UNIVERSITY DISTRICT

University District Development Association and Public Development Authority

STRATEGIC MASTER PLAN UPDATE AND SOUTH SUBAREA ACTION PLAN

cai community attributes inc

MAKERS
architecture · planning · urban design

February 2019

Community Attributes Inc. tells data-rich stories about communities that are important to decision makers.

President & CEO
Chris Mefford

Project Managers
Kristina Gallant
Elliot Weiss

Analysts
Diana Haring
Bryan Lobel

MAKERS
John Owen
Karlie Yu

Community Attributes Inc.
500 Union Street, Suite 200
Seattle, Washington 98101

www.communityattributes.com

Contents

University District Strategic Master Plan Update

University District Strategic Master Plan Update

INTRODUCTION

Background and Purpose

The University District, located east of Spokane's Downtown, has 770 acres divided into three distinct sections bounded in part by the Spokane River and the BNSF railroad corridor (Exhibit 1). The District is home to nearly 12,000 undergraduate and graduate students in two medical schools and six notable higher education institutions, including Community Colleges of Spokane, Eastern Washington University, Gonzaga University, University of Washington, Washington State University Health Sciences Spokane, and Whitworth University.

In 1987, a group of Spokane regional leaders launched the ***Momentum*** initiative which created a vision to transform a desolate railyard into a campus for thousands of students and researchers. Thanks to foresight, intentional community and institutional collaboration, and strategic planning over the following decades the University District has benefited from more than $1 billion in public and private investments including the iconic University District Gateway Bridge (that unites the academic core with the Medical District to the south), new development and revitalization at the south landing of the bridge, nearly a dozen new institutional buildings, and an arterial (MLK Jr. Way) that opens up and connects the entire community.

In 2003, the City of Spokane Office of Economic Development launched a community-wide effort co-led by Avista's loaned executive, Kim Pearman-Gillman and Tom Reese, City of Spokane Economic Development Advisor, to prepare a 2004 University District Strategic Master Plan (UDSMP) and Executive Summary which established key priorities for economic development in the University District, including identifying key institutions and entities for collaboration. Building off the UDSMP's significant success and accomplishments, the University District Public Development Authority (UDPDA) and the University District Development Association (UDDA) commissioned an update, the **UDSMP-U**, to confirm the vision for the area, identify opportunities to further implement that vision, and provide tools to continue unifying and engaging public and private stakeholders.

Looking forward, more than $100 million in private development is underway, nearly $100 million in public infrastructure is planned for the next three years, businesses are expanding in or relocating to the

University District, and multiple new medical and technical degree paths are anticipated. *Momentum* indeed!

The UDDA, a 501(c)(3) nonprofit corporation, formally established in 2009 and the UDPDA, a quasi-municipal corporation, formally established in 2012, have worked in parallel to advance the goals of the 2004 UDSMP. These goals included supporting economic prosperity, smart urban growth, historic preservation, environmental restoration, transportation improvements, housing, and improved public health, safety, and quality of life. The UDDA was established in 2009 to facilitate revitalization within the University District and to serve as the voice of the District's major institutions. The UDPDA was established in 2012 to plan, coordinate and implement public improvements in the University District Revitalization Area (UDRA), and to serve as the vehicle for revitalization financing.

The UDPDA and City of Spokane have made significant progress toward realizing the 2004 UDSMP goals. At the same time, subsequent planning efforts have advanced the University District vision. Many new projects have been or soon will be completed, demonstrating the area's potential. The UDPDA and UDDA jointly commissioned this update to the UDSMP that distills work that has been completed over the last 14 years as part of that cohesive community vision, with the added context of real estate market data and analysis. This document serves as an addendum to the 2004 UDSMP with updated information on the District's market conditions showcasing what has been achieved and elevating what can be achieved with continued shared vision and efforts.

Methods

This report draws from publicly available data and research reports, along with interviews of local stakeholders and leaders, and content area experts. The update to the 2004 UDSMP vision will reflect a broad range of stakeholder engagement, including publicly accessible surveys, interviews, design charrettes, and open house meetings.

Organization of this Report

This report is organized in the following sections:

Existing Conditions

- **Planning Context** reviews past planning efforts and provides an update on goals established in the 2004 UDSMP.
- **Physical Characteristics** documents the physical characteristics of current development in the University District.
- **Regulatory Frameworks** summarizes important regulations guiding development in the District.
- **Current Development Patterns** summarizes the intensity of existing development in the University District and includes an analysis of vacant and potentially redevelopable lands.
- **Demographic Characteristics and Key Trends** presents demographic data pertaining to the University District and Spokane County residents and includes a population forecast.
- **Economic Characteristics and Key Trends** presents economic data on jobs and industries in the University District and Spokane County.
- **Real Estate Market Characteristics and Key Trends** provides real estate market data on lease and vacancy rates and absorption for commercial and residential real estate products.

Future Development

- **Synthesized Vision** summarizes the vision for the District as established in past plans and visioning efforts.
- **Reaffirmed District Vision** describes the physical development concept defined in 2018.
- **Future Develop Scenarios** summarizes patterns of development by subarea consistent with the Reaffirmed District Vision.
- **Buildable Lands Analysis** identifies vacant and underutilized lands by subarea.
- **Development Capacity by Type** estimates future residential and commercial development based on the Reaffirmed District Vision and buildable lands analysis.
- **Population and Employment Growth** estimates future growth in population and employment at three levels of demand, based on the development capacity analysis.
- **Development Feasibility** summarizes pro forma analysis for a variety of development types.

PLANNING CONTEXT

The 2004 University District Strategic Master Plan

The City of Spokane's 2004 UDSMP articulated the first fully-developed vision for the District, based on a robust public and stakeholder engagement process.

The University District would be transformed into a "24/7 type of environment where students, faculty, businesses, entrepreneurs, and neighborhoods can thrive (because) when people thrive, companies and neighborhoods thrive right along with them." This fundamentally place-based strategy for attracting "knowledge workers" would leverage the District's assets and resources to create a competitively unique, one-of-a-kind area.

The District's major strengths identified at the time were its location (proximity to Downtown Spokane and higher education institutions), the local healthcare industry, recreational resources, authenticity and historic character, diversity, and abundant undeveloped land. Major issues were internal and external connectivity for all transportation modes, environmental cleanup, retaining existing businesses, continued stakeholder communication and cooperation, and securing sufficient public funding.

The UDSMP identified 19 Core Planning Principles distributed in five categories below which summarize the essence of the plan:

General

- Build "Centers of Excellence"
- Incorporate ongoing community involvement
- Create performance measures, metrics, and indicators
- Foster institutional and community partnerships

Economic Development

- Pursue economic development and development of quality jobs
- Support and encourage an eclectic mix of uses

Land Use and Urban Design

- Include connections to Downtown
- Activate the District with the Downtown and the periphery
- Include a range of housing types and prices
- Encourage mixed use
- Focus/concentrate new development at major activity nodes
- Include retention of historic character and patterns of use

- Incorporate social design for safety, security, and social interaction

Environment

- Embrace the Spokane River as the center of the District
- Incorporate principles of sustainable development
- Use green infrastructure for improved air and water quality

Transportation and Infrastructure

- Create a transportation hub: regional connections and multi-modal services
- Create a strong pedestrian-oriented District
- Encourage restoration and extension of the urban grid

Recent Changes

In December 2018, the UDDA board of directors endorsed a new thematic goal whereby the University District uses its unique connectivity to create shared community wellness and vibrancy by developing the infrastructure and programming that enable a globally-recognized hub of education, innovation, research, and health care.

Other changes since the 2004 UDSMP include new targeted incentive programs, development projects, and major infrastructure improvements. The University District Redevelopment Area (UDRA), which enables a form of tax increment financing, has been critical in generating funding for revitalization projects. Major infrastructure projects include the University District Gateway Bridge, completion of Martin Luther King Jr. Way, and the upcoming Central City Line High-Performance Transit project.

Many development projects have been completed in recent years that both advance the innovation district concept and enhance the quality of the District's urban fabric. Significant recent institutional developments by Gonzaga (or near the Gonzaga campus) include Burgans Block, Boone Avenue Retail Center, Myrtle Woldson Performing Arts Center, Jesuit House, Volkar Center for Athletic Achievement, Hemmingson Center, and the McCarthey Athletic Center. Developments by WSU include the Spokane Teaching Health Center, Nursing Building, Pharmaceutical and Biomedical Sciences Building, and more. Significant private development projects include 940 North, Matilda Building, SIERR Building, The Toolbox at the McKinstry Innovation Center, and the forthcoming Catalyst buildings.

The Catalyst project is a joint development of Avista Development and South Landing Investors, LLC, comprised of long-time McKinstry executives. The new Catalyst Building will be a place where industry and academia intersect to foster innovation and collaboration. The Catalyst is the anchor building in a planned innovation hub. Catalyst will host dry labs, offices, classrooms, and common study areas. The bike and pedestrian University District Gateway Bridge sparked the plans for the Catalyst Building and now will connect it and the historic Sprague Avenue business community to Spokane's medical district to the south and the growing academic core to the north.

The dramatic five-story, 159,000-square-foot building will feature two wings around a light-filled collaborative atrium. The Catalyst design team has emphasized sustainability as a core value. Catalyst will feature the sustainable use of Cross Laminated Timber (CLT), a mass timber building material made of laminated wood panels, for major structural elements. The building will reduce its environmental footprint by focusing on materials and construction methods that reduce energy use and prolong the life of the building. These modern building technologies will enhance the innovation image of the District. The development is intended to catalyze additional innovation and development. The Hub Facility, the next phase and a partner building to Catalyst, will be 40,000-s.f. and include a restaurant, office space, and a central energy plan to power it and the neighboring Catalyst Building.

Rendering of the University District Gateway Bridge and future Catalyst Building

(Source: catalystspokane.com)

2004 Priority Projects Update

Priority projects were defined in the 2004 UDSMP. These are listed below, along with their current status.

Item	2004 Plan Description	2019 Status
Transportation study	"Project will be a comprehensive impact of development on traffic within the District. Look at alternatives for mitigation of impacts and design solutions with the goal of relieving the development community of the burden of generating a project-by-project transportation study for projects within the University District."	Complete
Riverside extension	"Already partially funded, this would extend Riverside Avenue and relieve traffic off of Spokane Falls Boulevard. Second, its design will include provisions for future light rail."	Complete
UDDA board – District marketing plan	"This group would be created to facilitate the growth and prosperity of the University District. The mandate for the group would be to form strong partnerships with groups within and in neighboring areas. It would be responsible for formulating a marketing strategy for each of the Activity Centers and oversee fundraising for project implementation."	Complete
Detailed economic market study	"This study will enable the City and affiliated economic development organizations to create a comprehensive strategy to encourage long-term growth within the University District."	Complete
Development of District incentive program	"This program will focus on developing and advertising development incentives within the University District and will encourage mixed-use, research and development uses, entertainment, and neighborhood services."	Complete

Item	2004 Plan Description	2019 Status
District High-Performance Transit / 'Shuttle System'	"The improvement of transportation options within the University District and connecting it with its neighboring areas is a critical element to the success of the University District. The shuttle should provide service to each of the campuses, designated parking areas, Downtown, the Sprague Area, and the Medical District with 10- to 15-minute intervals." Updated to focus on High-Performance Transit lines. Central City Line and improved Sprague and Division routes are underway or in planning.	Underway
"The University District Gateway Bridge" pedestrian crossing	"This is the major catalyst project for the Sprague Area. Completion of this project will create a connection to the universities and spark mixed-use and high-tech research development of the Sprague area."	Complete
City-County site selector with University District enhanced selection tools	"A site-selector is already being developed for the city and county. To facilitate the development of the University District, an enhanced set of GIS tools will be developed that will allow a more interactive and a greater level of detail for properties within the University District."	Complete
Division Street gateway improvements	"This project will not only benefit the University District but also the Downtown and the entire image of the City. The proposal is to make significant aesthetic and functional improvements to Division Street and the railroad viaduct from the off-ramp to the Convention Center."	Complete
Main Avenue streetscape and pedestrian improvements	"This project will make improvements to the pedestrian environment along Main Avenue from the EWU/WSU Campus, across Division and into Downtown. This project gives special consideration to pedestrian safety while crossing Division Street at Main Avenue."	Underway

Item	2004 Plan Description	2019 Status
Non-motorized boat launches on Spokane River, riparian habitat restoration, river education station	"This project has three goals. One is to increase recreational access to the river above the Division Street Bridge, another is to repair and increase riparian habitat along the river, and finally to incorporate education about the River's ecosystem. All three should be accomplished with the design and construction of ecologically sensitive non-motorized boat launches. One will be in the area of the Iron Bridge, and the other near the EWU/WSU Campus."	Underway
Sherman Street streetscape improvement	"Improvements to Sherman Street will create a better environment for pedestrians and bicyclists traveling to and from the Medical District/South Hill and the University District and Downtown. This will also make improvements to the Sherman Street and Pacific Avenue activity center."	Critical but not started
Sharp and Hamilton streetscape improvement	"This project will improve pedestrian amenities and safety within this activity center. Emphasis would be on facilities for bicycles and pedestrian crossings."	Underway
Sprague Avenue streetscape improvement	"This project would undertake significant improvement to the vehicular and pedestrian environment along Sprague Avenue to Division Street. The focus would be to address parking, pedestrian safety, and providing a pleasant pedestrian and bicyclist environment."	Underway
District way-finding project	"This project will develop a comprehensive wayfinding system for pedestrians, bicyclists, and automobiles within the University District."	Underway

Item	2004 Plan Description	2019 Status
Main Avenue conversion to two-way traffic	"This project will convert traffic from one-way to two-way initially between Pine Street and Brown Street. This could be extended further into Downtown in the future. Two-way traffic would be beneficial to businesses along Main Ave."	Scope changed, underway
Hamilton Street streetscape improvements	"This project will improve the aesthetic and pedestrian environment along Hamilton Street between Trent Avenue and Sharp Avenue."	Critical but not started
Pacific Avenue streetscape Improvements (Browne to Scott)	"Pacific Avenue has the potential for development as a mixed-use and residential corridor between Sherman Street and Pine Street. This project would improve the area's sidewalks and streets to accommodate and encourage that development."	Not started
Grant Street streetscape Improvements	"This segment will complete the connection of the Sprague area to the University District Gateway Bridge and facilitate pedestrian traffic to and from the University District."	Scope changed, underway
Area-specific development guidelines	"After the new development regulations are approved and in effect, an evaluation should be made to ensure that development is occurring within the University District that is contributing the desired character. If it is not, then this project should study and create development guidelines to ensure that future development does."	Underway
Iron Bridge refurbishment	"This project will refurbish the Iron Bridge to accommodate pedestrians and bicyclists adding another connection across the river. This will allow access to developments that are currently happening on both sides of the river to prosper."	Complete

Item	2004 Plan Description	2019 Status
Riverside Extension Phase Two	"This project will extend and bypass the Trent Hamilton intersection and allow development along much of the underutilized land in the area and near the river. This also sets the stage for the extension of a trail system along the river in conjunction with the proposed Burr Trail extension."	Complete
Pedestrian Trail Extension under Hamilton Bridge	"The Ben Burr Trail extension is proposed to connect portions of the East Central Neighborhood to the Spokane River, Centennial Trail, and the University District. This project expands on that project to develop another segment of trail along the river to Trent Avenue."	Underway

KEY FINDINGS FOR STRATEGIC PLANNING

The subsequent sections present a robust assessment of demographic and market trends that have bearing for planning for the University District, with key findings as follows:

- **Recent and planned developments present new opportunities.** Development trends present an opportunity to focus development near Spokane Transit Authority's new High-Performance Transit lines and other new investments, particularly near the EWU/WSU Campus, the Catalyst project, and the Gonzaga University and University of Washington Regional Health Partnership campus area.

- **Zoning designations in the University District are varied and may require amendment for consistency with a more urban District vision.** 14 different zones (**Exhibit 7**) apply to areas within the District to at least some degree. One of the largest zones, General Commercial, has a generous maximum height but a low maximum Floor-Area Ratio (FAR), making it difficult to achieve the maximum building height for non-residential commercial developments.

- **Since 2004, population and employment in the University District have been growing faster than either the City or County overall.** The population grew by 2.1% per year and employment grew by 0.8% per year. If the District's population growth from 2004-2017 continues at the same pace, it would add 2,500 new residents by 2035. Other potential scenarios for population and employment growth are being evaluated and modeled for their impact on future development.

- **Stakeholders' vision for the University District requires higher density development.** Development intensity is generally low across the District especially in the south area, where light industrial uses are more prominent. Most parcels are developed with a FAR less than 1.0, however, even at development intensities of 1.0 FAR or less, for a conservative estimate, these vacant and underutilized lands could accommodate development that could support an additional 3,700 jobs.

- **Health-care employment is heavily concentrated southwest of the District.** Connecting the EWU/WSU Campus and the Gonzaga University and University of Washington

Regional Health Partnership program to this area is an opportunity for future redevelopment.

- **Commercial vacancy is generally very low; however, rents are low as well.** Average rents appear suppressed due to supply in the area consisting of older office and light industrial buildings. Changing market conditions may support higher commercial rents and thus new commercial development.

- **Young people comprise the District's resident base, reflecting student housing needs near the universities.**

- **Household incomes in the area are relatively low, with medians by block group below $40,000 per year.** The Downtown and District have a higher concentration of residents in poverty compared to the rest of the City. Students reflect some of this finding. This is not far below the Citywide median household income, which was $43,274 in 2016, however, the Countywide median was $53,043 for the same time.

- **Housing is currently more affordable in the study area.** Home values and rents in the District are lower than in the City overall. At the same time, rents have been growing slightly faster in the District since 2013.

- **New development in recent years has been primarily residential.** Much of the District's multifamily housing was built in the past 20 years, with a large quantity in the pipeline, while its other commercial stock is generally older and has not seen as much recent development activity. Recent multifamily development has largely consisted of student housing and social services, but there have been several private multifamily developments such as the Matilda on Hamilton Street and 940 North on Division; both of which respectively target students primarily and exclusively.

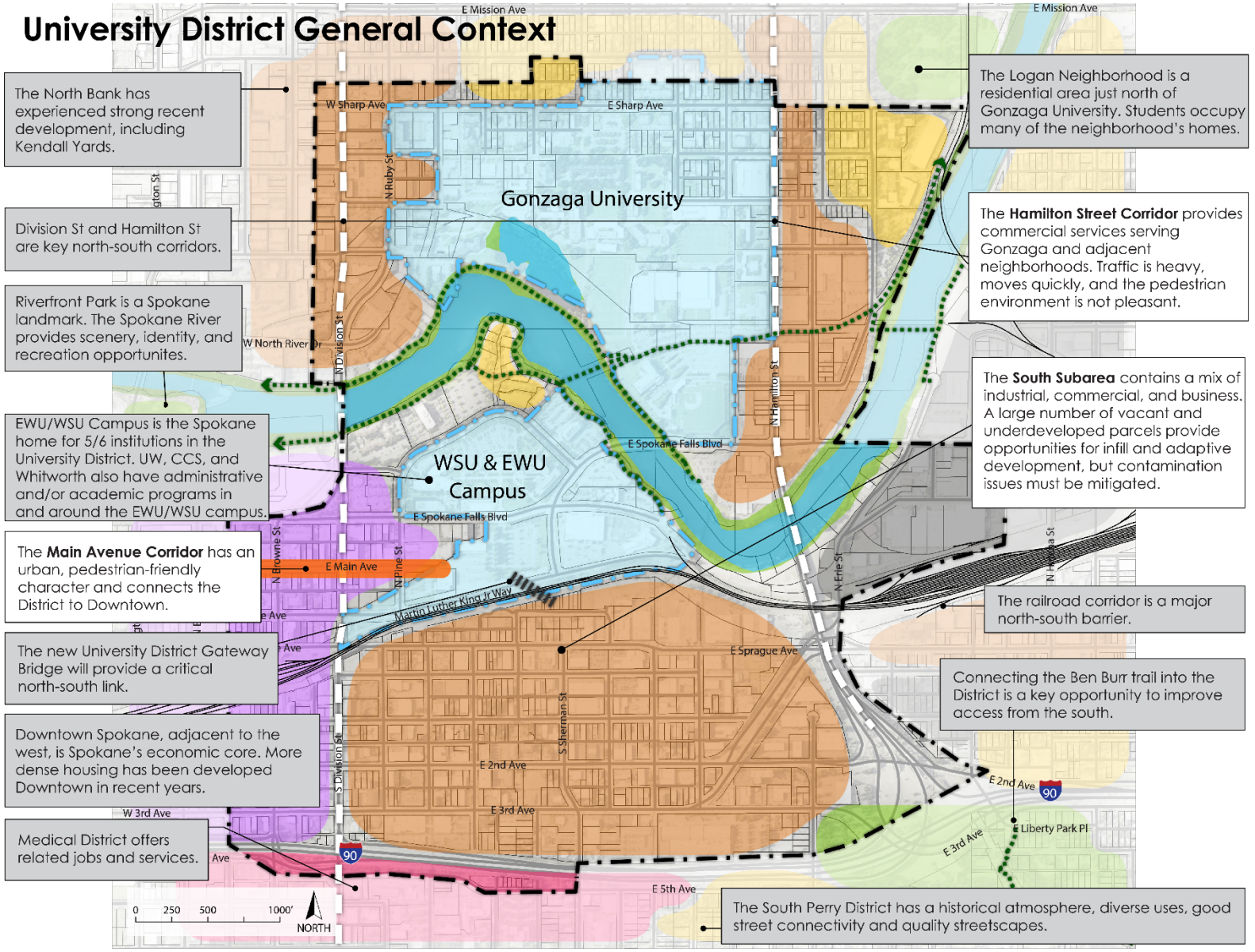
EXISTING CONDITIONS

Physical Characteristics

The University District's character is varied, reflecting its expanse (770 acres), industrial history, and current surge of institutional development. The District is bisected by the Spokane River, and its southern portion is divided by railroad tracks. Home to six higher education institutions, it accommodates more than 11,000 students and over 2,000 faculty and staff. The two largest campuses are Gonzaga University on the north bank and the EWU/WSU Campus to the south across the river. Because of its central location and connections north across the river and south across the railroad tracks, the EWU/WSU Campus is in the heart of the University District. North of Gonzaga University is the Logan Neighborhood, a residential area for both community members and students. There is a substantial commercial district with a variety of retail and light industrial uses to the south along Sprague Avenue. South of the District, across Interstate 90, is the medical district which accommodates hospitals, clinics, and research centers. To the immediate south-east is the East Central Neighborhood, a combination of commercial, light industry and a patch of historic residential. To the west, Downtown Spokane is directly connected to the District by Main Avenue and Riverside Avenue. Downtown Spokane provides regional employment, shopping, entertainment, dining, recreation, and many other activities. These areas are highlighted in **Exhibit 1**.

The University District is divided into three distinct sections by the Spokane River and the railroad corridor. Each of these sections has major commercial corridors – Hamilton and Division/Ruby running north-south in the north, Main Avenue connecting Downtown to the EWU/WSU Campus in the central section, and Sprague Avenue crossing the southern section. While three bridges (plus one non-motorized bridge) cross the river at strategic points, there are only two bridges crossing the railroad tracks on the east and west sides of the District. The University District Gateway Bridge, a pedestrian/bicycle bridge, was completed in late 2018 connecting the public academic core with the District's southern section. This infrastructure project was a defining element of the 2004 UDSMP and has paved the way for the redevelopment starting on the South Landing area.

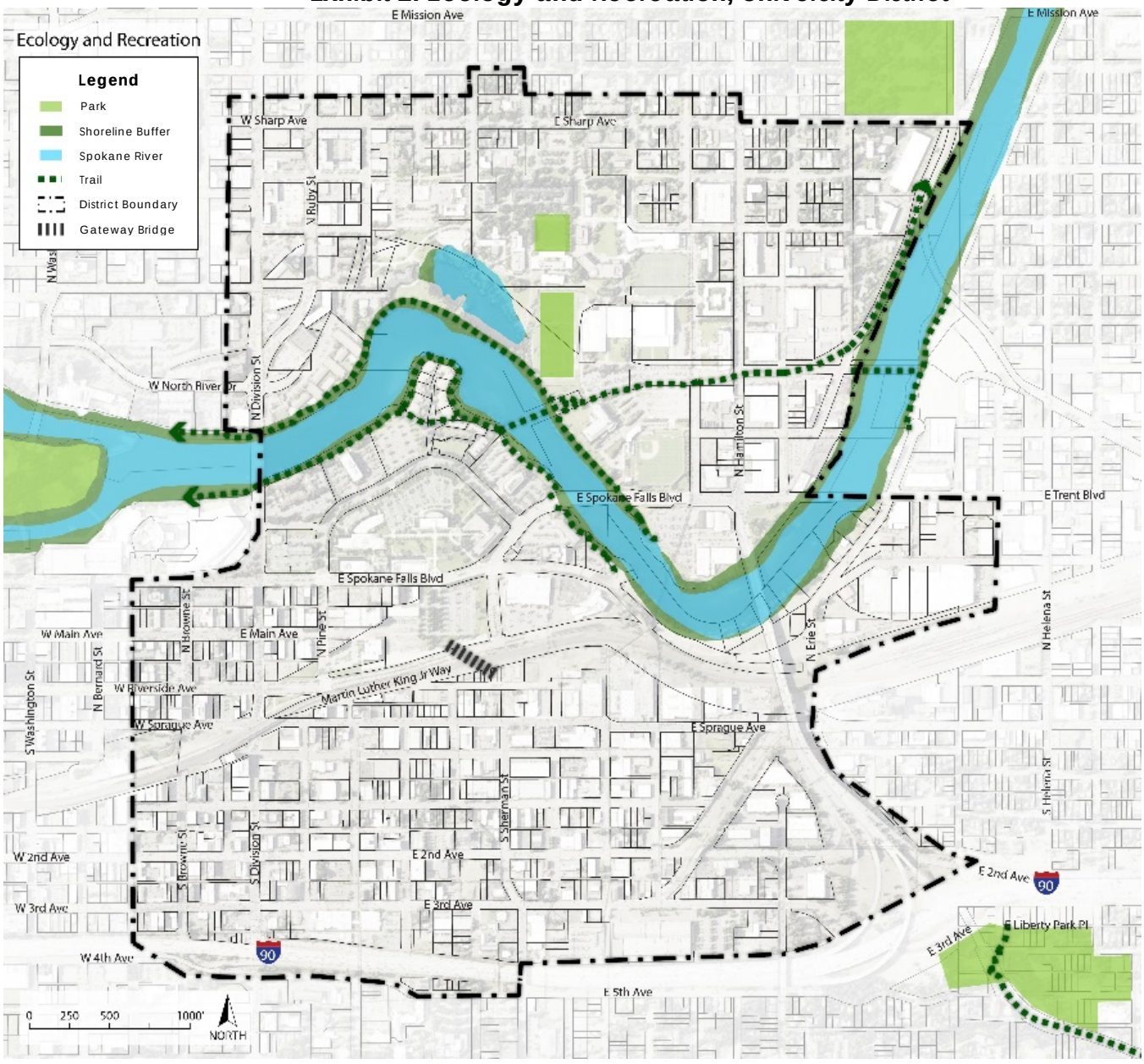
Exhibit 1. University District General Context, 2018



Source: MAKERS, 2018

The Spokane River provides valuable ecological and recreational resources **(Exhibit 2)**. The Centennial Trail along the river connects the campuses and provides access to the river. Several major urban parks, including Riverfront Park, Mission Park, and Liberty Park, surround the District and provide opportunities for recreational and athletic activities. However, there is a general lack of public open space within the District.

