parking lots, on 4th Avenue South, just north of South Main Street, as well as four active businesses: a restaurant, club, grocery and gallery in the ground floor of an approximately 11-story residential building (Downtown Apts.) on 4th Avenue South, just south of South Main Street.

Direct Change

The proposed changes in height improve the return on cost for a prototypical condominium development. With a height change from 120 to 180 or 240 feet, the percent return on cost increases from 30.1 percent to 35.5 or 43.0 percent, respectively. This change in profitability increases the attractiveness of developing surface lots or redeveloping existing low value buildings in the area. In particular, the

³⁷ BHC Consultants and Property Counselors, 2006.

proposed 240 foot alternative improves profitability by 12.9 percent, a sufficient increase to stimulate new interest in the area. This portion of Chinatown/International District has already seen recent development activity. Given the existing market momentum, the change in zoning could incentivize additional projects.

Business Outcome

The single-story concrete buildings at 4th Avenue South and South Main Street are likely to redevelop under the proposed new zoning. These businesses are likely to be permanently displaced given the inconvenience of relocation. The severity of the impact on these businesses depends on the availability of other viable space in Chinatown/International District.

Low Probability Impacts

This section describes additional potential impacts that the consultant team either cannot say with certainty will occur, or the outcome of the impact is difficult to predict. These are assessed with lower probability than those discussed previously and are designated as speculative.

International District/Chinatown/Little Saigon, Speculative Impact #1: Proposed land use changes and increases in allowed height attract new residential development. New residential/worker populations create demand for non-ethnic local-serving retailers. Non-ethnic retailers either dilute or revitalize existing businesses.

Depending on the sub-area, the proposed zoning changes will have either a modest or more significant role in attracting residential development to the study area. Over time, new residential projects in both districts are likely to result in sufficient local population to support non-specialty neighborhood-serving retailers. Demand for space from neighborhood-serving retailers could result in either increased lease rates or development of new retail space. The presence of new neighborhood-serving retailers could invigorate the districts, expanding the customer base and creating additional opportunity for existing retailers, or it could dilute their uniqueness and ability to draw customers shopping for specialty goods from across the region. The speculative impacts are somewhat different for Chinatown/International District (west of Interstate 5) and Little Saigon (east of Interstate 5) given differences in the business conditions in each district, and are discussed below.

Chinatown/International District

As discussed in the Phase 1 summary report, Chinatown/International District (west of Interstate 5) has experienced a significant downward trend in retail revenues since 1997, with the exception of the Uwajimaya shopping complex.³⁸ Downward trends in food stores, restaurants and miscellaneous retail all pre-date recent nascent residential development activity. This suggests that the existing ethnic niche stores are struggling. There are many potential factors, most importantly, the emergence of other Asian specialty districts outside of central Seattle that have newer space or cheaper rent and are more easily accessed by increasingly decentralized immigrant and first generation populations, as discussed previously. Given the changing role of the Chinatown/ID shopping district in the region, a more significant local residential population and the additional customer base it offers may be an important opportunity for existing businesses. While serving daily and weekly needs of a more diversified local population³⁹ will require transition on the part of these businesses, it may be their best chance to remain viable.

Little Saigon

In contrast to Chinatown/ID, Little Saigon's retail sector has expanded since 1997, in particular food stores and restaurants. While the area also faces competition from outlying Asian business districts, the district as a whole seems to be succeeding as a regional destination. A local, diverse customer base, and its potential for supporting non-specialty stores, may therefore have more of a negative effect in Little Saigon, than in the International District.⁴⁰

³⁸ See *Draft Phase I Summary*, April 5th, 2007, pgs. 13 – 15 for ID revenue trend discussion and pgs. 33 – 35 for Little Saigon discussion.

³⁹ The developer of a recent condominium conversion project reports that approximately 90 percent of buyers were Asians or Asian-Americans specifically interested in living in Chinatown/ID. However, as more market momentum is established, it is likely that the area will become attractive to a more diverse population.

