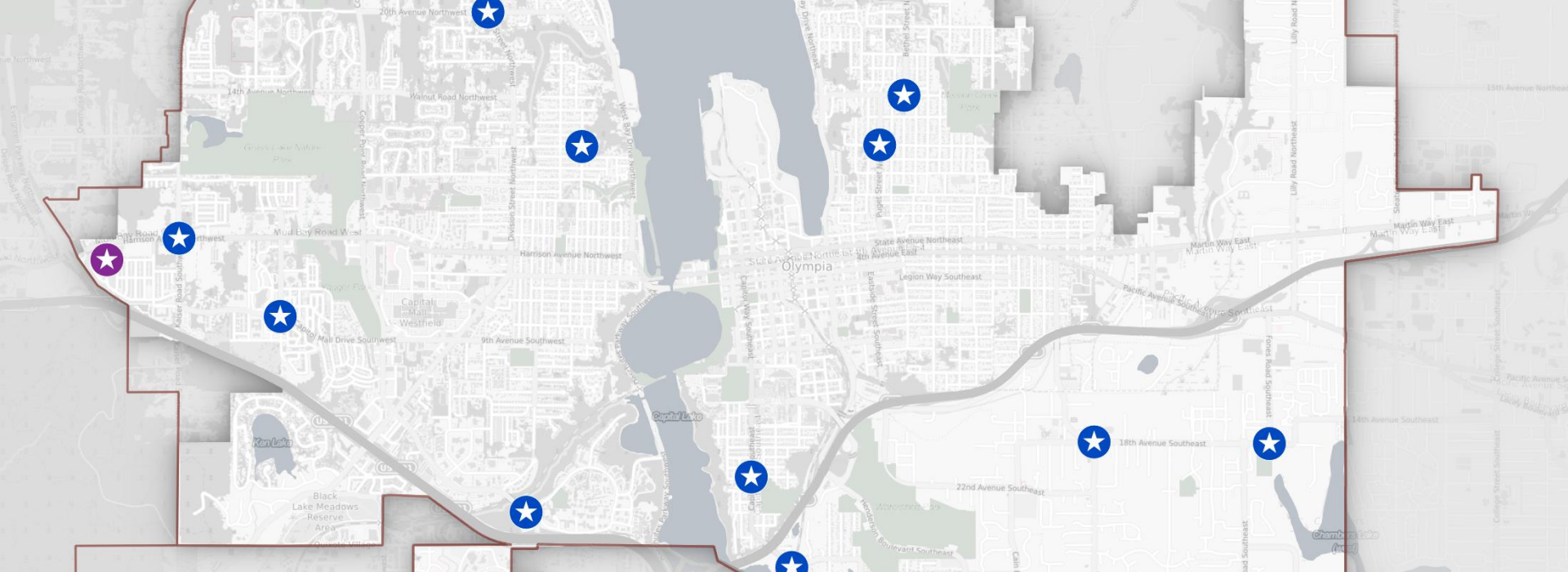




OLYMPIA NEIGHBORHOOD CENTERS STRATEGY

Market Analysis

PREPARED
FOR



PREPARED BY



JULY 2022

Introduction

This Market Analysis report has been completed as a part of the City of Olympia's Neighborhood Centers Strategy.

Based on input from the community, the City's Community Planning and Development Department is guiding the strategy. MAKERS Architecture and Urban Design is the lead consultant for the project. Leland Consulting Group ("LCG" or "Leland") are supporting the City and MAKERS and are the authors of this report. LCG is an urban planning and real estate development consulting firm based founded in 1989 and based in Portland, Oregon. Since the firm's founding, we have been focused on planning for places that respond to communities' visions and public policy goals, and are based on a realistic assessment of market demand, regulation, development finance, and other aspects of development feasibility.

Purpose. The purpose of this market analysis is to summarize the community's vision for its Neighborhood Centers (which was articulated during the last Comprehensive Plan periodic update along with the location of those centers; assess the current success of the centers based on the vision; forecast future opportunities and potential to enhance the centers; and recommend strategies that can improve the centers and bring them into greater alignment with the vision.

This market analysis complements the Neighborhood Center Profiles prepared by MAKERS, which provides a more detailed physical analysis of each center. The MAKERS/Leland team will be developing more thorough centers implementation recommendations at a later stage in this process, following more engagement with the community during 2022.

The report is organized into the sections shown at right.

Contents

- Neighborhood Centers: Context and Community Vision
- Assessing Current Success
- Forecasting Future Potential and Need

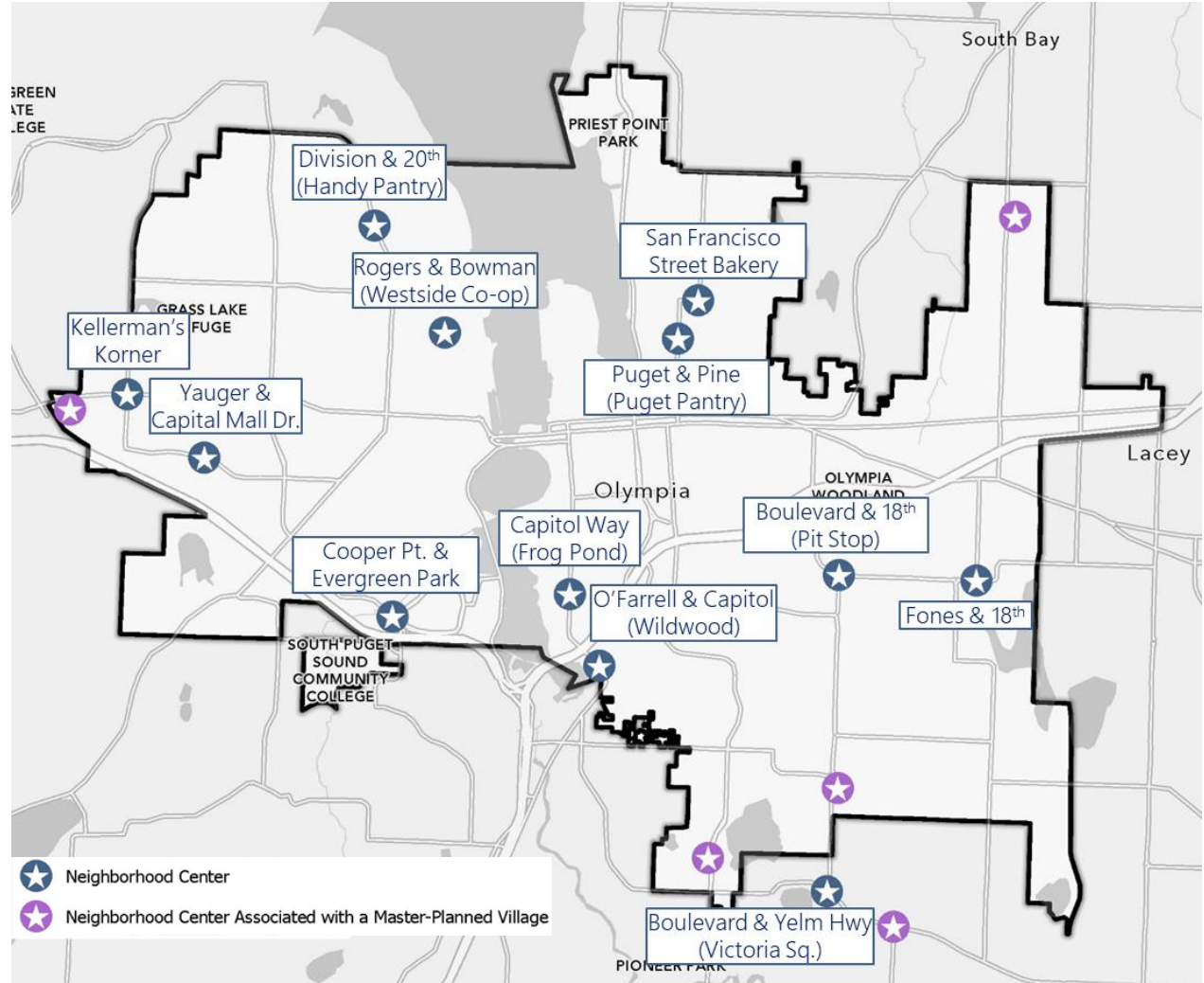
Neighborhood Centers: Context and Community Vision

Location of the Centers

The map at right shows the 17 general center locations identified in Olympia's Comprehensive Plan.

The focus of this analysis is on the 12 centers shown in blue.

We do not evaluate the centers associated with a master-planned village (shown in purple at right), as these villages all have approved master plans.



The Centers Vision

Despite long-held goals to encourage neighborhood centers, they have not manifested as envisioned over the past 20 years. Following the last periodic update of the Comprehensive plan (adopted in 2014), The Olympia Planning Commission (OPC) wanted to find out why this was the case and help create a successful path to achieving this important community goal. (See [City web site](#) for more information.)

During 2014, the City worked to gather input about the public's desires as well as barriers to neighborhood center development. The City launched an online questionnaire and received 668 responses. Staff also interviewed 13 business owners and 8 property owners who have operated a business or designed or developed a neighborhood center in Olympia. The results of this early work can be found in the appendices.

The centers vision, shown below, is critical to this analysis. It indicates what the community would like neighborhood centers to be, and therefore becomes the yardstick against which we measure “success,” and towards which City policies, investments, and implementation actions should be directed. This is not the only possible vision—for example, a “center” could also be construed as a park or school.

Current Neighborhood Centers Vision:

Neighborhood Centers are small walk- and transit-friendly activity clusters within neighborhoods that serve the day-to-day retail and service needs of local residents and foster community interaction.

Based on community stakeholder interviews and analysis conducted for this report, it seems that the 2014 vision resonates with current Olympia residents and business owners. However, LCG recommends that the City consider potential modifications to the vision, shown below. These modifications represent only a few among many ways that the vision could be adjusted. In LCG’s view, these modifications help to address that the current vision is focused on commercial providers of goods and services, whereas a number of other activities or destinations (e.g., parks, schools, libraries, etc.) could be key parts of centers and complete neighborhoods; that diverse housing options are an important use in centers and surrounding neighborhoods; and that it is unlikely that **all** of residents' retail and service needs will be met in neighborhood centers. I.e., residents may need to travel elsewhere for some services. A complete neighborhoods approach is likely to succeed to different degrees in different neighborhoods.

Considerations for a Future Vision:

Neighborhood Centers are small
walk- and transit-friendly activity clusters
within **complete** neighborhoods that

serve **some of** the day-to-day retail and service needs of local residents and foster community interaction.

Complete or “15-minute” neighborhoods may also offer neighborhood-scale parks, schools, libraries, diverse housing options, employment, healthcare, farmers markets, food trucks, community gardens, and other amenities.

Elements of the Centers Vision

For the purposes of simplifying and testing the vision, LCG “boiled down” the community’s vision for centers to the following key elements. Successful centers:

1. Serve day to day retail and service needs, via the most desired businesses shown below.
2. Are walk- and transit-friendly
3. Are small-scale
4. Are located within complete neighborhoods, and,
5. Foster community interaction

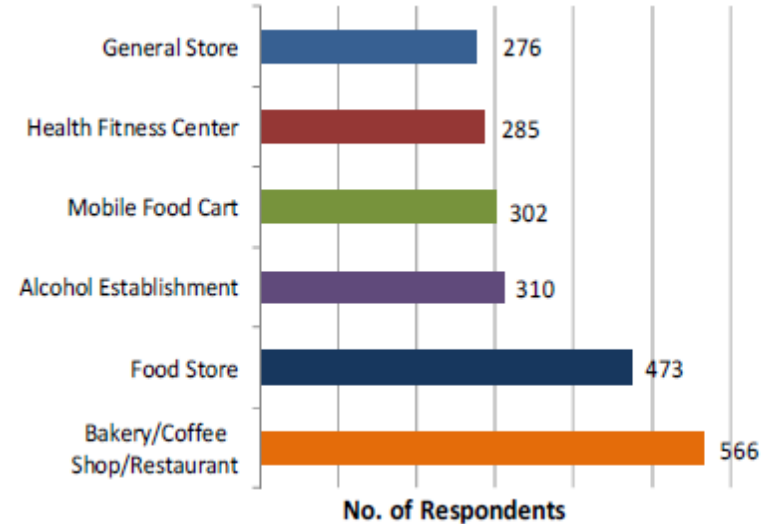
Whereas the first four elements or criteria can be quantified, it is difficult to quantify and test the fifth criteria—fosters community interaction. This criteria is more subjective. We assume that centers that successfully meet the first four criteria also meet the fifth criteria.

Most Desired Businesses

During 2014, the City asked residents what type of businesses they would most like to see in centers. The most desired business are shown below. LCG separated the “food store” concept into two categories—a small corner store or convenience store, and a larger grocery store. The most desired amenities are also shown at right.

- Bakery
- Coffee Shop
- Restaurant
- Food Store (e.g., corner store or convenience store)
- Grocery Store

Top Desired Businesses (from selection)



Top Desired Amenities (from selection)



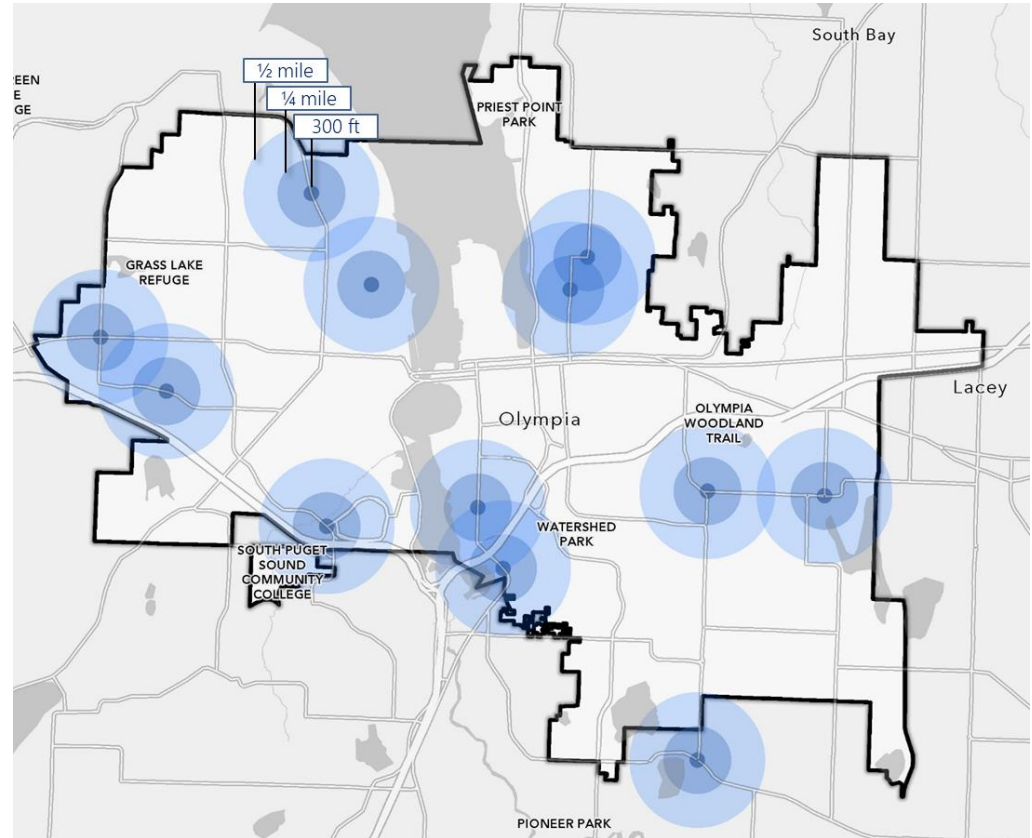
The Scale of Centers

The 12 neighborhood centers are shown at right, along with three key geographical areas that are referred to elsewhere in this report.

Neighborhood Center Core: 300-Foot Radius.

Neighborhood Center Core: 300-Foot Radius. The smallest area we evaluate in this report is the core or heart of the neighborhood center—a 300-foot radius circle (or 600-foot diameter) with its center point located at the intersection identified by the Comprehensive Plan. This area is about two Olympia blocks in length and is the part of the center where most commercial services and other activities and destinations (e.g., library, farmers market) should be concentrated.

In LCG's experience, 400 to 600 linear feet provides enough space to accommodate multiple commercial buildings and tenants, most public events (e.g., festivals), and to create a "place." It is an area around which visitors can easily do a "circuit" in 5 to 20 minutes, even if they walk slowly or have a stroller. Centers that are longer than this run the risk of feeling too long, or having "missing teeth"—properties that are vacant or non-commercial, and therefore can discourage visitors from continuing their circuit.



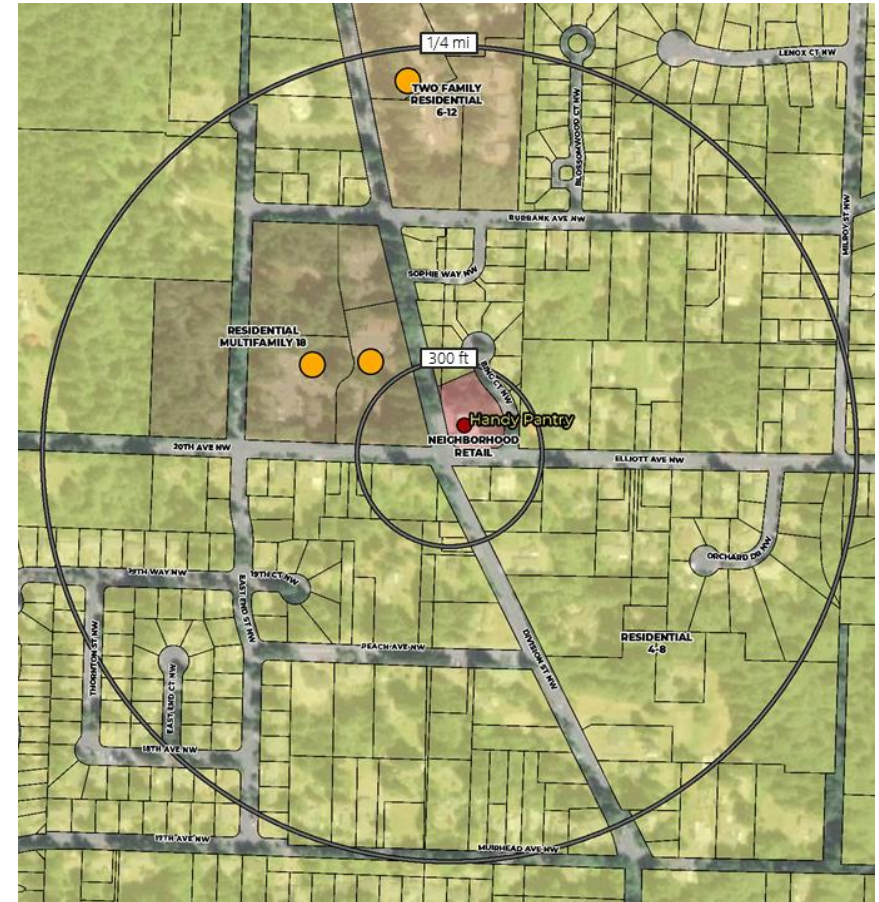
While most of Olympia's Centers are smaller than 600 feet in length, this distance can potentially accommodate tens of thousands of square feet of commercial space, and two blocks or four "block-faces" of commercial space. For example, the most vibrant part of Portland's Belmont neighborhood (between SE 33rd and 35th Avenues) is just one block (330 feet) long, though additional commercial businesses do extend beyond this core. <https://www.belmontdistrict.org/district-map>

The Scale of Centers

A Five-Minute Walk: 1/4 Mile. The next largest area, shown at right and on the preceding page, is a ¼ mile (or 1,320 feet) radius. The Division & 20th (Handy Pantry) center is shown at right. This is about that distance that people can walk in five minutes. Thus, it can be considered a small, five-minute walkable “market area.” A market area is an area that residents, employees, and others come from in order to shop or patronize establishments in the neighborhood center core.

Primary Pedestrian Market Area: 1/2 Mile. The third geographical area referred to most commonly in this report is the ½ mile radius (2,640 feet) from the center intersection. This represents about a 10-minute walk from edge to center—a distance that many people are willing to walk for goods and services. A premise when initiating this report is that this area represents the “primary pedestrian market area” or simply “primary market area” where residents and employees are located who generate the primary support for businesses in the core of the center. This can also be thought of as one definition of the “neighborhood” that supports each center. Commercial businesses often evaluate the demographics (e.g., number of residents and employees, population growth rate, size of households, age, education, disposable income) within market areas to assess whether there is demand for current and additional commercial establishments.

Some businesses are also assumed to draw from larger market areas. For example, grocery stores are thought to rely on support from shoppers from one to three miles away. Downtowns and regional malls draw shoppers from many miles. However, these larger commercial clusters are not the focus of this analysis.