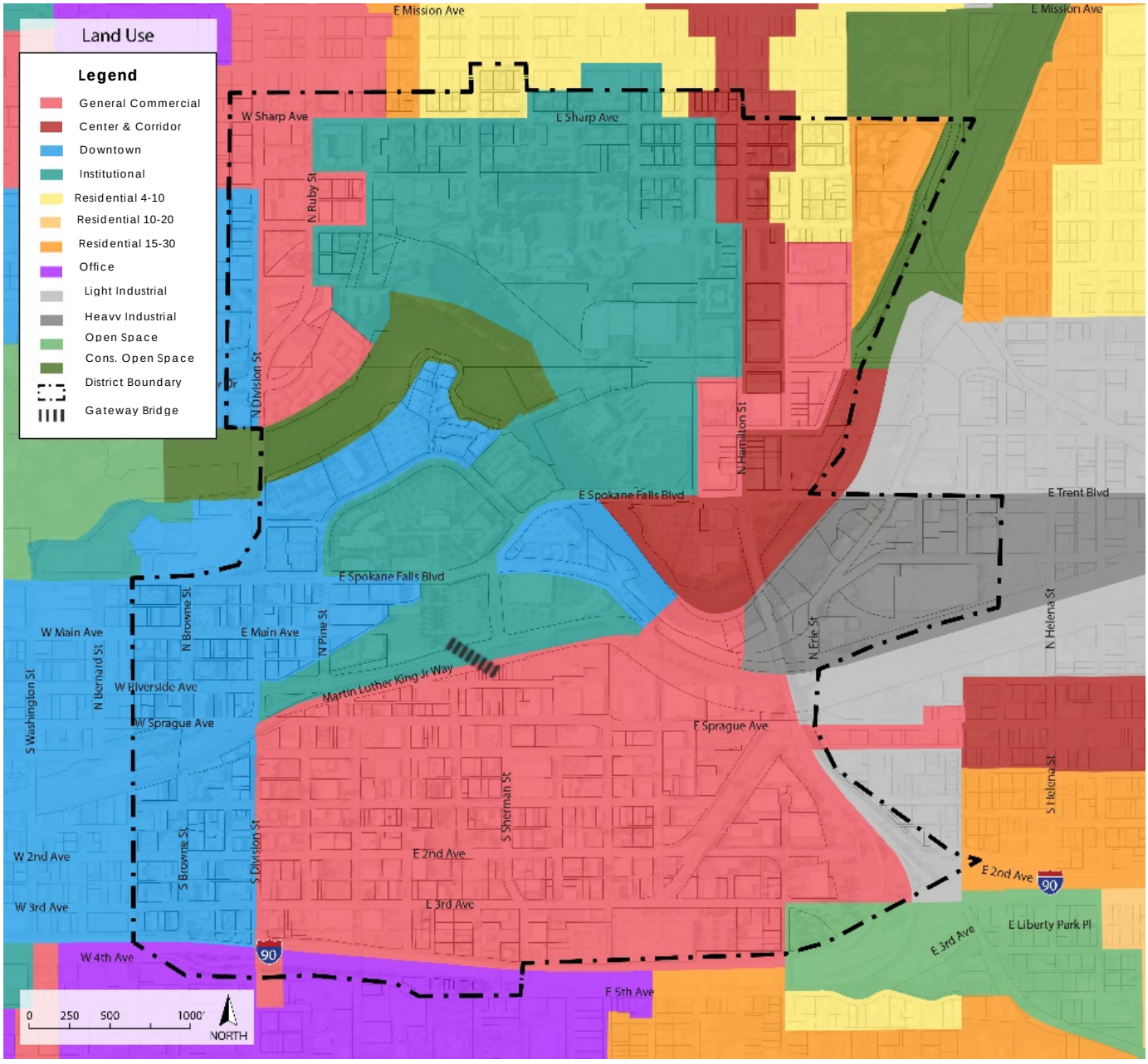
Exhibit 2. Ecology and Recreation, University District



Source: MAKERS, 2018

The land use vision for the District under the City's current comprehensive plan is diverse. In general, it is a complex mix of institutional, commercial, residential, and industrial uses as well as open space. **Exhibit 3** indicates the general land uses currently planned for the District and adjacent neighborhoods. Note that these uses may differ from existing uses, as they represent a long-term vision.

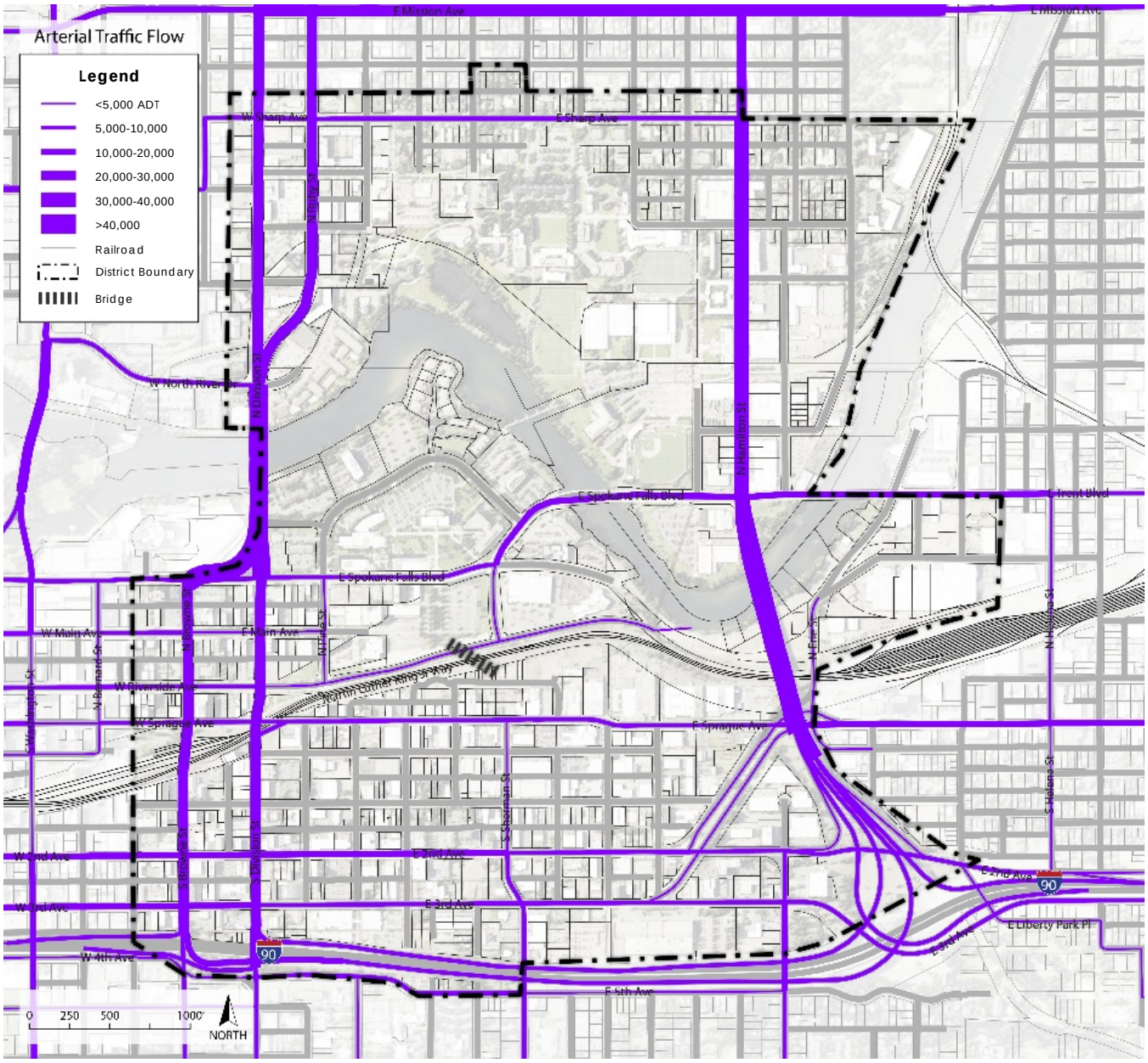
Exhibit 3. Land Use Plan Designations, University District, 2018



Source: MAKERS, 2018

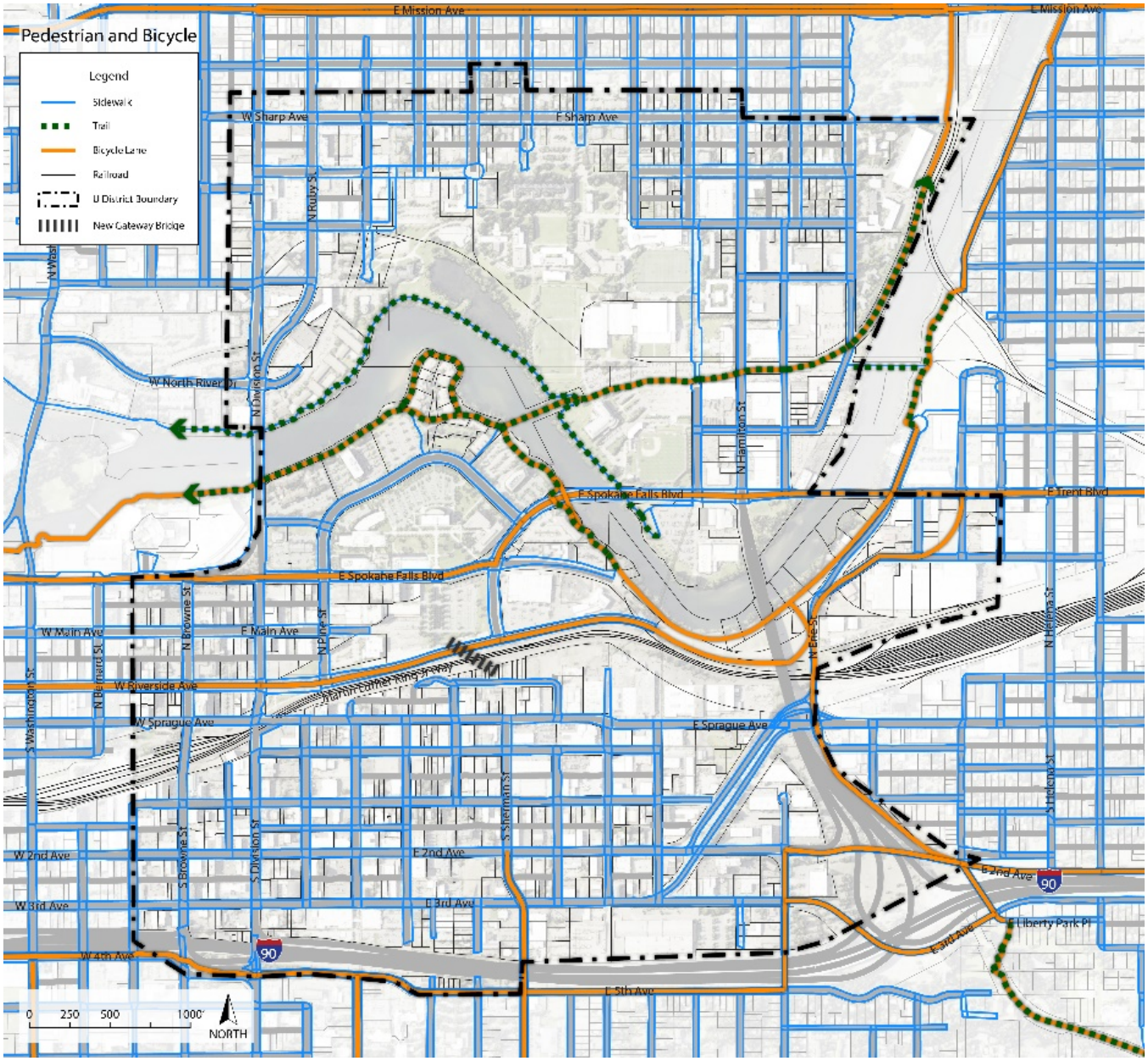
As shown in the arterial traffic flow map (**Exhibit 4**), north-south traffic is funneled onto Division and Hamilton Streets. The east-west oriented arterials experience less traffic because of more even distribution of major traffic flow. This allows the potential development of attractive pedestrian and bicycle-friendly street systems.

Exhibit 4. Arterial Traffic Flow, University District, 2018



Source: MAKERS, 2018

Exhibit 5. Pedestrian and Bicycle System, University District, 2018



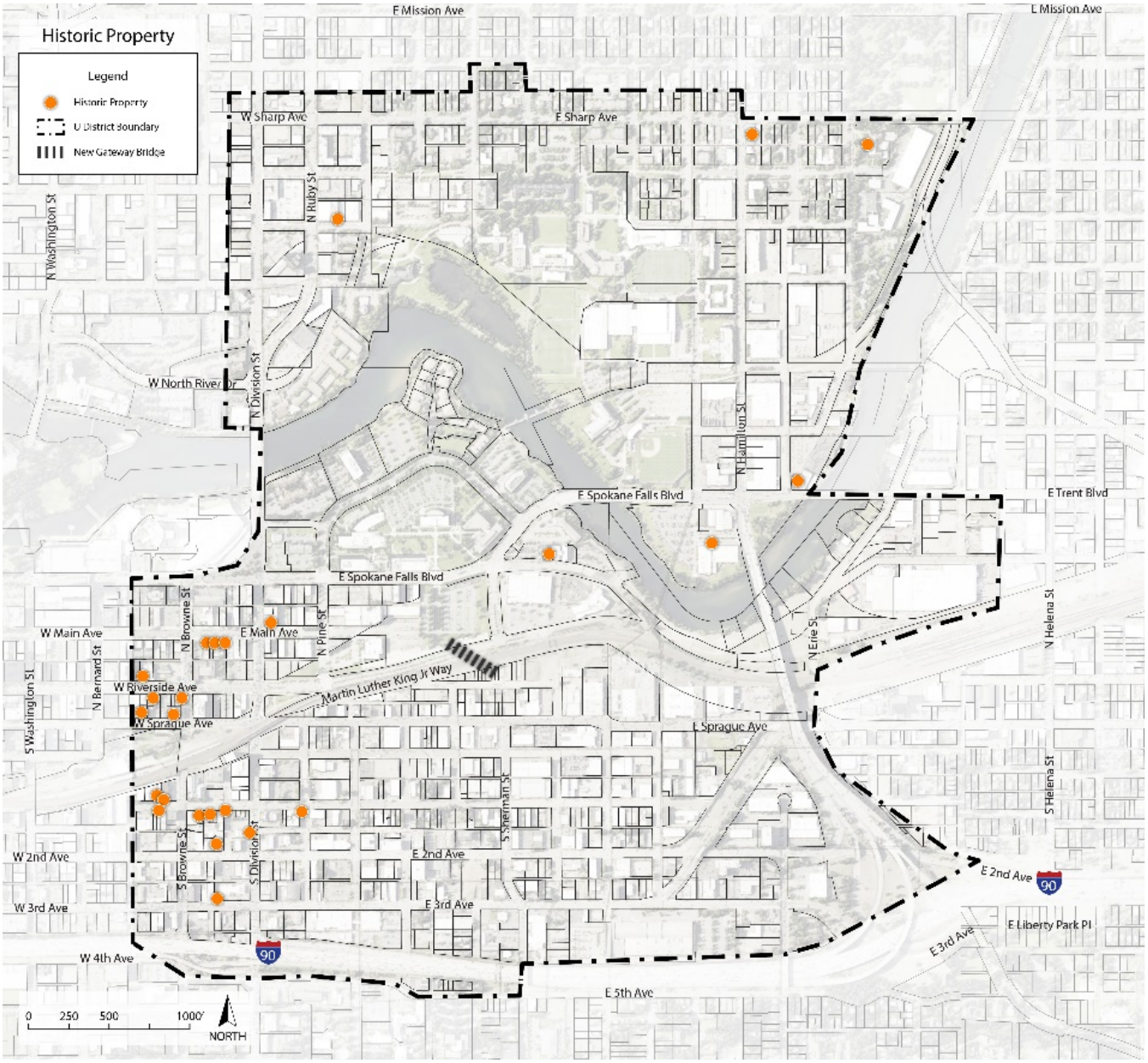
Source: MAKERS, 2018

The District features an extensive sidewalk system appropriate for a growing urban center (**Exhibit 5**). Recent pedestrian-oriented street improvements, especially along Main Ave, have helped to foster a range of business and activities. The Centennial Trail along the Spokane River is a regionally significant pedestrian and bicycle amenity, drawing visitors to the city. Existing on-street bicycle lanes are less connected in comparison with the sidewalk network. The major north-south bicycle connection is along Highway 290 connecting to the south bank of Spokane River. There are several existing east-west bicycle

connections, but there are opportunities for improvement and better connectivity.

The District's designated historic properties are concentrated most heavily in the south-west area (**Exhibit 6**). Besides these historic properties, some non-designated buildings in the District are still valuable gems that enhance the character and raise the quality of the area. These historic and characteristic properties hold great potential for thoughtful renovation. The Community Building campus on Main Avenue and the SIERR Building renovation are excellent local models for modernization that honors history.

Exhibit 6. Designated Historic Properties, University District

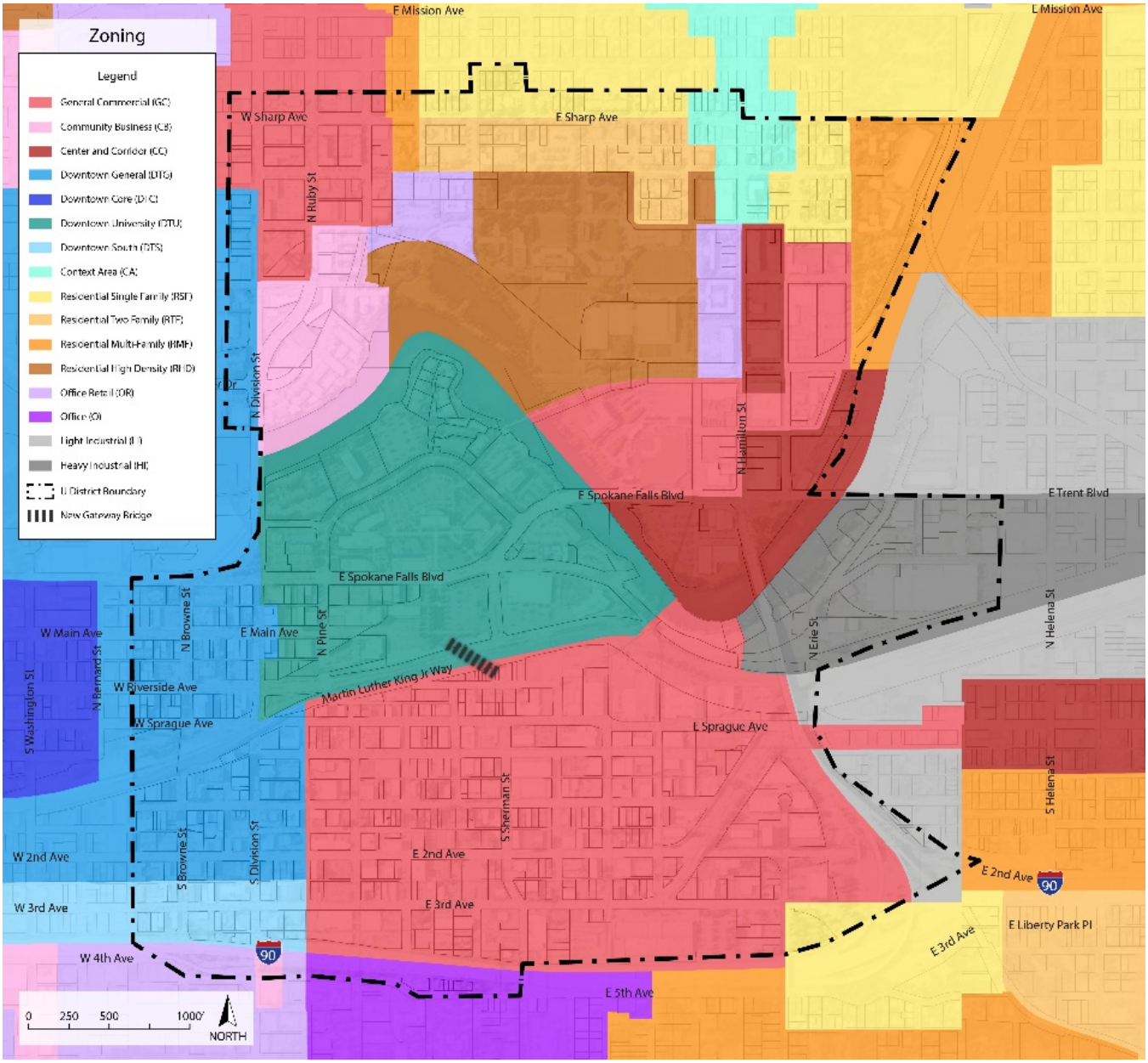


Source: MAKERS, 2018

Regulatory Frameworks

Exhibit 8 provides permitted uses and development constraints for the zoning designations that apply within the District. 14 zones occur to at least some extent within the District. As shown in **Exhibit 7,** some are more extensive than others. "General Commercial", for example, covers most of the South Subarea.

Exhibit 7. Current Zoning, University District, 2018



Source: MAKERS, 2018

Exhibit 8. University District Zoning Summary

Zone	Allowed Uses	Allowed Density	Max. FAR	Max. Height
General Commercial (GC)	Retail and service business with a local or regional market, industrial use, residential use, institutional use	Industrial uses are limited in size to avoid adverse effects different in kind or amount than commercial uses and to ensure that they do not dominate the character of the commercial area	2.5	150 ft
Community Business (CB)	Auto-accommodating commercial uses, retail and service business with a local or regional market, industrial use, residential use, institutional use	Because of the adjacency to residential neighborhoods, the size of some allowed uses is more limited than the general commercial zoning category	1.5	55 ft
Center and Corridor (CC)	Residential use, commercial use, institutional use, limited industrial use	Controlled size of uses to promote the greatest pedestrian orientation of the center and corridor zones	3.0	40-150 ft
Downtown General (DTG)	Residential use, commercial use, institutional use	-	6	12 stories
Downtown Core (DTC)	Residential use, commercial use, institutional use	-	-	-
Downtown University (DTU)	Residential use, commercial use, institutional use	-	6	12 stories
Downtown South (DTS)	Residential use, commercial use, institutional use	-	4	12 stories
Context Area (CA)	Form-based zone with variations by block – generally discourages auto-oriented uses	-	N/A	35 ft – 6 stories (varies by block)
Residential Single Family (RSF)	Attached and detached single-family residences, transitional housing, zero lot line, accessory dwelling unit (ADU), detached ADU, manufactured home, cottage housing, mobile home parks	4 - 10 Dwelling Unit (DU)/ac	0.5	1-2 stories

Zone	Allowed Uses	Allowed Density	Max. FAR	Max. Height
Residential Two Family (RTF)	Attached and detached single-family residences, transitional housing, zero lot line, accessory dwelling unit (ADU), detached ADU, duplexes, manufactured home	10 - 20 DU/ac	0.5	1-2 stories
Residential Multi-Family (RMF)	Attached and detached single-family residences, zero lot line, accessory dwelling unit (ADU), detached ADU, duplexes, manufactured home, single room occupancy, multi-dwelling structure	15 - 30 DU/ac	-	1-4 stories
Residential High Density (RHD)	Attached and detached single-family residences, zero lot line, accessory dwelling unit (ADU), detached ADU, duplexes, manufactured home, single room occupancy, multi-dwelling structure	Min.: 15 DU/ac Max.: limited by other code provisions (i.e., setbacks, height, parking, etc.)	-	35 ft
Office Retail (OR)	Larger-scale offices, supporting retail and service uses	The size of retail uses is limited to reduce detrimental impacts on nearby residential uses and to assure that the commercial uses are supporting rather than primary uses	6	35 ft
Office (O)	Small-scale offices in or adjacent to residential neighborhoods (the allowed uses are intended to serve nearby neighborhoods and/or have few detrimental impacts on the neighborhood)	The development is intended to be of a scale and character similar to nearby residential development to promote compatibility with the surrounding area	0.8	35 ft
Light Industrial (LI)	Industrial use, commercial use, office use, institutional use, limited residential use	Commercial uses are limited in size to ensure that they do not dominate the character of the industrial area or adversely affect the intended industrial use	-	150 ft

Zone	Allowed Uses	Allowed Density	Max. FAR	Max. Height
Heavy Industrial (HI)	High impact industrial use, office use, limited institutional use, limited commercial use	Commercial uses are limited in size to ensure that they do not dominate the character of the industrial area or adversely affect the intended industrial use	-	150 ft

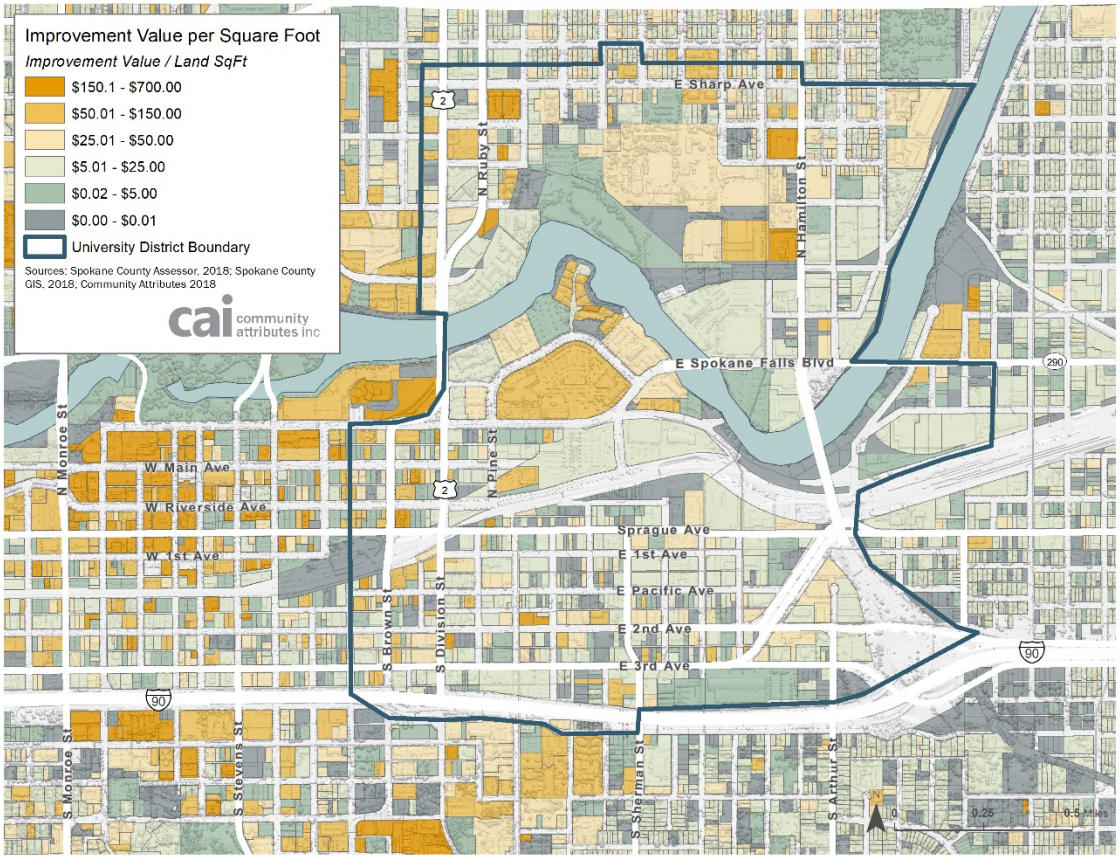
Current Development Patterns

The University District has a large supply of vacant and underutilized land. A parcel-level review of improvements in the District was prepared for this report. Parcels were classified as "vacant" or "underutilized" based on the assessed value of improvements per square foot of land for each parcel. Parcels with improvement values per square foot under $0.01 were classified as "vacant", and those with values between $0.01 and $5.00 were classified as "underutilized".[1] The current distribution of vacant and underutilized land is shown on a map in **Exhibit 9** and as a tabular summary in **Exhibit 10**. This is a high-level analysis which does not consider limitations on developability due to critical areas or other factors. In addition, some surface parking lots and buildings in the District look vacant or underutilized but are located on parcels that include higher value existing improvements, which increases the per square foot value above the threshold values. These exhibits highlight the general scope of development opportunities without limiting or specifying the development opportunities nor do they speak to the development opportunities of larger and more complicated parcels or those which are currently improved beyond $5.00 per square foot.

The University District currently has just under 120 acres of vacant and underutilized land (**Exhibit 10**), though some parcels may be unavailable for development due to market, environmental, or other factors.

[1] Parcels with the following uses were excluded from this analysis: Rights-of-way, schools, fire stations, libraries, parks, utilities, rivers.