⁴⁰ Given its more recent history and the lack of architectural character, Little Saigon may also not have Chinatown/ID's special appeal for Asian-American buyers.

Little Saigon, Speculative Impact #2:

Success of proposed Dearborn project attracts additional major retailers to underdeveloped properties on Rainier Avenue South. Additional mass market retailers adjacent to Little Saigon increase retail rent/rate of property redevelopment in the area.

Under current zoning and some of the proposed rezone alternatives, large industrial parcels in the four-block area between the current Goodwill site and the Little Saigon shopping district could be developed as medium or large-format retail. Development of major mass-market retail between the Little Saigon shopping district and the Dearborn Street project could place additional rent and development pressure on shopping district properties. Because access and visibility are the two most important locational factors for major chain retailers, it is most likely that additional stores seeking to be near the Dearborn Street project would locate on Rainier Avenue South, given its much higher average daily traffic and easier on/off-ramp access to I-90, or South Dearborn Street, given its better on/off-ramp access to I-5 (though viable sites are limited on Dearborn Street).

Properties near the shopping district that are the likeliest to attract major retailers are the parcels on Rainier Avenue South between South Weller Street and South Jackson Street, though the size of these parcels and changes in grade would be a challenge. It is possible that the development of the proposed Dearborn Street project could increase the attractiveness of these sites for medium or large-format retailers. Should the sites also be developed with retail, it is possible that these projects would increase rent and development pressure on South Jackson Street properties near Rainier Avenue South.

Little Saigon, Speculative Impact #3:

Proposed upzoning increases property values modestly, making it slightly more difficult for existing business owners to purchase properties as desired.

As described previously, the proposed change in the height limit along South Jackson Street from 65 to 85 feet and south of South Jackson Street from 65 to 85 or 125 feet will have a modestly positive effect on the feasibility of development in that area. This slight increase in profitability may also translate into higher property owner expectations regarding land value. While the additional amount that development should be able to pay for land is modest, property owner expectations of their properties' values may exceed the actual value of their holdings.

The interviews conducted in Phase 1 identified several Little Saigon business owners interested in purchasing the buildings they occupy or other property in Little Saigon for relocation and/or expansion. All interviewed owners who expressed this also reported that their due diligence in assessing potential properties to purchase found sales prices unaffordable. It is likely that business owners cannot afford to purchase the properties they occupy because these properties are already too valuable under the current zoning, which allows six stories of development. Additionally, while the property transaction research performed for Phase 1 found no actual speculative transactions⁴¹, it is possible that property owner expectations have increased in anticipation of the change in zoning, whether in keeping with the modest improvement in development profitability, or beyond what development can actually pay.

Issues of Note

The consultant team received preliminary feedback from the City's Department of Planning and Development and from this study's Community Review Group regarding two additional potential

⁴¹ See *Draft Phase I Summary*, April 5th, 2007, pg. 41.

impacts. The consultant team considered these potential impacts in the course of analysis and determined that, in and of themselves, they would not affect existing businesses. However, they are included here for discussion purposes and to acknowledge the broader set of factors which will collectively shape the sub-areas and which will be reflected in Phase 3 strategies.

International District/Chinatown, Area of Concern #2:

Impact of Core Chinatown Upzoning

The area south of South Weller Street in Chinatown/ID is currently zoned International District Mixed (IDM 75'/85') and is proposed to either increase in allowed height from 85 to 125 feet or remain the same. There is significant under-utilized development envelope under the current zoning and there have been recent mixed use development projects in the area.⁴²

According to the financial analysis performed by BHC Consultants and Property Counselors, a project developed under the existing zoning would have a 46.1 percent return on cost, while a project developed to maximize the proposed 125 foot height limit would have a 28.3 percent return on cost, a significant decrease in overall profitability. While the 125 foot project is financially feasible, the additional return created by the added increment of development does not justify the much greater investment required to build the project, given the change in construction type (as discussed previously under Little Saigon impact #2). It is unlikely that the proposed increase in height would act as an incentive for development in the area and therefore would not have an impact on existing local businesses.