Centers in Context

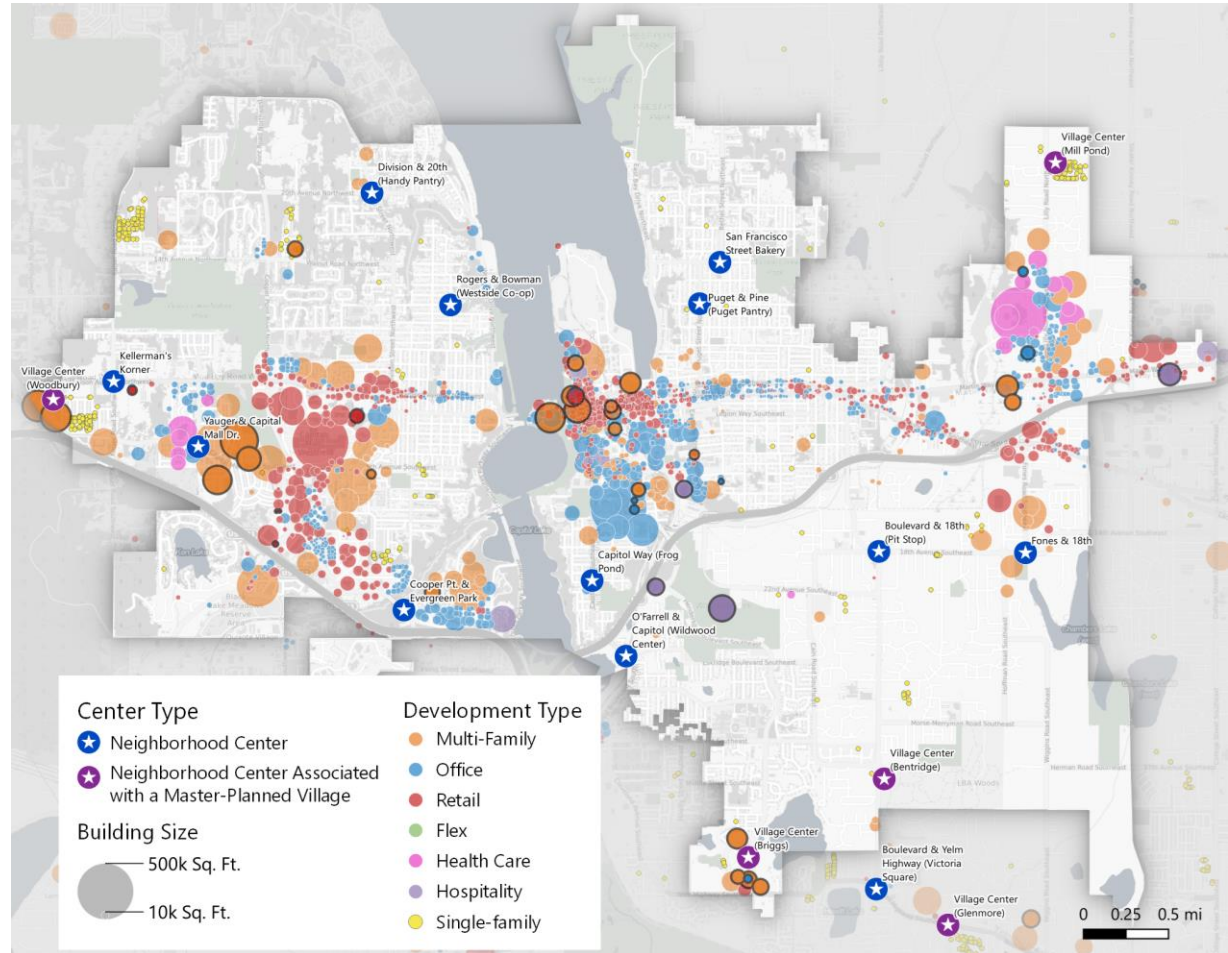
The map at right shows all 17 centers within the context of multifamily (rental apartment), office, retail/commercial, healthcare, hospitality (hotel/lodging), and recent single family housing development.

Individual projects are shown as circles—the larger the circle, the bigger the build size. Recent projects (built within the last decade) are shown with black outlines.

This map can help community stakeholders to understand the differences in land uses that surround one center versus another.

For example, the City's largest cluster of office employment is located just north of the Capitol Way/Frog Pond center—representing a significant base of employees that could shop there.

The Yaeger & Capital Mall Drive center is located near a cluster of health care and recent multifamily development, but is also very close to the city's largest cluster of retail/commercial development in the Capital Mall Triangle area—a major source of competition.



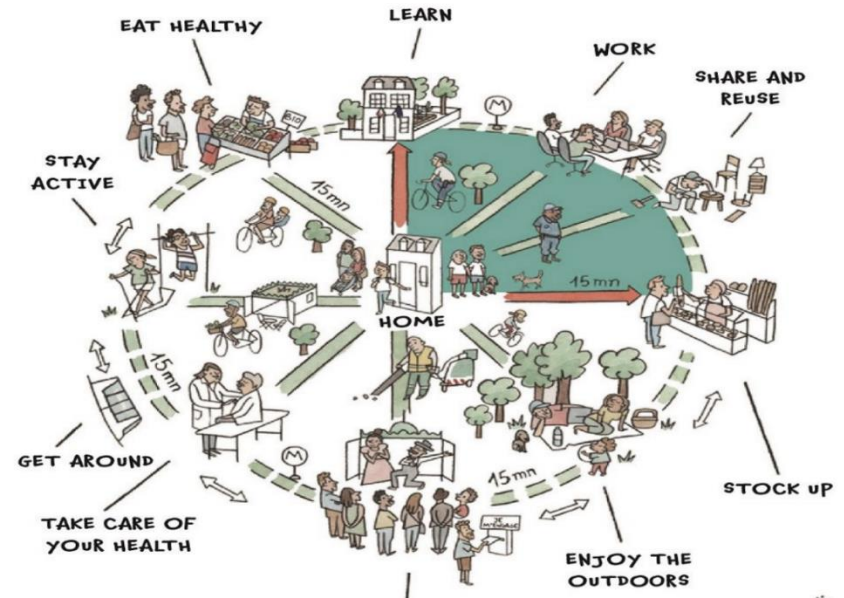
The 15-Minute City

The Covid-19 pandemic has impacted the nation's health, lifestyles, and real estate development patterns in a variety of ways. It has changed how our expectations for residential, retail, office, and other real estate. And its ultimate impacts are still unknown.

While Covid has negatively impacted some types of real estate—for example, corporate office buildings—it seems to be strengthening people's interest in neighborhood centers and neighborhood-scale commercial space in general. Equally importantly, the popularity of complete communities has been embraced by real estate industry groups who are interested in building these concepts. Therefore, there may be development tailwinds supporting Olympia's centers in the coming decade.

The 15-Minute City. The 15-Minute City is an urban planning concept that has been popularized by civic leaders both within and beyond the United States and has attracted significant attention during the past two years, when the geography of many people's daily movements shrank and refocused on their immediate surrounding neighborhood. According to the National Association of Realtors, "Whether the goal is focused on increasing a mix of uses and amenities citywide or in key neighborhoods, the 15-minute concept emphasizes meeting all needs on foot, via bicycle or by using public transit." The 15-Minute City concept tends to be more focused on the neighborhood as a function of time rather than distance, however, it is reasonable to assume that residents who live within a $\frac{3}{4}$ mile "walk shed" of a mile of proposed center could walk there in 15 minutes; the "bike shed" is larger.

Sustainable Thurston. One goal of this plan is to create vibrant centers, corridors and neighborhoods while accommodating growth. One target is that, by 2035, 72% of all households should be within a half-mile (comparable to a 20-minute walk)



of an urban center, corridor, or neighborhood center with access to goods and services to meet some of their daily needs.

Urban Land Institute (ULI). According to the ULI's report *Emerging Trends in Real Estate 2022*, "People want that 15-minute lifestyle if they can get it. They want walkable, amenitized, real places that allow them to live fuller lives without having to get into a car and transition from one segment of their life to another." *Emerging Trends* is a key annual report that is read widely by real estate developers and based on both quantitative research and interviews.

Desirable mixed-use neighborhoods can also be seen as an economic development tool. As people and their jobs become more mobile, workers have more flexibility to move to the places they want to spend time, even if their jobs are elsewhere.

Image credit: Concept by Carlos Moreno; Drawing by Micael.

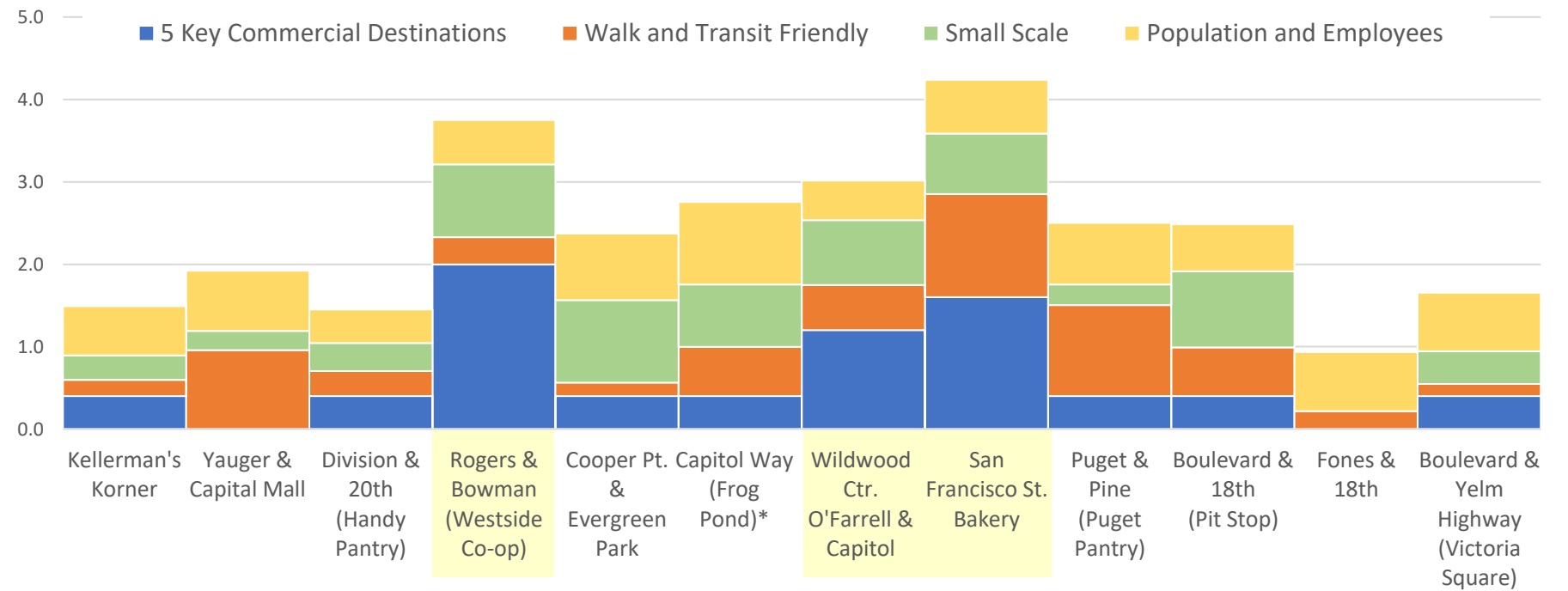
Neighborhood Centers: Assessing Current Success

Neighborhood Centers: Current Success

The chart below summarizes LCG’s analysis of the 12 centers via the four key elements or criteria described above (key commercial destinations, walk and transit friendly, small scale, and population and employees (“located in complete neighborhoods”). This represents LCG’s combined or summary metric reflecting our assessment of the success of each center.

Each of the criteria is analyzed in more detail in the following pages. Centers are arranged from west (left) to east (right). The three centers that were mentioned during interviews as the most successful are highlighted: Rogers and Bowman (Westside Co-op), Wildwood Center, and San Francisco St. Bakery. This anecdotal feedback aligns with LCG’s analysis.

The presence (or absence) of the five key commercial destinations and the walk- and transit-friendliness of the neighborhoods appear to have the most variability and greatest impact on people’s perception of center success. Part of the purpose of this analysis is to see how perceptions align with the quantifiable qualities so that the city can focus on supporting the changes that improve people’s experience the most. Note that this combined metric (from 0 to 5) naturally involves assigning different weights to different inputs. For example, the number of commercial destinations cannot be directly compared to the pedestrian friendliness of the surrounding neighborhoods without making adjustments to the raw data. Therefore, raw data is covered in the following pages and shown in the appendices.



Presence of Five Key Commercial Destinations

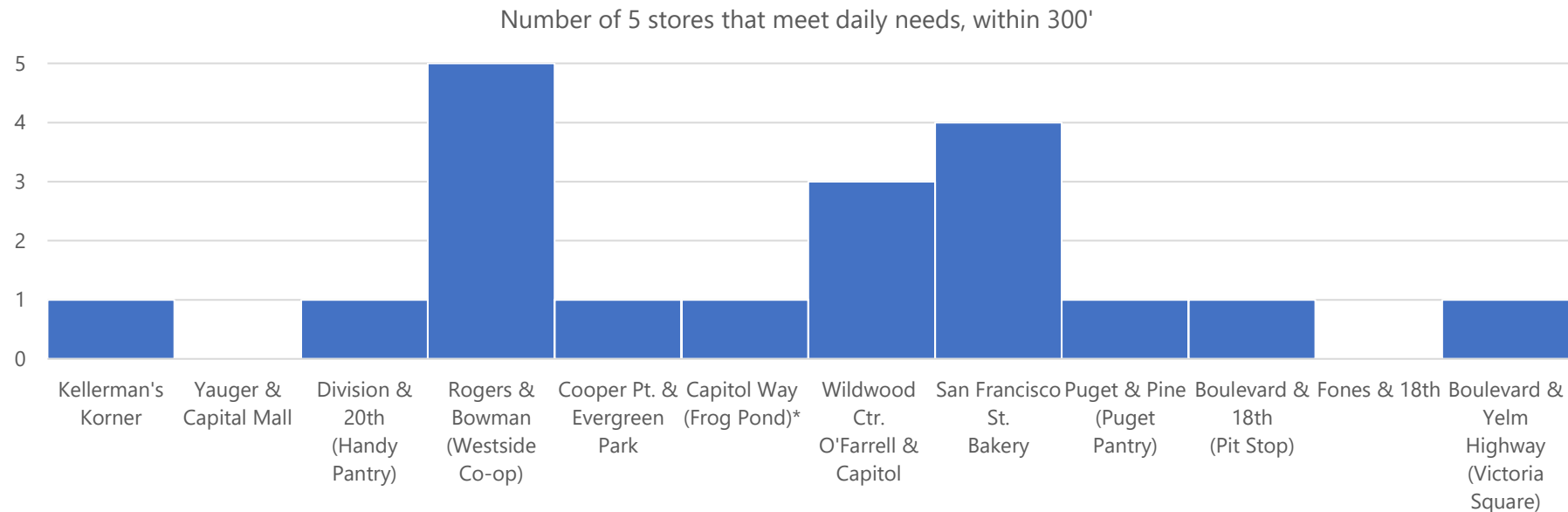
The chart below shows how many of the five most-desirable businesses are in the center core (i.e., within 300' of the center intersection).

The five most desirable businesses, based on the City's 2014 surveys are Bakery, Coffee Shop, Restaurant, Food Store (e.g., corner store or convenience store), and Grocery Store.

Centers vary significantly in this regard: some centers have four or five of these businesses, while others have one or none.

Several of the most popular businesses count simultaneously as multiple business types. For example, we counted the San Francisco St. Bakery as a coffee shop, bakery, and restaurant; the Olympia Food Co-Op - food store, grocery, and bakery (it provides baked goods), and the neighboring BITS Café as a restaurant and coffee shop. The Wildwood Center includes a restaurant, coffee shop, and food store.

LCG's assessment is that the presence of these businesses—which are often small and locally owned—have a significant impact on people's perception of the quality of a center.



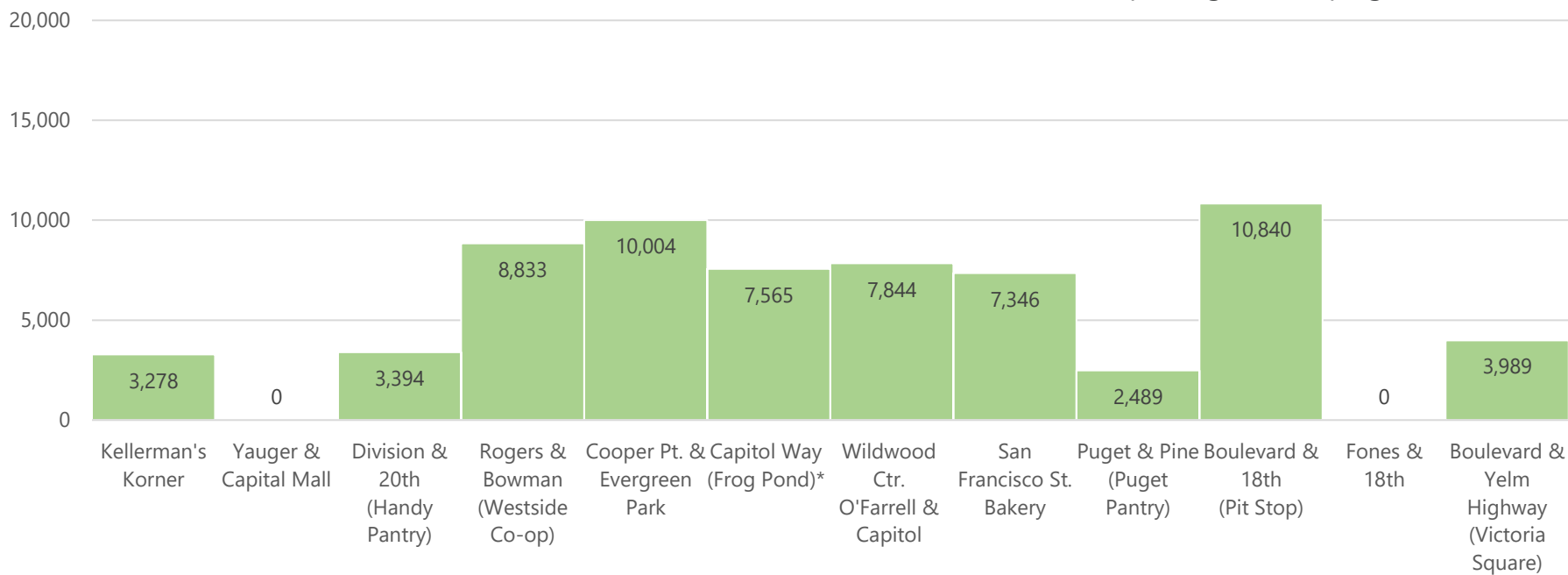
Existing Square Feet of Commercial Space

The chart below shows the size (square feet of gross building area or floor area) of commercial buildings that have at least 25% of their floor area within 300 feet of each center. (Commercial buildings are defined here as having primarily a retail or general commercial nature; i.e., offices, healthcare, etc., are not shown below.)

It is striking that there is a relatively small amount of commercial space in close proximity to each center—in no case more than 11,000 square feet. From the point of view of the traditional commercial development industry, this is a very small amount of commercial space—most grocery- and/or

pharmacy-anchored retail centers have 70,000 to 100,000 square feet of space.

This shows that creating a sense of place and community does not require more than 10,000 square feet of commercial space—even this small amount of space does not meet all of people’s daily needs. For example, the San Francisco St. Bakery cannot provide people with the same types of goods and services that could be found at a grocery or pharmacy—but it apparently does meet peoples’ expectations for what a neighborhood center should be. 10,000 square feet of commercial floor area requires less than 1 acre of site area to accommodate the store, parking, landscaping, etc.



The Wildwood Center

An example of success on a small scale is shown below. The Wildwood Center includes about 8,000 square feet of building area, and five tenants. Four of the five are among the most-desirable business types. The center includes two restaurants (Vic's Pizzeria and The Lucky Lunchbox), coffee shop (Olympia Coffee Roasting), and a small food store (Spud's Produce Market). The fifth tenant is Andy's Cleaning & Repair, which is temporarily closed. The center does not include a bakery or larger grocery store.



Walk Shed / Pedestrian Connectivity

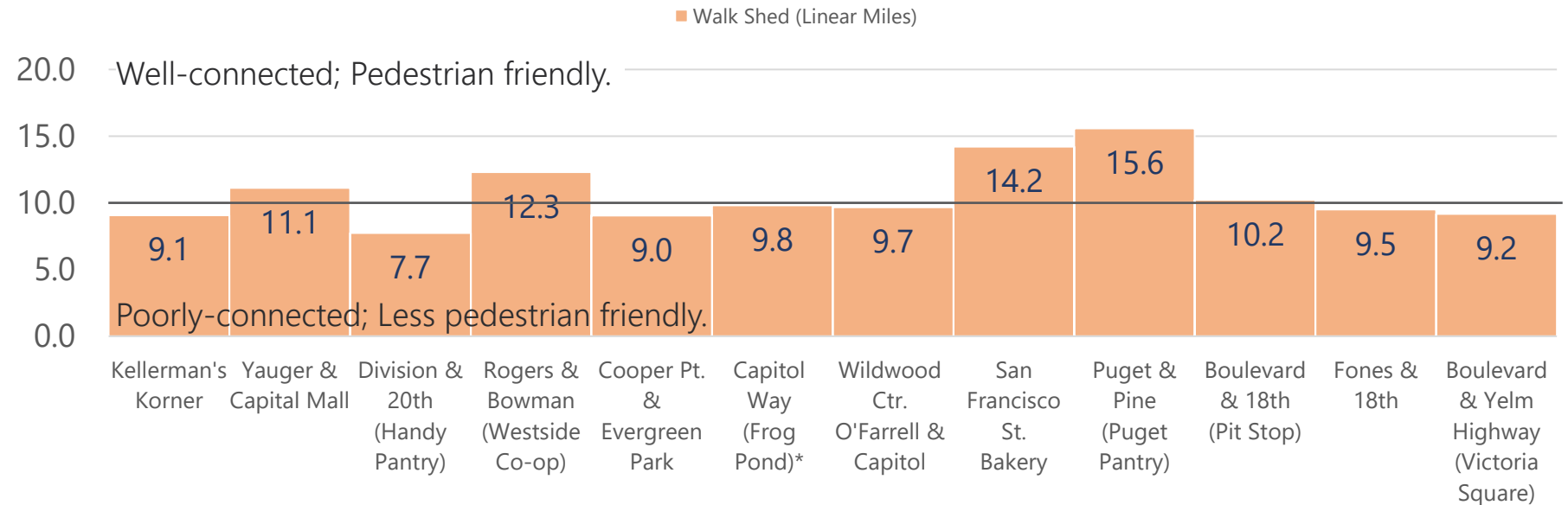
The chart below shows the “walk shed” of each center: the miles of roads that are within a 15-minute walk, assuming a walking speed of 2.5 miles per hour. This is one of the key ways that LCG measures the city’s goal for centers to be “walk and transit friendly.” It is an imperfect measure, since it does not capture the extent of sidewalks on these roads. A map showing the walk- and bike-shed for all centers is on the following page. The chart shows that some of the most popular centers—such as Rogers and Bowman and the San Francisco St. Bakery—have the largest walk sheds and can be considered to be the “best connected.”