Exhibit 9. Improvement Value per Square Foot of Land, University District, 2018



Sources: Spokane County Assessor, 2018; Spokane County GIS, 2018; Community Attributes Inc., 2018

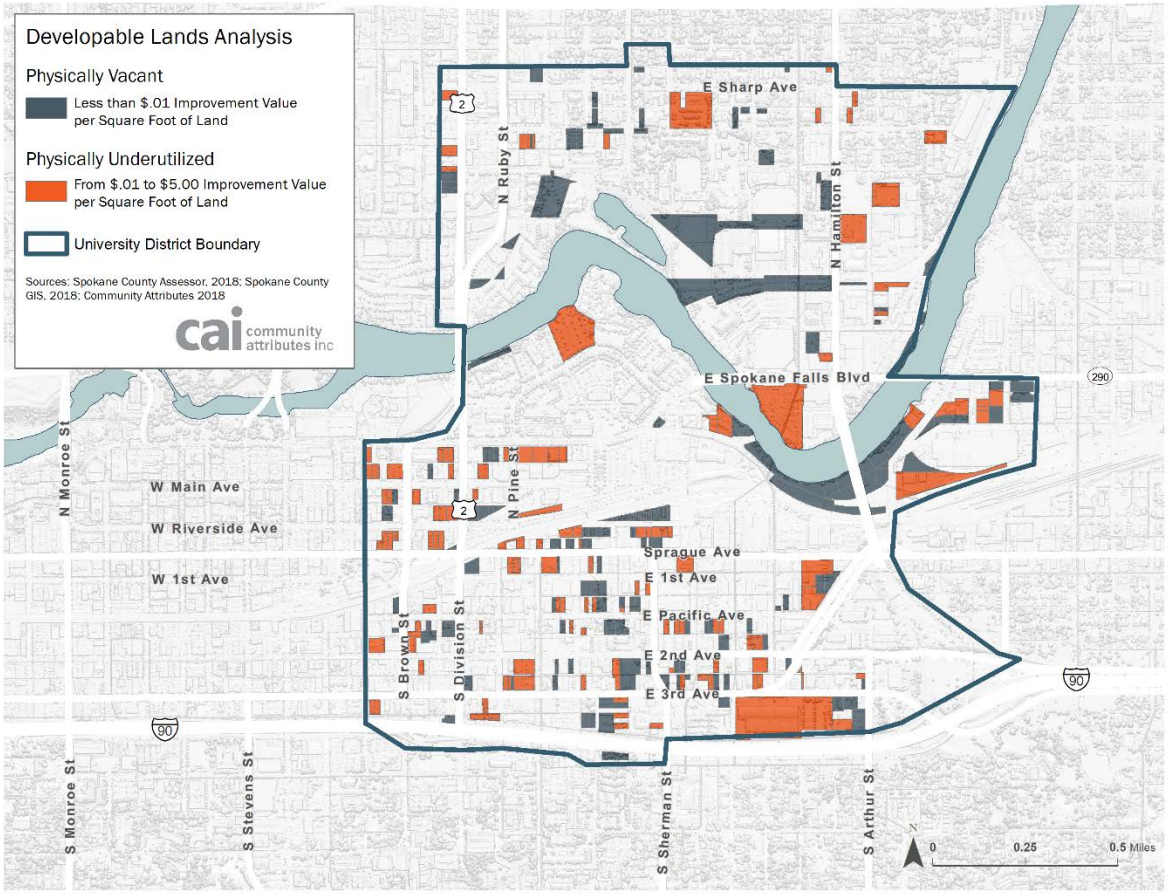
Exhibit 10. Vacant and Underutilized Lands, University District, 2018

Spokane Zoning Designation	Number of Vacant Parcels	Gross Vacant Supply (ac)	Number of Underutilized Parcels	Gross Underutilized Supply (ac)	Total Vacant & Underutilized Supply (ac)
Context Area	0	0.0	4	0.6	0.6
Center & Corridor	3	1.5	2	6.4	7.9
Commercial	106	22.2	67	23.9	46.1
Downtown	34	9.9	53	14.5	24.4
Industrial	15	11.9	7	5.5	17.4
Office	16	4.1	1	0.3	4.4
High Density Residential	9	13.1	0	0.0	13.1
Medium Density Residential	2	0.6	1	0.6	1.2
Low Density Residential	13	1.8	1	3.0	4.8
Totals	**198**	**65.1**	**136**	**54.8**	**119.9**

Source: Community Attributes Inc., 2018; Spokane County, 2018

The map in **Exhibit 11** identifies the location of vacant and underutilized parcels within the University District. A large vacant area is located along the south bank of the Spokane River, near the new alignment of Martin Luther King Jr. Way. Many smaller parcels in the southern portion of the District are also considered vacant or underutilized in this analysis. Several parcels currently considered vacant or underutilized have planned developments for the near future.

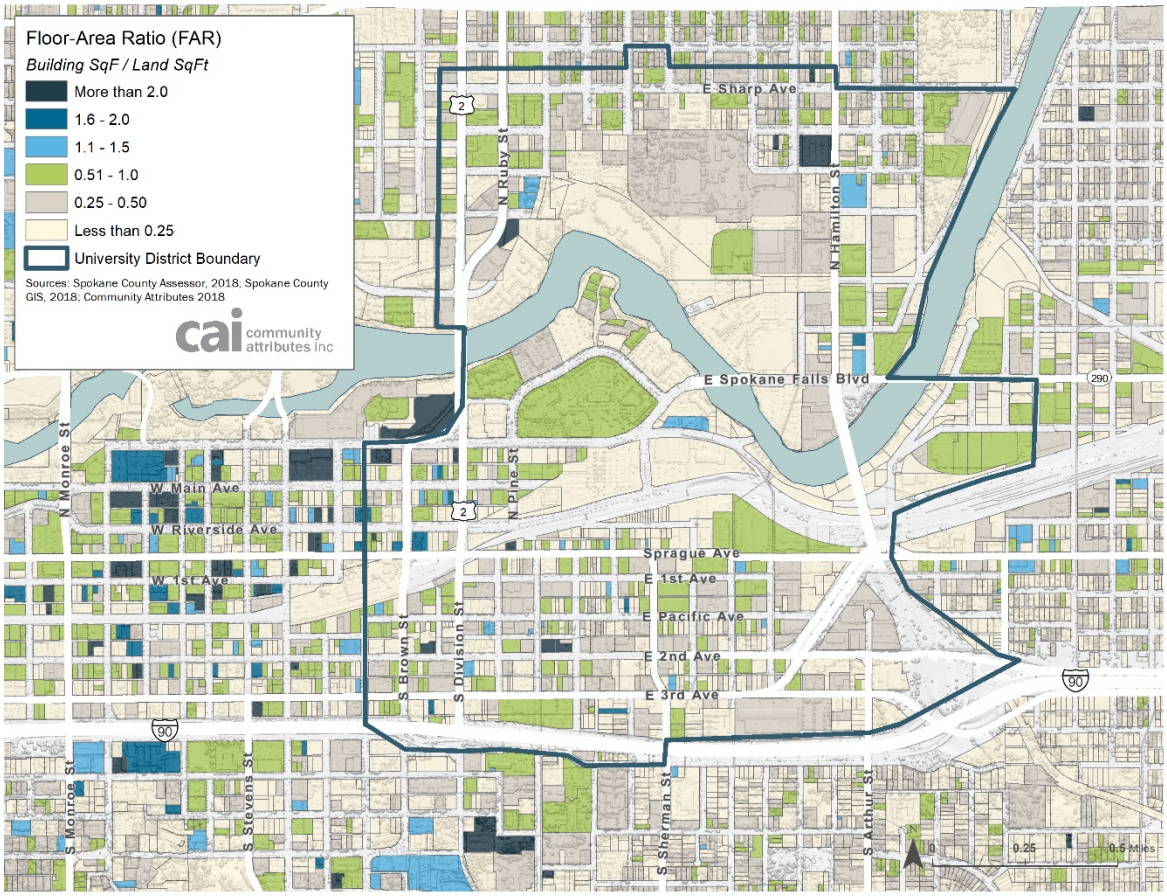
Exhibit 11. Physically Vacant and Underutilized Parcels, University District, 2018



Sources: Spokane County Assessor, 2018; Spokane County GIS, 2018; Community Attributes Inc., 2018

On developed parcels, the intensity of the development, as measured by FAR, is illustrated on the map in **Exhibit 12**.

Exhibit 12. Floor-Area Ratio (FAR) of Existing Development by Parcel, University District and Surrounding Area, 2018



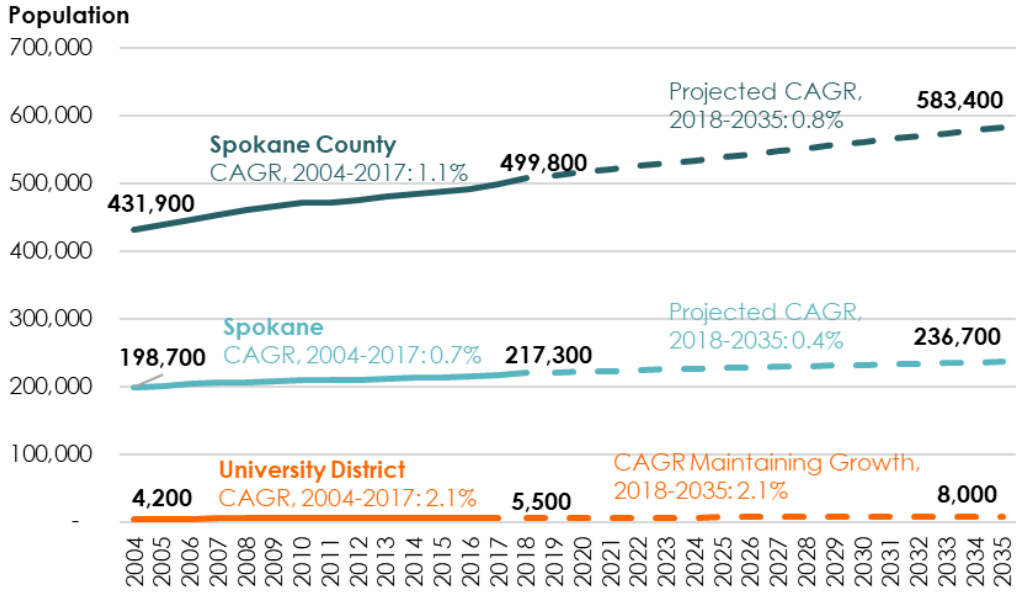
Sources: Spokane County Assessor, 2018; Spokane County GIS, 2018; Community Attributes Inc., 2018

Demographic Characteristics and Key Trends

While the University District's current population is small, it has been growing faster than both the City and County since 2004. As shown in **Exhibit 13**, the District has grown at a Compound Annual Growth Rate (CAGR) of 2.1% during this time while the City has grown by 0.7% annually.

Spokane County developed forecasts for its cities' 2035 populations based on the State of Washington Office of Financial Management's (OFM) Countywide forecast. Growth in both Spokane County and the City of Spokane is forecasted to be slower from 2018-2035 than it was from 2004-2017. The City's population is expected to grow at half the rate of the County overall.

Exhibit 13. Population History and Forecasted Growth, University District, City of Spokane and Spokane County, 2004-2035

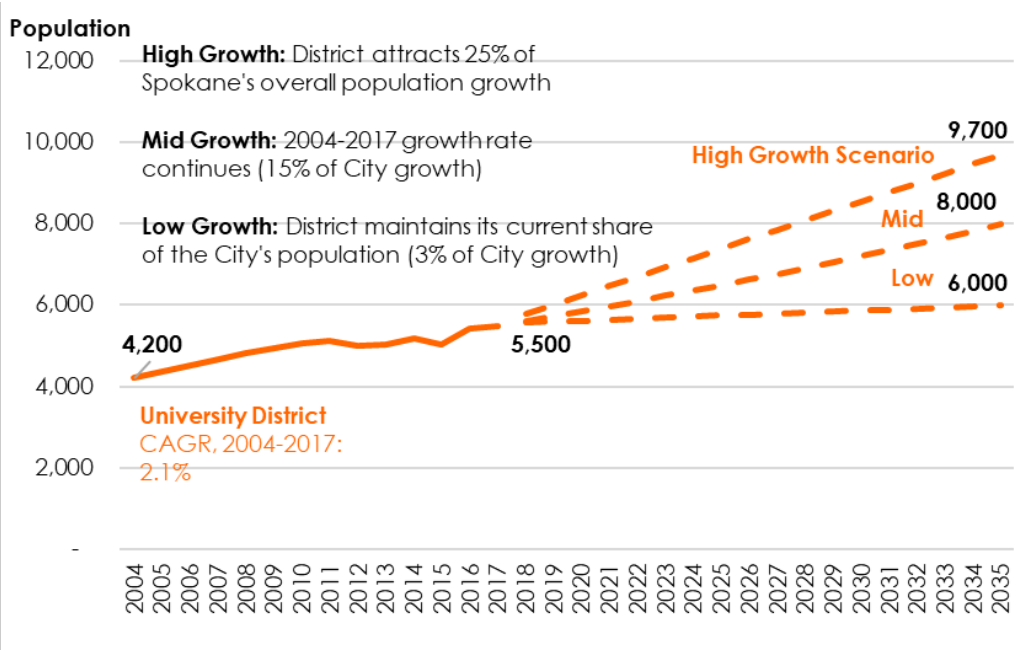


Source: Spokane County, 2017; State of Washington Office of Financial Management, 2018

Population growth in the University District was much stronger from 2004-2017 compared to the County. As no formal projection was developed for the University District, three potential growth scenarios are presented in **Exhibit 14**. The **low** growth scenario assumes that the District will maintain its current share at 3% of the City's total population, capturing 3% of its future growth. The **mid** growth scenario assumes that the District's growth rate from 2004-2017 will continue, capturing 15% of the City's future growth. The **high** growth scenario assumes that the District will capture 25% of the City's future growth.

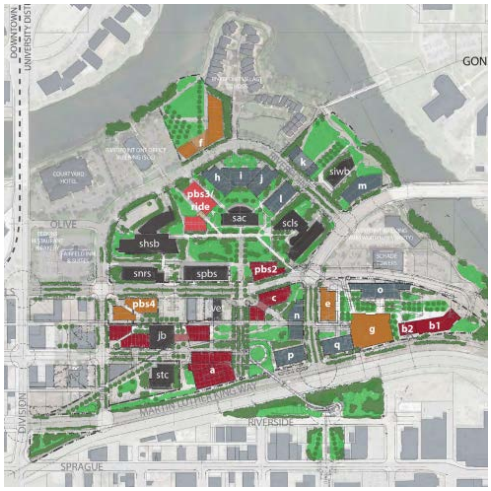
This scenario is not provided as a likely outcome, but to provide context framed by regional growth.

Exhibit 14. University District Growth Scenarios, 2004-2035



Source: Community Attributes Inc., 2018; Spokane County, 2017; State of Washington Office of Financial Management, 2018

Today, the University District is home to two medical schools and six institutions of higher education – Community Colleges Spokane, Eastern Washington University, Gonzaga University, University of Washington, Washington State University Health Sciences Spokane, and Whitworth University. The local presence of each institution varies.



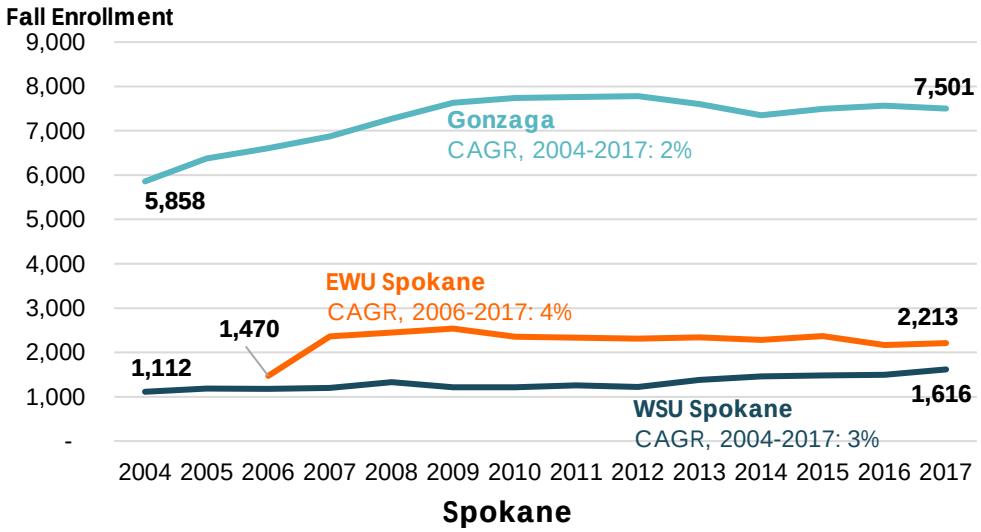
EWU/WSU Health Sciences Spokane campus, as shown in 2014 Master Plan. Planned development shown in red and orange.

Gonzaga, whose entire campus is in the District, was founded in 1887. WSU and EWU established Spokane campuses in the late 1980s and have grown from rented space in downtown office buildings to the current joint Spokane campus. Whitworth opened a location in the District in 2009, then moved to a larger location in 2010. It offers degree programs for nontraditional students at this location, including those who prefer evening classes. Community Colleges of

Spokane's administrative offices are located in the District. UW has a Regional Health Partnership with Gonzaga University for medical education, as well as an administrative facility in the District.

Enrollment growth from 2004-2017 for Gonzaga, EWU and WSU Spokane is shown in **Exhibit 15**. While Gonzaga's enrollment grew at an annual average of 2%, it also contracted from 2012-2014 and has been relatively stable since that time.

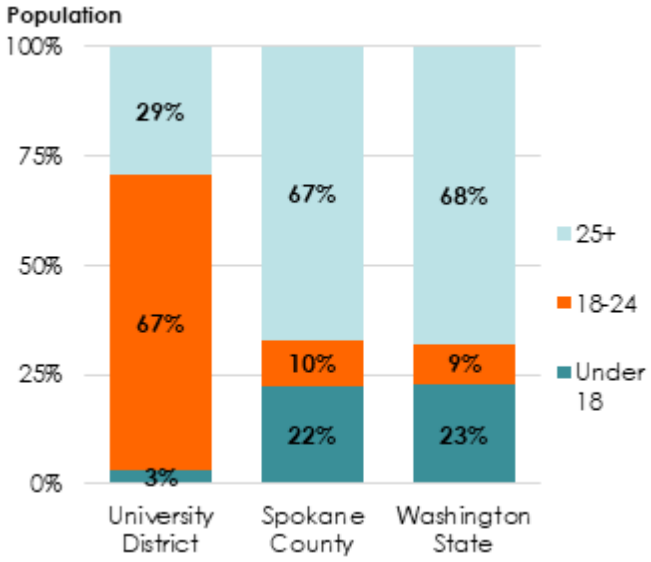
Exhibit 15. Fall Enrollment, 2004-2017, Gonzaga, EWU and WSU Spokane



Sources: Gonzaga: Gonzaga University, 2018; WSU: Integrated Postsecondary Education Data System, 2016, and WSU, 2018; EWU, 2018

Typical of an area with a high student population, the University District has a high share of young adults. As shown in **Exhibit 16**, 67% of the District's population is between the age of 18 and 24, compared to 10% Countywide. As a result, the District's population is likely closely tied to university enrollment and will grow so long as those universities are growing. There is also an opportunity to attract older adults and families to the District.

Exhibit 16. Age Distribution, 2016

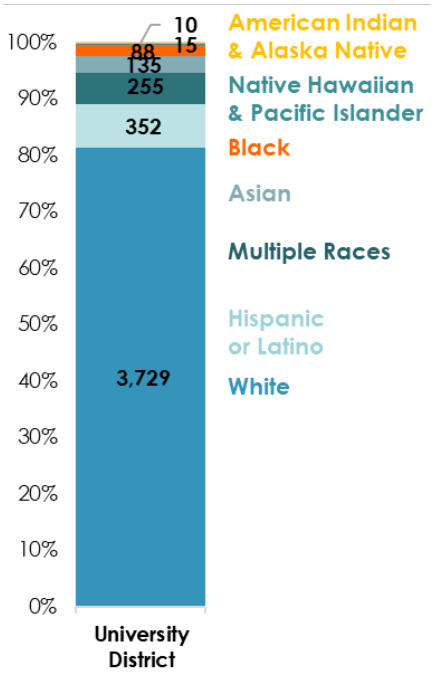


Source: US Census Bureau, American Community Survey 5-Year Estimates, 2016

Just over 80% of the District's population identifies as white, as shown in **Exhibit 17**. This is more diverse than the City overall, where 86% of residents identify as white.

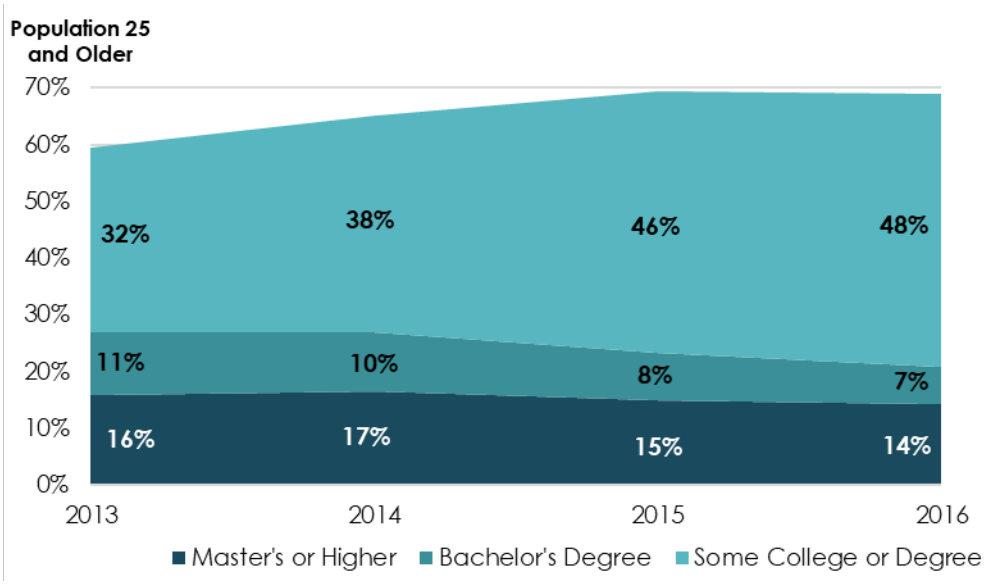
While the overall share of people in the District who have completed at least some college is similar to Countywide averages, the share of those with a master's degree or higher is very high. The District is unique in having more residents with at least a master's degree than those with just a bachelor's degree. In addition, as shown in **Exhibit 18**, the population share with just a bachelor's degree has decreased in recent years, while the share with some college or an associate degree has increased. This could reflect the growth of the university campuses within the District, corresponding to an increase in the number of local residents with degrees in progress.

Exhibit 17. Population by Race, University District, 2016



Source: US Census Bureau, ACS 5-Year Estimates, 2016

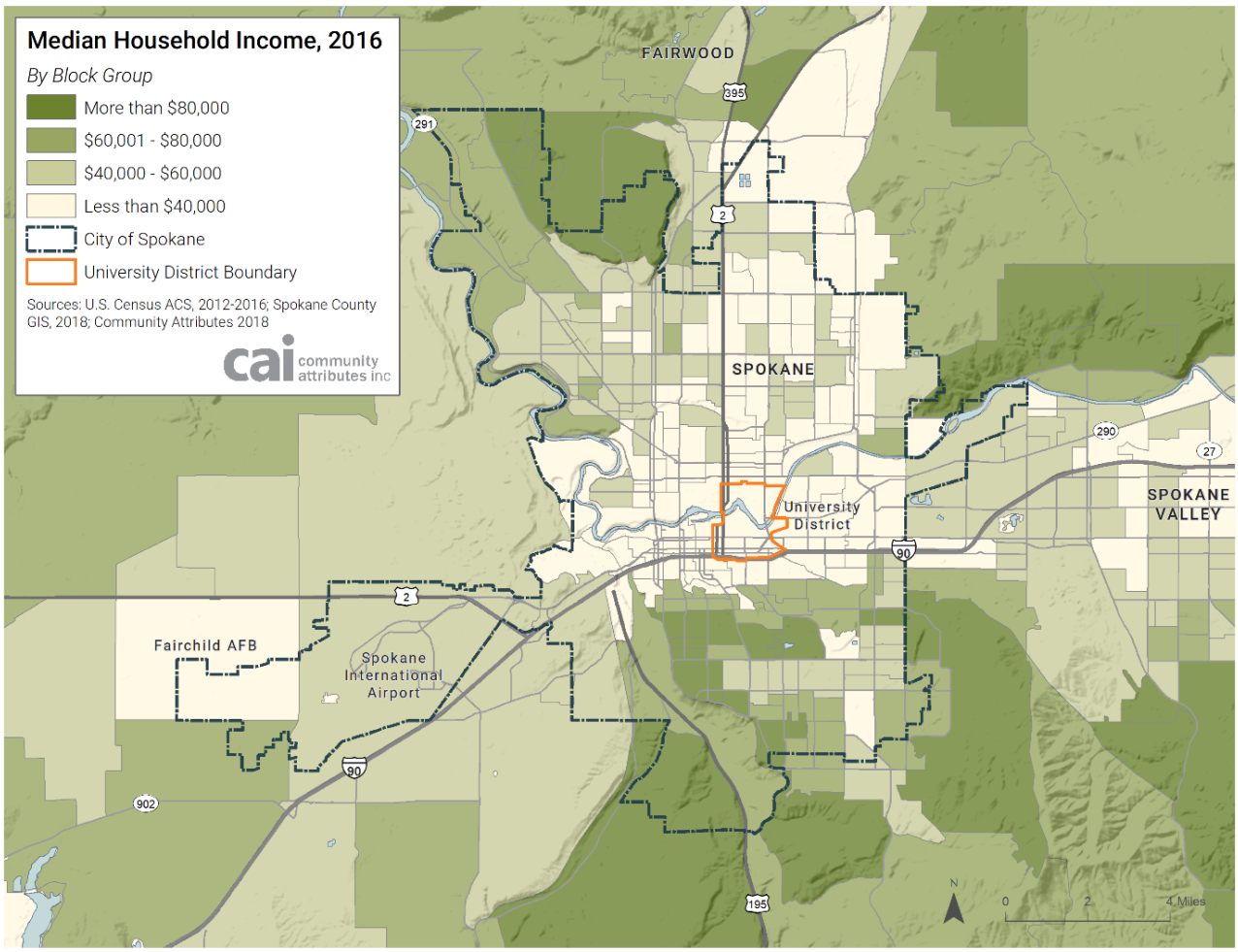
Exhibit 18. Educational Attainment, University District & Spokane County



Source: US Census Bureau ACS 5-Year Estimates, 2016

Median household income for the City of Spokane and its immediate surroundings is presented in the map in **Exhibit 19**. The southern portion of the City of Spokane and unincorporated areas outside the city tend to be characterized by higher median household income than places in the central and northern portions of the City. Most Census block groups in the University District have a median household income of less than $40,000. This is not far below the Citywide median household income, which was $43,274 in 2016, however, the Countywide median was $53,043 for the same time.