International District/Chinatown, Area of Concern #1:

Impact of Dearborn Project on Local Businesses Given Revenue Trends

City staff expressed interest in the study of potential impacts of the Dearborn Street project on businesses in Chinatown/ID west of Interstate 5, given a 10-year downward retail revenue trend. While the consulting team did not conduct a direct competitive analysis of Chinatown/ID retailers versus the proposed retail mix in the Dearborn Street project, in general, the product offerings and the market orientation of existing businesses is markedly different than that proposed for the Dearborn Street project. As discussed in the Phase 1 summary report, the business mix of the shopping district is dominated by Asian restaurants, with significant clusters in specialty grocery, convenience grocery, specialty gifts and alternative medicine. Additionally, two thirds of all business owners surveyed described their market orientation as city-wide, regional or supra-regional.⁴³

In contrast, the retail component of the proposed Dearborn Street project is a central city-serving mass market daily/weekly needs shopping center anchored by a general merchandiser, hardware and building material supplier, and major mid-market supermarket. There is very little competitive overlap between the district and the proposed shopping center. It is unlikely that the center will negatively affect business at existing retailers in Chinatown/ID.

Additionally, the impact of proximity to a new mass market customer base and speculative impact of attracting additional large retailers are unlikely to affect existing retailers in Chinatown/ID. Likely routes for customers traveling to the proposed Dearborn Street project do not pass through Chinatown/ID west of I-5 and, in general, the Dearborn Street project site is too geographically distant to generate these effects.

⁴² For example, 705 S Weller, a 6-story mixed-use apartment project built in late 2006/early 2007. For additional information regarding recent residential development activity in the ID, please see *Draft Phase I Summary*, April 5th, 2007, pgs. 22-23.

⁴³ See *Draft Phase I Summary*, April 5th, 2007, pgs. 6-12 and 19.

Appendices

Appendix A. Cities and Counties with Largest Vietnamese-American Populations

U.S. Cities with Largest Concentrations of Vietnamese-Americans (2000)

Rank	City	Number	Percentage of City Population
1	San Jose, CA	78,842	8.8
2	Garden Grove, CA	35,406	21.4
3	Houston, TX	32,261	1.7
4	San Diego, CA	27,473	2.2
5	Westminster, CA	27,109	30.7
6	Los Angeles, CA	19,747	0.5
7	Santa Ana, CA	19,226	5.7
8	Seattle, WA	11,943	2.1
9	Philadelphia, PA	11,608	0.8
10	New York City, NY	11,334	0.1
11	Boston, MA	10,818	1.8
12	San Francisco, CA	10,722	1.4
13	Portland, OR	10,641	2.0
14	Anaheim, CA	10,025	3.1

Source: U.S. Census

U.S. Counties with Largest Concentrations of Vietnamese-Americans (2000)

Rank	County	Number	Percentage of City Population
1	Orange County, CA	135,548	4.76
2	Santa Clara County, CA	99,986	5.94
3	Los Angeles County, CA	78,102	0.82
4	Harris County, TX	55,489	1.63
5	San Diego County, CA	33,504	1.10
6	King County, WA	27,484	1.58
7	Alameda County, CA	23,817	1.65
8	Fairfax County, VA	23,044	2.38
9	Dallas County, TX	21,355	0.96
10	Tarrant County, TX	19,396	1.34

Source: U.S. Census

Appendix B. Baseline Research Communities

Vietnamese-American Business Districts

Dorchester (Boston)
Oklahoma City
Houston
Tenderloin (San Francisco)
Orange County, CA
San Jose
New Orleans
Stockton
Rosemead
Orlando
San Diego
Fairfax County, VA

Cambodian-American Business Districts

Long Beach

Pan-Asian Business Districts

Rainier Valley (Seattle)
Argyle (Chicago)