However, the Puget and Pine center, which only has one commercial establishment, is the best connected.

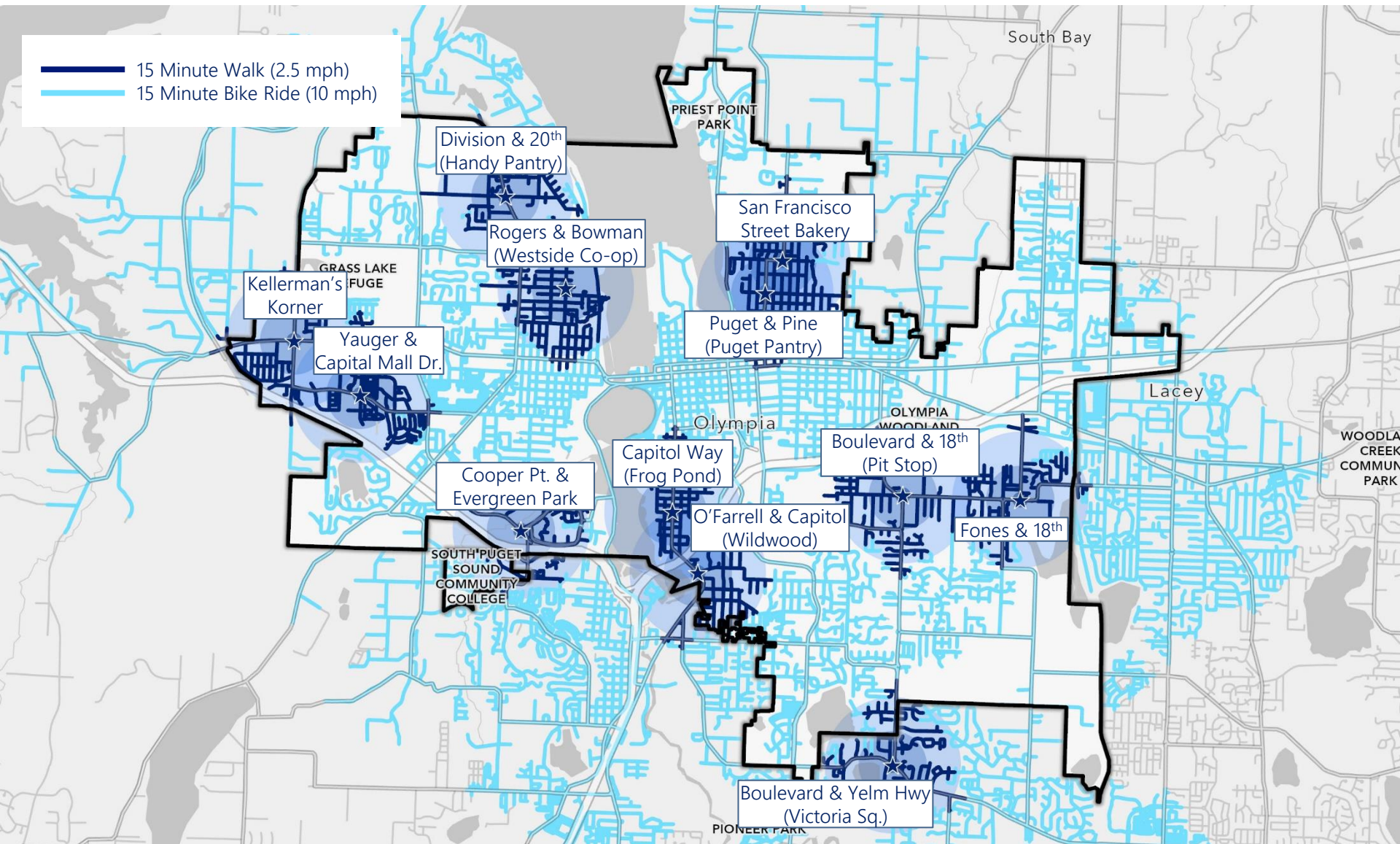
This center, like the two mentioned above, are older, historic neighborhoods, which tend to have a high density of local streets, sidewalks, and intersections. These are good locations for pedestrian-friendly commercial space and other destinations to be located.

Wildwood Center is not well connected, which is one of many indicators that pedestrian connectivity is not a precondition for commercial success.

Most of the centers located on the western- and eastern sides of the city, within neighborhoods that developed primarily during the second half of the 20th century, are not as well connected, with less than 10 miles of streets within a 15-minute walk.



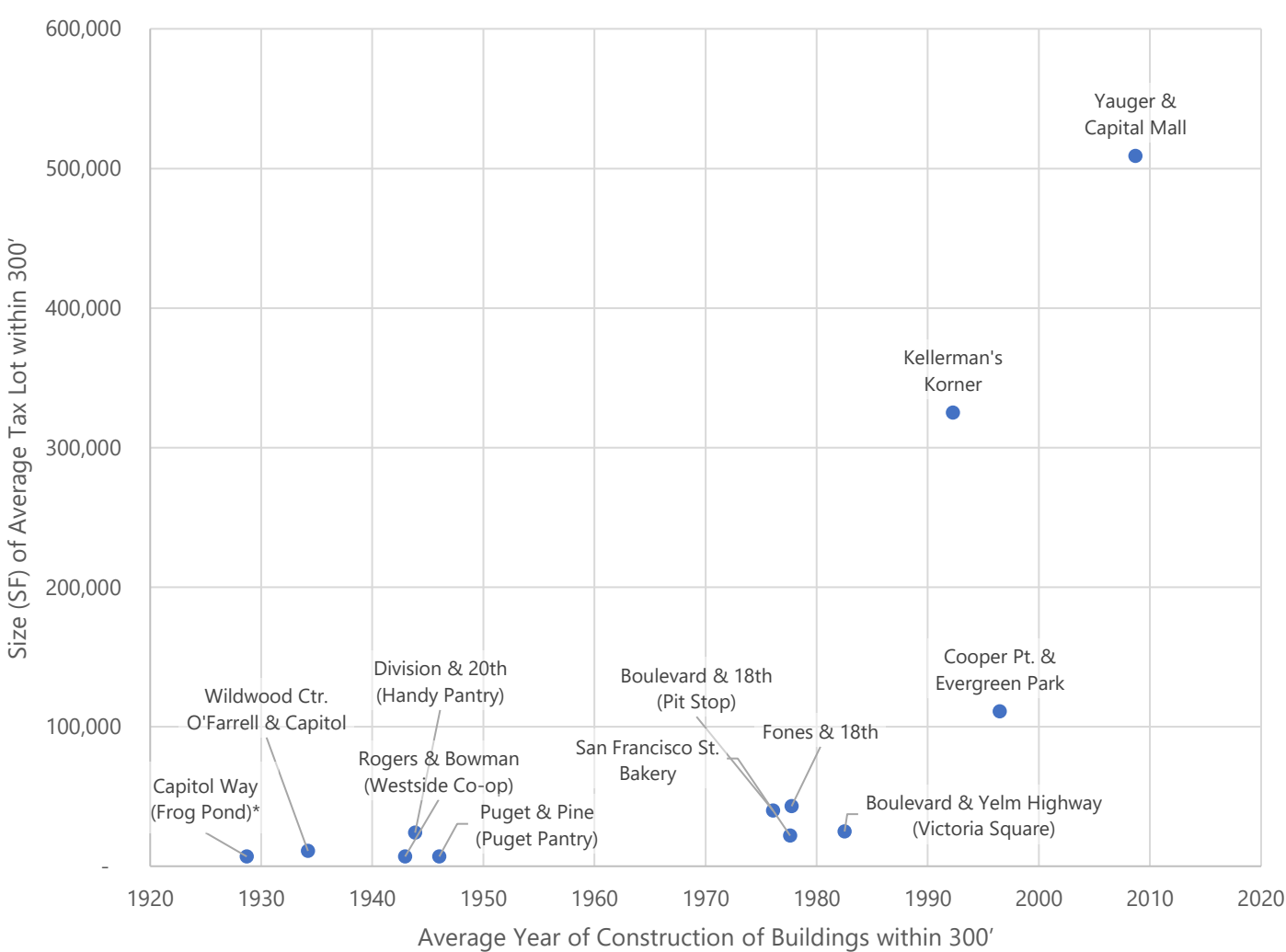
Walk and Bike Shed Areas



Construction Era and Parcel Size

The chart at right compares the average year of building construction in centers to the size (square feet) of the average parcel; both metrics are for buildings and parcels that are at least partially within 300 feet of each center.

This chart shows that centers with older buildings (which also tend to have older street networks) also have smaller lot sizes. Frog Pond, the center with the oldest buildings (1929) has some of the smallest properties (7,000 square feet on average). By contrast, the Yauger and Capital center averages buildings built in 2009 and 509,000 square foot lot sizes (about 11.7 acres). Newer, larger properties tend to feature fewer local streets and other connections for pedestrians and bicyclists; they tend to be less well connected.



Traffic Volumes

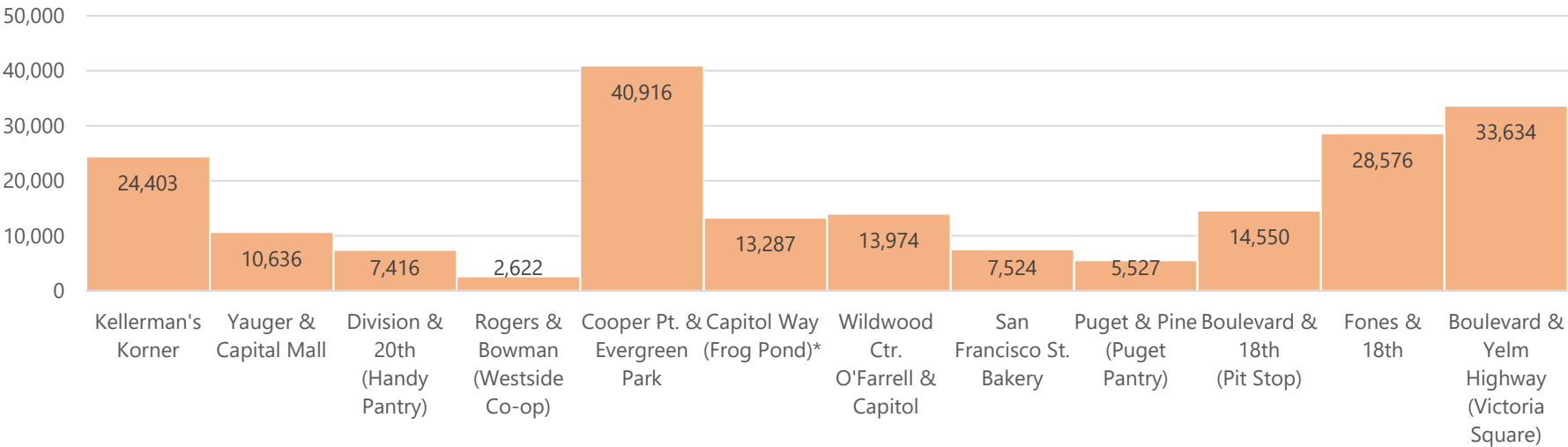
The chart below shows the number of auto trips or average daily traffic (ADT) along the two primary roadways at the center’s key intersection. These traffic volumes, along with other attributes in the public right of way—such as traffic speed, width of sidewalks, number of auto lanes, and presence of street trees—have significant impacts on how walk and transit friendly centers are.

Traffic volumes have both positive and negative impacts on the viability of commercial space. Regional and national commercial tenants and developers prize accessibility and visibility, which are closely correlated with traffic volumes. People shop the stores that they can see and pass on a daily or weekly basis. Therefore, LCG’s assessment is that traffic volumes of 7,000 to 10,000 are probably ideal for neighborhood centers, even though many regional or national

tenants would prefer ADT of 20,000 or higher.

However, high traffic volumes, especially high-speed traffic, is not conducive to small-scale, pedestrian-friendly commercial space that fosters community interaction. Most intersections that carry more than 20,000 trips per day are not places where pedestrians can comfortably linger on or near sidewalks; they are noisy places where commercial space is set back from the street rather than located on the sidewalk, and. For example, the 40,000 cars at Cooper Pt. and Evergreen Park Drive might be desirable for large-scale chain stores set behind an acre of more of parking but will be a difficult setting for a collection of small local stores located near the street.

For these reasons, LCG’s current center success analysis uses 10,000 as the ideal ADT for a center; centers with significantly higher or lower traffic volumes receive lower scores.



Traffic Volumes

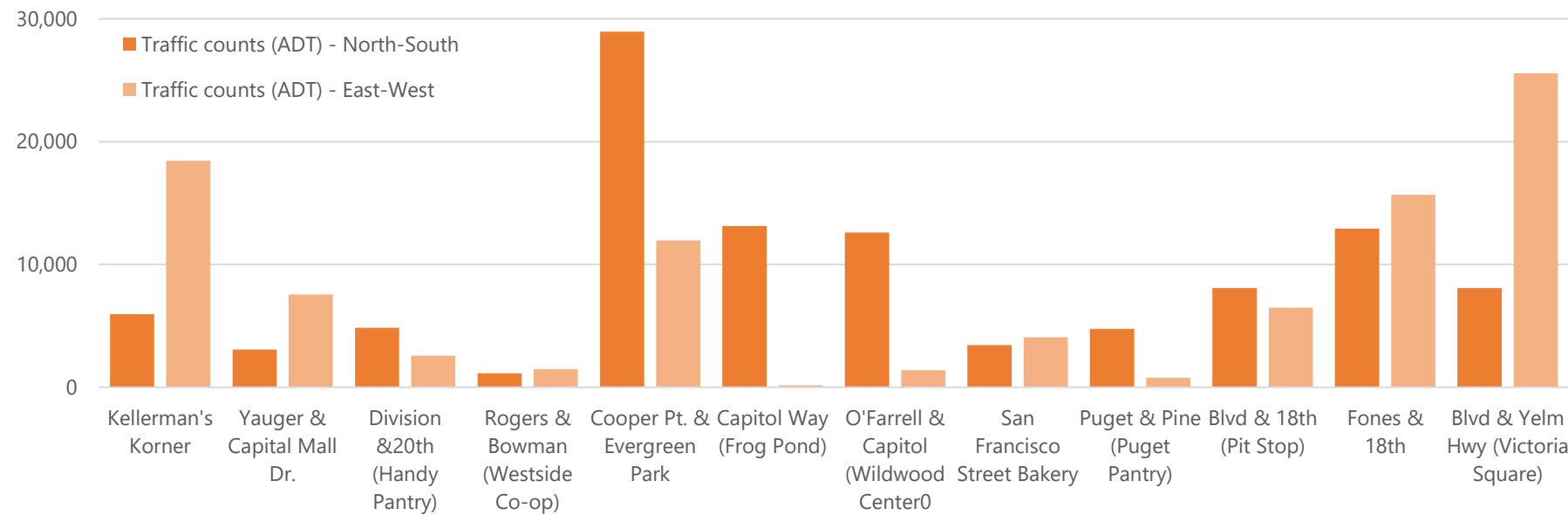
In the chart below, traffic volumes on the primary north-south street are shown separately from the primary east-west street.

In LCG’s experience, one promising formula for a successful center or main street—particularly in areas that developed in the second half of the 20th century and suburban areas—is to locate “main street commercial” at the intersection of a volume arterial street and a lower-volume local street. The high-volume arterial guarantees high levels of accessibility and visibility; many shoppers pass by and will be familiar with the center. The lower-volume local street is a slower and quieter place where pedestrians feel more comfortable, where storefronts can open directly onto wider sidewalks, where there is often on-street parking, and where streets sometimes

feature commercial stores on both sides of the street.

One example of this shown below is the Wildwood Center. Capitol Boulevard is a reasonably high-volume roadway, carrying about 12,600 trips per day. By contrast, O’Farrell Avenue is a much lower volume street, with about 1,300 trips per day.

Kellerman’s Korner and Boulevard and Yelm also feature this dynamic, to some degree. This approach suggests that Kaiser Road at Kellerman’s Korner could be a good main street. However, on-site investigations must be conducted to test whether this approach is possible. Low-volume roadways where traffic moves at high speeds, there is no on-street parking, and sidewalks are narrow are not necessary



Speed Limit

The chart below shows the posted speed limit at each of the centers. There is relatively little variability in terms of speed limits at the centers—posted speeds vary from 25 to 35 miles per hour. LCG views speed limits as a component of walk and transit friendly centers.

Centers with slower speed limits (e.g., below 25 or 20 mph) will tend to be more pedestrian friendly, safe, and comfortable places for people to shop and interact with community members. Traffic accidents that take place in low-speed environments tend to result in fewer severe injuries and deaths. (See *Impact Speed and a Pedestrian's Risk of Severe Injury or Death*, 2011, American Automobile Association.)

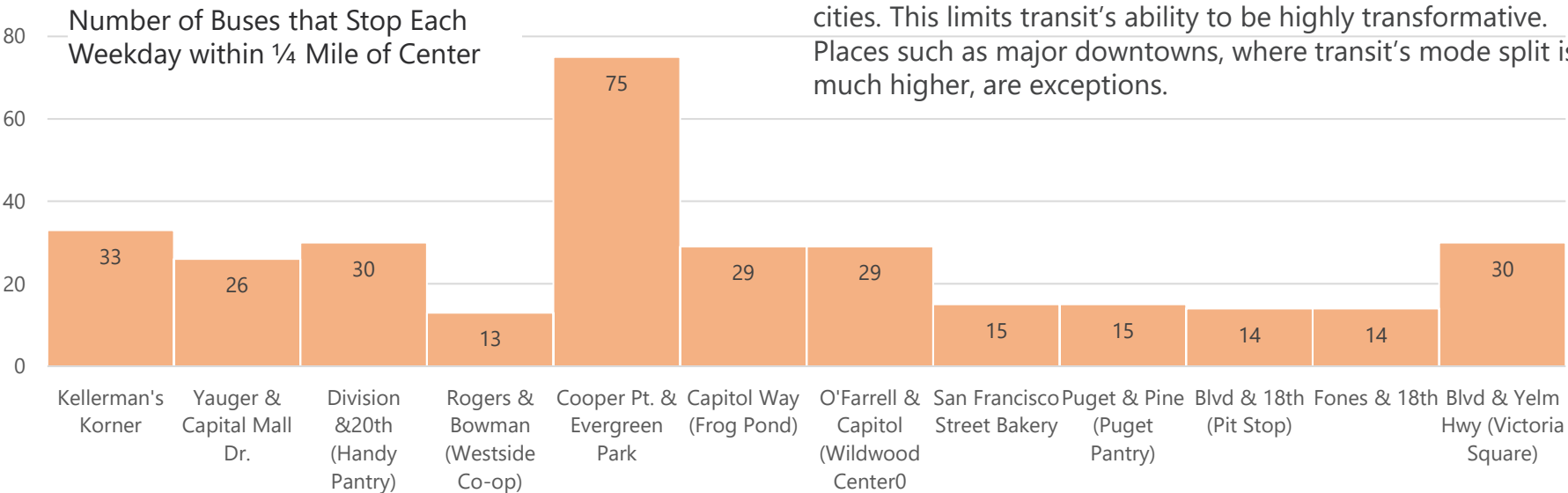
The centers with higher-speed roadways are on the far west and far eastern sides of the city, often where traffic volumes are also high. Developers will struggle to build pedestrian friendly commercial (or residential) projects in these locations. On the one hand, standard development formats in such locations usually place commercial space back from the main roads by 100 feet or more, behind parking lots. However, this is not allowed in Olympia, where design and pedestrian street standards require that buildings be placed toward the street with parking in back. Some developers will build under these standards, but may create unpleasant spaces along fast-moving, high traffic roadways. Other, more traditional developers may avoid building under these standards.



Transit Service

The chart below shows the number of buses that stop each weekday within ¼ mile of each center. This measure of transit service does not seem to be correlated with centers quality—in fact, it seems negatively correlated. Some of the centers that are not recognized as successful and have few or no key commercial services (e.g., Cooper Point, Kellerman’s Korner, Yauger & Capital Mall) have more bus stops, and some of the most successful centers (e.g., Rogers & Bowman, San Francisco Street Bakery) have few bus stops.

We are not suggesting that transit service has a negative impact on the development of centers, but rather that other factors are probably at play. For example, more bus lines seem to run on major arterials, and some of the less successful centers are also located on arterials.



For example, Cooper Point Road and Evergreen Park Drive are both large roadways with high traffic volumes and bus service. The number of buses in each center is not the only way to measure transit quality. Other metrics include the amount of jobs or services accessible within a 30-minute transit ride, or the length of time to reach Downtown via transit (a major destination for riders).

LCG believes that, in general, transit service is positive for centers, and particularly for encouraging compact, pedestrian-friendly environments, but that transit’s positive impact will be modest in most cases, and can be offset by high-volume, high-speed roads. In 2018, Intercity Transit estimated that [6.8% of trips take place via transit](#) in Urban Centers and Corridors—significantly lower than the number of trips completed on foot or via car. The pandemic has reduced transit ridership in most cities. This limits transit’s ability to be highly transformative. Places such as major downtowns, where transit’s mode split is much higher, are exceptions.