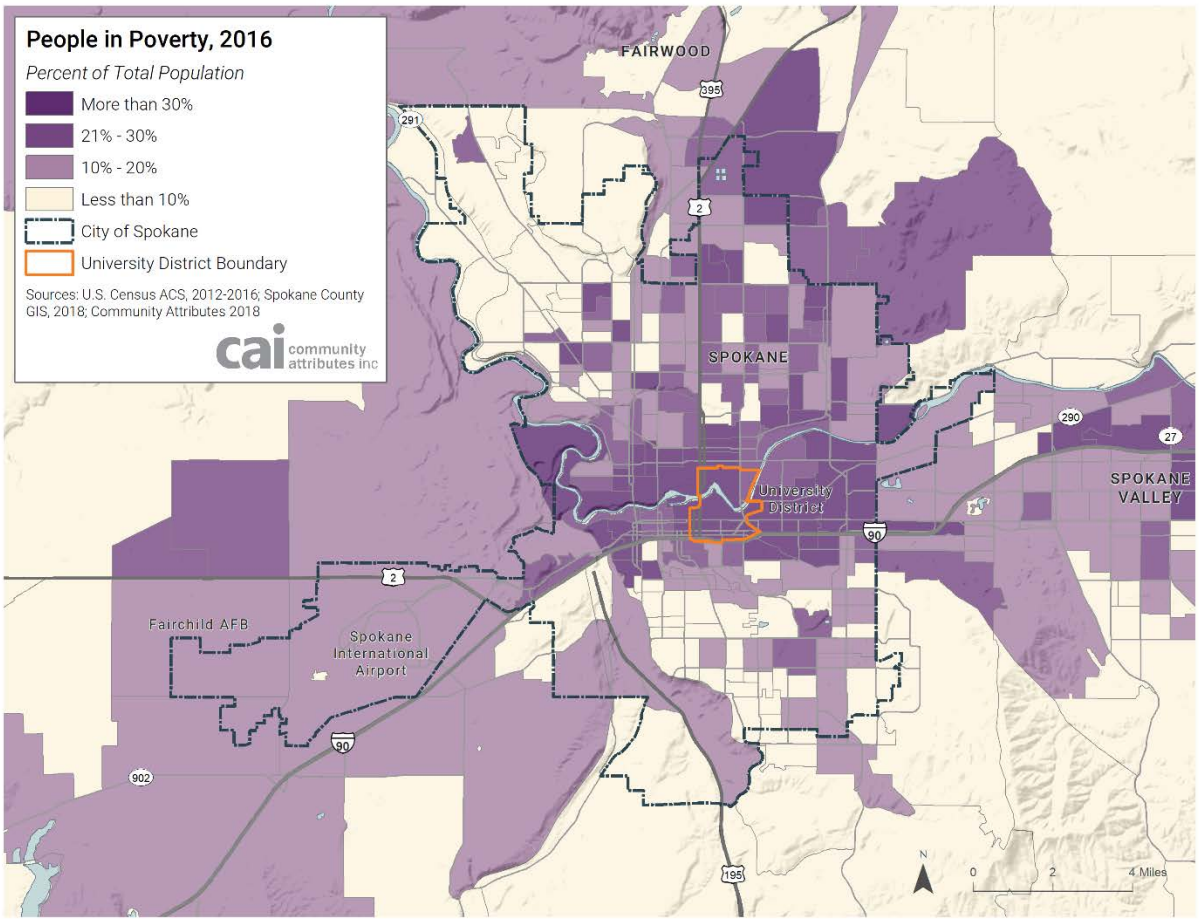
Exhibit 19. Median Household Income, City of Spokane, 2016



Source: Community Attributes Inc., 2018; Spokane County GIS, 2018; United States Census Bureau ACS, 2016

The map in **Exhibit 20** indicates that central and northern Spokane have higher rates of poverty relative to other areas of the City.

Exhibit 20. Percentage of Population in Poverty, City of Spokane, 2016

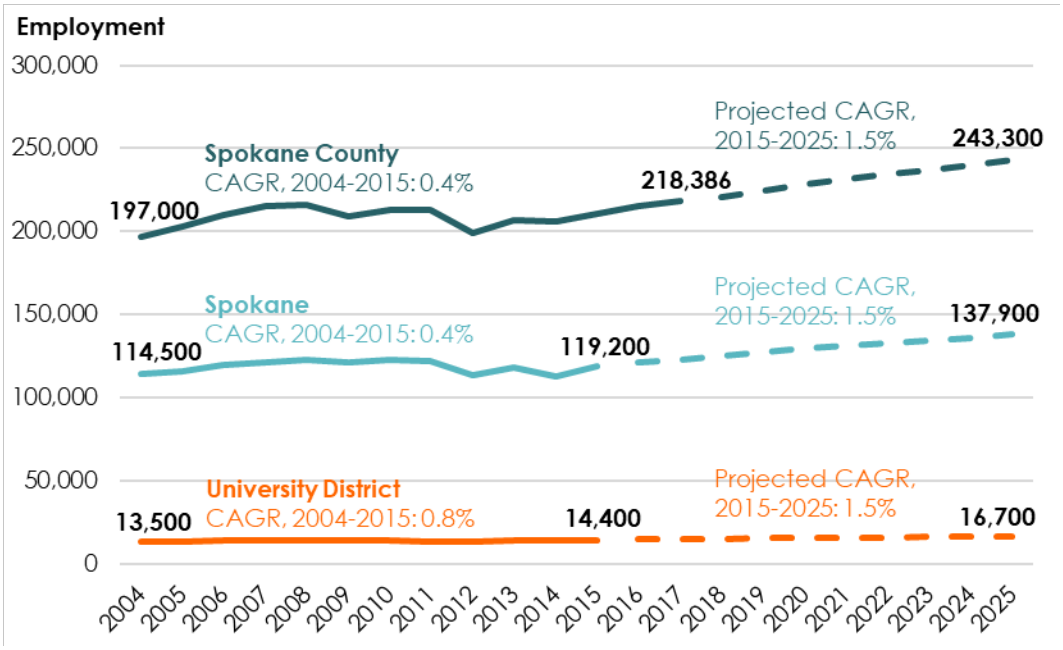


Source: Community Attributes Inc., 2018; Spokane County GIS, 2018; United States Census Bureau ACS, 2016

Economic Characteristics and Key Trends

Since 2004, as shown in **Exhibit 21**, employment growth in the District has been low, but stronger than either the City or County overall. Stronger growth is forecast for the County from 2015-2025. Applying this same rate to the District, around 2,300 jobs will be added by 2025. If the District continues to outperform the County, this number will be higher.

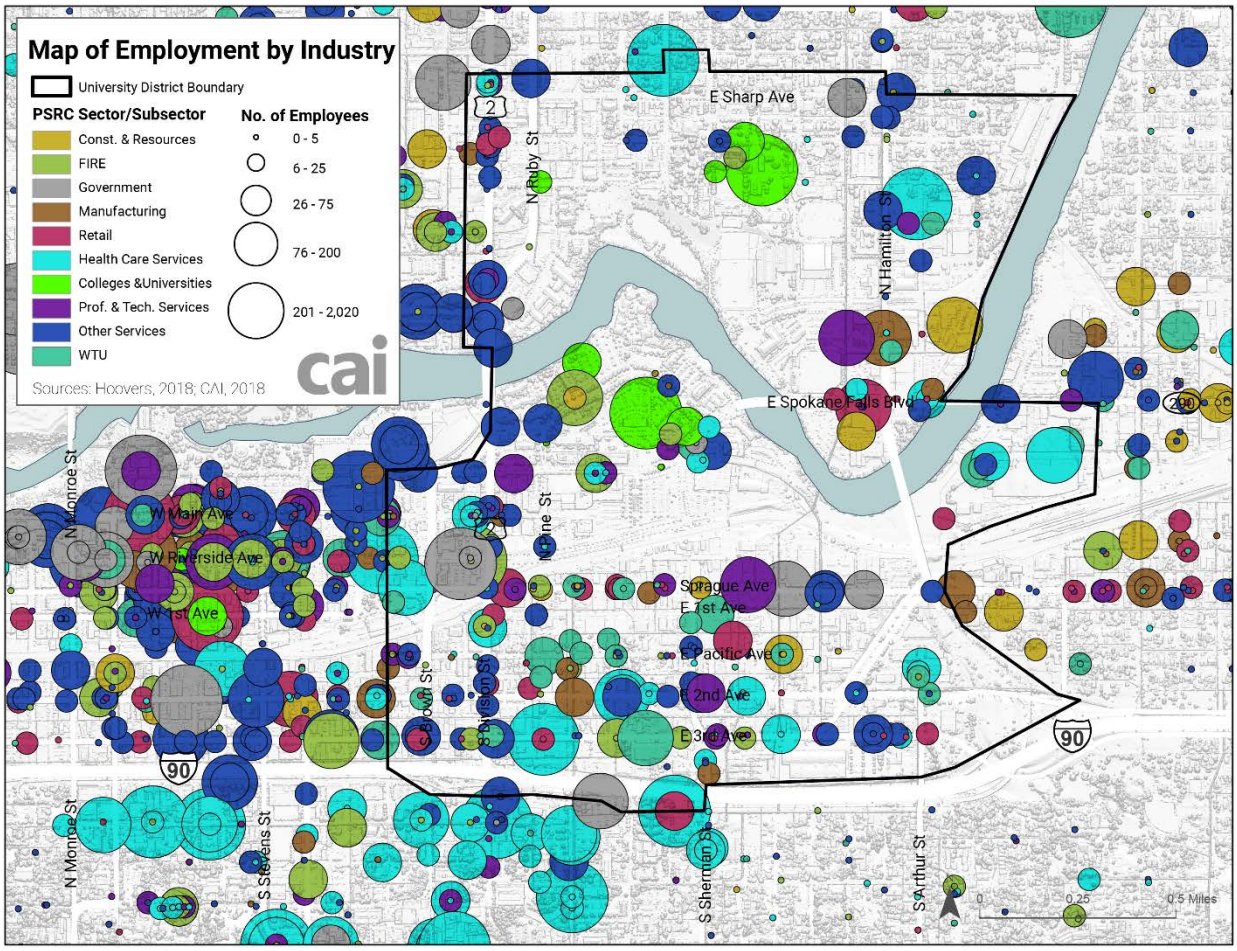
Exhibit 21. Employment History and Forecasted Growth, University District, City of Spokane and Spokane County, 2004-2025



Sources: Community Attributes Inc. 2018; US Census Bureau, OnTheMap and LEHD Origin-Destination Employment Statistics, 2015; State of Washington Employment Security Department (ESD), 2015

True to its name, the University District has a high concentration of employment in education. As shown in **Exhibits 22** and **23**, 46% of jobs located in the District are in the Education sector, compared to 10% across Spokane County. The next largest sector is Services, with 34% of jobs in the District. These two sectors alone account for 80% of the jobs located in the District. The Services sector includes health care, with around 1,700 jobs, and Professional, Scientific and Technical Services, with around 700 jobs.

Exhibit 22. Employers by Industry and Total Employment, University District and Surrounding Area, 2018



Sources: Hoover's, 2018; Community Attributes Inc., 2018

Exhibit 23. Employment and Average Pay by Industry, University District and Spokane County, 2015

	University District	Spokane County		County Average Pay
Construction and Resources	2%	10,600	5%	$47,900
Finance, Insurance and Real Estate	3%	13,500	6%	$65,700
Government	1%	9,100	4%	$64,500
Manufacturing	3%	15,700	7%	$53,300
Retail	5%	26,200	12%	$32,000
Services	34%	97,400	46%	$43,200
Wholesale Trade, Transportation, and Utilities	6%	17,700	8%	$55,600
Education	46%	20,000	10%	$57,800
Total		210,300		$46,585

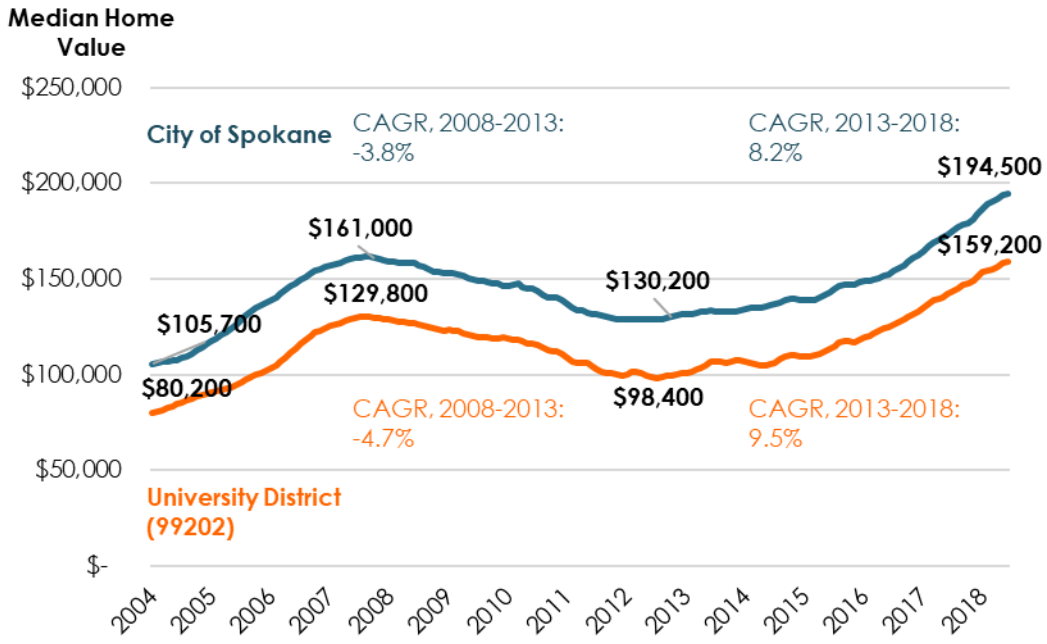
Sources: US Census Bureau; OnTheMap and LEHD Origin-Destination Employment Statistics, 2015; State of Washington ESD, 2017

Real Estate Market Characteristics and Key Trends

Residential

According to Zillow estimates, median home values for the District have consistently been around $30,000 lower than those across the City over the past 14 years. As shown in **Exhibit 24**, however, monthly median home values in the District have been rising faster since 2013 compared to the City.

Exhibit 24. Monthly Median Estimated Home Value, University District[2] and City of Spokane, 2004-2018



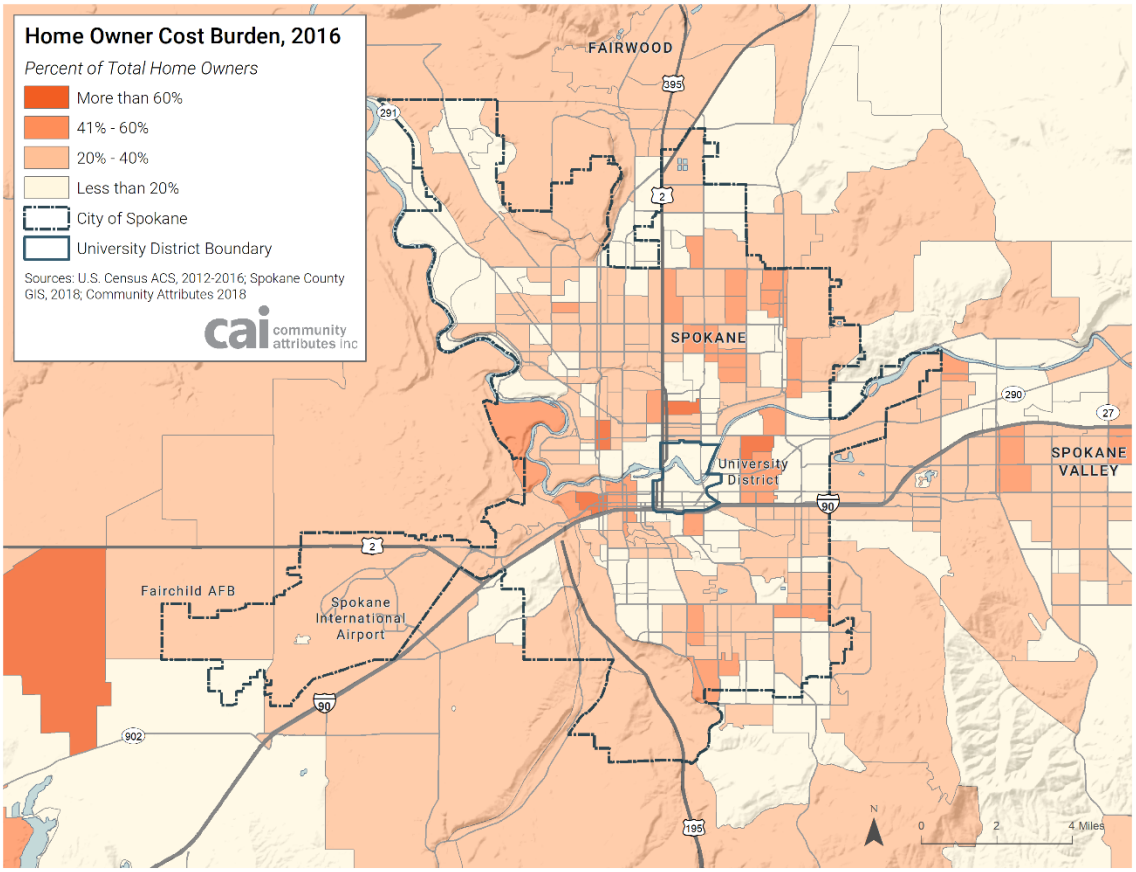
Source: Zillow, 2018

The term "cost-burdened" refers to households that devote more than 30% of their income to housing. While individual households' needs are complex, and many factors impact what is "truly" affordable, this metric is a common indicator to provide an initial assessment of housing affordability. It is particularly applicable to lower income households.

[2] In this exhibit, zip code 99202 is used to represent the District due to data availability.

Exhibit 25 shows the portion of homeowners in each block group in the greater Spokane area that is cost-burdened. As shown, homeowners in the central and eastern Downtown area are generally less likely to be cost burdened relative to other areas of the City.

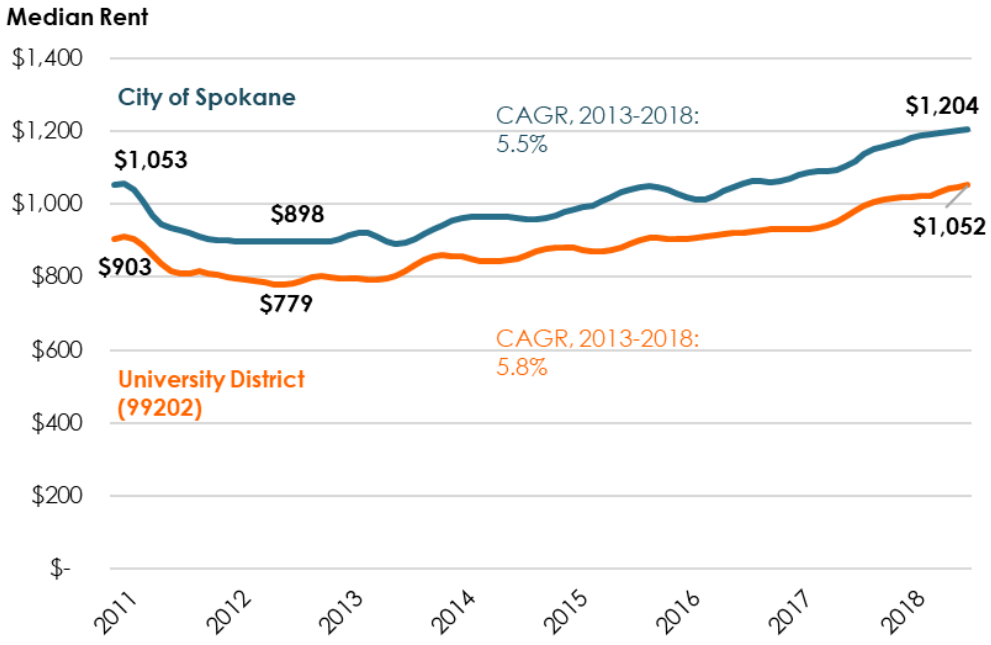
Exhibit 25. Cost-Burdened Homeowners, City of Spokane, 2016



Source: Community Attributes Inc., 2018; Spokane County GIS, 2018; United States Census Bureau ACS, 2012-2016

Similarly, the District's median rent has been consistently lower than the City's median rent but has been climbing slightly faster since 2013 (**Exhibit 26**).

Exhibit 26. Monthly Median Rent, University District[3] and City of Spokane, 2011-2018

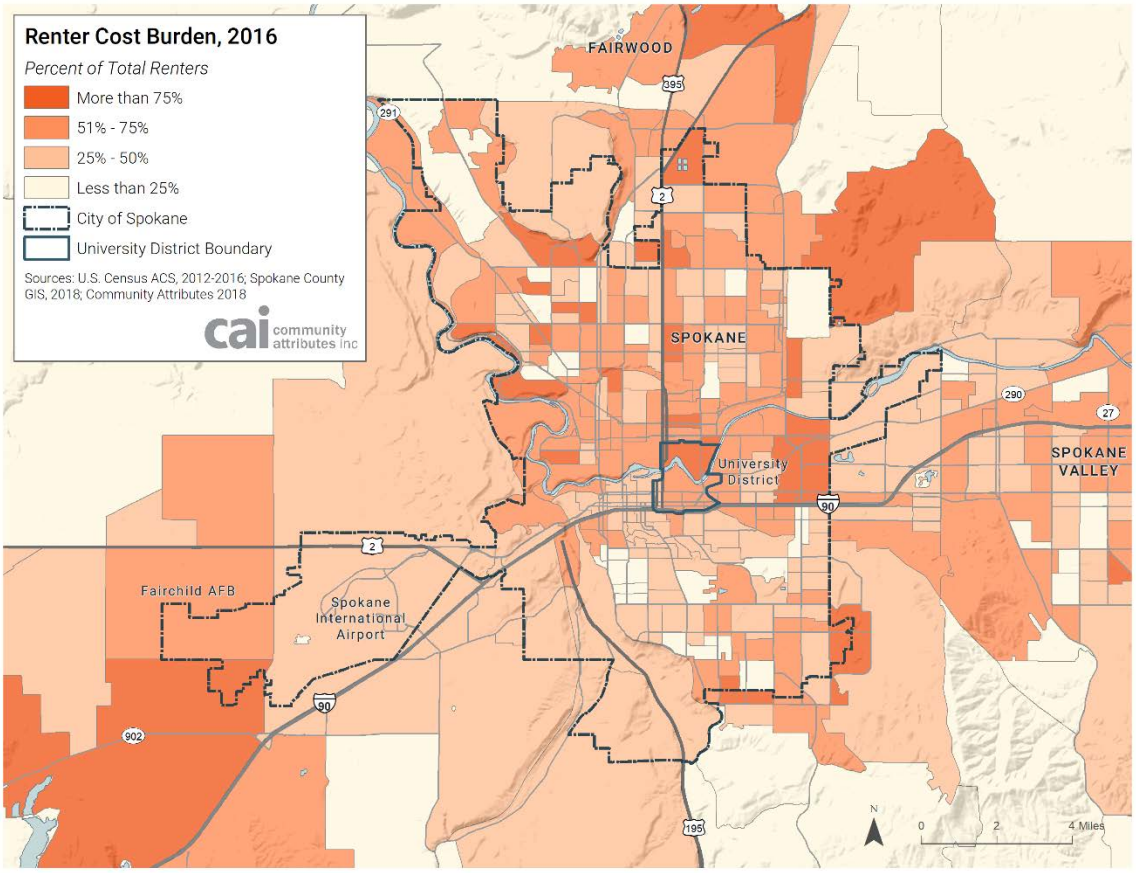


Source: Zillow, 2018

Using 30% of income as a standard for affordability, the District's current median rent should be affordable to a household earning at least $42,080 per year. **Exhibit 27**, on the following page, shows the percentage of renter households that are considered cost-burdened by block group in the greater Spokane region. As shown, the renter cost burden exists throughout the city but is generally more common north of I-90.

[3] *Ibid.*

Exhibit 27. Cost-Burdened Renter Households, City of Spokane, 2016

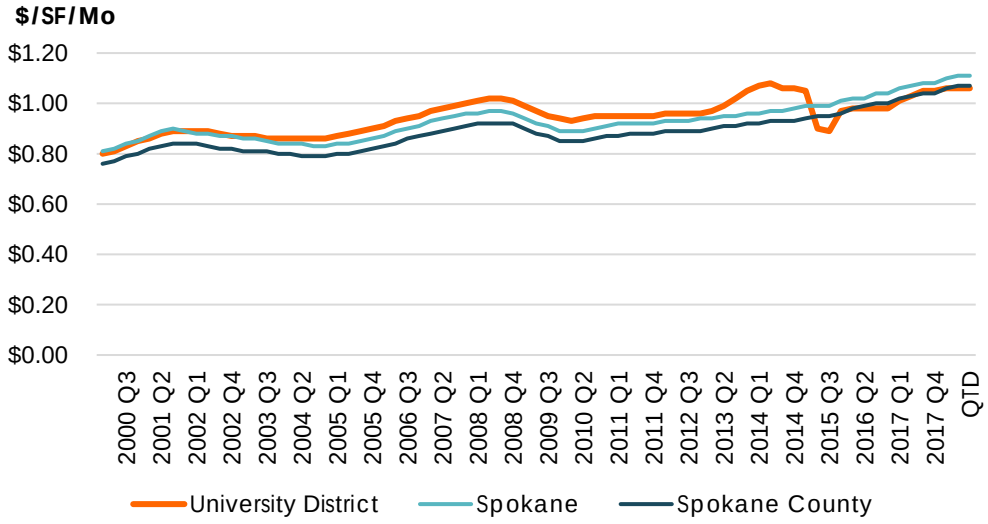


Source: Community Attributes Inc., 2018; Spokane County GIS, 2018; United States Census Bureau ACS, 2012-2016

Multifamily

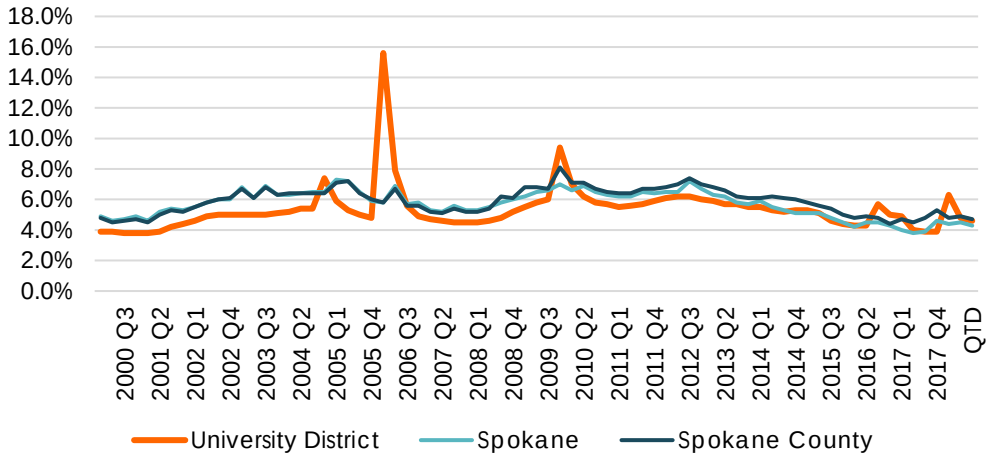
On a per square foot basis, multifamily lease rates in the District followed a similar trend but remained slightly higher than the City and County from 2000 to 2014 (**Exhibit 28**). In 2014, rents dropped and have tracked closely with the Countywide average since that time. Multifamily vacancy has been relatively steady between 4% and 8%, with notable spikes in the vacancy rate in 2005-2006 and 2009-2010 (**Exhibit 30**).

Exhibit 28. Multifamily Lease Rates, University District and Comparison Jurisdictions, 2000-2018



Source: CoStar, 2018

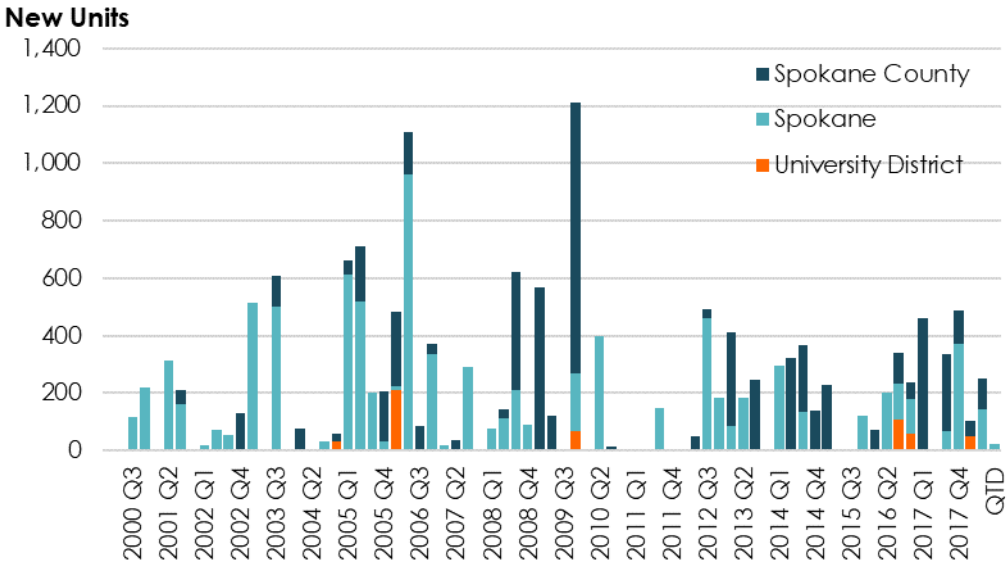
Exhibit 29. Multifamily Vacancy Rates, University District and Comparison Jurisdictions, 2000-2018



Source: CoStar, 2018

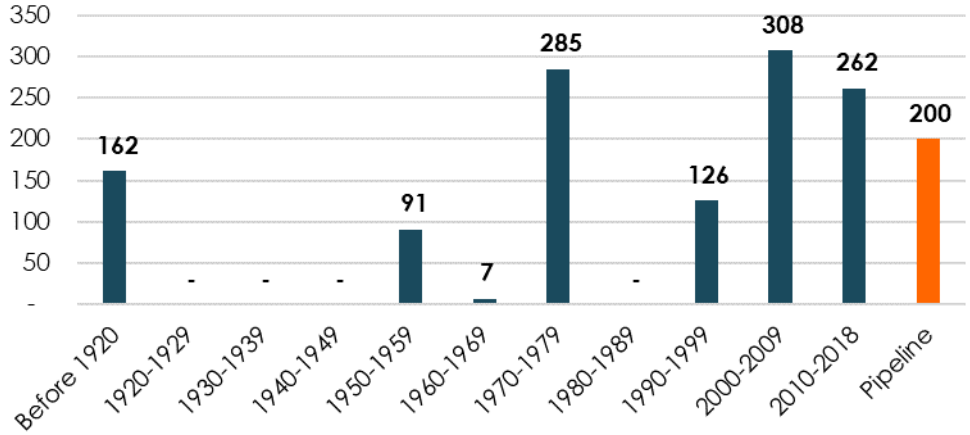
As shown in **Exhibit 30**, there have been several significant new multifamily developments in the district in recent years, all of which were occupied relatively quickly. Compared to its other commercial real estate, the District's multifamily stock is relatively new (**Exhibit 31**). Recent multifamily development has largely consisted of student housing and social services, but there have been several private multifamily developments such as the Matilda on Hamilton Street and 940 North on Division Street.