Chinese-American Business Districts

Richmond, BC

Korean-American Business Districts

Los Angeles
Washington, DC
San Francisco
Dallas

Other Areas Considered:

Rincon Hill (San Francisco)
Central District (Seattle)

Appendix C. Case Studies Framework

	<u>Area(s) with Similarities to Seattle's Little Saigon</u>				
	1. Existing Conditions	2. Impacts		3. Preservation Strategies	
		From Zoning Changes	From Sig. Development	Local Govt Strategies	Community-based Strategies
Oklahoma City	PRIMARY	Secondary	Secondary	Secondary	
San Jose		PRIMARY	PRIMARY	Secondary	
Rincon Hill (SF)		Secondary		PRIMARY	Secondary
Dorchester (Boston)	Secondary		Secondary		PRIMARY

Appendix D. Case Study Interviews

Oklahoma City

Hoa Tran, Planner, City of Oklahoma City
Bob Mier, City of Oklahoma City

San Jose

Councilmember Madison Nguyen, San Jose City Council
Quyên Dinh, Staff, International Children Assistance Network (ICAN)
Kim Luc, Strong Neighborhoods Initiative Staff, City of San Jose

Rincon Hill

April Veneracion, Executive Director, South of Market Community Action Network (SOMCAN)
Marshall Foster, Former Staff, City of San Francisco Planning Department

Dorchester

Trinh Nguyen, Board Member, Viet-AID
Dien Bui, Former Staff, Viet-AID

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Appendix F. Interviewee Perspectives on Potential Impacts

A. Perspectives on Potential Impacts of Dearborn Street Project

From Little Saigon Interviewees:

- Number one concern is with traffic, especially as the project is located very close to his property. Doesn't think the stores will compete that much. Thinks Asian customers won't be attracted to the types of stores in the project and that non-Asian customers will shop elsewhere. Also, if the rent in the Dearborn Street project is \$2 to \$3 per square foot, that's too high for Vietnamese tenants because in Little Saigon businesses operate on very thin profit margins using family labor and can't afford to pay higher rents.
- Traffic from project—does not think customer base will expand because his business currently only has Vietnamese customers.
- Believes that the Dearborn Street project will change neighborhood hugely, leaving fewer underutilized parcels. Is hoping the project will attract more people to the neighborhood, which might make leasing easier (of their commercial property). Downside: tenants' rents will increase. Biggest concern: traffic and parking. The most vulnerable will be first-generation immigrant businesses who can't afford the rents. Right now, rents are still pretty cheap. As a result, he has mixed feelings about the project. As property owners, they will probably benefit; but the area will lose cultural diversity of first-generation Asians.
- Wants from Dearborn Street Project: 1) Formation of a Business Improvement Area (BIA)—thinks will help clean up the community, 2) Vietnamese Cultural Center: thinks would be positive.
- Thinks project 'will work'
- No concerns about Dearborn Street project, except asked "is there a food court?"
- Businesses overall: Existing shoppers who support the Little Saigon community will avoid it. New customers who go to Dearborn won't bring new customers for Little Saigon. Very few Little Saigon businesses have a diverse customer base; everyone else is dependent on Vietnamese customers.
- Time is needed. If the Little Saigon community had five years (to prepare), proprietors could change and be more competitive. Under the project's current timeline, this is not possible. Also, more time would enable making the area more attractive, like Pike Place Market, for example; if can do this, more people will "give it a try." That's when the Dearborn Street project could be complementary, not sooner.
- Whether there are benefits depends on how parking is managed. The Dearborn Street project expects to pull from the region.
- Not sure having Asian concessions in the Dearborn Street project would help Little Saigon. The project will act as a "new south point" and will infill between there and Little Saigon. This may be detrimental to Vietnamese businesses because they'll get pushed out.
- Not sure about impact of the project. Foresee more people, more businesses, means creates more opportunities. The issue is: if you don't own the property and rents go up, can be a problem. This pattern leading to displacement happens all the time in neighborhoods like Little Saigon. Fear is of displacement if newcomers (potential customers) don't provide the income.
- More traffic impacts on LS.
- Mixed feelings. GW could produce more clientele.
- Will have tremendous impact on parking.
- Will have impact on traffic, which is already bad.