Population and Employees

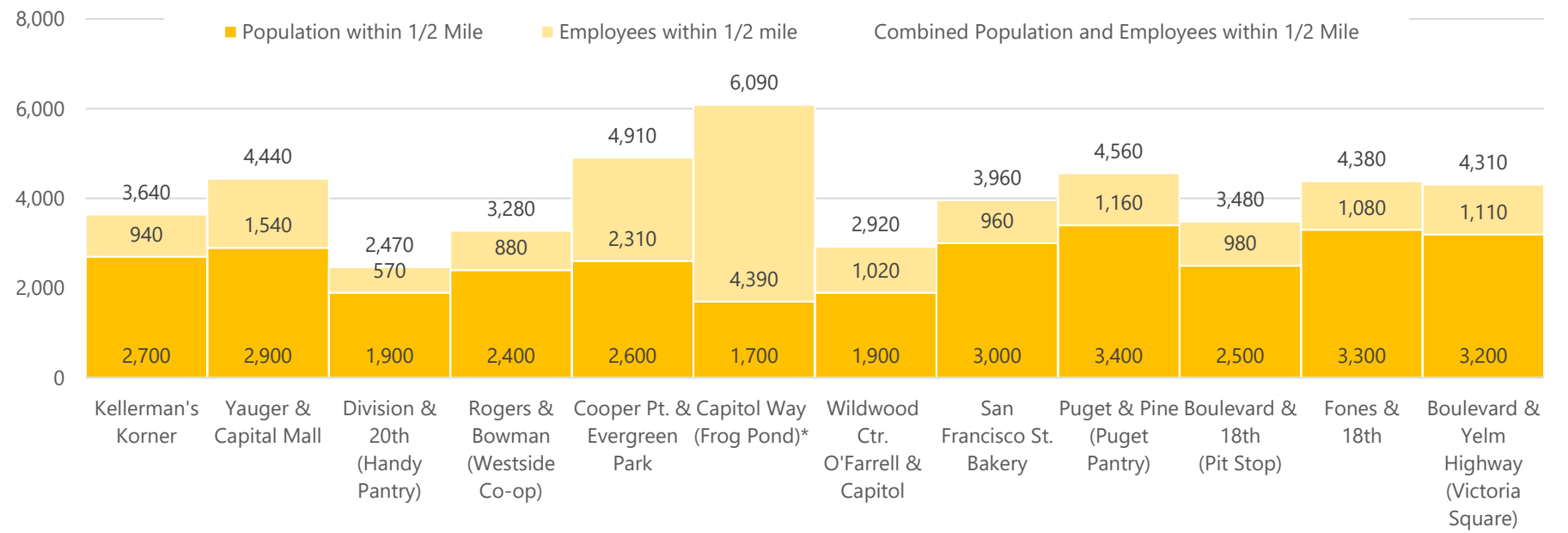
The city’s vision for centers infers that they should be accessible to a relatively large number of residents. Employees, while not mentioned in the city’s vision, are also part of neighborhoods and can be another significant source of support for establishments based in centers.

The chart below shows the number of residents and employees located within a ½ mile (primary market area) of each center.

Somewhat surprisingly, it is not obvious that a higher number of either residents or employees within ½ mile leads to a more successful center. For example, Cooper Point and Evergreen Park is the center with the second-most people within its

market area (4,910). However, LCG’s interviews do not indicate Olympia residents see this as a successful center. Frog Pond has the most people in its market area but only has one commercial establishment. The Wildwood Center has among the smallest number of people in its market-area, but is one of the more successful centers.

The reasons for this lack of correlation between market-area residents and employees, and center success is likely that other factors such as era of neighborhood development, pedestrian connectivity, and traffic volumes are more important determinants of success. Also, as shown on subsequent pages, many patrons of centers come from beyond the ½ area.



Households

The chart below shows the number of households within a 1/2 mile of each center.

The number of households varies less than one might expect between centers, from a low of about 800 to a high of 1,600. Also surprisingly, some of the centers located in older and more central parts of the city, such as Frog Pond and Wildwood, have smaller market-area populations than those at the city's far west and east.

As mentioned above, although some analyses of neighborhood centers focus on the relationship between households or population and the amount or quality of commercial services, the relationship between these metrics is not clear, at least in Olympia.

It is not clear that implementation approaches that emphasize the addition of new housing in order to generate new commercial space in centers will be successful. Additional housing certainly cannot be negative for the expansion of centers, but its positive impact is probably weaker than one would expect.

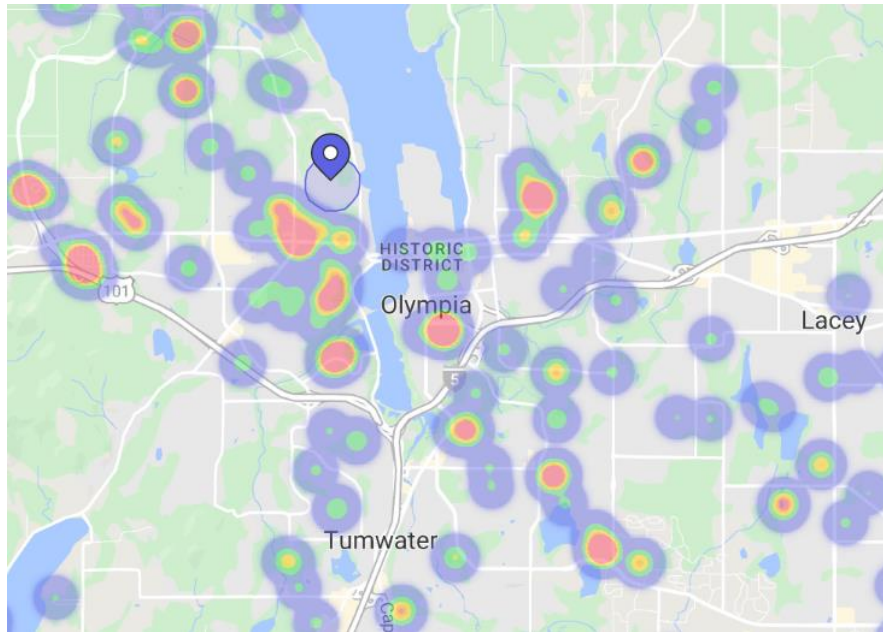


Where Centers Shoppers Live

Using mobile-phone location provided by Placer.ai, LCG evaluated the residential locations of shoppers going to the Rogers and Bowman (Westside Co-op) center, shown below.

This indicates a very significant discrepancy between the concept that most patronage for businesses such as the co-op will come from residents or employees who work close by, and the reality, shown below, that shoppers come from throughout

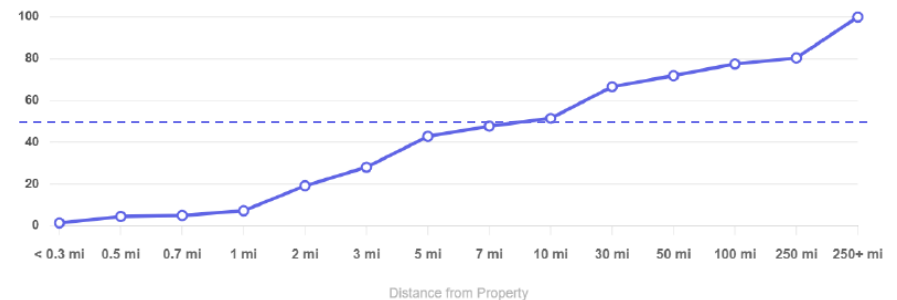
Home Locations of Visitors to the Rogers and Bowman (Westside Co-op) Center



Olympia, and even far beyond Olympia. Red areas indicate a high concentration of shoppers; yellow, green, and blue indicate lower concentrations; and uncolored areas have no shoppers.

The chart below indicates that more than 50 percent of shoppers come from more than 5 miles away. This seems to underscore the importance of metrics such as traffic volumes as indicators of commercial viability, since more shoppers coming long distances will tend to come via car.

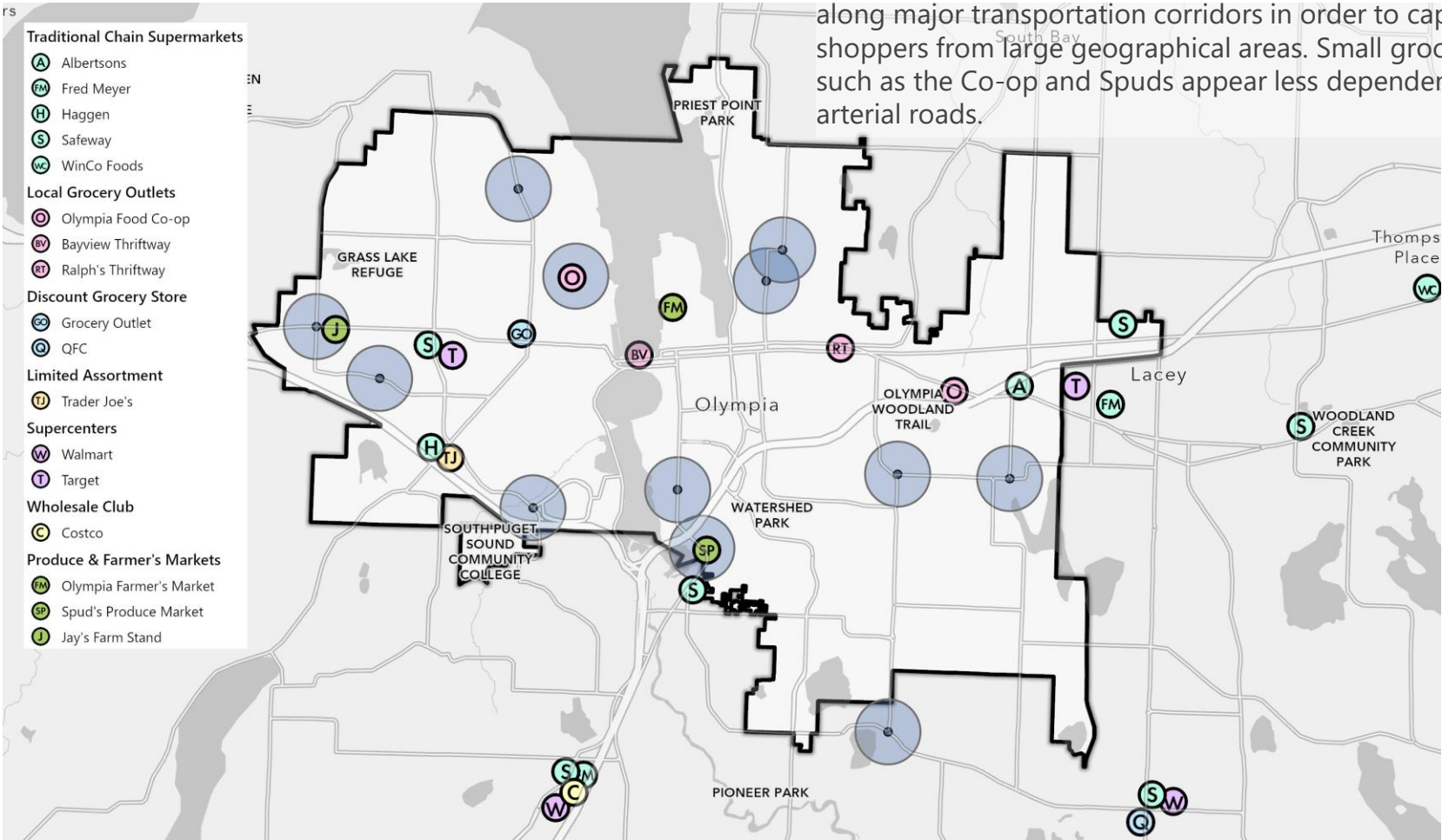
Percent of Visits By Origin Miles from Center



Grocery Store Locations

The map below shows the location of large and small grocery stores located in and near Olympia, along with centers locations (in blue-grey). It is notable that there is no grocery store in Downtown Olympia, despite the considerable amount

of housing development that has taken place downtown in recent decades. This further calls into question the concept that housing development will directly cause the development of grocery stores, and potentially other commercial space. Major grocery chains in particular appear to seek out locations along major transportation corridors in order to capture shoppers from large geographical areas. Small grocery stores such as the Co-op and Spuds appear less dependent on arterial roads.



Walk Score

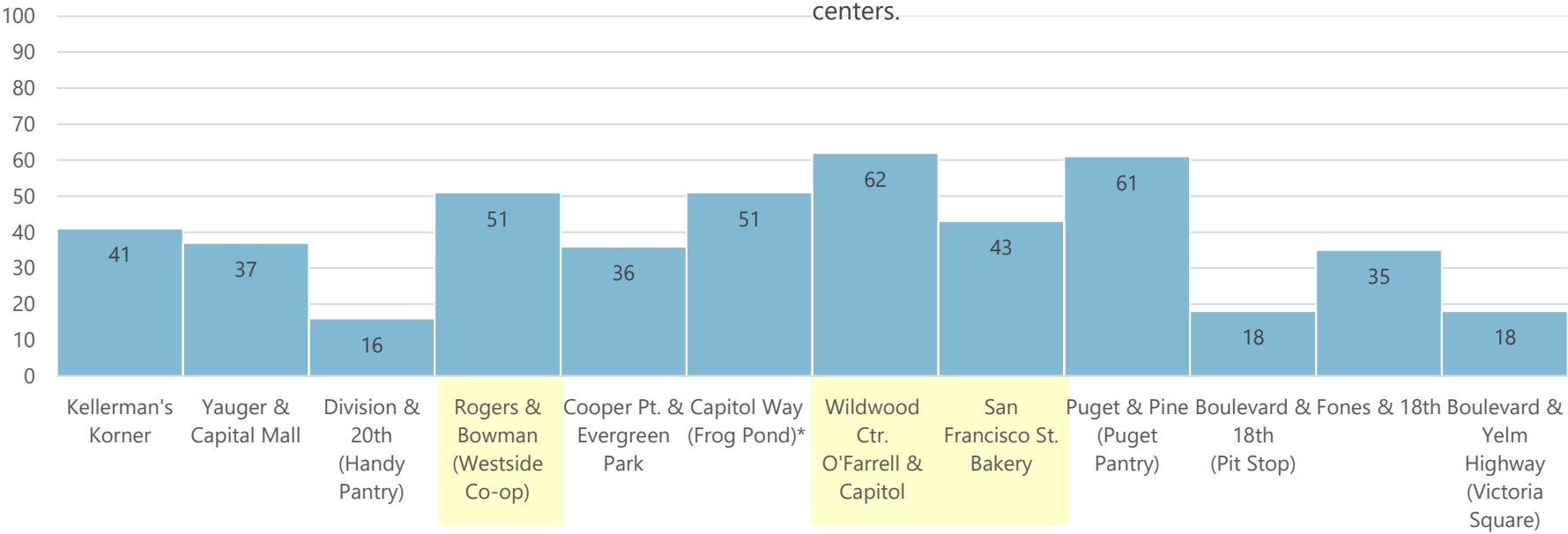
The chart below shows the “Walk Score” for each of the 12 subject centers. Walk Score was founded as an independent organization intended to highlight the pedestrian friendliness of neighborhoods across the country, and to inform home buyers, renters, and others interested in seeking out walkable places. Walk Score combines information about pedestrian connectivity and the number of destinations (commercial goods and services, schools, parks, other) into a single number from 0 (“Car Dependent”) to 100 (“Walker’s Paradise”). Since its founding, Walk Score was acquired by Redfin, a residential real estate web site and service provider.

Walk Score could be a way for Olympia to monitor the success and shortcomings of its various centers going forward, particularly because it is free and easy to use.

There certainly does seem to be some correlation between Walk Score and successful centers.

However, some of the Walk Score data is confusing. For example, scores for the San Francisco St. Bakery and Kellerman’s Korner centers are very similar; and Puget Pantry has a relatively high score. Further, Walk Score is somewhat of a “black box”—it is difficult to see exactly which inputs are leading to high or low scores. Therefore, LCG did not include Walk Score in the centers success combined metric shown at the beginning of this section.

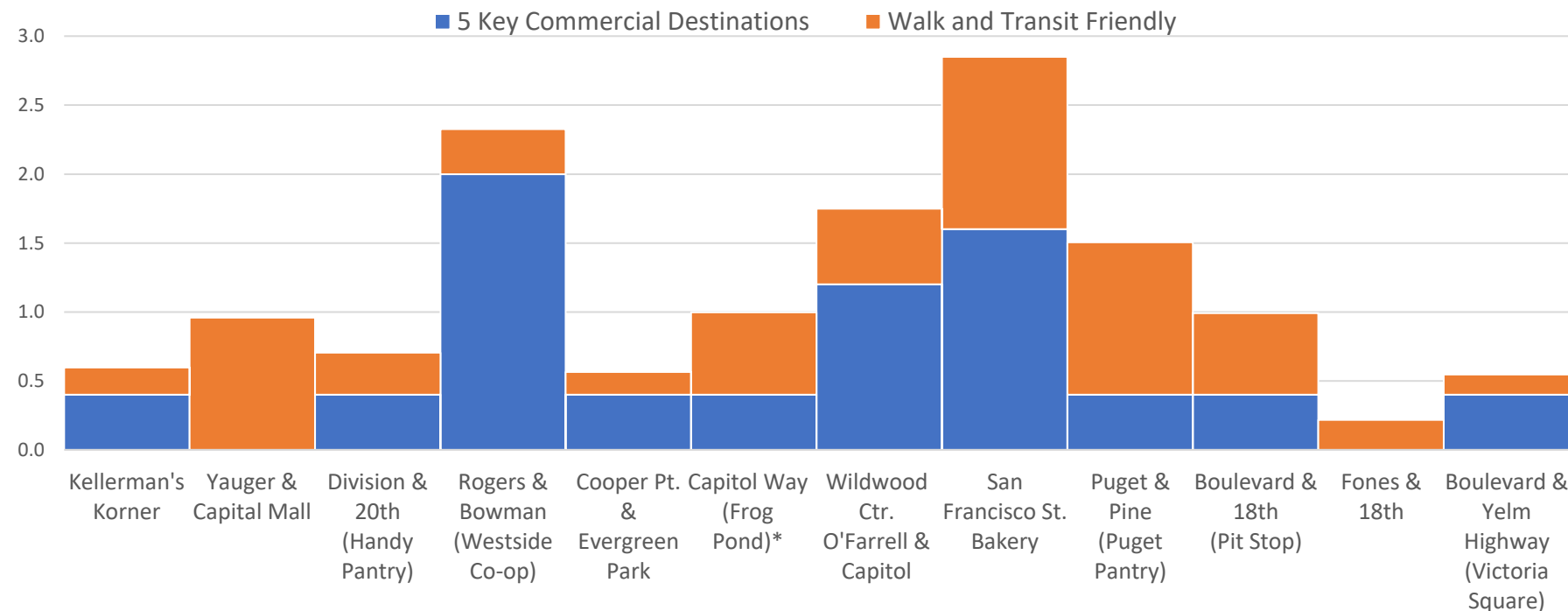
LCG also evaluated other “off the shelf” providers of geographical quality-of-place data, particularly the AARP Livability Index and EPA Smart Location. These may be useful and are certainly extraordinary data resources but seem to draw on data that is not granular enough to accurately reflect the quality of Olympia’s small-scale centers.



Neighborhood Centers: Current Success

The chart below shows two of the four criteria that make up LCG’s combined centers metric, shown at the beginning of this section. This is because LCG believes that these two sets of criteria—the presence of key commercial destinations and the pedestrian and transit friendliness of surrounding neighborhoods—have the biggest impact on people’s perception of whether these centers are currently successful. Looking just at these sets of criteria, highlights the three most popular centers. Puget Pantry scores just below the top three and is highly walk and transit friendly but has only one of the most desirable commercial destinations.

The walk and transit friendly metric is made up of three different inputs, described above: Walk Shed (Linear Miles), Average Daily Traffic, and Speed Limit (mph). It is possible to include other inputs for these or other criteria. For example, we considered including the number of buses arriving/departing from the centers each day and other metrics but focused on these for the sake of simplicity, and potentially replicability in the future.

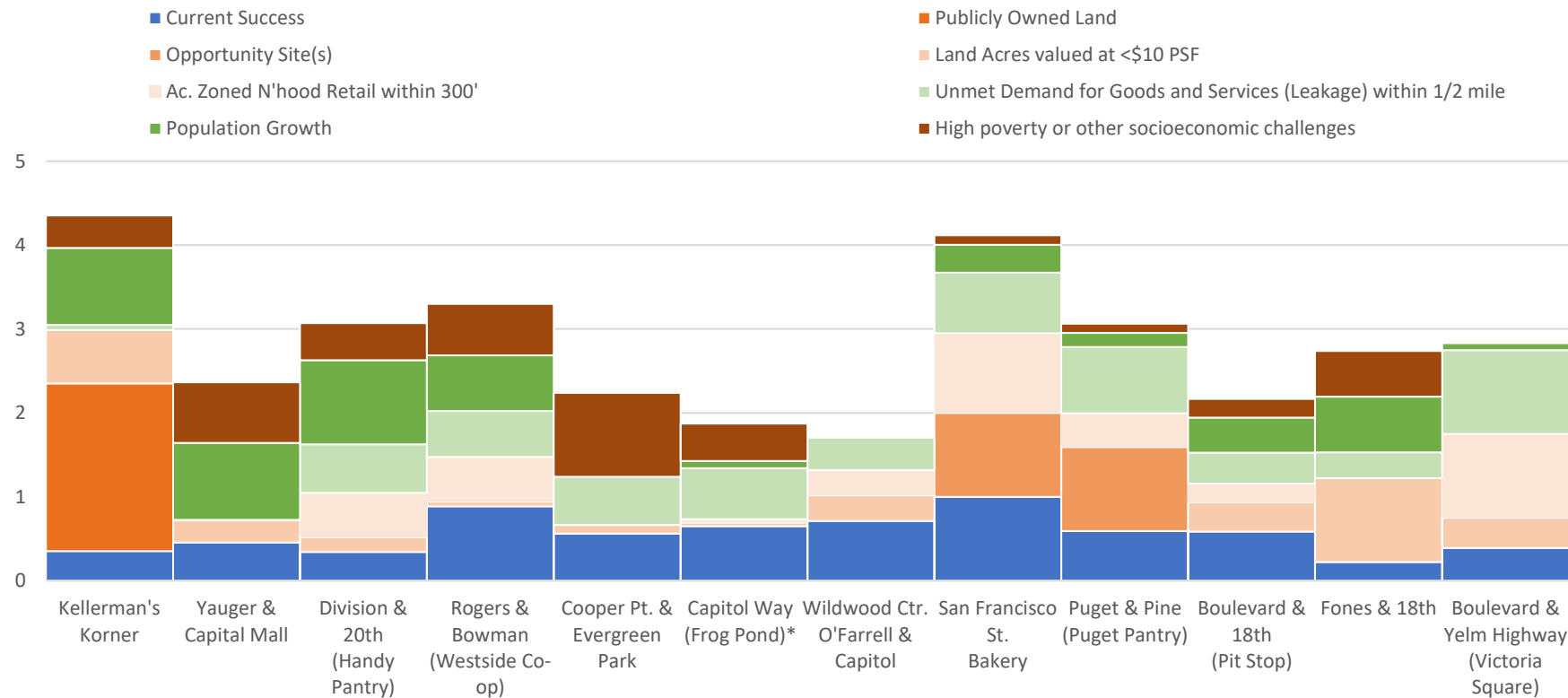


Neighborhood Centers: Forecasting Future Potential and Need

Future Potential Summary

This section evaluates the future potential for the 12 subject centers to make significant progress towards the community’s vision. The chart below shows the results of LCG’s analysis of future potential and shows that some centers appear to have the potential to be more successful centers in the future than they are today. The “future potential summary metric” shown below is a combination of a number of inputs, including the center’s current success (blue); a range of land availability factors (various orange colors); future demand drivers (green);

and the presence of high levels of poverty or other socioeconomic challenges (brown). Each of these indicators of potential future success are discussed in the following pages.