Exhibit 30. New Multifamily Units, University District and Comparison Jurisdictions, 2000-2018



Source: CoStar, 2018

Exhibit 31. Age of Existing Multifamily Developments and Pipeline, University District, 2018



Source: CoStar, 2018

Aggregate measures of rent and vacancy do not always provide a clear view of the market for newer construction. The following selected property examples provide additional understanding of typical rents and characteristics for new multifamily construction in the University District and surrounding neighborhoods. While the University District only has a few newer market rate multifamily developments, it is likely that new development in the neighborhood can achieve similar rent levels to comparable new development elsewhere in the City.

Exhibit 32. Characteristics of Recent Multifamily Construction, University District and Nearby Neighborhoods

The Matilda – 1028 N Hamilton

Neighborhood: University District
Year Built: 2016
Stories: 4
Units: 57

Average Asking Rents:
1 Bed: $1.95/sf
2 Bed: $1.59/sf
3 Bed: $1.79/sf

940 North – 940 N Ruby

Neighborhood: University District
Year Built: 2016
Stories: 6
Units: 60

Average Asking Rents:
3 Bed: $0.67/sf

4 Bed: $0.52/sf

The M – 612 W Main

Neighborhood: Downtown
Year Built: 2018
Units: 114

Average Asking Rents:
1 Bed: $1.85/sf
2 Bed: $1.81/sf

Riverview Lofts – 1608 E South Riverton

Neighborhood: Chief Garry Park
Year Built: 2018
Units: 29

Average Asking Rents:
1 Bed: $1.75/sf
2 Bed: $1.26/sf
3 Bed: $1.29/sf

Highline at Kendall Yards – 1335 W Summit Pkwy

Neighborhood: Chief Garry Park
Year Built: 2012
Stories: 3
Units: 343

Average Asking Rents:
Studio: $1.59/sf
1 Bed: $1.62/sf
2 Bed: $1.37/sf
3 Bed: $1.50/sf

The Millennium – 1310 W College Ave

Neighborhood: West Central
Year Built: Under construction
Stories: 3
Units: 27

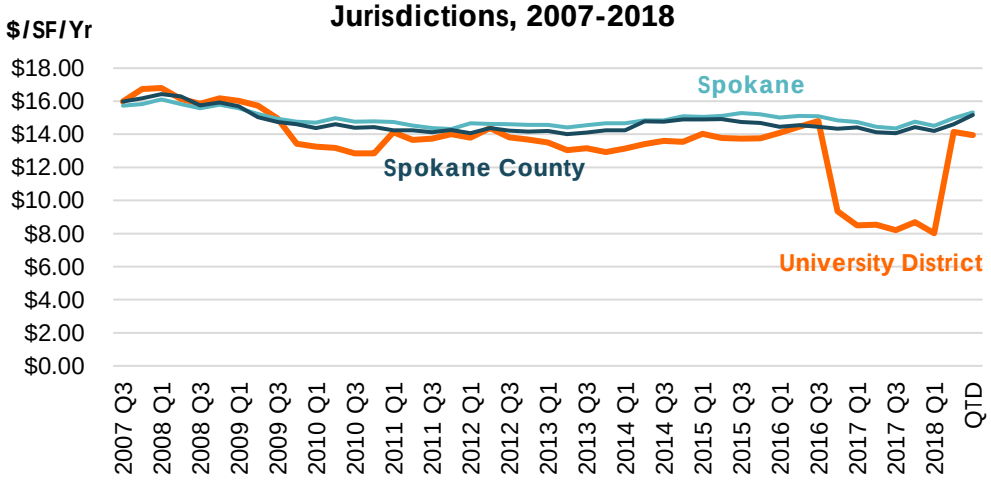
Average Asking Rents:
2 Bed: $1.68/sf

Commercial

Office

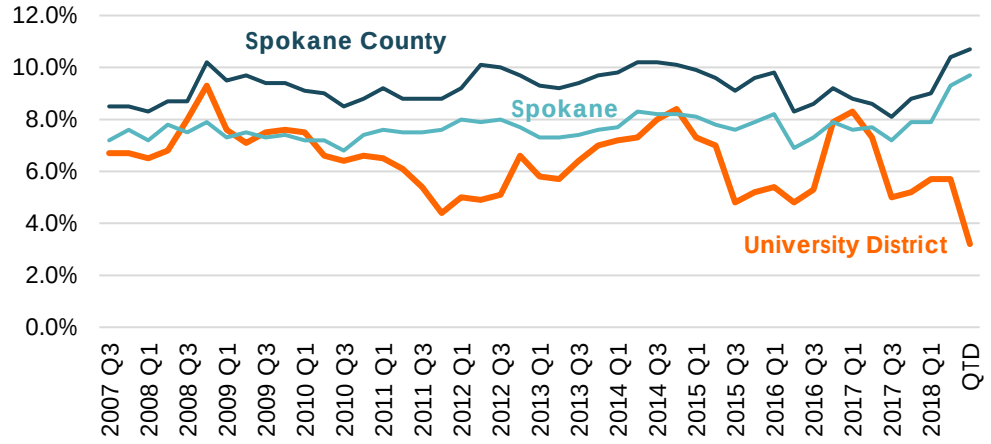
Average office lease rates in the District have generally lagged slightly below those found elsewhere in Spokane since 2009 (**Exhibit 33**). Vacancy for office uses in the University District has been lower compared to the City and the County as a whole and is currently at the lowest level experienced during this time period (**Exhibit 34**).

Exhibit 33. Office Lease Rates, University District and Comparison Jurisdictions, 2007-2018



Source: CoStar, 2018

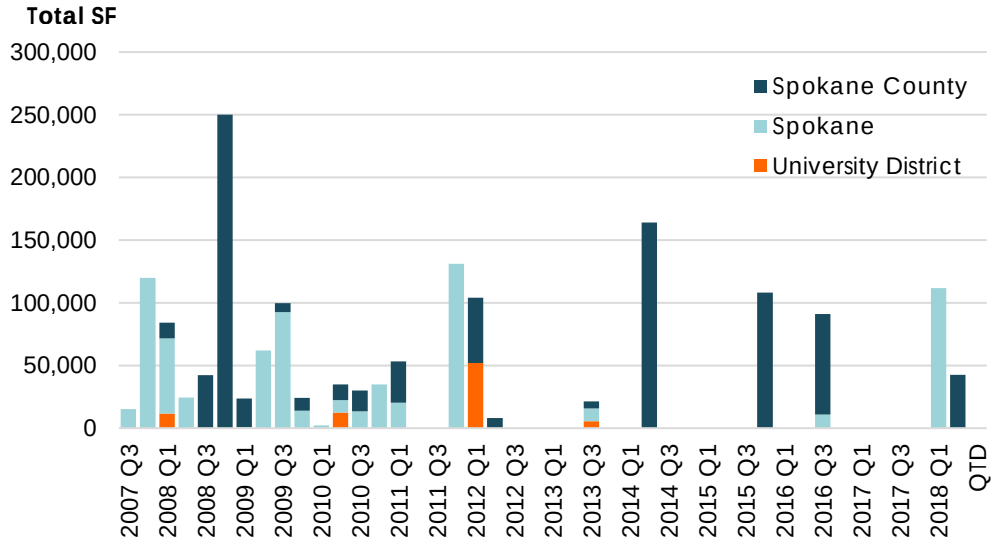
Exhibit 34. Office Vacancy, University District and Comparison Jurisdictions, 2007-2018



Source: CoStar, 2018

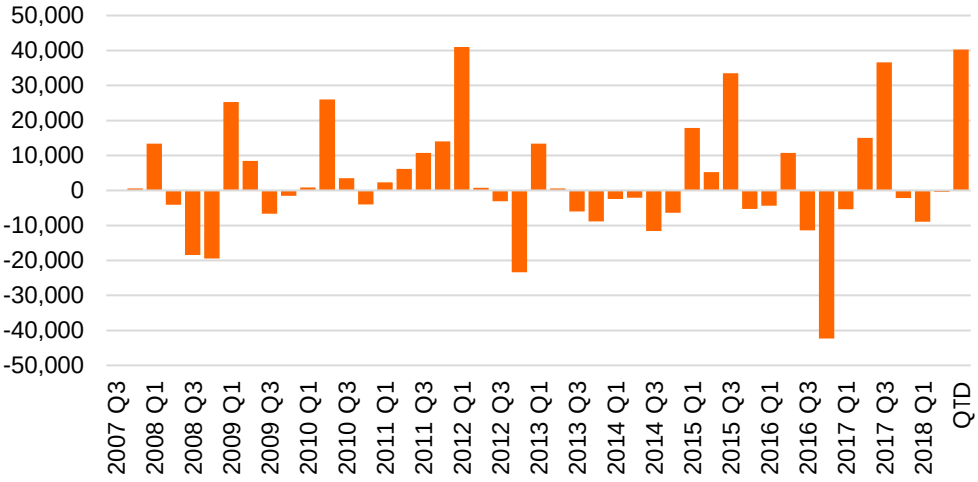
More than 150,000 square feet of office space has come online in 2018, though these projects were not located in the University District (**Exhibit 35**). No new office space has been completed in the District since 2013, though the Catalyst project is anticipated to bring office and lab space online in 2020. When combined, net office absorption was positive across the last six quarters in the University District. While some individual periods experienced negative absorption, they were counterbalanced by periods of positive absorption (**Exhibit 36**).

Exhibit 35. New Office Construction, University District and Comparison Jurisdictions, 2007-2018



Source: CoStar, 2018

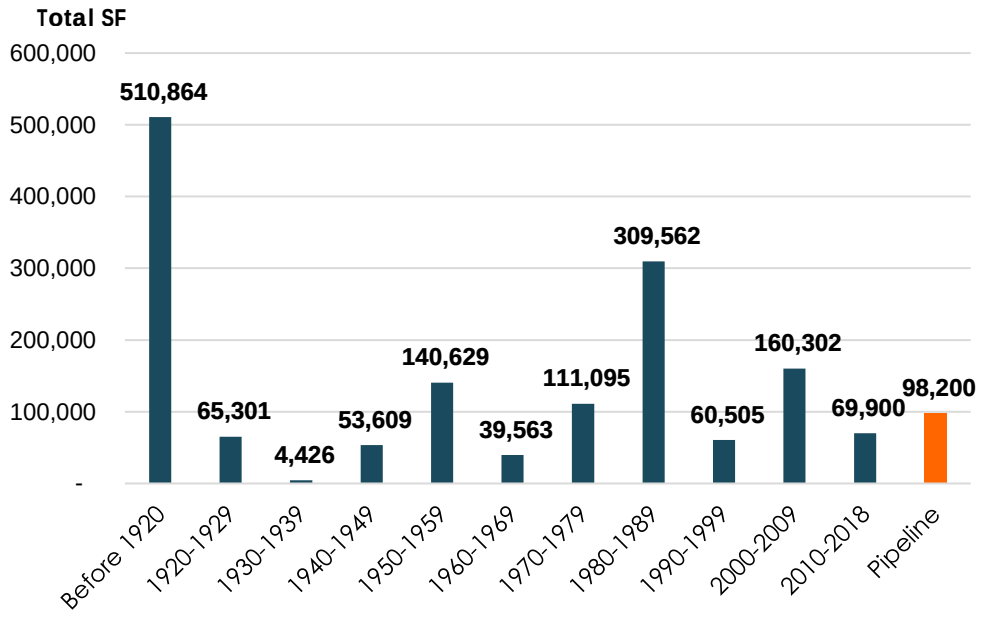
Exhibit 36. Net Office Absorption, University District, 2007-2018



Source: CoStar, 2018

A large share of the District's existing supply of office space was built before 1920, with another large portion built in the 1980s (**Exhibit 37**). Office development was lower in the 1990s and has since picked up again. The 98,200 square feet of office space currently in the pipeline does not include the planned Catalyst Building, which will add at least another 159,000 square feet of space. This also does not include the next phase of the Catalyst project, the "Hub" development.

Exhibit 37. Age of Existing Office Developments and Pipeline, University District, 2018

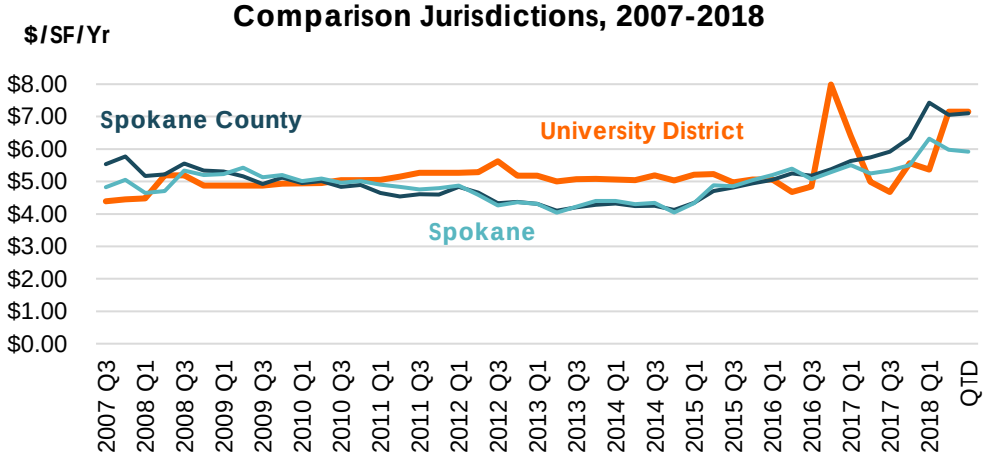


Source: CoStar, 2018

Industrial/Flex

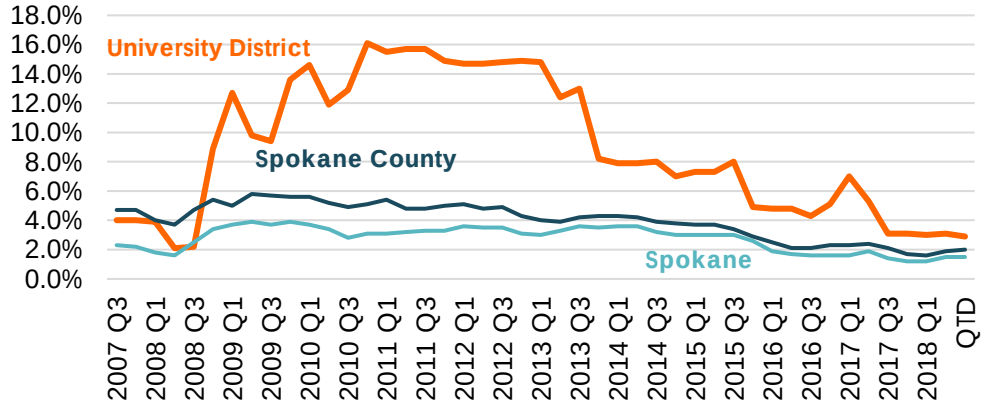
Industrial/Flex[4] lease rates were relatively flat from 2007-2016 in the District. Rates were more consistent compared to the rest of the region, which saw a decline from 2007-2015 followed by a recovery (**Exhibit 38**). Lease rates in the District are currently consistent with the Countywide average. Average local Industrial/Flex vacancy has been more variable during the same period. Vacancy has been dropping from a 2010 high of 16% and is currently around 3% (**Exhibit 39**).

Exhibit 38. Industrial/Flex Lease Rates, University District and Comparison Jurisdictions, 2007-2018



Source: CoStar, 2018

Exhibit 39. Industrial/Flex Vacancy, University District and Comparison Jurisdictions, 2007-2018

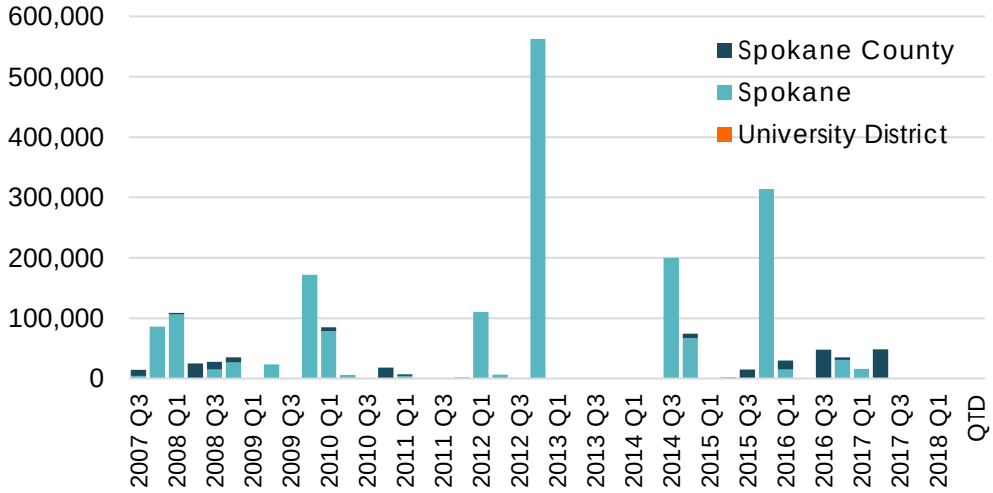


Source: CoStar, 2018

[4] Industrial space is used for "uses such as assemblage, processing, and/or manufacturing products from raw materials or fabricated parts. Additional uses include warehousing, distribution, and maintenance facilities". Flex space can be used as office, medical, industrial, warehouse, distribution, quasi-retail, or research and development space. (Costar, 2018)

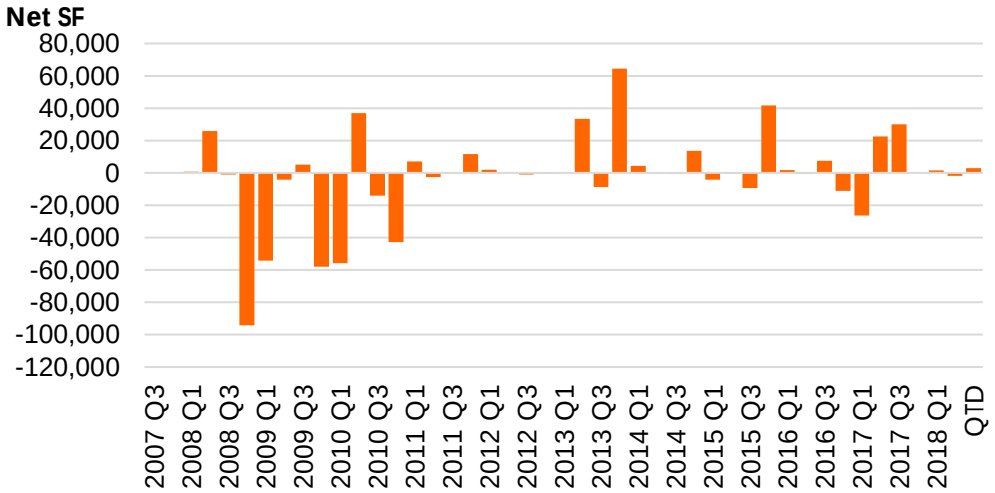
There was no Industrial/Flex development in the District in the past 10 years (**Exhibit 40**). The City of Spokane has captured the majority of Spokane County's recent industrial development. Consistent with vacancy trends, the District saw persistent negative absorption from 2008-2010, and generally positive absorption since then (**Exhibit 41**).[5]

Exhibit 40. New Industrial/Flex Development, University District and Comparison Jurisdictions, 2007-2018



Source: CoStar, 2018

Exhibit 41. Net Industrial/Flex Absorption, University District, 2007-2018

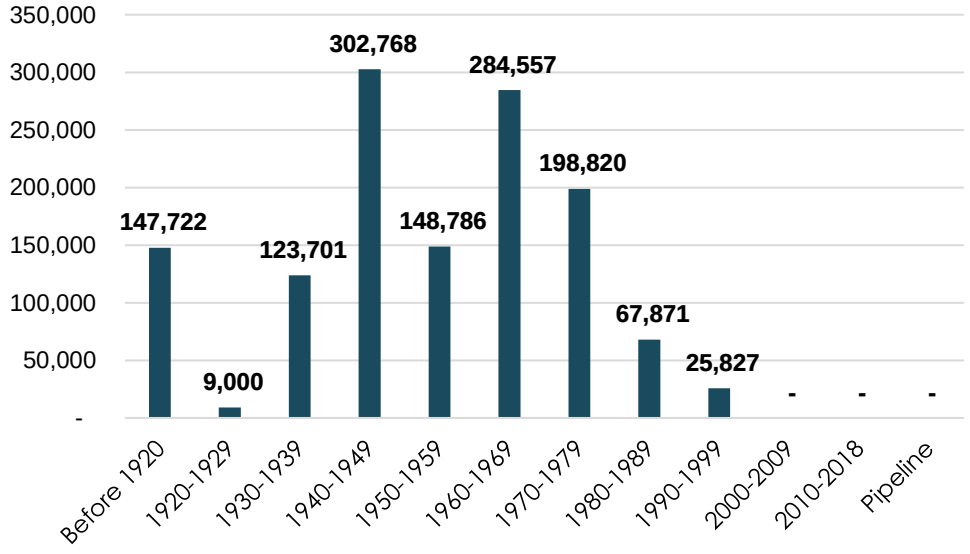


Source: CoStar, 2018

[5] Absorption is a measure of leasing activity. When positive, more space is being occupied (absorbed) than is being vacated, and vacancy should drop. Negative absorption also occurs when new development comes onto the market and has not yet been occupied.

As shown in **Exhibit 42**, the University District's current stock of Industrial/Flex real estate is aging, with a high portion built before 1950.

Exhibit 42. Age of Existing Industrial/Flex Developments and Pipeline, University District, 2018

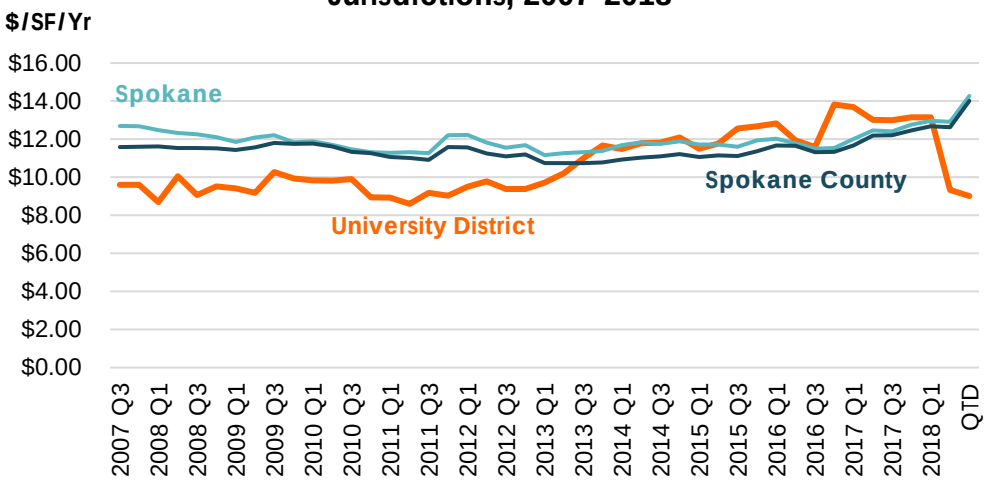


Source: CoStar, 2018

Retail

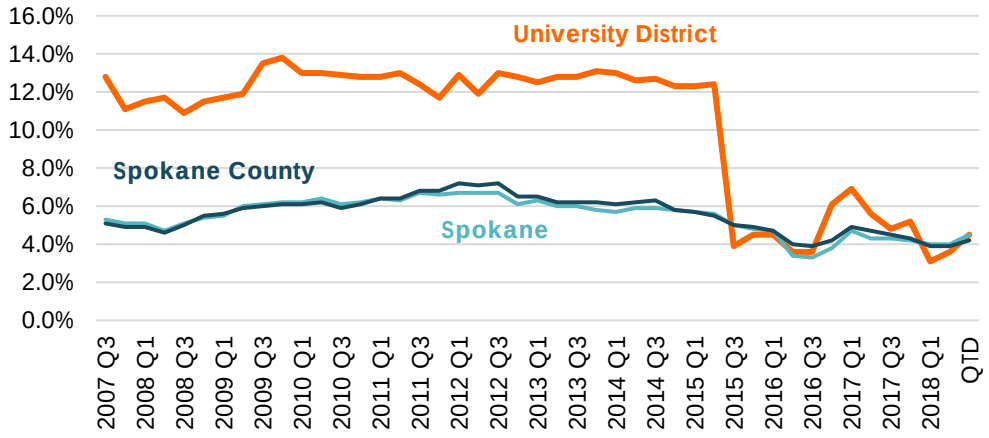
Retail lease rates in the District dropped in 2018, reversing an upward trend from 2011-2017 (**Exhibit 43**). Prior to this upswing, retail rents had lagged below the rest of the region. Before 2016, retail vacancy in the District was much higher than the City or County (**Exhibit 44**). As shown in **Exhibit 46**, on the following page, a large amount of space was absorbed in 2015, likely causing the drop in the overall retail vacancy at that time. Since 2015, retail vacancy has generally been similar to the City and County overall, hovering between 4 and 7%.

Exhibit 43. Retail Lease Rates, University District and Comparison Jurisdictions, 2007-2018



Source: CoStar, 2018

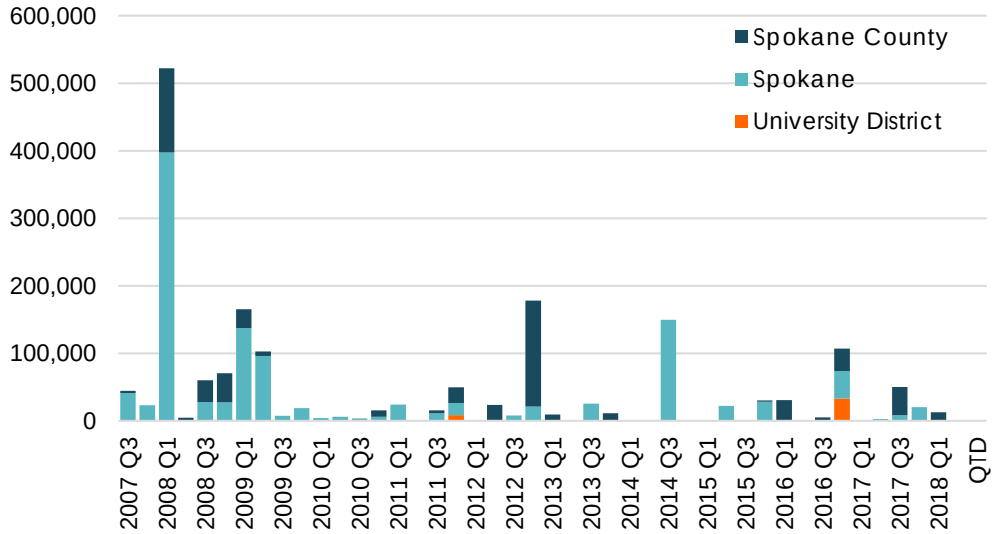
Exhibit 44. Retail Vacancy Rates, University District and Comparison Jurisdictions, 2007-2018



Source: CoStar, 2018

Over the past ten years, there has been very little retail development activity in the District (**Exhibit 45**).