- Dearborn Street project will bring in retail, will change culture and lose character of Little Saigon and International District.
- If Dearborn Street project brings in Target or grocery or other optical, will lose a lot of business.
- Property values: most Vietnamese don't own the property. Will force a lot of business owners out of the area. Many are marginally making it now.
- Don't think project can be stopped because it's too big but if can come up with community benefits agreement, could help area look better and be in better competitive position.
- Thinks there'll be more people to the area and will make the area better known to different ethnicities.
- Will impact traffic.
- Initially thought Dearborn Street project would be beneficial but now has concerns: will it compete with businessowners? Will it compete with property owners for tenants? Some businesses could do well, such as restaurants because they appeal to everyone, but others, such as medical/dental offices, won't necessarily draw new customers. Potential benefits: cleaning up the streets, transient issues.
- Property values: adjacent landowner already increased price. He isn't able to obtain property in order to expand.
- May help with crime on streets; bring more foot traffic.

From International District Interviewees:

- The Dearborn Street project is gigantic. They need to be very careful about design, and the (retail tenant) mix of what's in the project. Design should have effective linkages to Little Saigon. Space should be available at a reasonable cost to potential Little Saigon tenants. How can the business model help support businesses in Little Saigon?
- The Dearborn Street project has the most potential to transform Little Saigon, and will create its own anchor. Everything adjacent to it becomes "fair game for new players." The Dearborn Street project developers don't see community impacts as their responsibility.
- Feels that the more business, more activity there is, the better. Will hopefully bring more people into the core (of the International District), via pedestrian traffic along Dearborn. Thinks the Dearborn Street project could make the area more of a distinct destination.
- Hard to predict impact of the Dearborn Street project: could bring more people in but would it spill over into the International District? People would likely get back in their cars and drive to the district. If Dearborn Street project has the same kind of restaurants, will compete. Need to look at retail mix. Little Saigon businesses will feel the pinch the most.
- Will have different impacts on International District vs. Little Saigon due to different regulatory environments (no Special Review District in Little Saigon—that's partly why it turned out the way it did; double-edged sword: more freedom but fewer protections). Thinks property values will go up much less in the International District than in Little Saigon because there is not a lot of movement in property (in the ID) and owners won't upgrade to the extent that it takes to increase rents. Even up-zoning won't have a huge impact because most buildings have the historic preservation overlay.

B. Perspectives on Impacts of Potential Zoning Changes

- Will increase property values which will increase rents. Only in the last ten years have “things started taking off” in Little Saigon and that has been gradual. Is fearful of “spike” effect of rezones. Biggest challenge: will businesses be able to adapt quickly enough?
- Challenges to businesses are both 1) financial/capital, and 2) know-how/knowledge to change or expand business model to respond to changing demographics.
- Doesn't think zoning changes will impact much. Also, that rising property values will price business tenants out, if property owners “follow the market.”
- Rezoning could hurt businesses. Don't really see a negative future impact except for the rezoning issue.
- Zoning changes: impact hard to say. Could help new Asian businesses at expense of older businesses.
- Up-zoning: want to know what's the benefit and how does that accrue to existing businesses? Believes advantage is to the property owner.
- Zoning is inevitable because industrial in-city won't work anymore. But the planning has to be done carefully. Need appropriate incentives to do the right thing. Balance that with regulatory hammers.
- City needs mechanisms to capture upside of redevelopment, for example, through tax increment financing: designating increased property taxes to be used for certain housing and community development programs, so that money gets channeled.
- Zoning changes: depends on what types of projects. If a lot of low-income housing, this could be good. But if is going to push out existing communities, not good.