Commercial and Residential Rents

Before addressing each of the factors that informs our view of the centers' future potential, LCG believes it is important to discuss several issues that pertain to all of the centers. The first is financial feasibility—in particular, the relationship between construction costs and Olympia's current commercial and residential rents.

This is an issue that was raised by numerous tenants, developers, and aspiring developers during LCG's stakeholder interviews. Interviewees included small business owners with experience completing renovations and interest in completing small ground-up development, brokers, and experienced developers and architects. We believe that the interviewees are relatively representative of the type of people who might conceivably build the next generation of neighborhood centers.

Rents are one of the first metrics that developers consider when evaluating a new project, along with construction costs. In part because construction costs are escalating very rapidly along with other measures of inflation, and land costs are also escalating, interviewees stated that developers must charge rents of \$25 per square foot (PSF), \$30 PSF, or more on an annual triple net (NNN) basis in order to cover their costs (land, construction, mortgage debt, "soft costs" including taxes, City fees, and professional fees, and other) and generate an adequate return on investment. (Triple net or NNN leases mean that tenants pay the primary operating expenses for their space such as real estate taxes, building insurance, maintenance, and utilities.)

This is more than most small, local Olympia-based companies can pay. Many leases are executed in older buildings at \$13 to \$20 per square foot, with a citywide average of about \$18.50 for "general commercial."

For context, a 1,500 square foot commercial business paying \$30 PSF would pay rent of \$45,000 per year, plus operating expenses.

This means that for most projects, there is a financial gap between what developers believe they must charge, and what tenants are willing to pay, for small, neighborhood-center style projects. There is often little incentive for tenants to pay "above market" rents for newly built space in centers when they can find other space that is significantly less expensive elsewhere.

Apartment rents also come into play for mixed-use projects. In some mixed-use projects, such as those being completed in downtown Olympia, high demand for apartments on upper floors can "pull in" ground floor commercial spaces because apartment rents are high—for example, \$1,800 or more for a 600 SF studio apartment. However, such residential rents have not been proven outside of downtown, allowed development densities are lower, parking requirements are higher, and other regulations are equally or more stringent (e.g., site coverage, setbacks, frontage improvement requirements, etc.).

All of this makes it more difficult for the residential component of mixed-use projects to pull in ground floor commercial space in neighborhood centers.

LCG did not attempt to forecast different commercial or apartment rents at each of the 12 centers, in part because so few leases are signed in these centers; however, we would expect higher lease rates in the centers that are currently successful and/or have higher traffic counts. Therefore, at this stage, we would expect there to be a similar financial gap for new construction projects in all of the centers. This gap can change over time, however, as rents, construction costs, land costs, and mortgage interest rates change and influence developer's financial analysis.

The Zoning and Permitting Process

The second set of issues that was consistently raised by interviewees was regulatory challenges associated with the City's zoning/land use and building permits. Interviewees identified the following specific challenges:

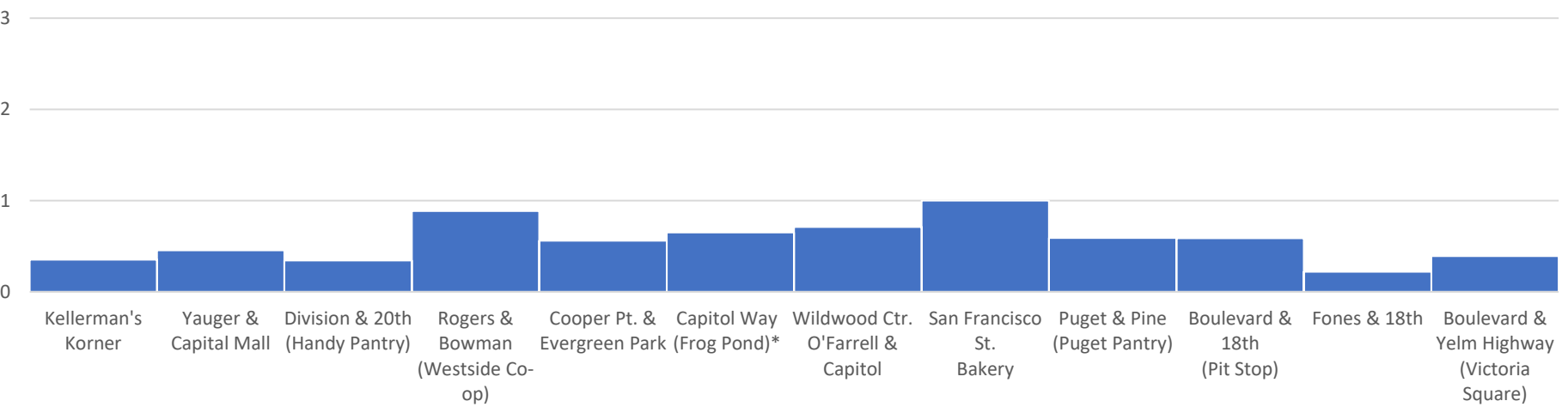
- High parking ratios/requirements require that a large portion of a given site must be used for surface parking. This reduces the amount of small-scale commercial space and housing units that can be built on a given site and encourages parking in front of buildings.
- Building coverage: Maximum building coverage can be 45%, which encourages large parking lots in front of buildings and discourages or prohibits the types of building that were built in commercial districts in the early 20th century. San Francisco Bakery, and similar adaptive reuse projects, would probably not be allowed under current building coverage rules.
- Ground floor use requirements. According to interviewees, commercial space is in some cases required on most or all of the ground floors of mixed-use buildings. This is unrealistic, since often mixed-use buildings feature commercial spaces that are 20 to 40 feet deep at the sidewalk, behind which are hallways, stairways, entry lobbies, storage spaces, bathrooms, and other building core areas.
- Building heights and density. Buildings cannot be more than three stories in many locations. While this is understandable from the point of view of new buildings being compatible with surrounding buildings, it makes the economics of redevelopment more difficult, since fixed land costs can be spread over a smaller amount of new commercial area and/or residential units. Allowing taller buildings would probably result in more development in centers.
- Solid waste/garbage. Interviewees stated that, based on pre application conferences, they would likely be required to have two different dumpsters for commercial and residential solid waste haulers. These dumpsters would each need ingress/egress points for haulers, and haulers might come at different days and times. These requirements eat into the amount of site area that can be used for small-scale commercial and residential development.
- Frontage improvements. New development must build expensive frontage improvements including but not limited to new curbs and sidewalks. These can be expensive and can make centers projects infeasible.
- Multiple agencies review applications, sometimes causing confusion for applicants.
- Time required to revise the zoning code and comprehensive plan. It may take three or more years to revise elements of the each to address the above issues and other issues. This is a significant amount of time for tenants looking for space in 2022. Realistically, they will not wait for the code/comprehensive plan issues to be addressed before occupying a new space.

Current Success

Our assessment of the centers’ potential for future success begins with their current success.

Centers that already have popular businesses at their core, are pedestrian and transit-friendly, well-connected, and have other strengths, will tend to attract more interest in the future from shoppers, visitors, potential businesses, and developers—all other factors equal. It is sometimes surprising that stores want to be near other stores—even competitors—but experience indicates that in many cases, commercial businesses cluster together. For example, restaurateurs often seek to be near other restaurants in area known for daytime or nighttime activity. The same is often true for stores that sell clothing or home goods.

Thus, centers such as the San Francisco St. Bakery, Wildwood, and Westside Co-op are the centers well positioned to succeed in the future.



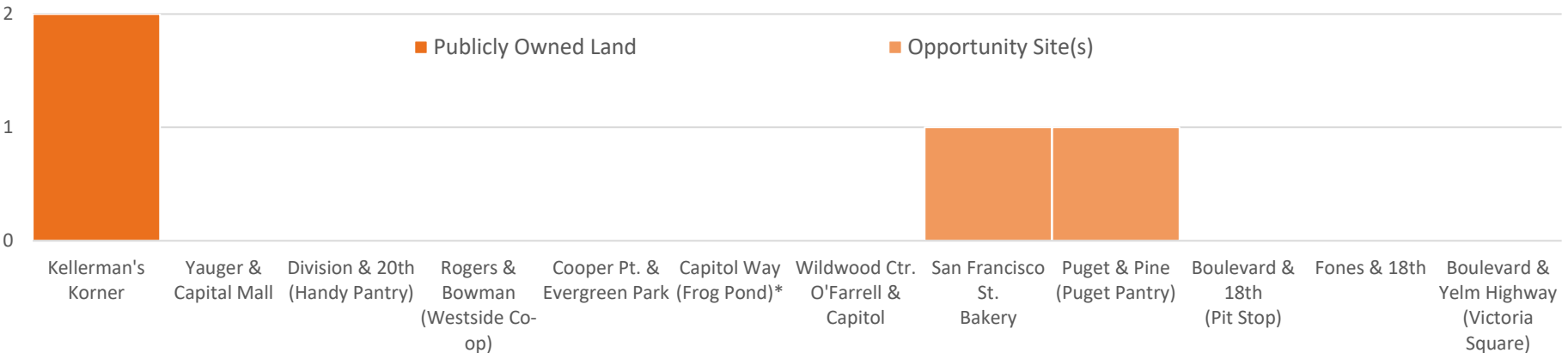
Future Potential Summary

The chart below shows the presence of publicly owned land and privately-owned opportunity sites at select centers.

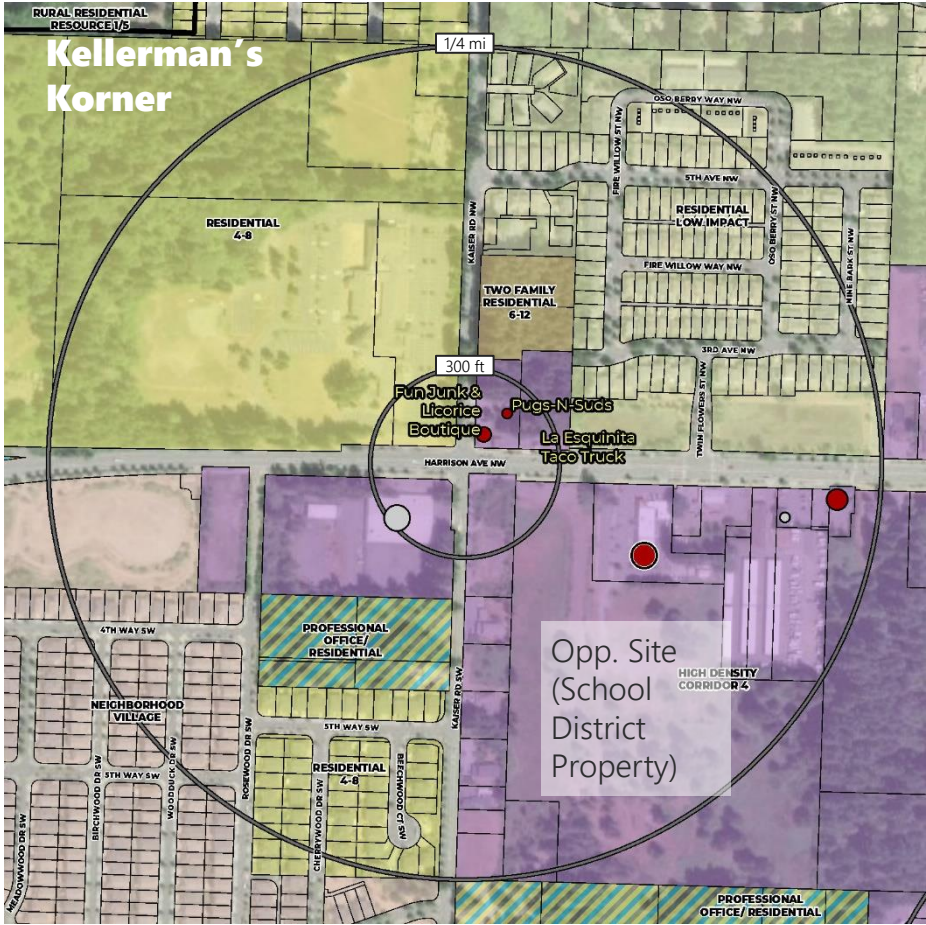
During 2022, it was announced that the Olympia School District had purchased a large site just southeast of the Kellerman’s Korner center. LCG’s understanding is that this property is 20 acres or more in size. While the property’s primary purpose will be to accommodate a new school, there is potential for the City and School District to work together to enable neighborhood-serving, centers-type commercial or mixed-use development near the Mud Bay-Kaiser Road intersection. This represents a significant opportunity. LCG weighted publicly-owned land as being twice as important as the presence of opportunity sites to the future potential of centers.

MAKERS and LCG identified two promising opportunity sites within existing centers. The first is at the San Francisco St. Bakery center and is just east of the bakery, on the northeast corner of San Francisco Ave. and Bethel St. This property, and potentially adjacent properties, is seen as an opportunity site because of its good location within one of the city’s most popular neighborhood centers. However, the site is privately owned and has some environmental issues due to the site’s previous use for auto maintenance. Demolition and environmental clean up will be necessary in order to enable the site to achieve its potential.

The second opportunity site is also about a quarter-acre in size and is located immediately south of the Puget Pantry. Like the first site, its good location within a center make it an opportunity site. The site has no known environmental issues; however, the city’s parking, ingress/egress, solid waste, and other requirements may make development of this small site challenging.



Opportunity Sites



- 2,500 Square Feet or Less
- 2,501 – 5,000 Square Feet
- 5,001 – 10,000 Square Feet
- 10,001 – 50,000 Square Feet
- 50,001 or More Square Feet
- Retail
- Office
- Multifamily
- Industrial
- (Any Color) Built 2020 or Later

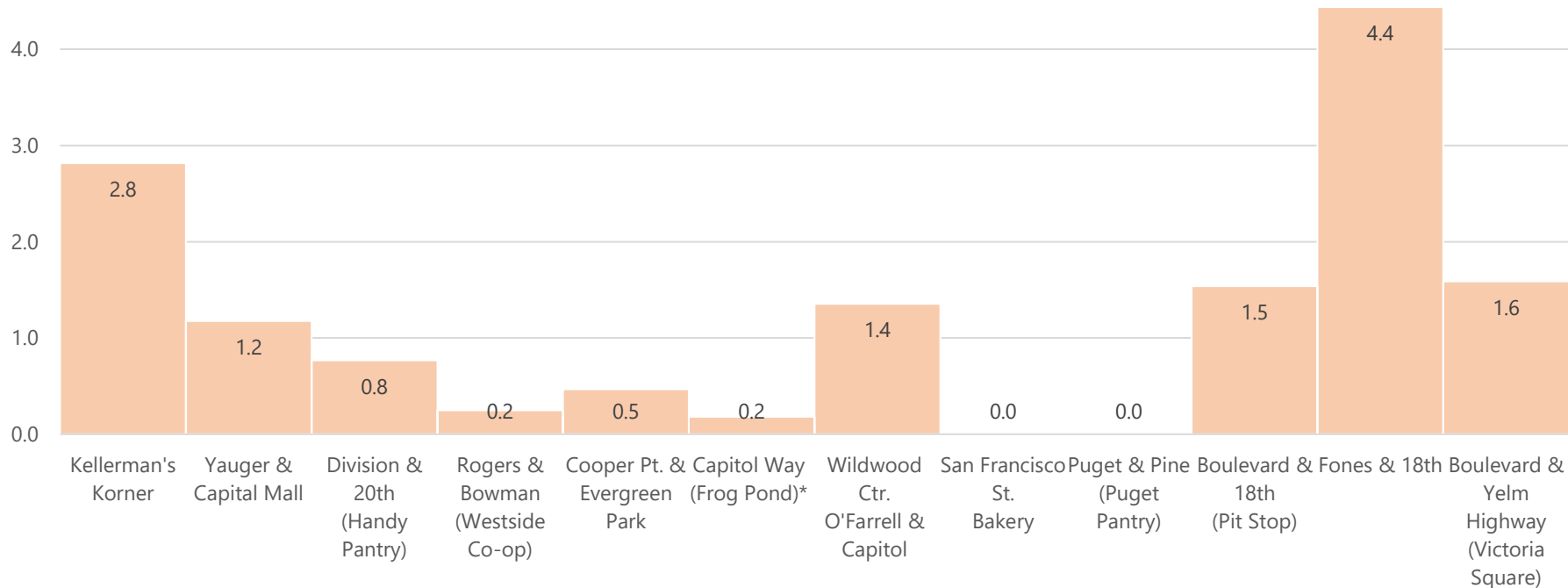
- 2,500 Square Feet or Less
- 2,501 – 5,000 Square Feet
- 5,001 – 10,000 Square Feet
- 10,001 – 50,000 Square Feet
- 50,001 or More Square Feet
- Retail
- Office
- Multifamily
- Industrial
- (Any Color) Built 2020 or Later

Low-Cost Land

The chart below shows the acres of land with a value of less than \$10 per square foot located within 300 feet of each center. LCG considers this to be “low-cost land,” and much of this land is either vacant or effectively vacant (i.e., with a very low value structure such as a shack or old home with significant deferred maintenance.) All other things equal, this represents the land that would be easiest to buy and develop with small-scale commercial uses. This analysis shows that there is very little low-cost land that is available, except for in centers at the city’s western and eastern edges. Many of the centers have less than a half-acre of low-cost land.

This finding is consistent with stakeholder input, which indicated that it is very difficult to find low-cost, available sites for new development within neighborhood centers (or elsewhere, for that matter). The Kellerman’s Korner and Fones and 18th centers have significant stores of lower-cost land.

1 acre of land in one of these center locations would typically enable the development of about 12,000 square feet of commercial space, along with parking and landscaping. This is enough to build a project similar to the Wildwood Center. However, the actual capacity of any given site will vary depending on shape, topography, wetlands, zoning, etc.



Land Zoned *Neighborhood Retail*

The chart below shows the acres of land that are zoned Neighborhood Retail within 300' of each of the centers. The City's zoning designations regulate the land uses (e.g., commercial, housing), use mix, lot coverage, height, parking ratios, and other aspects of what is permitted to be built as-of-right.

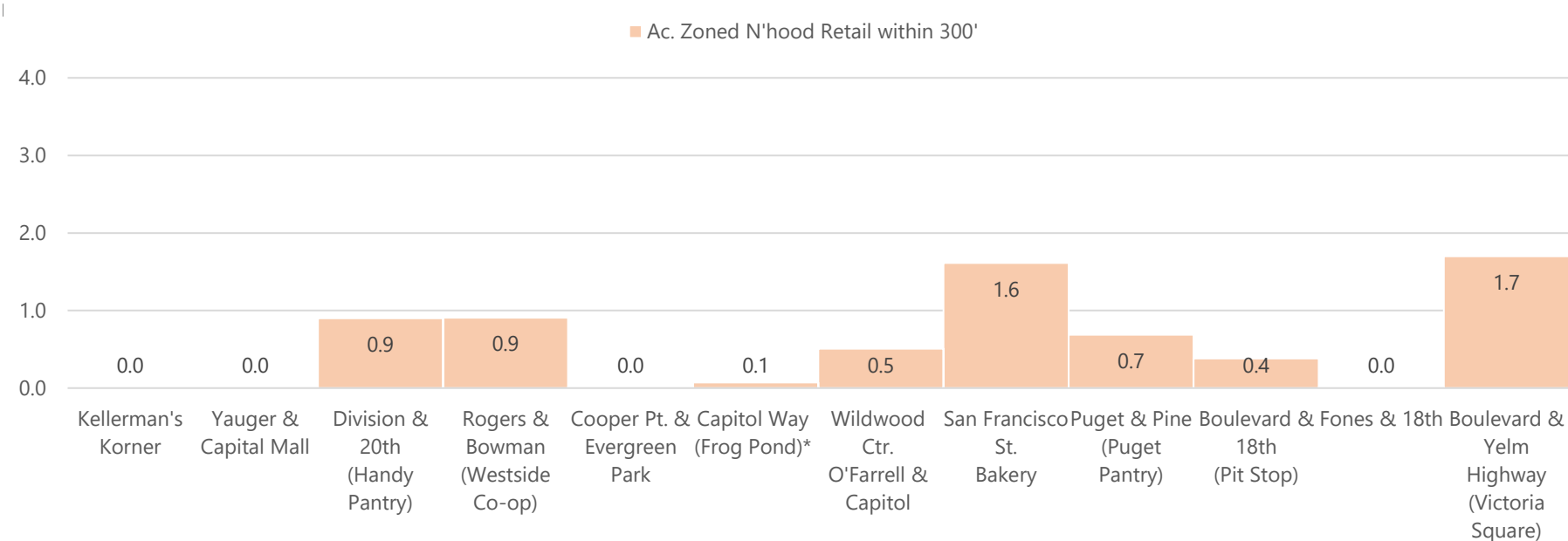
LCG evaluated the presence of Neighborhood Retail land because this appeared to be the best-suited zone for neighborhood center development. However, LCG also found that land within centers falls within 13 different zoning designations, not all of which contribute to neighborhood centers development.