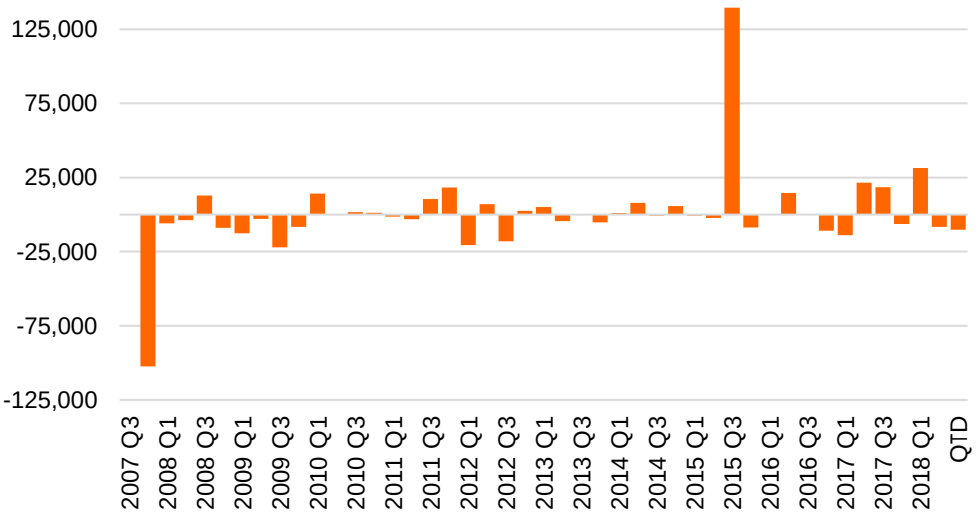
Exhibit 45. New Retail Development, University District and Comparison Jurisdictions, 2007-2018



Source: CoStar, 2018

As previously mentioned and shown below in **Exhibit 46**, a large amount of the District's retail space was absorbed in 2015, which had significant impacts on overall vacancy. This is likely explained by a 131,500-square-foot marijuana growing and processing facility which opened in a former Costco store around this time.

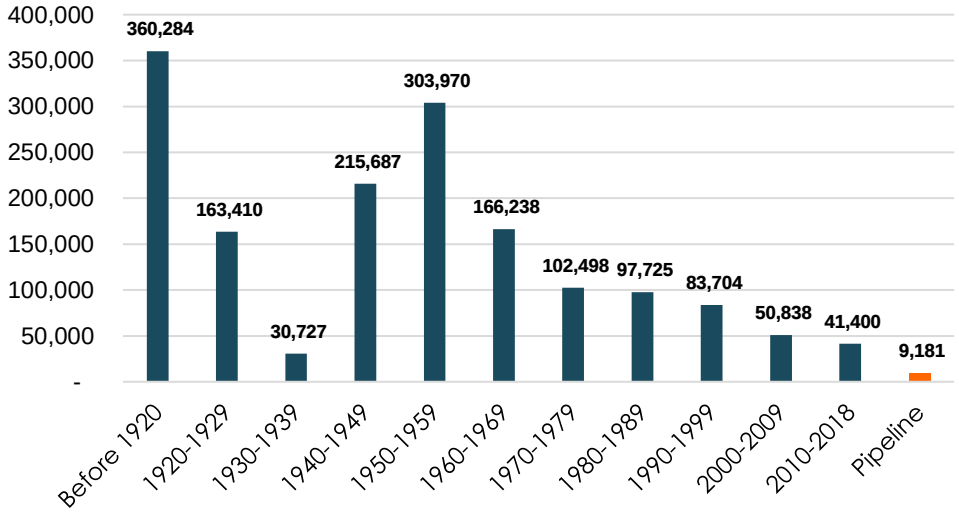
Exhibit 46. Net Retail Absorption, University District, 2007-2018



Source: CoStar, 2018

A large share of the District's existing retail space was built before 1970 (**Exhibit 47**).

Exhibit 47. Age of Existing Retail Developments and Pipeline, University District, 2018



Source: CoStar, 2018

UNIVERSITY DISTRICT FUTURE DEVELOPMENT

Synthesized Vision, 2004-2018

The visions articulated over the years for the University District encompass a range of ideas – many of which may be perceived as similar, inter-dependent, or even mutually reinforcing. Given the sheer number of stakeholders involved since 2004 in planning for and implementing these ideas, it is fortunate that they share a conceptual foundation. This organizing concept may be described as "*placemaking*" – and particularly placemaking in service of a specific economic trajectory. The original goals of this placemaking effort, as described in the 2004 UDSMP, may be summarized as:

The University District will be a place where creativity and innovation flourish and, by extension, promote an entrepreneurial community that attracts talent.

The University District will be a place where students, faculty, business owners, entrepreneurs, and neighbors can thrive; where campuses, companies, and neighborhoods thrive with them.

The following themes capture and clarify the key components of the 2004 UDSMP vision – and subsequent ones articulated above since its publication:

- The University District will continue to develop the connectivity, infrastructure, and programming needed to enable a globally-recognized hub of education, innovation, research, and health care.
- The University District will balance its role as a regional employment center with growth in a variety of multifamily housing typologies to house employees, residents, and students locally.
- The intellectual dynamism and focus on health will be mirrored in a physical environment that encourages outdoor recreational activities and the healthy lifestyle of workers, residents, and visitors.
- The University District will emerge as a model urban center that will embody the leading edge of physical and social urbanism in the City of Spokane.
- The University District will seamlessly connect with Downtown Spokane and surrounding neighborhoods via "complete streets", transit, bike lanes and paths, and pedestrian walkways and bridges.

- The University District will serve as a demonstration area for innovative public-private partnerships, planning, and financing structures.
- The University District will reinforce an authentic, original, and unique sense of place that will compete successfully with other urban centers for high-quality talent.
- The urban fabric of the University District will be dense, walkable, mixed-use, well-connected, and green; the District will be river-facing and will facilitate vibrant street-level energy and an activated public realm.
- The human-scaled and -focused physical, social, and commercial environment of the University District will be deeply supportive of both emerging and legacy small businesses and organizations.
- The history and industrial legacy of the University District will be honored and integrated into the area's modern identity and future.
- The University District will continue to support federal/state/county/city financial incentives (such as Historic Preservation Tax Exemption, Urban Utility Installation Program, General Facilities Connection (water and sewer) Waiver, Brownfield and Blight Remediation, UDPDA Tax Increment Financing for infrastructure in public right of way) to promote smart urban development.

Reaffirmed Vision, 2019

The University District "Innovation District" vision was reaffirmed during a September 2018 visioning charrette as well as through additional surveys and meetings. Stakeholders representing an array of interests provided guidance on overarching visions for the District and appropriate uses and physical characteristics for its subareas. (Detailed in full in the **Appendix**).

This guidance was compiled into a conceptual plan (**Exhibit 48**). The plan identifies broad sectors with differing character, all under the overarching Innovation District concept. These sectors are:

- **Science, Tech, and Institutional Activity Centers:** Areas with substantial buildings for research laboratories and offices supported by the latest technical infrastructure systems. Facilities may be clustered into connected complexes and will often be located in campus settings. Buildings may feature commercial and public services on the ground floor. These uses form the core of the Innovation District.
- **Mixed-Use Neighborhoods:** Pedestrian-oriented areas with safe and attractive streets, featuring a mix of commercial,

entertainment, institutional and residential uses. Light industrial, art, artisan fabrication activities, food production, and existing businesses may be part of the mix. Generally, smaller-scaled buildings oriented to the street. The architectural character may vary. Emphasize the adaptive use of historic structures.

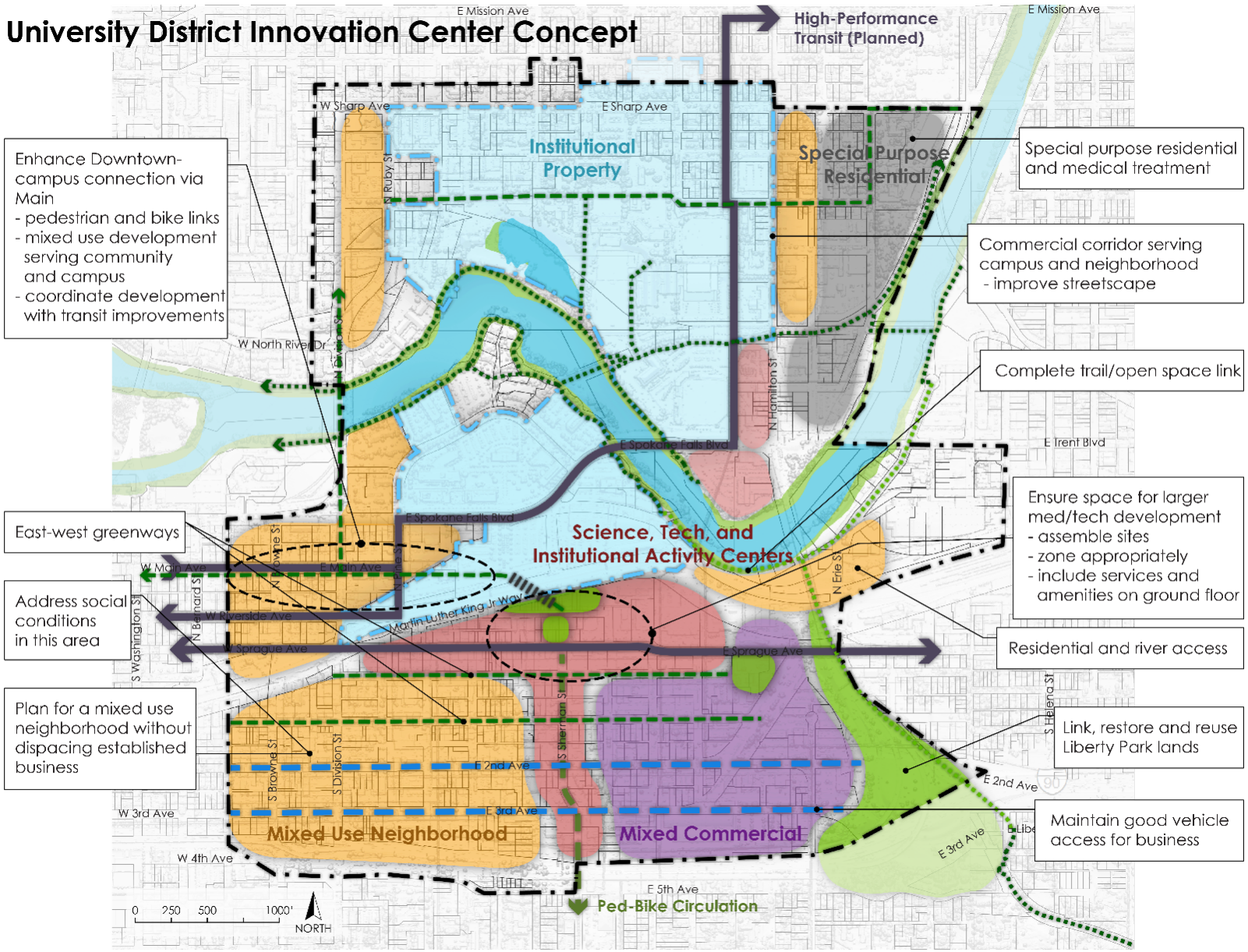
- **Special Purpose Residential:** A residential area with assisted living facilities, health services, special needs housing and similar uses with appropriate public realm and commercial services to support quality of life objectives. Smaller scale buildings with residential or small retail character.
- **Mixed Commercial:** An area that serves the needs of light industrial, art, artisan fabrication, and food production activities as well as existing businesses. A variety of new and existing commercial structures with convenient truck access characterize this area. The area also provides a logical place for new businesses growing out of local research activities.

The Innovation District concept also includes the following elements:

- **Greenways:** Pedestrian-oriented streets that are attractively landscaped with streetscape amenities and points of interest. Green streets primarily serve the local area and feature limited through vehicular traffic. Buildings with inviting ground floor facades and pedestrian amenities are an important element in many cases.
- **Green Spaces:** A complex of open space resources for active and passive activities and environmental restoration. This area will be connected to regional and local trails and may provide attractions such as a mountain bicycle course, play courts, and restored wetland/stormwater features (e.g., Liberty Park Remnant Park).
- **Small Parks, Plazas and Open Spaces:** High amenity open spaces and gathering places that may be developed by the City or be part of private development. Such spaces are very important for people's health and they add to the development setting. They should include attractive landscaping, seating and other amenities such as water features or artwork. Urban park areas are usually most successful if they provide for a variety of activities, such as picnicking, strolling, children's play, dog-walking, tetherball, etc. and are adjacent to pedestrian-oriented uses such as eating and drinking businesses, art galleries, convenience retail, etc.
- **Gateways and Wayfinding:** Gateway features can be artworks, automobile- or pedestrian-scaled signs or special landscaping schemes that help to identify the District. Wayfinding signage consists of generally smaller elements to help people navigate to

and through the District and locate their destinations. These elements are particularly important in the District because it is divided by the river, the railroad, and large streets; and is characterized by complicated street configurations and campuses. Gateways and wayfinding systems also offer the opportunity to reinforce a design identity.

Applicant Narrative Exhibit 48. 2018 University District "Innovation District" Concept

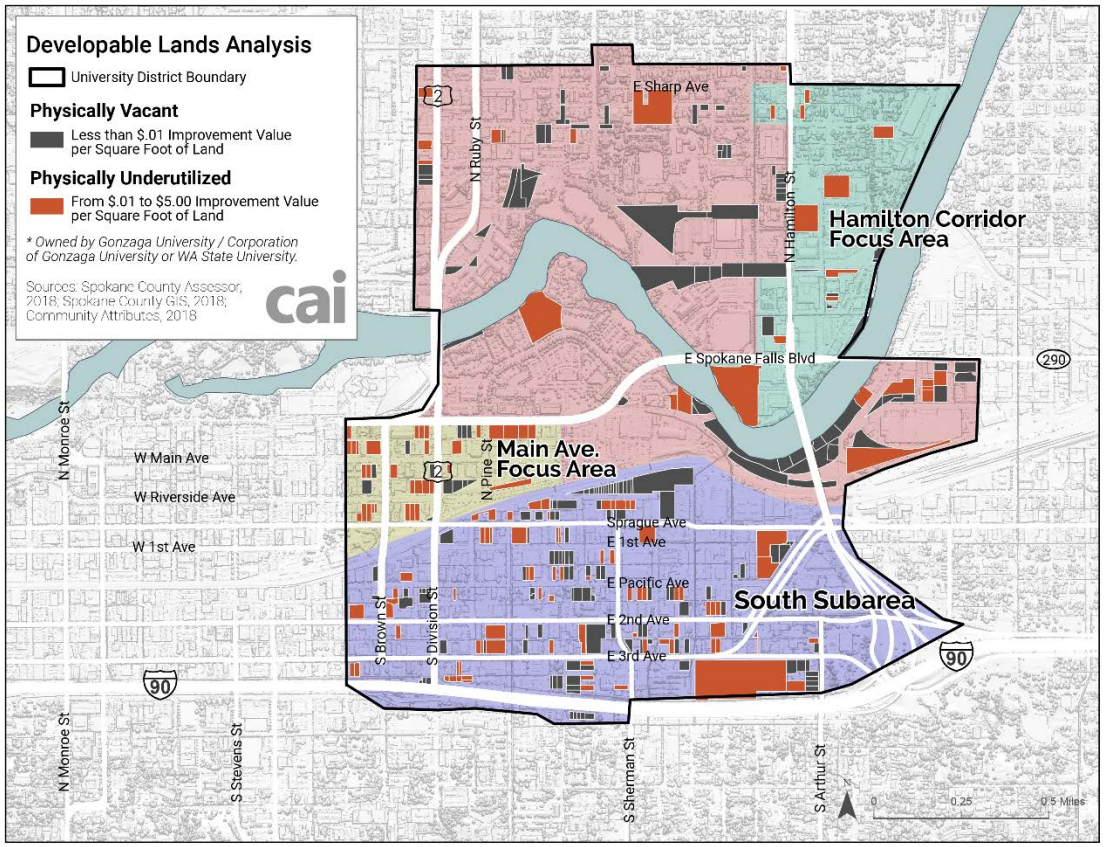


Future Development Scenarios

Three future development scenarios were analyzed for the University District based on land capacity, types of development, and regional growth projections. The three scenarios represent variations on the absorption of vacant and underutilized land at three separate scales: strong, moderate, and weak. No time frame is assumed to define these scales, rather, each should be compared to absorption trends to assess how much time would be required to achieve each scenario. A map of the District's focus areas with land values is shown in **Exhibit 49**.

Developable lands are divided between "Vacant" and "Physically Underutilized", which are defined by the value of existing improvements per square foot of land in each parcel. There are several large institutional parking lots adjacent to the campuses which could have strong redevelopment potential, but they are located on large parcels that also include adjacent buildings, so the value of improvements exceeds the "underutilized" standard. There may be parcels which are currently considered occupied but have low-value improvements and may become developable as land values increase.

Exhibit 49. Focus Areas with Land Values, University District Focus Areas



The analysis uses six types of development consistent with the Reaffirmed District Vision, with a separate allocation of the development types defined for each focus area (**Exhibit 50**). These development types may deviate from the current zoning for these areas, but reflect a balance of vision, market realities, and current standards where possible. The typologies, which are defined in detail in subsequent sections, are as follows:

1. Midrise Residential Block. Five-story residential building.
2. Midrise Mixed-Use. Six-story building with five stories of apartments over one story of retail.
3. Three Story Residential. Three-story residential building.
4. Lab/R&D or Office Building. Five-story building, either entirely Class A office space or a split between Class A office and lab/flex space.
5. Live-Work. Two-story "townhouse"-type homes with ground floor commercial space.
6. Mixed-Use Tower. 13-story mixed-use tower with 12 stories of residential over one story of retail.

Based on the future vision, each focus area was assigned a unique allocation of these typologies to model how future development may occur in that area (**Exhibit 50**). This allocation reflects both the specific vision for each focus area and the characteristics of developable lands. Developable lands in each subarea were analyzed for future development potential based on these allocations of uses, and associated development assumptions provided in the next section.

Exhibit 50. Allocation of Development Typologies by Focus Area, University District, 2018

	Typologies					
Focus Area	Midrise Residential Block 1	Midrise Mixed-Use Building 2	Three Story Residential Block 3	Lab/R&D or Office Building 4A / 4B	Live-Work 5	Mixed-Use Tower 6
South Subarea	10%	40%	10%	30%	10%	0%
Hamilton St.	20%	30%	30%	20%	0%	0%
Main Ave.	0%	50%	0%	30%	0%	20%
Other	0%	50%	0%	50%	0%	0%

Source: Community Attributes, 2018

Buildable Lands Analysis

Methods

Vacant and underutilized parcels in the University District are characterized by low current improvement values relative to the size of the parcel. This method is useful for summarizing large areas with many parcels when it is not possible to review parcels individually. The true maximum cutoff of existing improvement value for a property to be considered underutilized may be higher or lower depending on the property's specific circumstances and the real estate market overall. Depending on zoning and the orientation of development on a parcel, some parcels with existing high-value improvements may have space to accommodate additional development.

Several parcels which fit in the definition of vacant or underutilized in this analysis were removed, as they have a known development in progress. (Parcels owned by Avista and associated with the Catalyst development, for example.) It is possible some of these developments could not go forward, and the parcels would return to being considered vacant. It is also possible that other parcels identified as vacant are actually in the process of being developed.

Net developable land total square footage reflects reductions to address market factors, critical areas, and public rights-of-way. The development assumptions established in **Exhibit 50** were applied to lands identified in **Exhibit 51** to calculate estimates of potential new dwelling units, commercial square footage, and retail square footage, along with potential employment and population growth.

Exhibit 51. Vacant and Underutilized Land by Focus Area, University District

Focus Area	Vacant Parcels	Gross Vacant Supply (SF)	Net Vacant Supply (SF)	Underutilized Parcels	Gross Underutilized Supply (SF)	Net Underutilized Supply (SF)
South Subarea	113	880,783	352,313	76	1,019,740	407,896
Hamilton St.	8	125,017	50,007	10	418,612	73,704
Main Ave.	12	92,783	37,113	32	306,227	95,658
Other	65	1,734,995	376,881	18	643,381	136,778
Totals	**198**	**2,833,578**	**816,314**	**136**	**2,387,959**	**714,036**

Development Capacity by Type

Citywide Absorption Context

The University District is an emerging, dynamic neighborhood. New developments currently in progress deviate from what the area has experienced in the past, so it is not appropriate to solely rely upon data from the neighborhood's past to gauge demand. Net absorption can provide context on how quickly the District can expect to develop. Net absorption shows the difference between space that is being leased and being vacated – when it is positive, more space is being occupied than vacated, suggesting demand for new development. Over the past 10 years, the City of Spokane averaged the following net absorption totals per year by commercial real estate category:

- 24,000 square feet of office space
- 37,000 square feet of retail space
- 155,000 square feet of industrial and flex space
- 421 multifamily units[6]

Population and employment forecasts show stronger growth in Spokane than experienced during this past 10-year absorption period, suggesting stronger demand for built space.

Massing models in **Appendix B** provide visual representations of what is possible in the previously underdeveloped South Subarea. The models feature both the Strong Growth Scenario as well as what could be possible with rapid or continued strong growth.

The total amount of capacity for development in the District includes up to 925 dwelling units, 441,000 SF of commercial space, and 126,500 SF of retail space (all based on the development of the typologies reflected in the vision described in detail in subsequent sections). Within those totals, vacant land in the District can accommodate up to 425 dwelling units, 241,000 SF of commercial development, and 64,000 SF of retail space. Underutilized land, in total, can accommodate an additional 500 dwelling units, 200,000 SF of commercial space, and 62,500 SF of retail space. The growth scenarios that follow assume varying levels of absorption of this total capacity.

Strong Growth Scenario

Under the strong growth scenario, 100% of the net vacant acreage and 75% of net underutilized acreage in the District would be developed; vacant and underutilized acreage is limited to the amounts (not parcels)

[6] CoStar, 2019

featured in Exhibit 49. In Exhibits 52-54, references to DU (dwelling units) and square footage (SF) refer to the area of future buildings. Capacity is separated between vacant and underutilized land, and by development type. Allocations by development type are based on the assumptions established in **Exhibit 50**. As a result, a shift in demand toward different development types could yield differences in future development. As shown in **Exhibit 52**, the South Subarea has the largest development potential within the District.

Exhibit 52. Development Capacity, Strong Growth Scenario, University District

Focus Area	DU - Vacant	DU - Underutilized	Gen. Comm. SF- Vacant	Gen. Comm. SF - Underutilized	Retail SF - Vacant	Retail SF - Underutilized
South Subarea	153	239	54,096	84,840	16,385	25,697
Hamilton St.	54	59	8,912	9,851	3,150	3,482
Main Ave.	30	58	9,921	19,179	4,856	9,387
Other	188	51	167,917	45,706	39,573	10,771
Total	425	408	240,847	159,576	63,964	49,338

Moderate Growth Scenario

Under the moderate growth scenario, 75% of the net vacant acreage and 50% of net underutilized acreage in the District would be developed (**Exhibit 53**).

Exhibit 53. Development Capacity, Moderate Growth Scenario, University District

Focus Area	DU - Vacant	DU - Underutilized	Gen. Comm. SF - Vacant	Gen. Comm. SF - Underutilized	Retail SF - Vacant	Retail SF - Underutilized
South	114	160	40,572	56,560	12,289	17,132
Hamilton St.	40	40	6,684	6,568	2,363	2,322
Main Ave.	23	39	7,441	12,786	3,642	6,258
Other	141	34	125,938	30,470	29,679	7,181
Total	319	272	180,635	106,384	47,973	32,892

Weak Growth Scenario

Under the weak growth scenario, 50% of the net vacant acreage and 25% of net underutilized acreage in the District would be developed (**Exhibit 54**).

Exhibit 54. Development Capacity, Weak Growth Scenario, University District

Focus Area	DU - Vacant	DU - Underutilized	Gen. Comm. SF - Vacant	Gen. Comm. SF - Underutilized	Retail SF - Vacant	Retail SF - Underutilized
South	76	80	27,048	28,280	8,193	8,566
Hamilton St.	27	20	4,456	3,284	1,575	1,161
Main Ave.	15	19	4,961	6,393	2,428	3,129
Other	94	17	83,959	15,235	19,786	3,590
Total	212	136	120,423	53,192	31,982	16,446

Population and Employment Growth

Development findings led to estimates of population and employment growth in each focus area and growth scenario. Comparing these estimates to past absorption trends, or future absorption assumptions will suggest how long it may take for this development to take place. As shown in **Exhibit 55**, estimated population growth potential ranges from 922 to 2,151 new residents, while estimated employment growth ranges from 743 to 1,691 new jobs. These estimates are also shown in relation to expected growth for the City of Spokane. The District has the capacity to accommodate a high share of the City of Spokane's total forecast employment growth.

Exhibit 55. Population & Employment Growth Summary, University District Focus Areas

	STRONG GROWTH		MODERATE GROWTH		WEAK GROWTH	
Focus Area	Population	Employment	Population	Employment	Population	Employment
South	882	533	617	373	351	212
Hamilton St.	255	74	180	52	105	30
Main Ave.	198	121	138	84	77	47
Other	539	796	395	583	250	370
Total - All Subareas	1,874	1,524	1,329	1,092	784	659
Capture Rate (Of Anticipated Spokane Growth)	10.0%	57.4%	7.1%	41.1%	4.2%	24.8%

Source: Community Attributes Inc., 2018; Spokane County, 2017; State of Washington Office of Financial Management, 2018

Development Feasibility

Pro forma analysis was completed for all six typologies to evaluate the real estate market conditions required for them to be economically viable. This is a planning-level analysis that simplifies pro forma inputs as actual project costs, which can vary widely reflecting diverse environmental remediation costs, site improvement costs, building finishes, and more. Parking also has a significant impact on total project costs. None of these typologies include underground structured parking, which adds significant cost to a project, particularly in areas with challenging soil conditions.

The principal output of these models is "residual land value", which is the difference between a project's capitalized value less 10% return and total project costs before land. This is expressed on a per-square-foot basis and indicates the maximum a developer may be willing to pay for the land. If the land is typically trading for a lower price than the estimated residual land value for a given typology, that typology is likely economically viable under modeled market conditions.

Assumptions applied to all development types:

- Surface parking construction: $10,000/space
- Above ground structured parking construction: $15,000/space
- Vacancy: 5% residential, 10% commercial
- Operating expenses: 30% gross income
- Tenant improvements: $40/SF office, $25/SF retail
- Soft construction costs: 30% of hard costs
- Interest reserve: 5% of hard costs
- Contingency: 5% of hard and soft costs
- The required rate of return: 10% of capitalized project value

Typology 1: Midrise Residential

Description: A single purpose multifamily development with five stories, each with eight residential units over a ground level structured floor of parking underneath plus 20 surface parking stalls and landscaping.

Site Area: 18,000 SF

Gross Building Area: 42,000 SF (five stories @ 8,400 SF/floor)

Site Improvements: 6,000 SF parking; 3,600 SF landscaping

Rentable or salable assets: 40 dwelling units at 900 SF/du with 44 parking spaces. 20 parking spaces are surface, 24 are above ground structured.

Market Characteristics

Multifamily rents in the University District currently average around $1.10/SF/mo across all properties. However, some newer, high-quality apartment developments in and around the District are achieving rents of $1.80/SF/mo. The analysis models a range of rents for new construction with $1.80 at the upper end, representing an achievable goal, and $1.20 at the lower end. Research suggests that multifamily developments in Spokane are beginning to trade at cap rates in the 6% range for outstanding properties, but cap rates above 7% have been more typical. Hard construction costs were modeled between $85/SF and $122/SF.

