

Technical Report 8

Highway 99 Evaluation of Market Opportunities and Constraints

Market Opportunities and Constraints

BACKGROUND

As part of the Highway 99 Sub-Area plan project for Clark County, economic development and redevelopment opportunities for the planning area is identified as a critical element for analysis. Community Planning was tasked to “prepare a technical report to identify the economic, market, and financial conditions (past, existing, and likely future under current conditions) and assess the implications for the type and location of development in different parts of the study area.” This report addresses the economic and market conditions, and their implications for development in the study area.

Two consultants provided market information for this report. E.D. Hovee & Company completed a Retail Market Potential analysis discussing the supply and demand of the study area. Community Attributes completed a commercial lands demand assessment of Clark County in 2007.¹ The evaluation in this report uses relevant portions of that analysis plus additional and updated information from Eric Hovee and Andrea Logue to assess market supply and demand conditions.

This report focuses on two key questions for developing a successful revitalization strategy for the Highway 99 study area: How much commercial development and redevelopment can be supported in the study area and what type of residential development is most likely?

The report is organized as follows:

1. **Framework for the Analysis** describes the events that led to this study, its purpose and organization, and the methods used to reach conclusions about the market for development in the study area.
2. **Market Conditions** outlines the study area and describes the factors that influence development in Clark County.
3. **Land supply and demand** looks at the market for commercial and housing development in the Highway 99 Primary Trade Area and, specifically, in the Highway 99 Sub-Area. Based on the findings in this section, the study reaches conclusions about the current level and type of development and redevelopment likely in the study area prior to implementation of a sub-area plan.
4. **Appendix: Retail Market Potential** provides supplemental statistical tables for the Highway 99 Primary Trade Area.

FRAMEWORK FOR ANALYSIS

The analysis in this technical report focuses on the key market factors that affect potential development in the study area. Market factors vary for different types of development (retail, office, and housing), and for the specific development products being considered. This analysis, however, is not meant to be that detailed. It looks broadly at conditions

¹ Community Attributes. May 2007. Clark County, Washington Commercial Lands Demand Assessment Technical Report

relevant to the markets for residential and commercial real-estate development. The purpose is to give a comprehensive 30,000-foot view and defensible answers to questions about the amount and type of commercial and residential development and redevelopment the study area can support.

The demand conditions for commercial and residential space extend over an area that is larger than the study area used in this report. Demand for some types of retail space in the study area, for example, could just as easily be met through new development outside the study area as it could be by development inside the study area. Consequently, the share of future development that the study area will receive depends in part upon the study area's supply of developable sites relative to other alternatives in the region.

The timing of a study affects the type of analysis. A typical market analysis is completed for a developer considering to breaking ground within two years. Current land prices, lease rates, and vacancy rates are relevant to that decision, which are included in a market analysis. The developer usually has a specific real-estate product in mind, so the *market analysis* often expands to become a *feasibility analysis*, which would contain a pro forma cash-flow analysis for the product.

However, in doing a long-range plan, the purposes for a market analysis are different, and the analysis differs accordingly. Cyclical variations and current rental rates are less relevant. The emphasis shifts to long-run fundamentals: expected regional growth, location, supporting and competitive developments, likely public investments and policy. Those and related topics are the focus of the analysis in this report.

This analysis incorporates the most recent data available from public and private data sources such as:

- Population and income data from the U.S. Census, Office of Financial Management of the State of Washington;
- ESRI Market Potential Data;
- Building permit data from Clark County;
- Real estate data from Norris, Beggs and Simpson; and,
- E.D. Hovee & Company, LLC (Economic and Development Services)

In addition to these sources, results from the Highway 99 Community Design Forum and input from Team 99 (which is a group of residents, businesses, and property owners in the study area) were used. The assessment of market conditions for each type of development describes the specific data sources and methods used in more detail.