We have not yet reviewed the regulations associated with each of these zones. However, this analysis raises a concern that there is not enough land zoned for the type of development envisioned for

The City should probably increase the amount of land where centers-type development is permitted and/or encouraged.

Even though the market may not support centers-type development in some center locations today, market inputs such as development costs and revenues, tenant (business demand), population density, and more change over years and decades. Typically, because population and jobs continue to flow into Washington, the development feasibility of centers improves over time, as demand and rents go up.

The right zoning must be in place in order to enable the private sector to build centers when the time is right.



Division St. and 20th Ave. (Handy Pantry)

The Handy Pantry center provides an example of how little land is zoned Neighborhood Retail.

Only one property within 300' of the center—and for that matter within ¼ mile of the center—is zoned NR. The other zones are either multifamily or residential.

Thus, it appears that centers-type development can only take place on one property within the center. And the owners of this property may or may not wish to keep their property as-is. This center has little if any capacity for expansion.

Therefore, one implementation action that the City should consider is to expand the number of properties where centers-type development can take place.

This could mean rezoning properties within the center. It could also mean creating some sort of overlay zone that does not change the underlying zone but allows different things to occur in the center than would be permitted in other areas with the same zoning.



Number of Acres by Zone within 300'

There are 13 different zoning categories that apply to land in the neighborhood centers, and thus what can be built at one center is not necessarily the same as at other centers. It is difficult to say what is allowed across all centers.

Some of the most prevalent zones are largely residential in nature, such as Two Family Residential 6 -12 and Residential 4 – 8.

	Kellerman's Korner	Yauger & Capital Mall	Division & 20th (Handy Pantry)	Rogers & Bowman (Westside Co- op)	Cooper Pt. & Evergreen Park	Capitol Way (Frog Pond)*	Wildwood Ctr. O'Farrell & Capitol	San Francisco St. Bakery	Puget & Pine (Puget Pantry)	Boulevard & 18th (Pit Stop)	Fones & 18th	Boulevard & Yelm Highway (Victoria Square)
Number of Acres within 300' by Zone												
Not Parcelized (ROW)	1.95	1.97	1.94	2.15	2.38	2.22	2.05	1.44	1.86	1.86	1.49	2.53
Auto Services	-	-	-	-	1.22	-	-	-	-	-	-	-
General Commercial	-	-	-	-	2.14	-	-	-	-	-	-	-
High Density Corridor 4	3.43	-	-	-	-	-	-	-	-	-	-	-
Historic Commercial	-	-	-	-	-	-	0.24	-	-	-	-	-
Medical Service	-	2.45	-	-	-	-	-	-	-	-	-	-
Mixed Residential 10-18 Units	-	-	-	-	-	-	-	-	-	-	2.59	-
Neighborhood Retail	-	-	0.90	0.91	-	0.07	0.51	1.61	0.69	0.38	-	1.70
Planned Unit Development	-	-	-	-	0.75	-	-	-	-	-	-	-
Professional Office/Residential	-	2.07	-	-	-	0.90	-	-	-	-	-	-
Residential 4-8	1.11	-	2.78	3.43	-	-	3.69	-	-	1.89	-	1.67
Residential Multifamily 18	-	-	0.88	-	-	-	-	-	-	-	-	-
Residential Multifamily 24 Units Per Acre	-	-	-	-	-	-	-	-	-	-	2.42	-
Two Family Residential 6-12	-	-	-	-	-	3.30	-	3.43	3.95	2.35	-	0.59
Total Area	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5

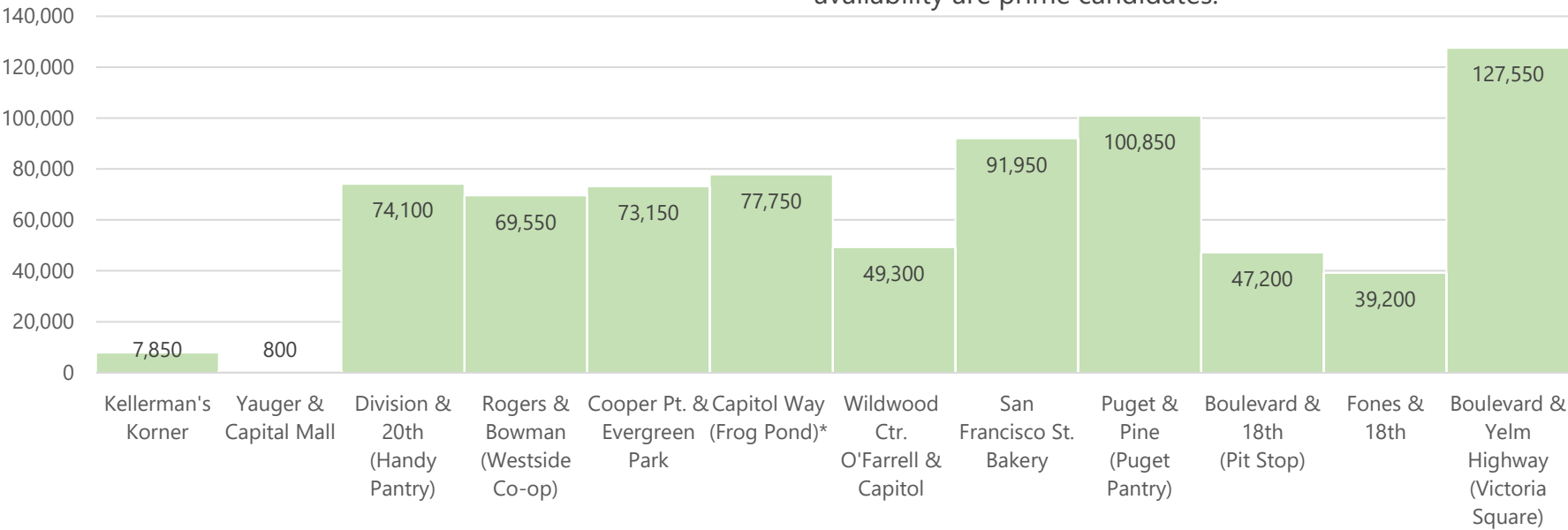
Unmet Demand for Goods and Services

The chart below shows the estimated square footage of unmet demand for goods and services within a ½-mile market area for each center in 2021. This is also called “leakage” within the commercial real estate industry because if sales are being made outside the defined market area, they are “leaking” out. This analysis is based primarily on a comparison of residents living in the area versus commercial establishments in the area. If there are many residents but few commercial businesses, spending is leaking out to other locations and there is unmet demand. If there are abundant commercial businesses and few households, there will be a spending surplus.

Surprisingly, all 12 centers show a net surplus for at least some good and services, but the surplus varies widely.

Yauger and Capital Mall has almost no surplus because the center is within ½ mile of commercial space near the Capital Mall. This indicates there is little demand for additional new commercial development.

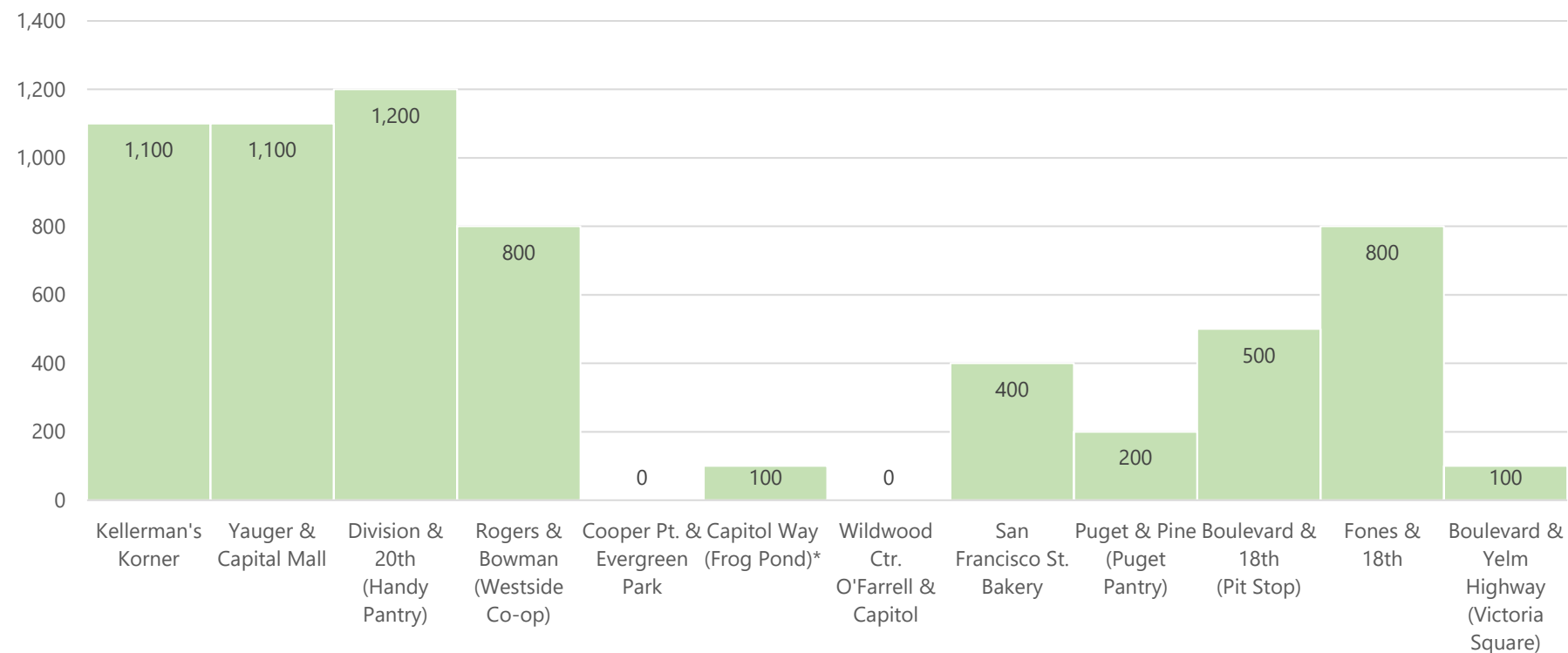
On the other hand, this analysis indicates that most of the other centers could support 40,000 or more square feet of new commercial development. While this probably overstates the demand for new commercial development in the centers (because there are other competitive commercial locations beyond the ½ mile areas) there does appear to be considerable demand for goods and services in centers. The obstacles to new development in centers seems to be some factors other than demand—financial feasibility and land availability are prime candidates.



Population Growth, 2020 to 2040

Population growth creates additional demand for goods and services. The areas within Olympia that experience population growth in coming decades will either drive more sales to existing commercial businesses or generate demand for new commercial establishments. The change in population projected by Thurston Regional Planning Council (TPRC) to take place within each ½ mile center market area is shown below.

This forecast indicates consistent and significant population growth near Olympia’s west side centers, minimal population growth near the central centers, and moderate growth near the east side centers. This suggests that the west side centers are well positioned to capture significant new growth and corresponding demand for new commercial services and businesses.



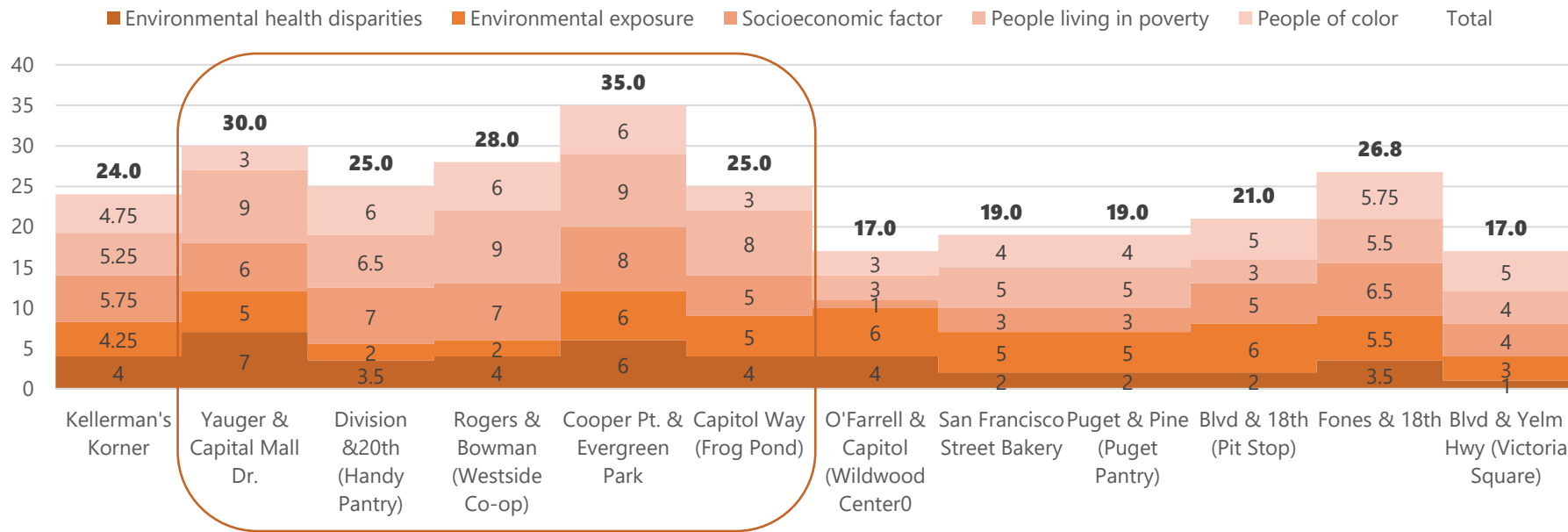
Equitable Development Considerations

The chart below shows which center areas face the most significant environmental and socioeconomic challenges according to the Washington State Department of Health. While these factors do not necessarily correlate with high levels of future potential, they do indicate where populations face greater challenges in securing healthy and prosperous lives for their families. Along with areas with high potential, need may be a rationale for public investments in centers.

The equitable development considerations shown below are environmental health disparities, environmental exposure, socioeconomic factors, people living in poverty, and people of color. Higher numbers reflect higher levels of risk and vulnerability.

Socioeconomic risk factors includes inputs such as high unemployment, low levels of education, and limited English ability. A number of west side centers—from Yauger and Capital Mall to Frog Pond—shows higher levels of need than those on the east side, with the exception of Fones and 18th.

Yauger and Capital Mall and Cooper Point and Evergreen Park have particularly high levels of people living in poverty and people of color compared to other centers.

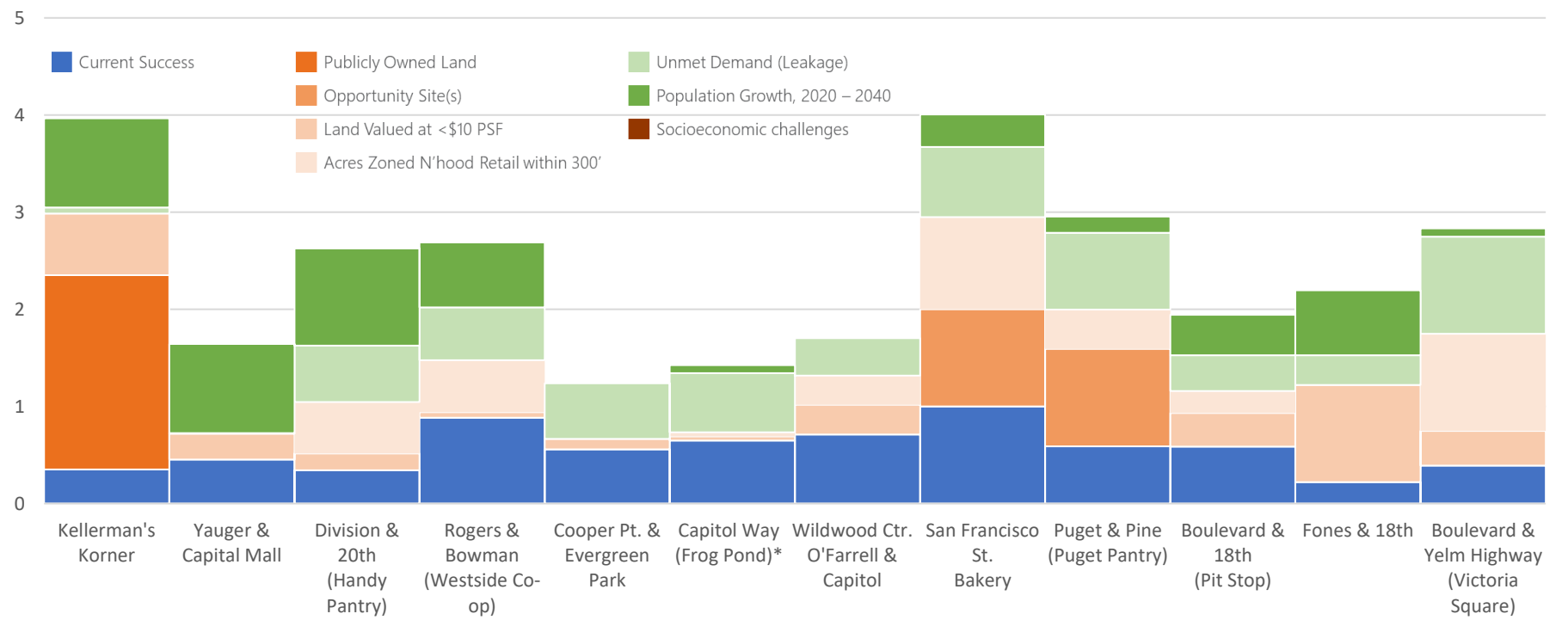


Future Potential Summary

LCG’s future potential summary metric for the 12 subject centers is shown below.

The **Kellerman’s Korner, San Francisco St. Bakery, and Puget Pantry** centers score highest in part because there is either publicly owned land or opportunity sites at these centers. There is potential land at these centers where additional small-scale commercial, residential, mixed-use, or other development (e.g. civic) could be built in order to extend and improve the existing centers.

The **Division and 20th, Rogers and Bowman, and Victoria Square** centers also show some potential. The first two of these centers should see strong population growth in their market areas over the next 20 years and also have a significant amount of leakage/unmet demand today. Both factors create opportunity. However, a significant challenge is a dearth of low-cost land—some creative, adaptive reuse projects and rezoning may be necessary. Victoria Square has the most current leakage, but less population growth; there is also some low cost, NR-zoned land at this center.



Future Potential Summary – Continued

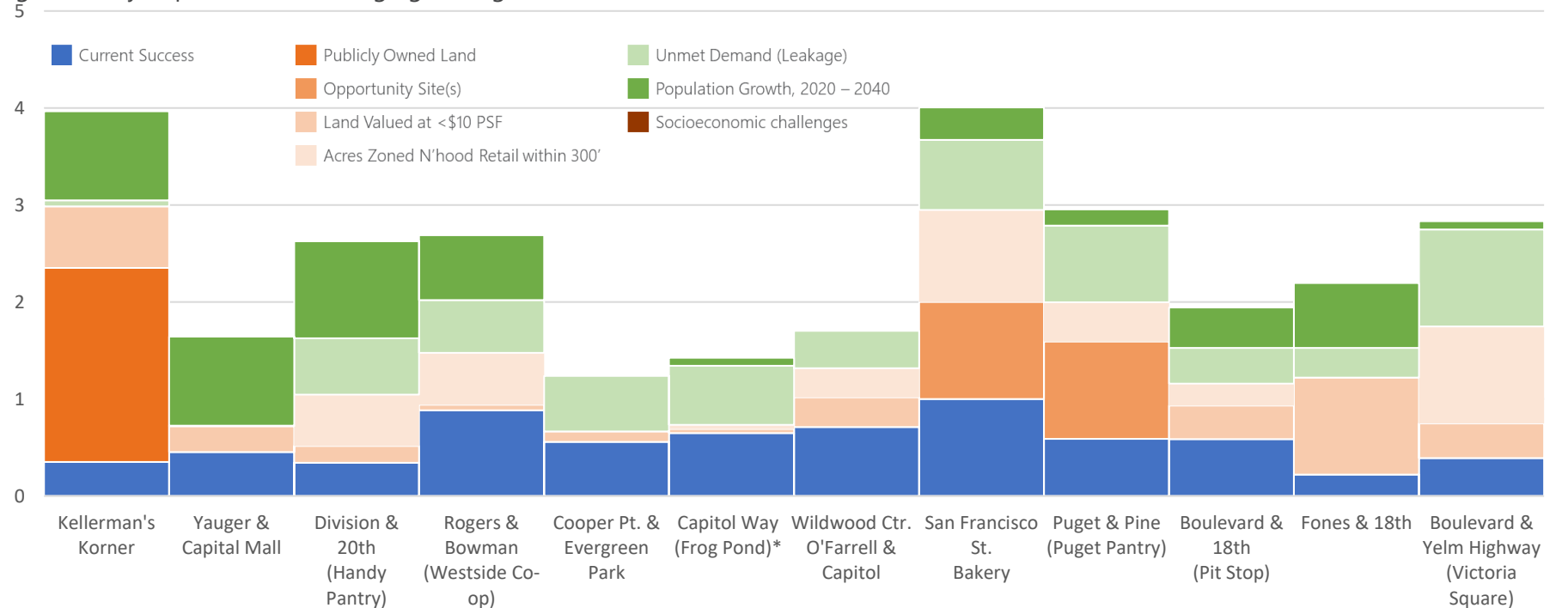
The city should take the most assertive, *proactive* approach to enable desirable development in the centers discussed above, particular the three with the most potential. In other words, city leadership and staff should actively look for ways to make an impact. The three with the most potential all have opportunity sites where vertical development can occur.