Exhibit 56. Midrise Residential Residual Land Value: Rent and Cap Rate Sensitivities

		Cap Rate					
		5.5%	6.0%	6.5%	7.0%	7.5%	8.0%
Rent/SF/ Month	$1.20	$4	($22)	($44)	($62)	($78)	($93)
	$1.50	$81	$49	$22	($1)	($22)	($39)
	$1.80	$159	$120	$87	$59	$35	$14

Exhibit 57. Midrise Residential Residual Land Value: Hard Construction Cost and Cap Rate Sensitivities

		Cap Rate					
		5.5%	6.0%	6.5%	7.0%	7.5%	8.0%
Hard Cost ($/SF)	$85	$159	$120	$87	$59	$35	$14
	$102	$111	$72	$39	$11	($13)	($34)
	$122	$53	$14	($18)	($46)	($71)	($92)

Feasibility Summary

Asking prices for current listings of vacant commercial land for sale in central Spokane range between $8 and $16 per square foot. With at least $16 as the bare minimum residual land value for economic viability, this typology is feasible for rents of at least $1.50/SF/mo when cap rates are below 7%. Cap rates up to 8% may be feasible when rents are at least $1.80/SF/mo. At the highest rent level, a lower cap rate is required if construction costs rise. At hard costs of $102/sf, cap rates must be below 7%. If they rise to $122/SF, they must be below 6%, which is currently rare in Spokane.

Typology 2: Midrise Mixed-Use

Description: A six-story building with five stories of residential over one story of retail

Site Area: 40,000 SF

Gross Building Area: 42,000 SF residential, 8,400 SF retail

Constructed site improvements: 24,000 SF parking, 7,600 SF landscaping

Rentable space: 40 dwelling units with one parking stall/du + 8,400 SF retail space with one stall/275 SF of commercial space. (Note: This ratio is a blend of one stall/330 SF for retail and 1 stall/250 SF restaurant or bar.)

Market Characteristics

Multifamily rents in the University District currently average around $1.10/SF/mo across all properties. However, some newer, high-quality apartment developments in and around the District are achieving rents of $1.80/SF/mo. This analysis models a range of rents with $1.80 at the upper end and $1.20 at the lower end. Research suggests that multifamily developments in Spokane are beginning to trade at cap rates in the 6% range for outstanding properties, but that above 7% has been more typical.

Retail rents across Spokane currently average around $14/SF/year across all properties. Some properties are achieving rents of $20-$25/SF/year. This analysis models a range of retail rents from $15 to $25.

Hard construction costs were modeled between $90 and $125/SF, which accounts for a mixture of multifamily and commercial. Construction costs are higher for commercial than residential development.

Exhibit 58. Midrise Mixed-Use Residual Land Value: Rent and Cap Rate Sensitivities

		Cap Rate					
		5.5%	6.0%	6.5%	7.0%	7.5%	8.0%
Rent	$1.20 /SF/Mo (Res) $15 /SF/Yr (Comm)	($19)	($36)	($49)	($61)	($71)	($80)
	$1.50 (Res) $20 (Comm)	$32	$11	($6)	($21)	($34)	($45)
	$1.80 (Res) $25 (Comm)	$83	$58	$37	$19	$4	($10)

Exhibit 59. Midrise Mixed-Use Residual Land Value: Hard Construction Cost and Cap Rate Sensitivities

		Cap Rate					
		5.5%	6.0%	6.5%	7.0%	7.5%	8.0%
Hard Cost ($/SF)	$85 (Res) $113 (Comm)	$83	$58	$37	$19	$4	($10)
	$102 (Res) $125 (Comm)	$54	$29	$8	($9)	($25)	($38)
	$122 (Res) $137 (Comm)	$20	($5)	($25)	($43)	($59)	($72)

Feasibility Summary

Asking prices for current listings of vacant commercial land for sale in central Spokane range between $8 and $16 per square foot. With at least $16 as the bare minimum residual land value for economic viability, this typology is feasible for midrange rents when cap rates are below 6%, which is rare in Spokane. Cap rates up to 7% may be feasible when rents are at the high end. A low cap rate is required as construction costs rise, provided high rents can be maintained.

Typology 3: Three-Story Residential

Description: A three-story residential block with eight dwelling units per floor, surface parking and modest landscaping

Site Area: 21,800 SF

Gross Building Area: 25,200 SF (three stories @ 8,400/floor)

Site Improvements: 8,400 SF parking; 5,000 SF landscaping

Rentable or salable assets: 24 dwelling units at 900 SF/du with 24 parking spaces

Market Characteristics
Multifamily rents in the University District currently average around $1.10/SF/mo across all properties. However, some newer, high-quality apartment developments in and around the District are achieving rents of $1.80/SF/mo. A range of rents was modeled between $1.20 and $1.80 per square foot. Research suggests that multifamily developments in Spokane are beginning to trade at cap rates in the 6% range for outstanding properties, but that above 7% has been more typical. Hard construction costs were modeled between $66 and $95 per square foot.

Exhibit 60. Three-Story Residential Residual Land Value: Rent and Cap Rate Sensitivities

		Cap Rate					
		5.5%	6.0%	6.5%	7.0%	7.5%	8.0%
Rent/SF/ Month	$1.20	$24	$11	$0	($9)	($17)	($24)
	$1.50	$62	$46	$33	$21	$11	$2
	$1.80	$101	$81	$65	$51	$39	$29

Exhibit 61. Three-Story Residential Residual Land Value: Hard Construction Cost and Cap Rate Sensitivities

		Cap Rate					
		5.5%	6.0%	6.5%	7.0%	7.5%	8.0%
Hard Cost ($/SF)	$66	$101	$81	$65	$51	$39	$29
	$79	$82	$63	$47	$33	$21	$10
	$95	$60	$41	$24	$11	($1)	($12)

Feasibility Summary
Asking prices for current listings of vacant commercial land for sale in central Spokane range between $8 and $16 per square foot. With at least $16 as the bare minimum residual land value for economic viability, this typology is feasible for midrange rents when cap rates are below 7.5%. Higher cap rates may be feasible when rents are at least $1.80/SF/mo. At the highest rent level, feasibility can generally be maintained as construction costs rise. At the highest modeled construction cost, the project is feasible if cap rates are below 7%.

Typology 4A: Laboratory/Research & Development

Description: five-story laboratory building with an 18,000 SF floor plate with surface parking at one stall/500 SF.

Site Area: 101,000 SF

Gross Building Area: 90,000 SF divided between lab and office space

Site improvements: 63,000 SF parking, 20,000 SF campus-style landscaping

Rentable or salable assets: 45,000 SF premium lab space, 45,000 SF office

Market Characteristics

This is a speculative typology that does not yet have a private sector example in Spokane. The national market for lab space is strong and growing, particularly in top research markets like Boston and the Bay Area, where lab space rents for $60/SF/year or more. In Seattle's South Lake Union such space rents between $40 and $50/SF, while in the North Carolina Research Triangle Park, a major innovation district, they can be as low as $20.[7] In this example, rents between $20 and $40/SF/year are modeled for the purposes of offering pricing competitive to national research centers.

Construction costs are difficult to model for this typology, as they can range significantly depending on the type of lab space required. Operating expenses may also be higher than modeled in this example. In this case, a range of $183-$264/SF is modeled for lab hard costs. As a point of comparison, for some specialized lab spaces construction costs can be over $1,000/SF.

Office rents across Spokane currently average around $16/SF/year across all properties. Some properties are achieving rents of $25/SF/year, but the Class A office market is currently limited in Spokane. In this case, $25 is modeled as a midrange rent with $30 at the high end to reflect potential future demand. Hard costs are modeled from $99-$143/SF for office space.

[7] CBRE, 2018

Exhibit 62. 4A: Lab/R&D Residual Land Value: Rent and Cap Rate Sensitivities

		Cap Rate					
		5.0%	5.5%	6.0%	6.5%	7.0%	7.5%
Rent	$20/Sf/Yr (Lab) $15 /SF/Yr (Office)	($105)	($120)	($133)	($144)	($154)	($162)
	$30 (L) $25 (O)	($8)	($32)	($52)	($69)	($84)	($97)
	$40 (L) $30 (O)	$65	$34	$8	($13)	($32)	($48)

Exhibit 63. 4A: Lab/R&D Residual Land Value: Hard Construction Cost and Cap Rate Sensitivities

		Cap Rate					
		5.0%	5.5%	6.0%	6.5%	7.0%	7.5%
Hard Cost ($/SF)	$183/SF (Lab) $99/SF (Office)	$65	$34	$8	($13)	($32)	($48)
	$220 (L) $119 (O)	$30	($1)	($27)	($49)	($68)	($84)
	$264 (L) $143 (O)	($13)	($44)	($70)	($92)	($110)	($127)

Feasibility Summary

Asking prices for current listings of vacant commercial land for sale in central Spokane range between $8 and $16 per square foot. With at least $16 as the bare minimum residual land value for economic viability, rents must be high and cap rates and construction costs must be as low as possible for this typology. Note that in this example, cap rates were modeled as low as 5%, compared to 5.5% for other typologies. This example may be more feasible with a lower share of lab space, or a smaller scale in general. Public-private partnerships may also be considered to help subsidize development that supports the District's goals of becoming a globally-recognized hub of education, innovation, research, and health care.

Typology 4B: Office

Description: five-story Class A office building with an 18,000 SF floor plate with surface parking at one stall/500 SF

Site Area: 101,000 SF

Gross Building Area: 90,000 SF

Site improvements: 63,000 SF parking, 20,000 SF campus-style landscaping

Rentable or salable assets: 90,000 SF office space

Market Characteristics
Office rents across Spokane currently average around $16/SF/year across all properties. Some properties are achieving rents of $25/SF/year, but the Class A office market is currently limited in Spokane. In this case, $25 is modeled as a midrange rent with $30 at the high end to reflect potential future demand. Hard costs are modeled from $99-$143/SF for office space.

Exhibit 64. 4B: Office Residual Land Value: Rent and Cap Rate Sensitivities

Rent/SF/Year	Cap Rate 5.0%	5.5%	6.0%	6.5%	7.0%	7.5%
$15	($76)	($90)	($101)	($110)	($118)	($125)
$20	$21	($1)	($20)	($35)	($49)	($60)
$25	$69	$43	$21	$2	($14)	($28)

Exhibit 65. 4B: Office Residual Land Value: Hard Construction Cost and Cap Rate Sensitivities

Hard Cost ($/SF)	Cap Rate 5.0%	5.5%	6.0%	6.5%	7.0%	7.5%
$99	$69	$43	$21	$2	($14)	($28)
$119	$44	$18	($4)	($23)	($39)	($53)
$143	$14	($12)	($34)	($53)	($69)	($83)

Feasibility Summary
Asking prices for current listings of vacant commercial land for sale in central Spokane range between $8 and $16 per square foot. With at least $16 as the bare minimum residual land value for economic viability, this typology requires high rents and low cap rates. There is some tolerance for higher construction costs, but it is minimal.

Typology 5: Live-Work

Description: A two-story "townhouse" type dwelling with one internal parking space (for occupant) and one surface space (for clients or customers). The units might be clustered in blocks of four to six units.

Site Area: 2,000 SF (20' x 100' lot)

Gross Building Area: 2,200 SF (living and workspace) and 200 SF Garage

Site Improvements: 800 SF landscape and parking area

Rentable or salable assets: 1-2,200 SF townhouse with ground floor space suitable for office or workspace and two parking spaces. This analysis is based on renting the property, but a for-sale product is also appropriate for this typology.

Market Characteristics

Multifamily rents in the University District currently average around $1.10/SF/mo across all properties. However, some newer, high-quality apartment developments in and around the District are achieving rents of $1.80/SF/mo. Rents between $1.20 and $1.80 were modeled in this analysis. Research suggests that multifamily developments in Spokane are beginning to trade at cap rates in the 6% range for outstanding properties, but that above 7% has been more typical. Hard construction costs were modeled between $67 and $96 per square foot.

Exhibit 66. Live-Work Residual Land Value: Rent and Cap Rate Sensitivities

		Cap Rate					
		5.5%	6.0%	6.5%	7.0%	7.5%	8.0%
Rent/SF/ Month	$1.20	$24	$11	$0	($9)	($17)	($24)
	$1.50	$62	$46	$33	$21	$11	$2
	$1.80	$101	$81	$65	$51	$39	$29

Exhibit 67. Live-Work Residual Land Value: Hard Construction Cost and Cap Rate Sensitivities

		Cap Rate					
		5.5%	6.0%	6.5%	7.0%	7.5%	8.0%
Hard Cost ($/SF)	$66	$101	$81	$65	$51	$39	$29
	$79	$82	$63	$47	$33	$21	$10
	$95	$60	$41	$24	$11	($1)	($12)

Feasibility Summary

Asking prices for current listings of vacant commercial land for sale in central Spokane range between $8 and $16 per square foot. With at least $16 as the bare minimum residual land value for economic

viability, this typology is feasible for midrange rents when cap rates are below 7.5%. Higher cap rates may be feasible when rents are at least $1.80/SF/mo. At the highest rent level, feasibility can generally be maintained as construction costs rise. At the highest modeled construction cost, the project is feasible if cap rates are below 7%.

Typology 6: Mixed-Use Tower

Description: A 13 story mixed-use tower consisting of 12 stories of residential over 1 story of retail. Results in a 135 feet high building with a FAR of 1.6.

Site Area: 46,625 SF

Gross Building Area: 6,025 SF retail, 72,300 SF residential

Constructed site improvements: 30,000 SF parking, 10,600 SF landscaping

Rentable space: 6,025 SF retail, 72 dwelling units with parking space/unit and eight visitor spaces

Market Characteristics
Multifamily rents were modeled between $1.20 and $1.80 per square foot. Research suggests that multifamily developments in Spokane are beginning to trade at cap rates in the 6% range for outstanding properties, but that above 7% has been more typical.

Retail rents across Spokane currently average around $14/SF/year across all properties. Some properties are achieving rents of $20-$25/SF/year, which is modeled here as an ambitious high end.

Hard construction costs were estimated to be $106/SF for multifamily, which was taken as a baseline. A range of construction costs was modeled up to $153/SF. Modeled retail hard costs range from $113-$137/SF.

Exhibit 68. Mixed-Use Tower Residual Land Value: Rent and Cap Rate Sensitivities

		Cap Rate					
		5.0%	5.5%	6.0%	6.5%	7.0%	7.5%
Rent	$1.20 /SF/Mo (Res) $15 /SF/Yr (Comm)	($19)	($45)	($66)	($85)	($100)	($114)
	$1.50 (Res) $20 (Comm)	$54	$22	($5)	($28)	($48)	($65)
	$1.80 (Res) $25 (Comm)	$127	$88	$55	$28	$4	($16)

Exhibit 69. Mixed-Use Tower Residual Land Value: Hard Construction Cost and Cap Rate Sensitivities

		Cap Rate					
		5.5%	6.0%	6.5%	7.0%	7.5%	8.0%
Hard Cost ($/SF)	$106 (Res) $113 (Comm)	$127	$88	$55	$28	$4	($16)
	$127 (Res) $125 (Comm)	$79	$39	$7	($21)	($45)	($65)
	$153 (Res) $137 (Comm)	$20	($19)	($51)	($79)	($103)	($123)

Feasibility Summary

Asking prices for current listings of vacant commercial land for sale in central Spokane range between $8 and $16 per square foot. With at least $16 as the bare minimum residual land value for economic viability, this typology is feasible for midrange rents when cap rates are below 6%, which is rare in Spokane. Cap rates up to 7% may be feasible when rents are at the high end. A very low cap rate is required as construction costs rise, provided high rents can be maintained.

South Subarea Needs Assessment and Action Plan

INTRODUCTION

Background and Purpose

The organizing thematic goal for the University District is to use "its unique connectivity to create shared community wellness and vibrancy by developing the infrastructure and programming that enable a globally-recognized hub of education, innovation, research, and healthcare." This focus on health and education extends to all areas of the District, not just the campuses and commercial areas.

The South Subarea has historically been disconnected from the rest of the University District, physically separated by the railroad corridor. In addition, Sprague Avenue has suffered a lingering reputation for crime. This year, the landmark University District Gateway Bridge opened across the tracks, and extensive public investments to the Sprague streetscape have generated private investment. The South Subarea has several vacant and redevelopable parcels, creating a strong potential for redevelopment.

The South Subarea has great opportunities for growth and significant existing challenges to overcome. This dynamic is stronger compared to the rest of the University District, so the University District has prioritized the South Subarea for focused planning. This effort will culminate in a Subarea plan to be developed in 2019. This needs assessment and action plan provides an initial framework to inform the Subarea planning process.

Methods

The analysis for the South Subarea Needs Assessment and Action Plan is based on findings from the analysis of the University District associated with the 2019 UDSMP Update.

Organization of this Report

This report is organized in the following sections:

Needs Assessment

- **Preferred Scenario** summarizes the development characteristics of focus areas within the South Subarea, as established in the Reaffirmed District Vision.

- **Summary of Barriers to Redevelopment** summarizes challenges to achieving the South Subarea development vision.
- **Market Implications** compares growth capacity to past commercial absorption trends.

Action Plan

- Goal areas and potential strategies to address the identified barriers to redevelopment for the South Subarea.

SOUTH SUBAREA NEEDS ASSESSMENT

Concept Development

The preferred scenario for the South Subarea is a conceptual plan that divides the Subarea into areas of distinct physical character and use. This concept is based on roles the Subarea could potentially play within the context of the larger University District, as well as specific opportunities that are unique to the subarea itself. This conceptual plan is intended to provide a basis for more detailed Subarea planning, to commence in 2019.

The concept for the South Subarea reflects findings from a two-day stakeholder charrette in September 2018. At the charrette, a group of key University District stakeholders and community members discussed the existing vision established for the District, and how it has evolved since 2004. Following this discussion, two groups took part in exercises to provide in-depth feedback on specific topics. One group of real estate professionals provided their perspectives on market potential and limitations in the District, while another group of community stakeholders gave feedback on desired design qualities for future District development.

Additional stakeholder feedback gathered through interviews and an online survey further informed the South Subarea concept. In the survey, 46% of respondents stated that the South Subarea's character and identity must be transformed and replaced, while another 30% stated that the Subarea does not have a recognizable identity. Respondents were also asked to select uses that are most needed for the Subarea to contribute to the University District vision. The most-selected choices were urban residential neighborhoods; local, small-scale retail and restaurants serving the surrounding neighborhoods; universities and research centers; and offices.

Preferred Scenario

The South Subarea is the area within the University District located south of the railroad tracks and Martin Luther King Jr. Way, north of I-90, and between Hamilton (to the east) and Browne Streets (to the west). Massing models depicting this preferred scenario with different growth assumptions are located in **Appendix B**.

The preferred scenario for the South Subarea identifies three focus areas with distinct character within the Subarea. This is not intended to discourage a mixture of uses throughout the District, but to describe the dominant character and purpose of each area. These areas are the

Sprague-Sherman Corridor, **Southwest Section**, and **Southeast Section**.

1. Sprague-Sherman Corridor

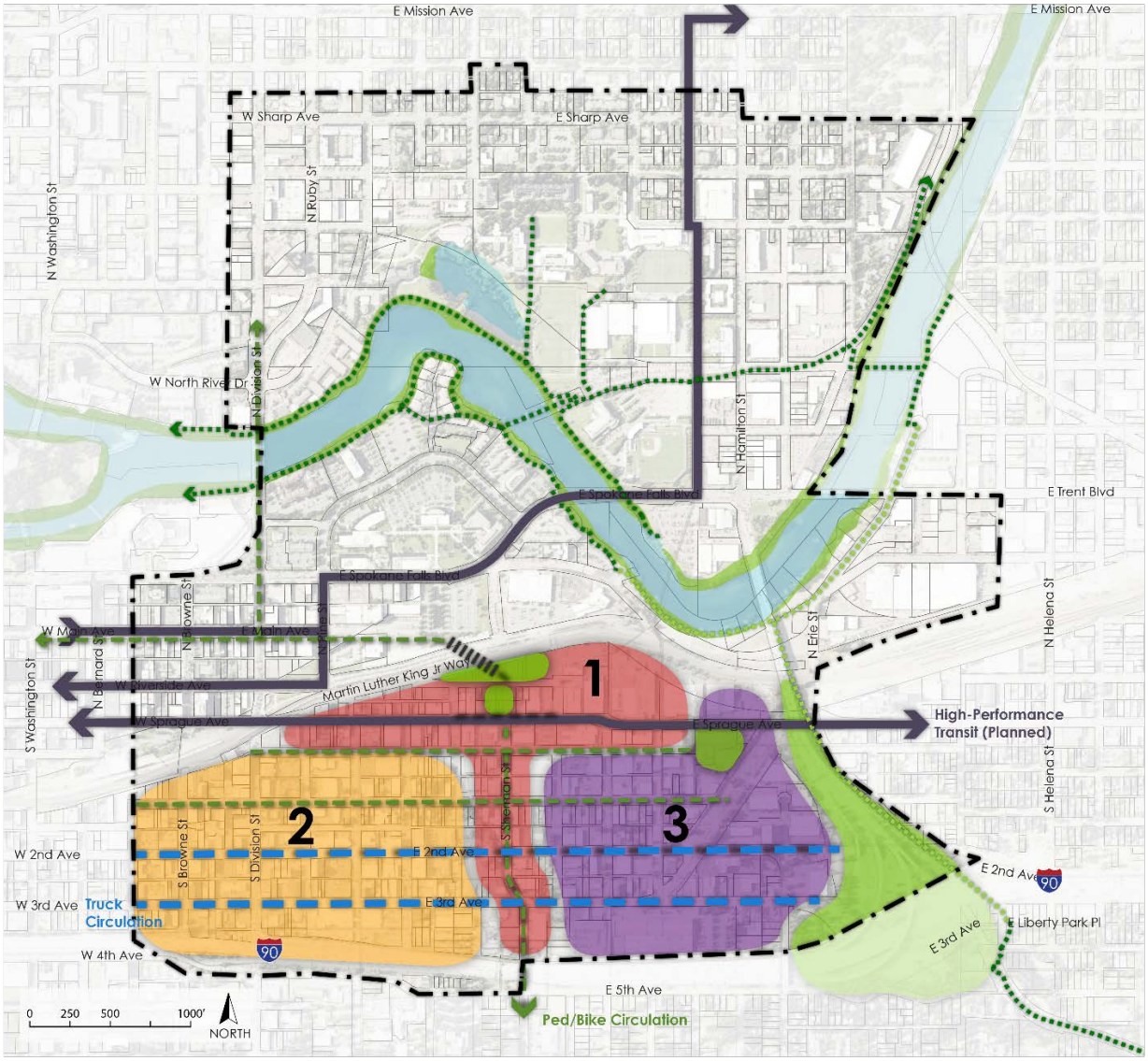
The Sprague-Sherman Corridor, shown in red in **Exhibit 71,** consists of the blocks running along Sprague and Sherman within the District, extending to the Subarea's northern edge. This corridor provides critical connections to Downtown Spokane via Sprague, the hospital district to the south via Sherman, and the university campuses to the north via the University District Gateway Bridge. A new high-performance transit line is planned to run along Sprague, enhancing connections to Downtown and residential areas on the City's periphery. Division Street also provides a critical north-south link.

An activity node has developed at the intersection of Sprague and Sherman, where the University District Gateway Bridge's southern landing and the Catalyst development are located. This node will develop as a clearly defined, compact commercial center for the South Subarea. The District vision has established Sprague and Sherman as well-suited for denser development, particularly for uses consistent with a globally-recognized Innovation District concept. This includes large laboratories, office buildings, larger apartment buildings, and related uses. The design of larger buildings should remain consistent with the District's pedestrian-friendly vision. Buildings should be oriented to sidewalks, and mixed-use developments with small, street-level commercial spaces should be encouraged. Examples of similar development types are shown in **Exhibit 70**.

Exhibit 70. Prototypical Development, Sprague-Sherman Corridor Vision

Source: MAKERS, 2018

Exhibit 71. Summary of Preferred Scenario, University District South Subarea



Source: MAKERS, 2018

2. Southwest Section

The Southwest Section, shown in yellow in **Exhibit 71,** is the area located south of Sprague and west of Sherman.

This area has more direct connections to Downtown Spokane, the rest of the University District, and the Medical District compared to the eastern half of the Subarea. As a result, participants identified this area as being better suited for redevelopment in the near term.

The vision for the Southwest Section is to provide a mixture of housing and services to support the larger employment opportunities focused on

Sprague and Sherman. This includes finding ways to incorporate existing social services and affordable housing developments located in the neighborhood. The neighborhood should feature pedestrian-oriented areas with safe and attractive streets, featuring a mix of commercial, entertainment, institutional, and residential uses. Light industrial, art, artisan fabrication activities, food production, and existing businesses may be part of the mix. Buildings are generally smaller-scale and oriented to the street. The architectural character may vary, and the adaptive reuse of historic buildings should be encouraged.

The development pattern and street infrastructure should support walkability and safe cycling, consistent with the overarching District concept of healthy living. Pacific and 1st Avenues were envisioned as opportunities to promote nonmotorized traffic, while the truck traffic required by many local light industrial uses could be channeled further south. Examples of similar neighborhoods are shown in **Exhibit 72.**

Exhibit 72. Prototypical Development, Southwest Section Vision

Source: MAKERS, 2018

3. Southeast Section

The Southeast Section, shown in purple in **Exhibit 71,** is the area located south of Sprague and east of Sherman.

Stakeholders indicated that this area is less likely to be attractive for redevelopment in the short term. This area's character is more predominantly light industrial and includes existing legacy businesses which are assets to be preserved. As a result, the focus for this section is on supporting and growing existing businesses rather than redevelopment. Where vacancies exist, there could be opportunities to connect new businesses emerging from the Innovation District concept with affordable spaces. Adaptive reuse is particularly appropriate for this area. Live-work housing is a good infill housing option for this area that can blend crafter/maker industrial uses with urban residential.

Case examples of adapted, revitalized industrial spaces are shown in **Exhibit 73**.

Exhibit 73. Prototypical Development, Southeast Section Vision

Source: MAKERS, 2018

South Subarea Capacity Summary

The South Subarea currently has just under 18 acres of developable land, including both vacant and underutilized supply. This is a net estimate that includes an adjustment to account for market factors, open space needs, and other factors with potential to impact developability.

Exhibit 74. Current Land Capacity by Subsector, South Subarea

	Sprague/Sherman	Southwest	Southeast	Total
Net Underutilized Supply (SF)	114,650	91,650	201,596	407,896
Net Vacant Supply (SF)	121,097	95,832	72,484	289,413
Total Net Developable (SF)	235,747	187,482	274,080	697,308
Total Net Developable (Acres)	5.41	4.30	6.29	16.01

This capacity is translated into potential employment and population growth across the Subarea at three scales of demand in **Exhibit 75**.

Exhibit 75. Estimated Population & Employment Growth Potential, South Subarea

	STRONG ABSORPTION		MODERATE		WEAK	
	Population	Employment	Population	Employment	Population	Employment
South Subarea	882	533	617	373	351	212

Summary of Barriers to Redevelopment

The following barriers, while crafted for the South Subarea, are largely valid for the entire University District and should provide direction for the UDPDA, UDDA, and City of Spokane's project planning and prioritization.

Environmental

- **Soils**. Much of the South Subarea's soils consist of shallow, hard rock that requires blasting. Stakeholder feedback has suggested that market conditions do not currently support the cost of development on such sites in the South Subarea.
- **Contamination**. Due to the South Subarea's industrial heritage, there are many brownfield sites in the neighborhood. While stakeholder feedback has suggested that the process of working with the State of Washington Department of Ecology to remediate such sites has become easier, this is not necessarily evident to existing property owners or less experienced developers. Those who are unaware of how to work with such sites may choose to avoid or postpone cleanup.

Land Use

- **Zoning.** General Commercial zoning, which covers nearly all of the South Subarea, allows for a maximum height limit of 150 feet. Nonresidential development, however, is limited to a maximum Floor Area Ratio (FAR) of 2.5. This may incentivize residential and mixed-use development over commercial.
- **Parking.** While Spokane is seeing more urban development Downtown, and new high-performance transit lines are coming to the area, anecdotal perceptions suggest that individuals have yet to shift away from single-occupant driving habits. In addition, existing on-site parking requirements may not be consistent with the Subarea's urban vision. The code allows for discretion in permitting developments with less parking, but the standards for such variances are presented in loose terms. According to stakeholder feedback received during the September 2018 charrette, developers currently continue to provide parking where it is not required to fulfill tenant demands.