For centers with less near-term potential, the city can take a more measured approach. However, the city should remember that there are many tactics to encourage development in centers, including conducting analysis, utilizing publicly owned land, providing development incentives, building sidewalks, crossings, and other right-of-way improvements, changing zoning, and others.

These are covered in more depth in subsequent pages.

The Fones and 18th and Pit Stop centers may have some potential, due to a mix of population growth, leakage/unmet demand, low-cost land, and current success. However, these should be approached with reasonable expectations—neither has a particularly strong sense of place at the moment.

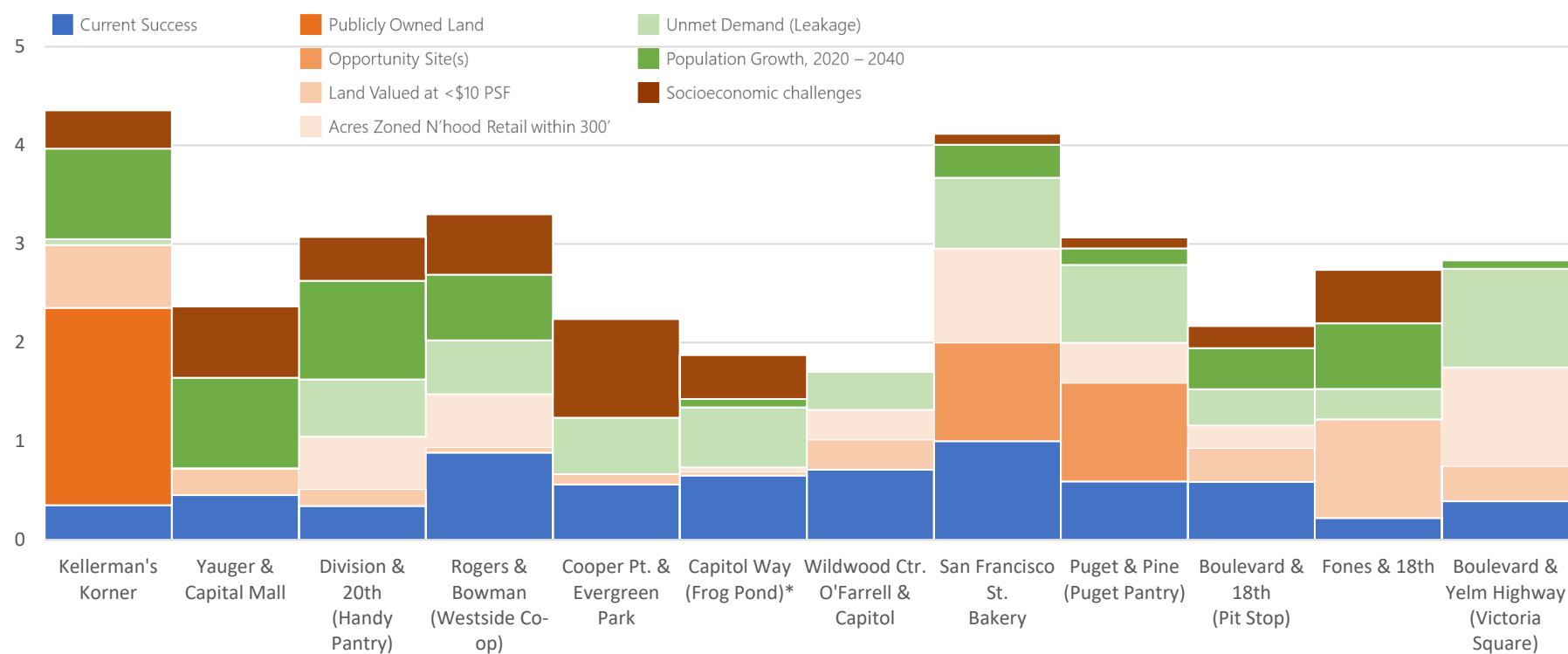
Some centers, most notably Cooper Point and Evergreen Park, do not appear to have obvious opportunities. The city should either take a very reactive approach at these centers (e.g., responding to active neighborhood advocacy groups, if any) or potentially remove their centers designation.



Future Potential Summary – Continued

In the chart below, LCG has added the socioeconomic challenges factor to the other factors suggesting future potential. This highlights the fact that the centers with the highest degree of socioeconomic challenges are not the centers with the most future potential. However, there may be policy reasons to support some centers with high socioeconomic challenges, and different policy approaches that are more related to the neighborhoods that the centers in those neighborhoods.

For example, issues associated with environmental health disparities or environmental exposure could be mitigated by reducing pollution or exposure to exhaust. Poverty and unemployment may be mitigated by improving access to family-wage jobs and/or transit. However, in some centers that seem to have low potential for new small-scale commercial development—such as Cooper Point and Yauger and Capital Mall—the opportunities for centers-type development are limited, and the city’s time may be better spent by improving broader socioeconomic outcomes.



Conclusions and Recommendations

This section summarizes LCG's findings and recommendations. LCG recommends that the City and/or other stakeholders do the following. LCG and MAKERS will be conducting further evaluation of implementation actions as the project moves forward and providing more specificity about these actions later.

- **Modify the city's zoning in order to allow for more centers-type development on more land**, within 600' of more centers. Zoning should allow commercial, residential, and mixed-use development. This modification may be completed by designating more land as Neighborhood Retail or another existing zone, creating an overlay that applies to most or all centers, or another method. If the city does not modify its zoning, the amount of centers-type development that can be built in the city will be very limited, as shown above. Zoning changes may also require Comprehensive Plan amendments.
- In addition to expanding the areas in which centers-type development can occur, the city should explore and likely **make modifications to the zoning code**, as described above. This may include modifications to parking ratios, building coverage, ground floor use requirements, heights, solid waste, frontage improvements, review process and timeline, and other issues.
- **Complete site-specific development evaluation and/or pilot projects** at two, three, or more specific opportunity sites. Focus on the publicly owned land and opportunity sites identified above, unless other promising sites are identified. These pilot projects should include some level of site design, feasibility analysis, public outreach, and identification of barriers and next steps. The ideal outcome would be to develop multiple site plans that are financially and logistically feasible and are supported by property owners and the community. These can then be built, with ground-breaking taking place some time in the next 5 years.
- **The City should consider allowing small-scale commercial uses in single family zones**, subject to clear standards to ensure neighborhood compatibility. Such a regulatory change has the potential to advance the City's goals of enabling pedestrian-oriented centers. However, details will need to be worked out, such as the maximum scale of commercial uses (whether measured in terms of square feet or impacts such as parking or trip generation), and whether commercial parking minimums would be required if residential spaces are adaptively reused to provide commercial space. Where possible, the City should consider relying on permitting criteria based on nuisances (e.g., maximum auto trips, parking, noise) rather than uses (e.g., restaurant, coffee shop).
- **Current development economics** (i.e., return on investment generated by typical commercial rents compared to the cost of commercial development) **indicate that most new-construction commercial centers projects will be infeasible for developers in the near-term** and therefore not be built. To some, this might suggest that the City should stop pursuing the centers vision. However, market conditions change over time and creative approaches involving the public, private, and nonprofit sectors are possible and can overcome projects with inadequate financial returns. We expect that at some point in the coming decades, construction costs and interest rates will plateau or decrease, while commercial rents will continue to rise, making more centers development feasible. This type of evolution in market conditions has taken place in other Pacific Northwest cities: Mixed use projects that were once considered infeasible in downtown Olympia have since been built and occupied, while generating acceptable returns for developers. A variety of creative approaches to enhancing centers development feasibility are discussed below.

Conclusions and Recommendations

- **The City should focus its proactive efforts on the centers with the most future potential**, as described above. Kellerman's Korner, San Francisco St. Bakery, and Puget & Pine all have promising opportunity sites. The Division and 20th and Rogers and Bowman are somewhat promising: they have existing commercial stores, projected population growth, and some retail leakage (residents leaving the area to shop elsewhere), among other assets. Victoria Square is another somewhat promising center because it has a large amount of leakage.
- **For other centers with less near-term potential, the city can take a more measured approach.** The Fones and 18th and Pit Stop centers may have some potential, due to a mix of population growth, leakage/unmet demand, low-cost land, and current success. However, these should be approached with reasonable expectations—neither has a particularly strong sense of place at the moment.
- **Some centers, most notably Cooper Point and Evergreen Park, do not appear to have obvious opportunities.** The city should either take a very reactive approach at these centers (e.g., responding to active neighborhood advocacy groups, if any) or potentially remove their centers designation.
- Beyond this approach to prioritization, LCG does not have specific recommendations regarding categories or scales of centers, partially because each one is different and has a series of unique features that are described in the body of this report.
- The city could also identify specific **"prototypical" centers projects**, such as a small commercial space next to a triplex, that can be built in multiple centers around town, on say a typical 5,000 square foot lot. Prototypical projects could also be for the adaptive reuse of existing structures as well as new, ground up construction. If these receive the blessing of planning and building staff, small-scale developers may seek to build them in multiple locations.
- Continue to evaluate the city's **Transportation Master Plan** and ensure that planned transportation improvements—including roadway redesigns, roundabouts, crossings, and sidewalk and bikeway improvements—support the centers vision and make neighborhoods and centers more walk- and transit-friendly. Transportation projects in centers should be prioritized.
- **Incentive programs.** Explore and potentially adopt incentive programs that would apply to all centers and potentially other parts of the city.
- One set of incentive programs that is used in other cities is a series of modest grants (\$10,000 to \$50,000), loans, or other incentives (e.g., special tax valuation) that are awarded on a competitive basis to property owners, developers, business owners who are attempting to build projects or renovate spaces in a way that is consistent with the neighborhood centers vision. Funds may be used for architectural, engineering, financial, leasing, or other studies of buildings, and/or modest exterior or interior improvements. Property owners provide matching capital, particularly for larger projects. These programs take advantage of the community's energy and creativity and allow the City to support the most promising concepts.

Conclusions and Recommendations

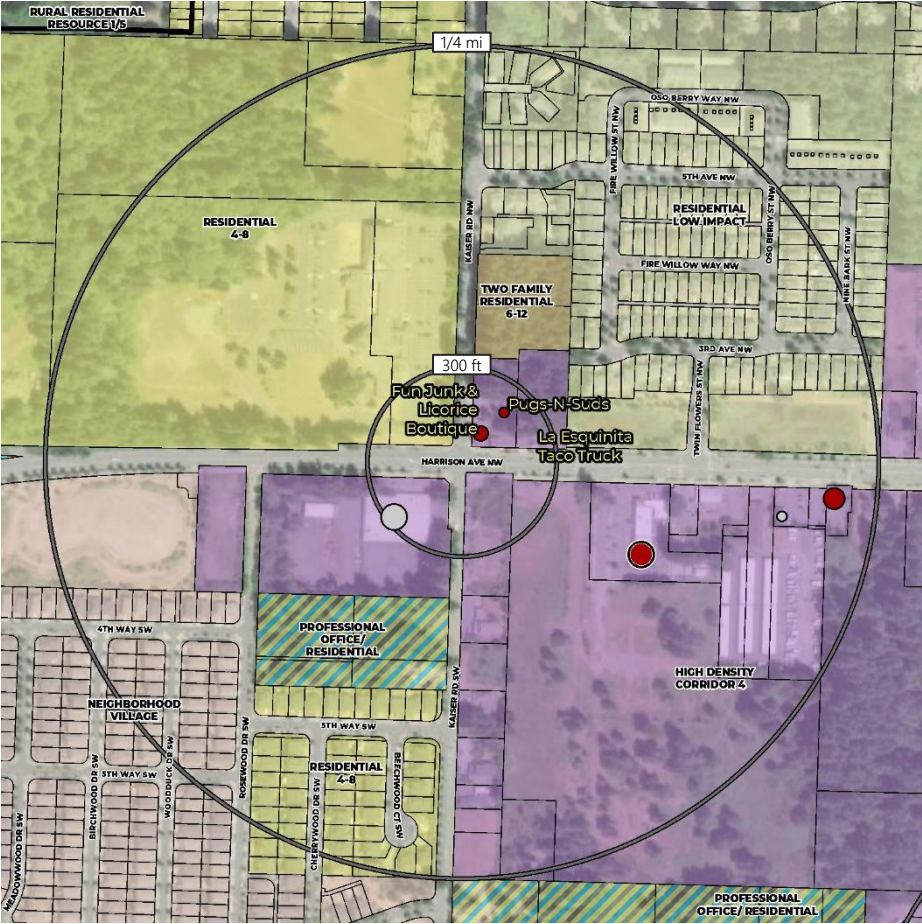
- They also create examples that other property owners, developers, and business owners can follow. Links for example programs are shown below. LCG believes that Beaverton's program is the best model for Olympia. Tacoma's program focused narrowly on designated historic buildings but could be expanded to apply to non-historic buildings:
- [Storefront Improvement Programs](#), Beaverton, Oregon. [Adaptive Reuse Program](#), Vancouver, Washington; [Financial Incentives for Historic Preservation](#); Tacoma, Washington.
- A more expansive model, based on the business improvement area (BIA or BID) model and with a greater focus on long-term district operations, promotions, and maintenance, is Portland's [Neighborhood Prosperity Initiative](#).
- Other incentives that could be created or expanded are the Multifamily Tax Exemption (MFTE), which already exists in Olympia but could be modified and/or expanded to centers; impact fee waivers; and the state's special tax valuation, which applies to designated historic properties.
- **The city as deal facilitator.** The city's, via its economic development department or other staff, could take a more assertive approach towards facilitating centers-type development projects. This is consistent with the recommendations of at least one interviewee, who recommended a "public development authority" (PDA). While a PDA specifically may or may not be the right entity to facilitate development deals, LCG believes that the recommendation is particularly valid in this context, since as discussed above, many or all development projects in centers will face funding gaps in the near term due to high construction cost.
- While the city can provide funds for development deals, it can achieve greater leverage by assisting with a range of actions, some of which are mentioned above. These include assisting with regulatory approvals and entitlements and providing modest grants and loans. Deal facilitation can also involve assembling and facilitating the delivery of gap financing from other, third-party sources. A growing range of impact investors are focused on making investments with a "triple bottom line" (profit, people, and planet) or "ESG" approach on development projects that have positive environmental, social, and governance impacts. Such gap financing sources include: Community Development Financial Institutions (CDFIs); Traditional banks via the Community Reinvestment Act (CRA); Impact Capital; Philanthropies; Small Business Administration (SBA); crowd funding (e.g., small change, go fund me); and various regional, state, federal, or other public grants or loans. "Patient equity" or gap financing can enable challenging projects to get built.
- **Education.** There are numerous opportunities for the city, aspiring small-scale developers, community members and others to get more educated about small-scale, centers-style development. Understanding small-scale development will enable advocates to be more informed and effective. Opportunities and resources include:
 - Incremental Development Alliance <https://www.incrementaldevelopment.org>. "Inc Dev" could organize a small developer bootcamp in Olympia.
 - [Building Small: A Toolkit for Real Estate Entrepreneurs, Civic Leaders, and Great Communities](#)
 - Small scale development [Forum](#).
 - Other organizations, including the [Washington Main Street](#) organization, CNU, ULI, and/or NAOIP.

Conclusions and Recommendations

- **Identification of a staff point person or department** who will be the quarterback for implementation of the neighborhood center vision going forward.
- Legacy Business Programs and Shop Local programs. Various programs exist that provide support “legacy” businesses and encourage residents to shop at small, locally owned businesses. These include:
 - [Legacy Business Program, San Francisco.](#)
 - [Shop Local First, Arizona.](#)
- **Continue to define what a neighborhood center designation confers.** Currently, as described at length above, centers vary widely in terms of their zoning, development and transportation patterns, and other features. The neighborhood center appears to be largely aspirational at this point in time, rather than a designation that confers particular benefits or public actions. The benefits of neighborhood center designation should be clarified.
- **Develop a policy for evaluating proposals for new neighborhood centers.** Some Olympia citizens are interested in adding new neighborhood centers. The City will need to clarify its criteria and/or process for evaluating and approving or rejecting new neighborhood center proposals. In LCG’s view, applications for new neighborhood centers should begin with an understanding of whether the center is formally endorsed by the surrounding neighborhood association, either via a specific letter or neighborhood plan. The association’s endorsement should be site specific, i.e., it should identify the desired intersection or location.
- Next, the city should evaluate the proposed center against the factors that this analysis identifies as likely to produce current and future success. The city should be more supportive of centers that have existing commercial businesses, are well connected, have reasonable traffic volumes, suitable zoning, opportunity sites/available land, unmet demand/leakage, population growth, and/or other factors identified above.
- Another potential source of gap funds is [tax increment financing](#) (TIF), which has been reauthorized in the state and could facilitate new development. However, there are significant limits vis a vis centers. One is that cities can only create two tax increment areas. With 12 neighborhood centers, it would be difficult to determine which, if any, merit the application of this special tool, especially when other important areas (e.g., downtown, Capital Mall Triangle) also merit investment. There are other opportunities and challenges related to tax increment financing that the City would need to explore prior to implementation.
- Transfer of Development Rights (TDR) has been mentioned as another possible incentive for centers. However, the current [Thurston County](#) and [City of Olympia](#) rules allow only a small amount of additional residential capacity (one additional dwelling unit per acre) to be transferred to the Residential 4-8 zone; there is no provision to enable additional commercial space or higher density mixed use. Moreover, LCG has not seen TDR programs be highly effective as incentives for centers-type development. Ensuring that the City’s zoning code allows and encourages the desired development is a simpler and more direct tool.

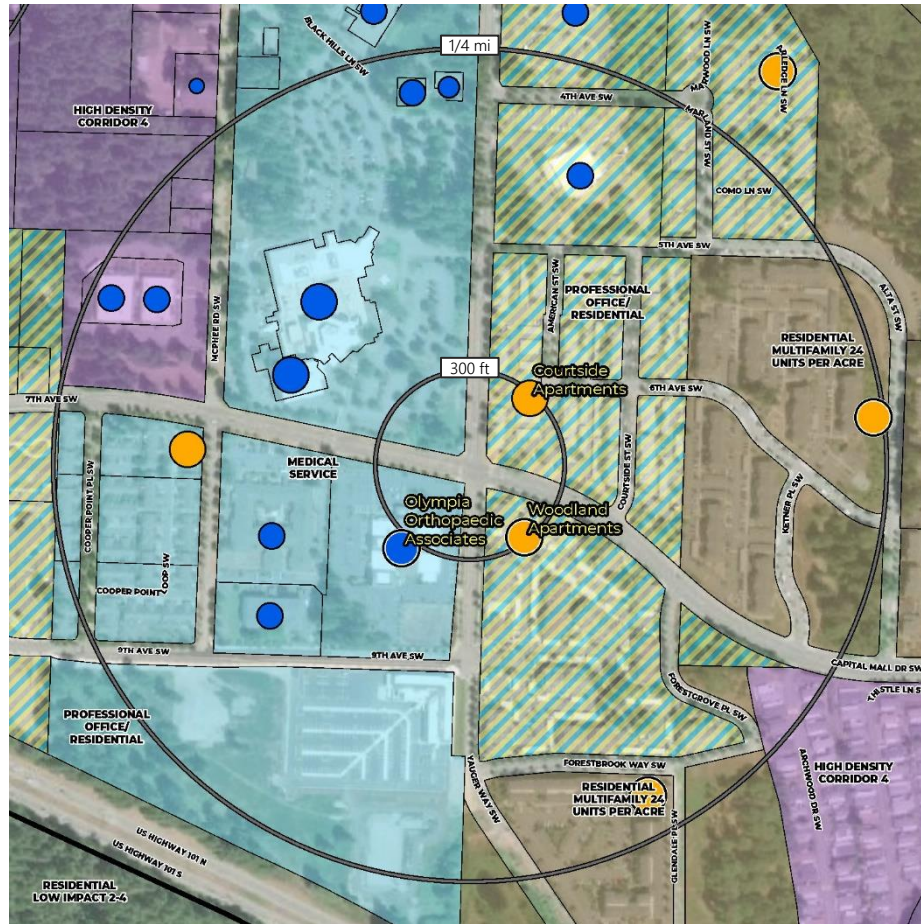
Appendices

Kellerman's Korner



- 2,500 Square Feet or Less
- 2,501 – 5,000 Square Feet
- 5,001 – 10,000 Square Feet
- 10,001 – 50,000 Square Feet
- 50,001 or More Square Feet
- Retail
- Office
- Multifamily
- Industrial
- (Any Color) Built 2020 or Later