Connectivity and Infrastructure

- **Connections.** The railroad and highways create visual and in some cases physical barriers for entering the Subarea.
- **Bicycle Safety.** There is a lack of bicycle lanes and other infrastructure in the Subarea, both for internal circulation and connections to adjacent neighborhoods.

- **Water and Sewer.** The cost of increasing water capacity to some sites can be expensive given basalt and existing infrastructure.

Market Conditions

- **Challenging Feasibility for Office and Lab/R&D Space**. In a pro forma modeling exercise for prototypical development, laboratory and office spaces were the least financially feasible out of all modeled typologies. These development types are also most important for the Innovation District concept.
- **Lack of Proven Success**. Until the Catalyst development, the neighborhood has not experienced the type of denser, high-quality private commercial development outlined in the University District's vision. Developers are typically hesitant to be the first to pioneer a new development type in a new area.
- **Services and Amenities to Support Density**. The neighborhood currently lacks neighborhood amenities to support more dense development, such as parks, restaurants, day care, and other neighborhood services.

Social

- **Social Services**. Several social service providers and affordable housing developments are in the South Subarea. These are critical services for the community, but there have been complaints from business owners and community members about impacts to the neighborhood associated with these services. Impacts include loitering, littering, etc.
- **Safety Perceptions.** Despite the City's previous and planned improvements to Sprague's streetscape, there are lingering perceptions that the neighborhood has higher crime relative to other parts of Spokane.
- **Mitigate Displacement**. While there is not currently a large quantity of housing in the Subarea, there are existing residents that may be vulnerable to displacement. In addition, there are existing local legacy businesses that should be preserved.

SOUTH SUBAREA ACTION PLAN

The Draft South Subarea Action Plan consists of a set of six goal areas with accompanying actions selected to address barriers to development identified in the South Subarea Preferred Scenario Summary. These goal areas and actions were informed by data analysis and stakeholder outreach, including charrettes, community surveys, and stakeholder interviews.

Suggested actions are roughly listed in order of priority and are identified with what type(s) of action they represent including:

- Infrastructure – physical construction and site control required
- Policy – requires action by a regulatory or legislative body
- Programming – primarily requires skill, time, or funds to implement.

1. Define and adopt development standards consistent with South Subarea and University District Reaffirmed Vision.

1.1.	Revisit permitted uses and established standards for maximum floor area ratios, building heights, and setbacks. Consider allowing higher densities, particularly on Sprague and Sherman possibly by expanding Downtown Zoning designations.	Policy
1.2.	Ensure development standards allow for a diverse range of housing options, including live-work, efficiency/microunits, and accessory dwelling units.	Policy
1.3.	Revisit minimum parking requirements and provide opportunities to waive or decrease parking requirements for developments that meet certain performance standards. In the near term, focus on decreasing parking requirements for development within the walksheds of future high-performance transit stops.	Policy
1.4.	Promote private development of shared parking facilities, and identify any regulatory barriers preventing their development. (Such as expanding permitted distances between new development and associated off-site parking.)	Infrastructure Policy
1.5.	Consider options for managing parking districtwide, such as an in-lieu fee for developers to pay into providing shared parking facilities instead of providing on-site parking.	Policy
1.6.	The UDPDA can consider developing and operating parking solutions to increase organizational sustainability and development feasibility.	Infrastructure Policy
1.7.	For any publicly-built parking structures, consider development that can be converted into another use if parking demand drops. In addition, incorporate permanent, ground floor commercial space or other active uses.	Policy Programming

2. Enhance livability and sense of place.

2.1.	Review existing design guidelines to ensure that adopted policy facilitates the development of quality commercial space.	Policy
2.2.	Support the creation of a business improvement district (BID) or similar special assessment district to improve the function and aesthetics of commercial centers.	Programming
2.3.	Actively market the University District Reaffirmed Vision and promote its goal to enable a globally-recognized hub of education, innovation, research, and health care. Highlight the character of the District's Subareas as part of this effort, including the South Subarea.	Programming
2.4.	Identify sites for new public open space. Provide opportunities to support active recreation, such as including outdoor gym equipment.	Infrastructure Programming
2.5.	Expand the usage of green infrastructure and low impact development (LID) techniques and explore expanding the "eco-district" concept across the neighborhood.	Infrastructure Programming
2.6.	Facilitate events bringing together City staff and elected officials, universities, neighborhood businesses, neighborhood social service providers, and residents. Focus on promoting an open dialogue between these neighborhood stakeholders about concerns to address and goals to achieve.	Programming
2.7.	Collaborate closely with local social service providers. Ensure there are clear points of contact to discuss any neighborhood issues and conduct proactive outreach with the neighborhood.	Programming
2.8.	When the South Landing public plaza is complete, host events in the plaza and adjacent side streets to draw visitors to the South Subarea. Examples include farmers markets and street fairs.	Programming

3. Develop a safe, enjoyable street network for pedestrians, bicyclists, and transit users.

3.1.	Complete planned improvements to the Sherman streetscape.	Infrastructure
3.2.	Develop safe bicycle connections from the University District Gateway Bridge to all directions.	Infrastructure
3.3.	Work with major local employers, including universities, to promote transportation mode shifts for their workers' commutes, such as offering incentives to walk, bike, or use transit and providing subsidized transit passes.	Programming
3.4.	Make connections from the Subarea to districtwide recreational assets, such as trail connections to the Spokane River.	Infrastructure

4. Support and grow new and existing businesses.

4.1.	Promote existing business incentives and advocate for additional resources to promote business recruitment, expansion, and growth.	Programming Policy
4.2.	Develop "need profiles" for the University District's growth sectors. These would define industry-specific needs, such as workforce characteristics, infrastructure needs, workspace needs, market needs, and more.	Programming
4.3.	Develop and maintain relationships with property managers and commercial brokers who market Spokane commercial property.	Programming
4.4.	Conduct periodic small business forums to connect with local stakeholders and assess the challenges and opportunities facing the South Subarea business community; partner with business organizations that meet this objective.	Programming
4.5.	Partner with a nonprofit lender to provide low-cost loans to local small businesses. Help businesses secure federal, state, and county incentives such as Opportunity Zone funds, B&O and new market tax credits, etc.	Programming

5. Attract high-quality commercial development.

5.1.	Capitalize quickly on the South Subarea's location in an Opportunity Zone. Unless the program is extended, there will be an urgency to invest in Opportunity Funds by December 2019 to maximize benefits. With more than 8,000 Opportunity Zones nationwide, cities must take action to stand out early. Specific strategies to consider include:	Programming
5.1.1.	Identifying projects to market to Opportunity Zone Funds. In addition to real estate projects, consider opportunities for investments in local businesses.	Programming
5.1.2.	Promote a website and other market materials to promote Spokane's Opportunity Zones and investment opportunities.	Programming
5.1.3.	Host investor tours and engage community leaders to promote the neighborhood to fund managers.	Programming
5.1.4.	Identify additional financial incentives and funding to support Opportunity Zone investments such as Low-Income Housing Tax Credits and Community Development Block Grant funds.	Programming
5.2.	Promote existing City development incentives (such as Historic Preservation Tax Exemption, Urban Utility Installation Program, General Facilities Connection (water and sewer) Waiver, Brownfield and Blight Remediation, UDPDA Tax Increment Financing (for	Programming Policy

	infrastructure in public right of way) and advocate for additional resources and policies to reduce barriers and costs to (re)develop parcels and structures.	
5.3.	Support the creation of a business improvement district (BID) or similar special assessment district to improve the function and aesthetics of commercial centers.	Programming
5.4.	Market the District to developers and brokers. Prepare a summary of less-encumbered sites in the District and their development potential, including any potential incentives.	Programming
5.5.	Pursue ongoing dialogue with landowners near the intersection of Sprague and Sherman to ensure future redevelopment directly supports the Innovation District concept. Specific high priority uses include labs, incubators, offices, or other compatible flex-tech spaces.	Programming
5.6.	Identify properties that are currently occupied and developed but may be considered redevelopable as the market strengthens. Focus on properties with fewer mitigation challenges, and which already have access to required utilities.	Programming
5.7.	Coordinate with local universities to understand their needs for more student housing and facilities and identify opportunities for development in the South Subarea.	Programming
5.8.	Acquire and assemble sites for development in key locations. Set a clear vision for these sites and consider incentives to attract developers willing to pursue more speculative development types for the neighborhood, such as office.	Programming

6. Facilitate remediation of brownfield sites.

6.1.	Complete a District-wide assessment of contamination issues.	Programming
6.2.	Conduct outreach with existing owners of contaminated properties to clarify mitigation requirements and provide guidance for those interested in redevelopment opportunities.	Programming
6.3.	Assemble dedicated funding for brownfield remediation.	Programming

APPENDIX A: STAKEHOLDER ENGAGEMENT SUMMARY

Key Findings from Stakeholder Engagement

Stakeholder Interviews

CAI staff interviewed eight local stakeholders deeply engaged in the district, including university representatives, local landowners, business owners, local developers, and brokers. The following represent key themes and findings from the interviews. Many themes and findings represent the opinions and beliefs of the interviewees and may or not be consistent with the UDDA/UDPDA vision.

Background: Vision and Assets

- Greater Spokane Incorporated organized a trip to Winston-Salem, North Carolina, and invited representatives of the University District board. The inspiration for the trip was the Wake Forest Innovation Corridor, which led to some initial discussions around the Catalyst Building and how the building could advance the District.
- Goals for the Catalyst project and associated development:
    - Unite the university campuses, businesses, and neighborhoods on the north and south sides of the BNSF railroad tracks and the Spokane River;
    - Foster broader local and regional economic development and build community capital;
    - Create and expand connections to higher education in some capacity – provide lab/R&D space, data, mentorships or internships; and
    - Explore a "smart city" model for Spokane, potentially including an eco-district concept.
- The District has "a very fortunate convergence" in the colocation of six higher education institutions and two medical schools.
- Given the presence of the higher education institutions and medical schools in University District, and the focus on innovation, there is an opportunity to build a globally-recognized hub of education, innovation, research, and health care. It could focus on inter-professional health learning and STEM/science and provide a stimulating environment that results in collaborative translational education and research.
- Many incoming students want an urban experience. A lot of students are coming from larger cities and don't see Spokane as having the vibrancy that they're looking for. The University District can enhance the sense of place, which is important for the educational institutions.

    - Furthermore, internships, jobs for students, and jobs after graduation are all enhanced by economic vitality in the University District. Almost every student that is interested in a school wants to know what their internship possibilities might be, so a larger and more vibrant innovation scene creates the potential for better internship generation.
- Precedents for this type of health- and life-sciences-focused Innovation District concept include the University of Colorado Anschutz Medical Center, Portland's Oregon Health & Science University, the Research Triangle in North Carolina, South Lake Union, and others.

Needed Improvements and Development Strategy

- Housing, food, and other retail services are necessary for the District's development, but uniquely magnetic assets that can spearhead the effort are also needed, and the health learning ecosystem could be such an asset.
- In the near term, the District needs a range of housing opportunities for adult learners and medical/professional students. These learners want a location that is close to campus, but they are willing to pay a little bit more for something other than dorm-style housing. They value walkability and safety. They prefer to walk, ride a bike or take transit and are not commuter types. Childcare and family services will be necessary.
- The lack of housing is a deficiency, and the District and Downtown may not be able to reach their potential as true urban neighborhoods without more housing. Young people find urban living attractive and these places need to have residential uses and urban amenities to make things "click." A diversity of housing types is critical.
- The District needs to be more walkable and feature pedestrian-friendly corridors that connect to both ends of the University District Gateway Bridge and, more generally, increase the connectedness of the University District and Downtown.

Challenges and Impediments to Redevelopment

- A lack of housing development to-date indicates challenges, and we need to understand why. Some basic public infrastructure may need to be built to create the kind of environment that people want to live in. There may be some regulatory barriers and a land price problem as well. If the land price is an issue, then the City can consider improving development feasibility through incentives for desired development (or disincentives for undesirable uses of property).

- Parking requirements are high, but there is also a market demand for parking. Current demand, setting aside regulatory requirements, could be around 1.25 spaces/unit. However, the market should dictate this, and the City should get out of the business of requiring parking. If multimodal access is improved there may already be sufficient parking in the District.
- There is a need to keep thinking about connections along north-south axes. The South Hill neighborhood, Medical District, and other assets are just outside the District and need improved connectivity.
- It will be important to stay focused on the long-term legacy. How does the District work well with the development community? Make this a feasible financial model. How does the University District develop a master plan that addresses short-term needs but doesn't lose sight of long-term desired outcomes?
- Other potential impediments to redevelopment include:
    - Environmental impacts; brownfield cleanup will be required on a lot of sites
    - Aggregation of land; many small and unconsolidated parcels
    - Perceptions of public safety issues, including crime and homelessness
- The University District needs to focus on implementation as "paralysis by analysis" can be a barrier to progress.
- The "Condo Act" is particularly burdensome in a place like the University District, where condominium development could make sense. Advocacy efforts should focus on changes to the law.

Visioning Charrette and Open House

From September 11-12, 2018, MAKERS and CAI engaged stakeholders in a visioning charrette. Stakeholders were divided into three groups for different activities: the primary stakeholder group, which provided overarching guidance on the vision and priorities for the District; the development group, which provided technical guidance on local real estate development feasibility; and the design group, comprised of local stakeholders who provided feedback on what uses and physical characteristics belonged in each of the District's Subareas. Over the course of the two days, feedback from all three groups was reconciled into one preferred alternative for future development in the District. Comments from the three groups are summarized below. Please contact the UDPDA if you are interested in knowing more about any of these groups and who participated.

Primary Stakeholder Group

Elements of previous efforts that are important to retain:

- Subareas to focus on: Hamilton Street, Main Avenue, South Subarea.
- The District should be a globally-recognized hub of education, innovation, research, and health care.
- Emphasize gateways into the District: you should know when you've arrived.
- Focus on green infrastructure – build on Catalyst eco-district concept. The City has made progress on incorporating green infrastructure elements.
- Create a strong pedestrian orientation, build on transit investments.
    - Reference 2015/2016 Central City Line Strategic Overlay Plan.
- Need to provide student housing.
- Coordinate with East Sprague/South U District Investment Plan.
- Downtown Plan currently being updated, need to think about how the districts relate to each other.

What was previously planned but not yet implemented?

- Brownfield redevelopment – need to find ways to generate and sustain a remediation fund and encourage property owners to participate in clean-up efforts.
- Strategy on what to do with vacant and underutilized land.
- Need housing and services – be specific, for example: "We need 1,500 units of housing and they should go here."
    - Think bigger – focus on healthy housing, new housing types like apodments that aren't being provided.
- Need direction on standards and best practices – how many square feet, how much housing, how much retail is needed/supported?
- Land use regulations may be a barrier – need to make sure they can support the vision, but zoning revisions can be contentious.
- Need to communicate outcomes well – what cities are doing mid-sized development right? How do we support the "right" kind of development and know when we should say no?
- Complicated feelings on parking – developers should have flexibility on parking, but the perception is that they're not yet ready to get rid of parking. The universities have lots of parking demand. Think about ways to share parking across institutions, find creative ways to provide the parking they want to build.
    - Haven't implemented a transportation mobility plan for the District.
    - The city has a two-phased parking study in progress; need to track outcomes.

    - How is the hospital district managing parking? Seems like they only need a small mode shift to work with what they have now. (Internal note: think about Seattle Children's Hospital model).
- Need more public open space throughout

What can come out of this project as an added benefit to aid Subarea planning?

- City wants to restate, reignite the District vision.
- Set expectations and priorities for Subdistricts.
- Understand changes since 2004, take advantage of new trends in smart cities, develop the Innovation District concept.

Discussion: What does "Innovation District" mean to this group?
Impressions were varied: research, maker spaces, "challenging paradigms," co-locating functions to spark connections, collaboration, celebrating failures, connecting to investment funding, small business development, internships, business plans competitions, and making space for people to move quickly and be dynamic.

What should the District be known for 10 years from now?

- Medical research, more medical students. Health and sciences.
- Energy, computer science.
- A livable community.
    - Provide a healthy environment by design – commit to building a city that is healthy for all citizens to live, work and play in.
    - Mitigate gentrification and get in front of housing affordability challenges.
    - Need to address challenges in homelessness, high levels of domestic violence.
    - Make sure families can live in the District – include services such as 24/7 childcare, provide places for kids to play.
- Provide higher paying jobs, public health.

The Vision for Hamilton Corridor:

- Hamilton spine – need a small retail mix, food for Gonzaga population and residents. Need safer pedestrian crossings for students, more permanent housing, beautification. Focus on street improvements.
- Housing, neighborhood services, beginning and end of life care (east of Hamilton).
- Potential opportunity at EZ Loader site.
- Future tied to North Spokane corridor.

The Vision for South Subarea:

- Lots of low-income housing and social services currently.
- Vision: economic development around health sciences.
- Need better connections between north and south of the I-90 freeway.
- Focus on the Sprague/Sherman corridor.
- Support startup, light industrial space in and around the Sprague/Sherman corridor.
- Ensure housing can infill but don't push it.
- Lots of existing light industrial businesses – find ways to support while allowing for innovative development.

The Vision for Main St. Corridor:

- Build on existing character and existing small businesses.
- Improve connectivity to EWU/WSU campus and Downtown.
- Provide a mix of urban uses – multifamily residential, entertainment, arts, restaurants.

Development and Feasibility Workshop

- There are challenges in recruiting new businesses to the area, lack of workforce to serve industries beyond the specialized sectors coming from the medical schools.
- There is a lack of wet lab space and clean manufacturing facilities in the District.
- With the Innovation District concept, need to be mindful that Spokane is competing with cities like Denver, San Francisco – need to be clear about what Spokane does better than anybody else and stay on message.
    - Some expressed views that the parties involved with the University District are playing "telephone" – every person you talk to is saying something else about what the purpose is.
- Spokane has the opportunity to capture overflow from larger, more expensive metros – need to offer affordability and quality of life. Need to fix problems and market what the region offers.
- It would be valuable to highlight less encumbered properties, provide vision on what they should become and how to get there – a simple developer's packet or online tool showing site options, let developers quickly evaluate.
- Specific development challenges:
    - Soil conditions are a problem in the South Subarea – contamination, shallow groundwater, rock.
    - Silos – different organizations have different objectives; need to find shared objectives and common ground.

    - Miseducation – some owners in the District who don't know if they have contamination issues, are hesitant to redevelop and find out they have a problem.
    - In the South Subarea, property crimes, general blight, and homelessness make developers hesitant to develop there.
    - Parking requirements aside, commercial tenants in Spokane still want parking, even Catalyst tenants are asking for more than is required.
        - Solution: look for opportunities to share parking between developments.
    - Even in major markets, investors are getting more cautious, lending costs are rising.
    - Rents aren't high enough.
    - Water and sewer connection fees are high.
    - Lack of certainty in costs for materials.
- The universities excel in going after grants – there's an opportunity for them to serve as partners in securing grant funding for projects and developments.
- There is value in having banks that understand the local issues and how to deal with them.
- Attendees reported that the Department of Ecology has been much more collaborative in working with them on remediation, they want to make projects happen.
- Some attendees were dubious about the potential of the Catalyst development to promote a lot of new development outside of the nearest block or two.
- Need to build a center of activity to draw developers, safe walking streets – pool demand and demonstrate interest.
    - Need arts and culture, nature – things that create energy and a local neighborhood feel.
- For mixed-use development, feasibility breaks down to either four stories or 12 or more.
- Ideal concept is 10 stories – middle parking, an upper housing, retail/office on the bottom, but nobody's able to do that in Spokane right now.
- Required rents to make development work here – high $20s for office. $2.50 for multifamily feels high for Spokane.
- Incentives:
    - Multifamily Tax Exemption was huge in making the 940 North development happen.
    - Opportunity Zone opportunities are promising, but many local developers don't have the experience to know how to work with these programs.

- Look for opportunities to draw companies from elsewhere that can break off a portion of their business that can work remotely from the rest, save on office costs.
- Need to provide more variety of homeownership opportunities, including condos.
- Opportunities for the UDPDA to work on public-private partnerships.

Design Priorities Workshop

- There is a need to activate spaces and make them feel more vibrant, active – need a greater mix of uses.
- Students are looking for places to go after class, the neighborhood dies in the evening.
- Participants had a strong focus on social and cultural needs.
- Housing affordability is a high priority.
- "Cleaning and greening" are needed, particularly in the South Subarea.
- Workers need childcare in the area – and having childcare at night is very important, particularly for medical workers.
- Main streets should have first floor retail or other commercial uses – provide for a pedestrian-friendly, mixed-use environment.
- There is a need for more open space throughout the District. In addition, would like more connections to indoor and outdoor activity and recreation.
- The Division Street bridge over the Spokane River needs pedestrian improvements.
- Higher density development is well suited for the Sprague and Sherman corridors, with a key node at their intersection.
- The western half of the South Subarea is seen as an area where more types of development could be encouraged in the near term. This would be an area that could help provide more neighborhood services to serve the large office and institutional uses on Sprague and Sherman – a variety of multifamily, smaller scale commercial, etc.
- The District needs stronger connections to Downtown.
- There are a variety of existing light industrial and other businesses in the eastern half of the South Subarea that should be preserved – may change over time, but less of a priority for development in the near term.
- Displacement of businesses and residents must be mitigated.
- The group would like to see green streets, particularly making east-west connections.

Open House

The charrette culminated with an open house to present materials developed during the charrette to the broader public. Attendees had the

opportunity to provide feedback through comment forms, which indicated broad support for the planning concepts established during the charrette, including the "Innovation District" concept, improved access to the river, additional housing, better multimodal transportation options, and "green" and healthy living amenities.

Community Survey

CAI, the City of Spokane and the University District Public Development Authority collaborated to develop and distribute an online survey. The following includes information about survey respondents and key findings for the University District planning process.

- The survey garnered 413 responses, though not all respondents answered every question. Most respondents (63%) live or work in the University District. Respondents also represented a broad range of ages and occupations.

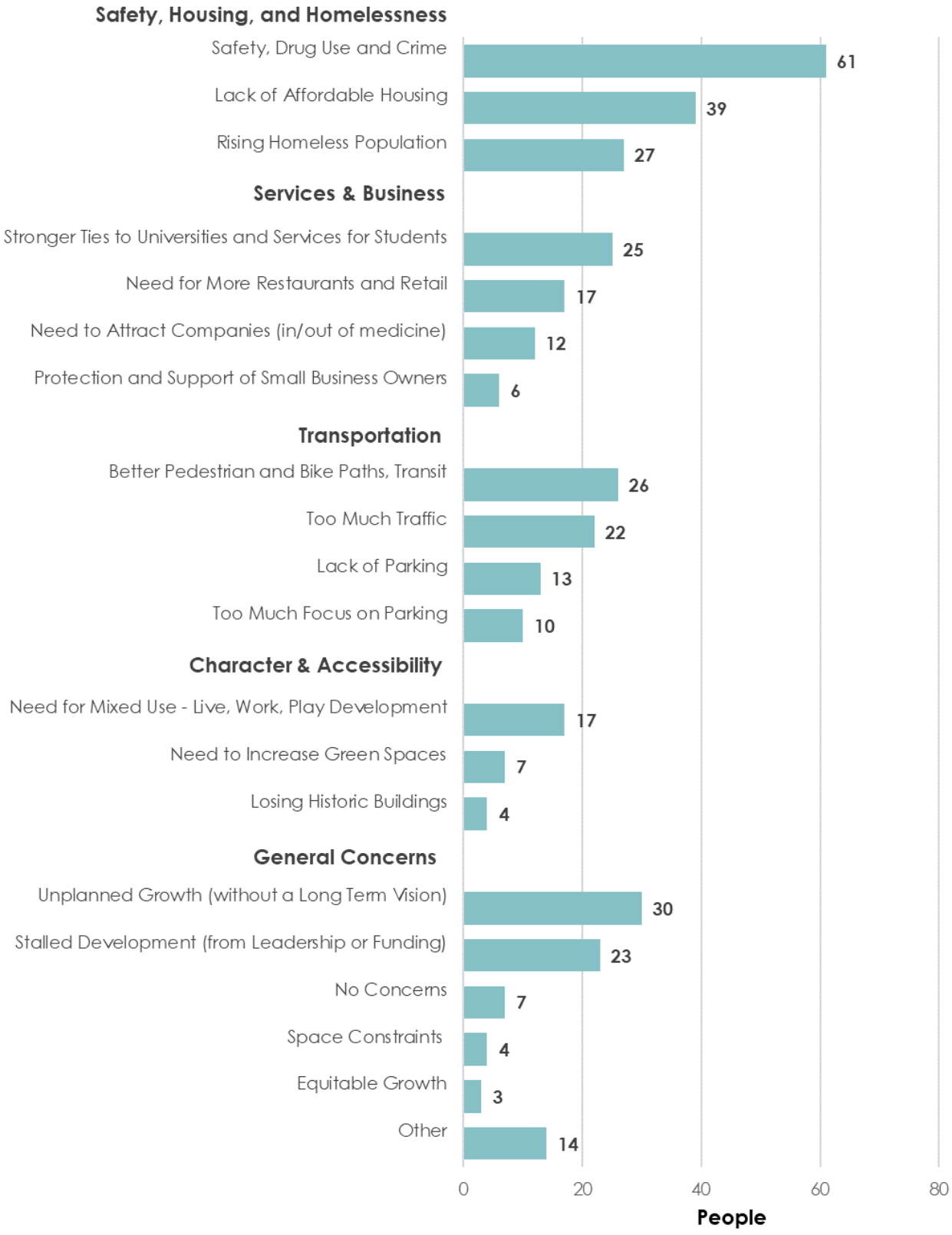
  What is your occupation? (top responses)

- 74% of respondents indicated that the Hamilton St. corridor either has no recognizable identity or has an identity that needs to evolve and mature over time. Only 4% of respondents indicated that the corridor's identity should be retained as much as possible. 75% of respondents identified "local, small-scale retail and restaurants serving the surrounding neighborhood" as one of the most needed uses in the corridor and 50% indicated that urban residential amenities, such as apartments and condos, are critical.
- Respondents indicated that the identity of the Main St. corridor should be retained (26%) or evolve and mature over time (41%). According to the respondents, the most needed uses in the Main St. corridor are local, small-scale retail and restaurants (68%),

arts and culture amenities like theaters, studios, galleries, music venues, etc. (55%), urban residential units (42%), and destination retails serving a larger area (40%).

- 46% of respondents indicated that the character and identity of the South Subarea should be transformed and replaced over time, while 30% indicated that the Subarea currently has no recognizable identity. Only 3% indicated that the identity should be retained. According to the respondents, the most needed uses in the South Subarea are urban residential units (69%), local, small-scale retail and restaurants (59%), university-related amenities and research centers (44%), and office space (40%).
- Respondents identified the University District's most important assets as innovative businesses and research institutions (52%), higher education institutions (51%), and safety in the community (39%).
- Respondents identified the most important improvements to the University District as commercial building revitalization/redevelopment (46%), new housing and housing types (37%), and better sidewalks and safer streets (37%).
- One open-ended question asked respondents to identify their more pressing concern for the future of the University District. "Safety, drug use, and crime" was the most common response. All responses are categorized on the following page.

The Largest Concerns for the Future of the University District



APPENDIX B: SOUTH SUBAREA MASSING MODELS

Capacity Visualizations

The massing model in **Exhibit 76** is an illustration of what the South Subarea could look like if all development under the strong development scenario takes place. This scenario only assumes future development will take place on vacant and underutilized parcels, and also removes a portion of available parcels to account for market and other factors limiting development. This assumption is consistent with Spokane County's current development assumptions used for land capacity planning purposes.

These current assumptions may not be as useful if the South Subarea is able to capture an increased share of Spokane's development, and if the UDPDA, UDDA, their partners are able to encourage new development that would not be likely otherwise in the market. **Exhibit 77** presents an alternate, even stronger vision for the Subarea's future. In this case, all vacant and underutilized parcels are developed, along with several parcels in key areas that are just past the definition of "underutilized". A plan view of all parcels is provided in **Exhibit 78**.

Exhibit 76. Massing of South Subarea Preferred Scenario, Strong Development

Exhibit 77. Massing of South Subarea Preferred Scenario, Exceeding Strong Development

Exhibit 78. Plan View, Potentially Developable South Subarea Parcels