Yauger + Capital Mall



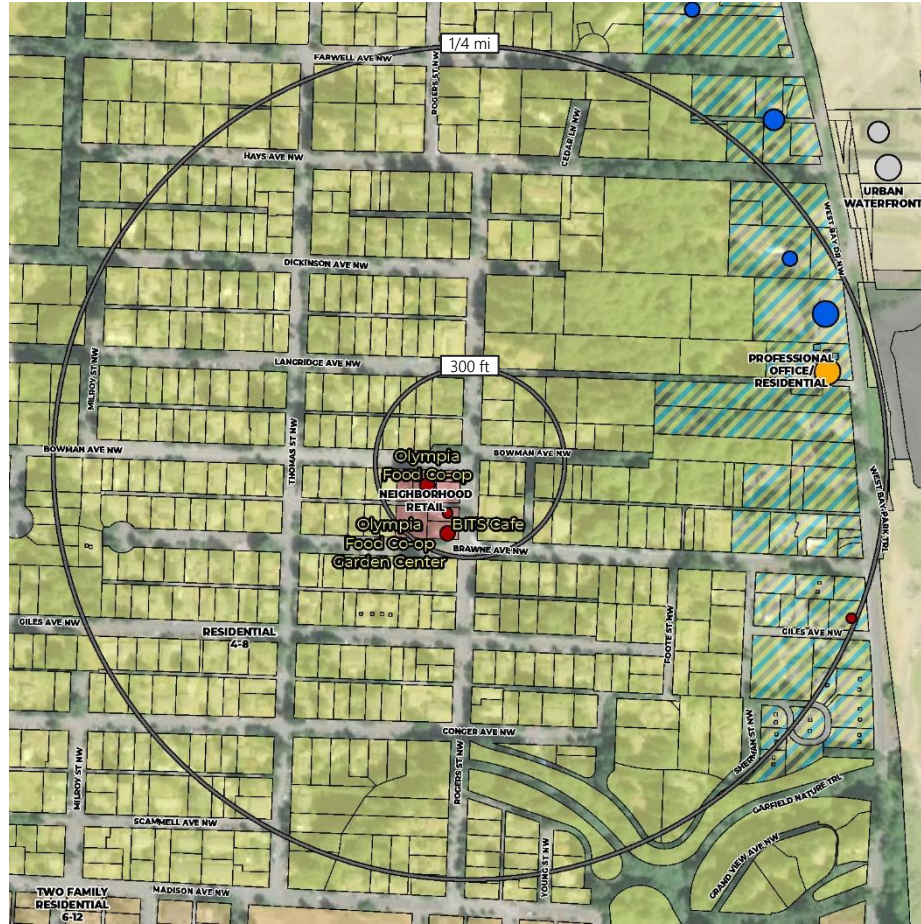
- | | |
|-------------------------------|-----------------------------------|
| ○ 2,500 Square Feet or Less | ● Retail |
| ○ 2,501 – 5,000 Square Feet | ● Office |
| ○ 5,001 – 10,000 Square Feet | ● Multifamily |
| ○ 10,001 – 50,000 Square Feet | ● Industrial |
| ○ 50,001 or More Square Feet | ○ (Any Color) Built 2020 or Later |

Division + 20th (Handy Pantry)



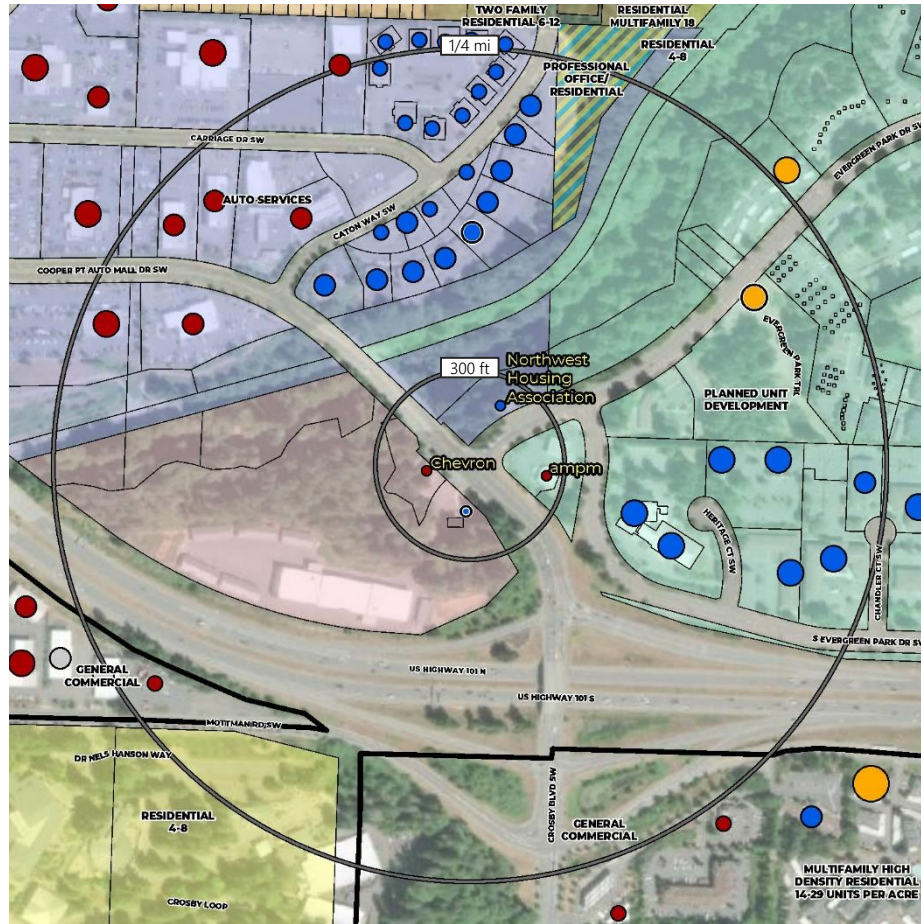
- | | |
|-------------------------------|-----------------------------------|
| ○ 2,500 Square Feet or Less | ● Retail |
| ○ 2,501 – 5,000 Square Feet | ● Office |
| ○ 5,001 – 10,000 Square Feet | ● Multifamily |
| ○ 10,001 – 50,000 Square Feet | ● Industrial |
| ○ 50,001 or More Square Feet | ○ (Any Color) Built 2020 or Later |

Rogers + Bowman (West Side Co-op)



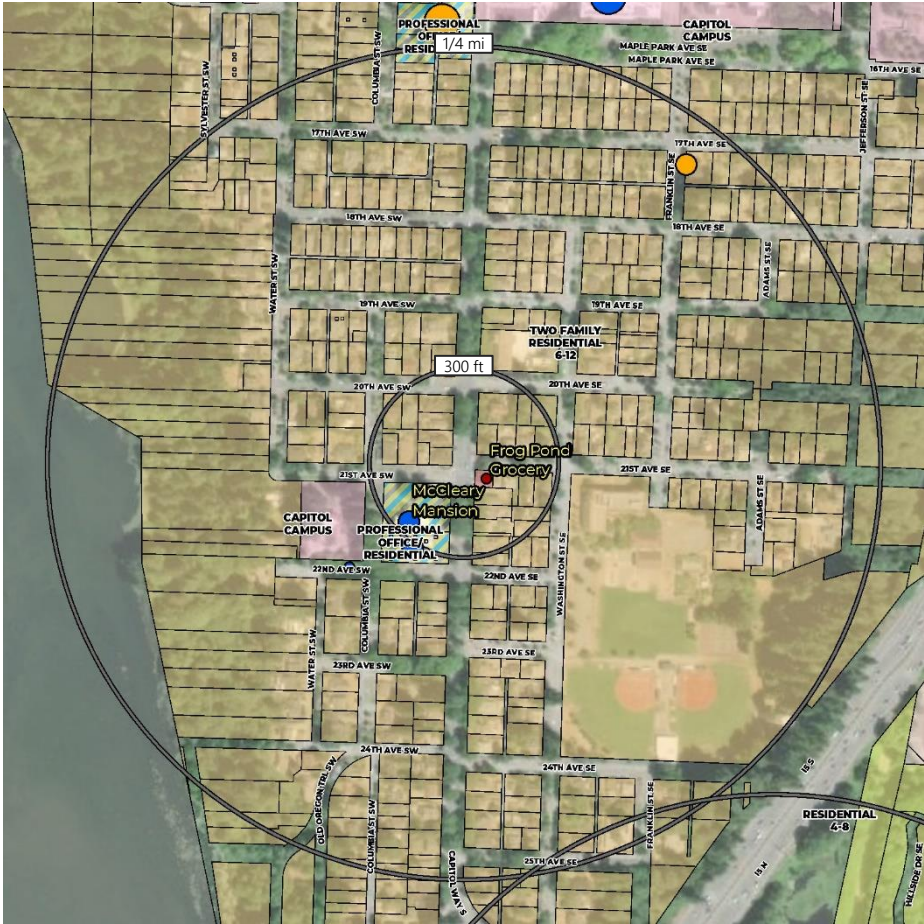
- | | |
|-------------------------------|-----------------------------------|
| ○ 2,500 Square Feet or Less | ● Retail |
| ○ 2,501 – 5,000 Square Feet | ● Office |
| ○ 5,001 – 10,000 Square Feet | ● Multifamily |
| ○ 10,001 – 50,000 Square Feet | ● Industrial |
| ○ 50,001 or More Square Feet | ○ (Any Color) Built 2020 or Later |

Cooper Pt. + Evergreen Park



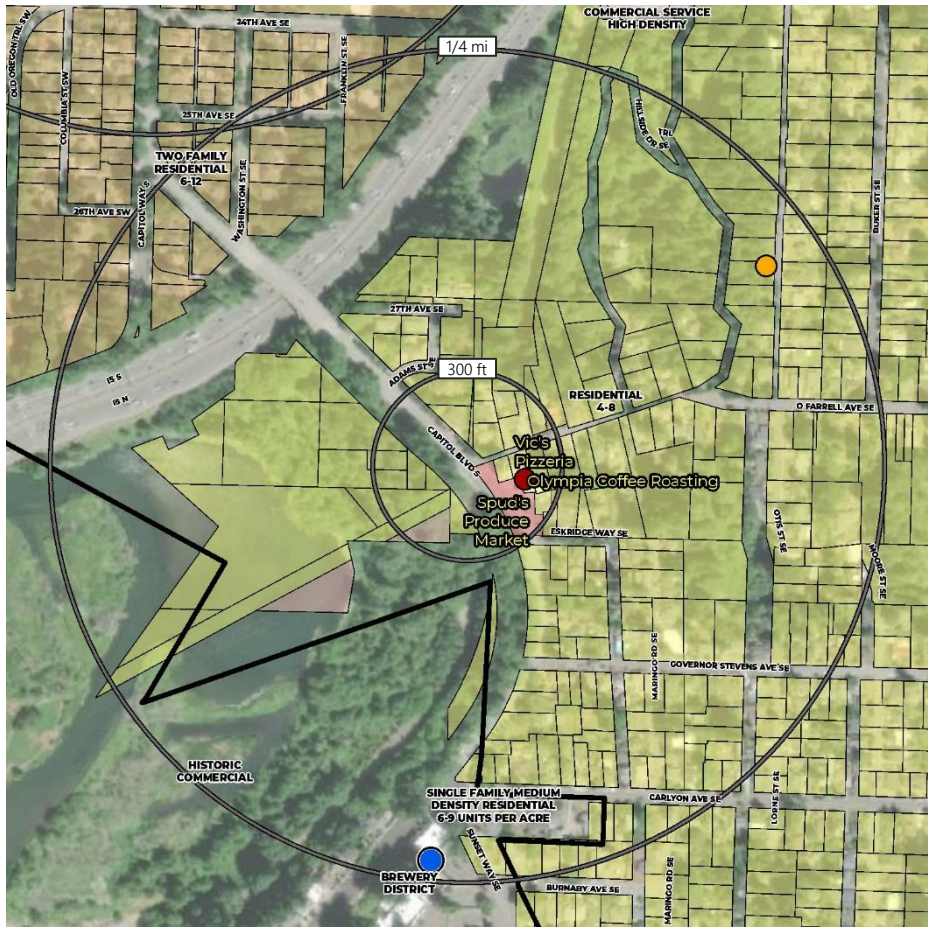
- | | |
|-------------------------------|-----------------------------------|
| ○ 2,500 Square Feet or Less | ● Retail |
| ○ 2,501 – 5,000 Square Feet | ● Office |
| ○ 5,001 – 10,000 Square Feet | ● Multifamily |
| ○ 10,001 – 50,000 Square Feet | ● Industrial |
| ○ 50,001 or More Square Feet | ○ (Any Color) Built 2020 or Later |

Capitol Way (Frog Pond)



- 2,500 Square Feet or Less
- 2,501 – 5,000 Square Feet
- 5,001 – 10,000 Square Feet
- 10,001 – 50,000 Square Feet
- 50,001 or More Square Feet
- Retail
- Office
- Multifamily
- Industrial
- (Any Color) Built 2020 or Later

O'Farrell + Capitol (Wildwood Center)



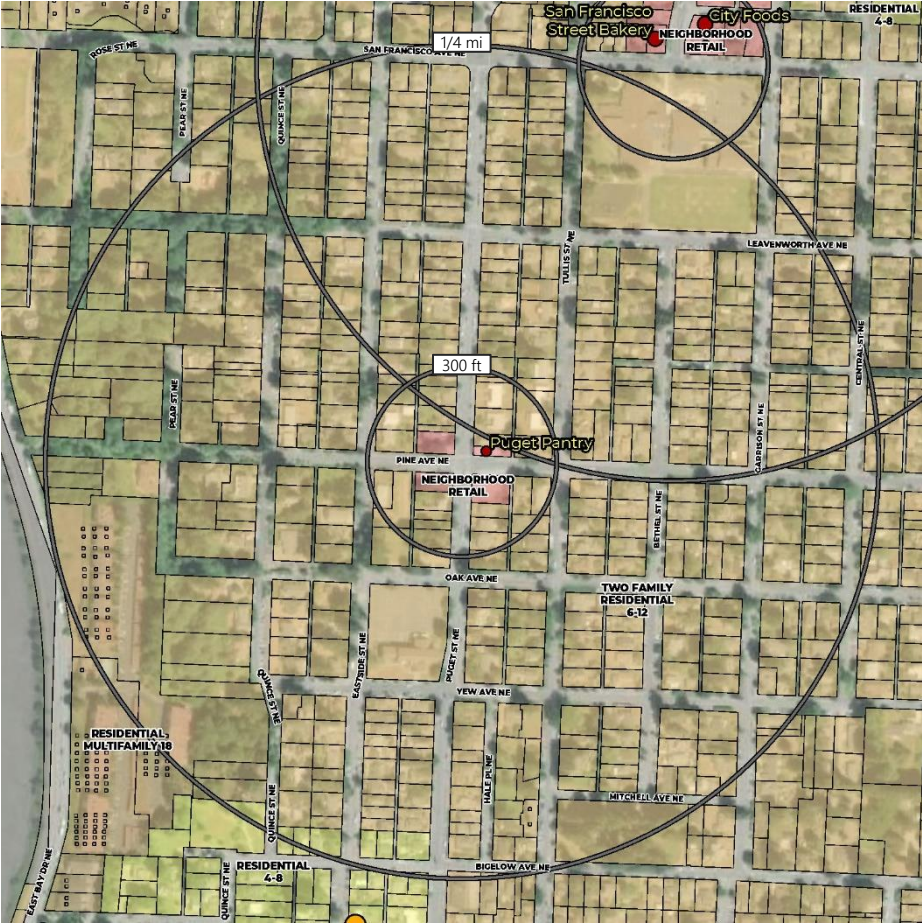
- | | |
|-------------------------------|-----------------------------------|
| ○ 2,500 Square Feet or Less | ● Retail |
| ○ 2,501 – 5,000 Square Feet | ● Office |
| ○ 5,001 – 10,000 Square Feet | ● Multifamily |
| ○ 10,001 – 50,000 Square Feet | ● Industrial |
| ○ 50,001 or More Square Feet | ○ (Any Color) Built 2020 or Later |

San Francisco Street Bakery



- 2,500 Square Feet or Less
- 2,501 – 5,000 Square Feet
- 5,001 – 10,000 Square Feet
- 10,001 – 50,000 Square Feet
- 50,001 or More Square Feet
- Retail
- Office
- Multifamily
- Industrial
- (Any Color) Built 2020 or Later

Puget + Pine (Puget Pantry)



- 2,500 Square Feet or Less

2,501 – 5,000 Square Feet

5,001 – 10,000 Square Feet

10,001 – 50,000 Square Feet

50,001 or More Square Feet
- Retail

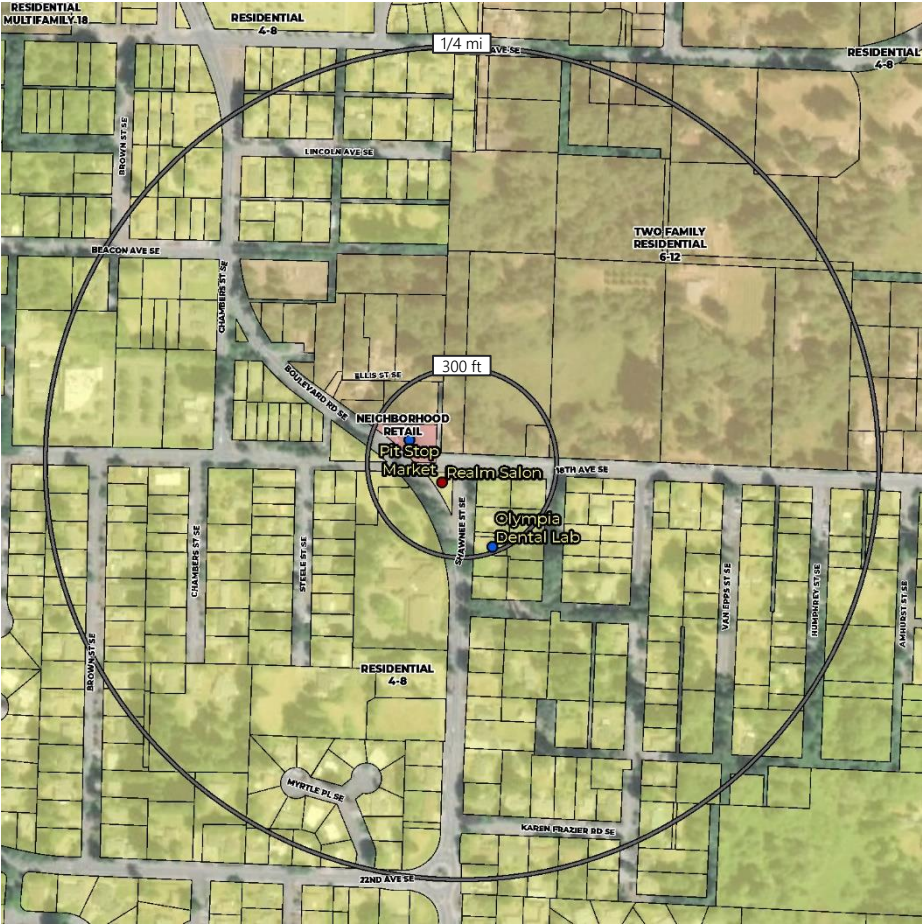
Office

Multifamily

Industrial

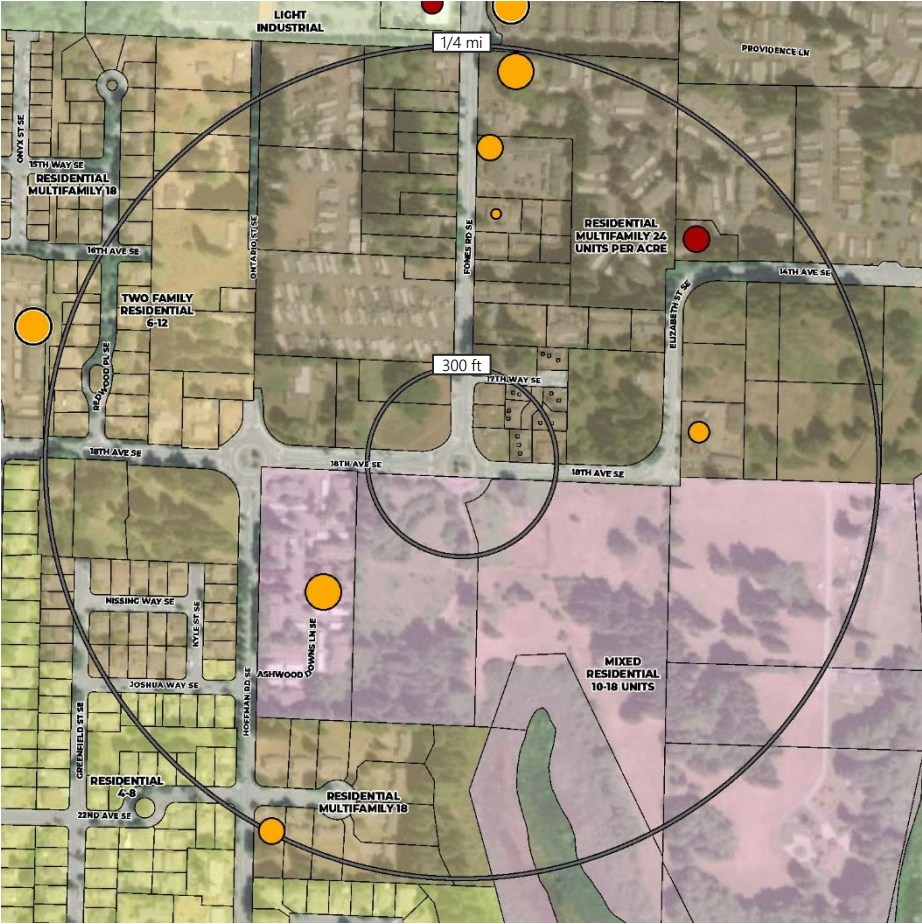
(Any Color) Built 2020 or Later

Boulevard + 18th (Pit Stop)



- | | |
|-------------------------------|-----------------------------------|
| ○ 2,500 Square Feet or Less | ● Retail |
| ○ 2,501 – 5,000 Square Feet | ● Office |
| ○ 5,001 – 10,000 Square Feet | ● Multifamily |
| ○ 10,001 – 50,000 Square Feet | ● Industrial |
| ○ 50,001 or More Square Feet | ○ (Any Color) Built 2020 or Later |

Fones + 18th



- | | |
|-------------------------------|-----------------------------------|
| ○ 2,500 Square Feet or Less | ● Retail |
| ○ 2,501 – 5,000 Square Feet | ● Office |
| ○ 5,001 – 10,000 Square Feet | ● Multifamily |
| ○ 10,001 – 50,000 Square Feet | ● Industrial |
| ○ 50,001 or More Square Feet | ○ (Any Color) Built 2020 or Later |

Boulevard + Yelm Hwy (Victoria Square)



- 2,500 Square Feet or Less
- 2,501 – 5,000 Square Feet
- 5,001 – 10,000 Square Feet
- 10,001 – 50,000 Square Feet
- 50,001 or More Square Feet
- Retail
- Office
- Multifamily
- Industrial
- (Any Color) Built 2020 or Later



LELAND CONSULTING GROUP

People Places Prosperity

503.222.1600
www.lelandconsulting.com