MARKET CONDITIONS

This section is divided into six parts:

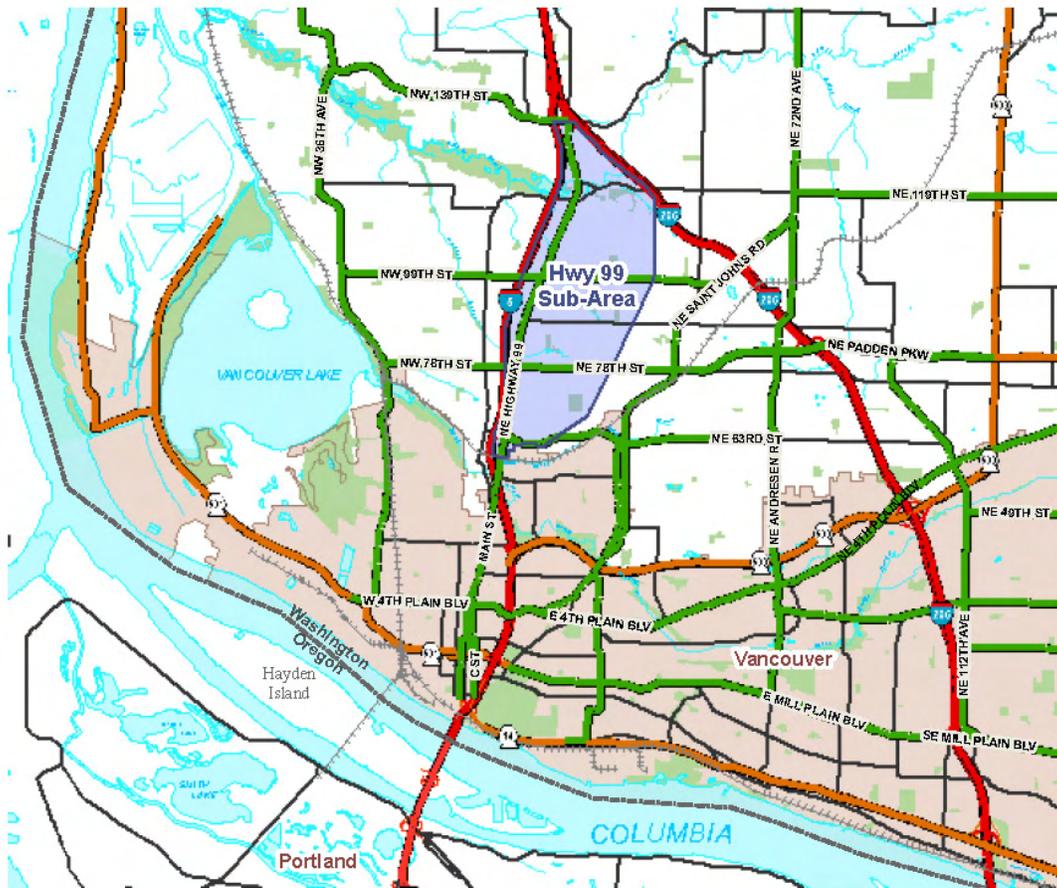
- **Study area** describes the location of the Highway 99 Sub-Area;
- **Trade area** shows the location of the Highway 99 Primary Trade Area;
- **Population and demographic change** discusses existing and projected population in the study area, and household income;
- **Traffic** summarizes traffic volume in the study area;
- **Competing development** describes commercial areas that development in the study area will compete against; and,

- **Retail Market Potential** describes the retail supply and demand for the Highway 99 Primary Trade Area and the Highway 99 Sub-Area.

STUDY AREA

Figure 1 shows the location of the Highway 99 Sub-area Plan study area and its proximity to the City of Vancouver. The study area is within the Vancouver Urban Growth Boundary and is currently in unincorporated Clark County. The Highway 99 commercial corridor runs parallel to the east side of Interstate-5. It is approximately four miles in length. This aging commercial strip extends between Salmon Creek and NE 63rd Street and is intersected by four major interchanges with I-5. Multi-family and single family residential development surrounds the commercial land.

Figure 1 | Location of Vancouver



Source: Clark County Department of Assessment & GIS

Figure 2 is a detailed illustration of the study area. It is approximately 2,400 acres and extends from the Chelatchie Prairie Railroad Bridge near NE 63rd Street (south), Interstate-5 (west), NE 134th Street (north), and the Bonneville Power Administration Transmission Line right-of-way (east) as shown above.

Figure 2 | Highway 99 Sub-Area Boundary



Source: Clark County Department of Assessment & GIS

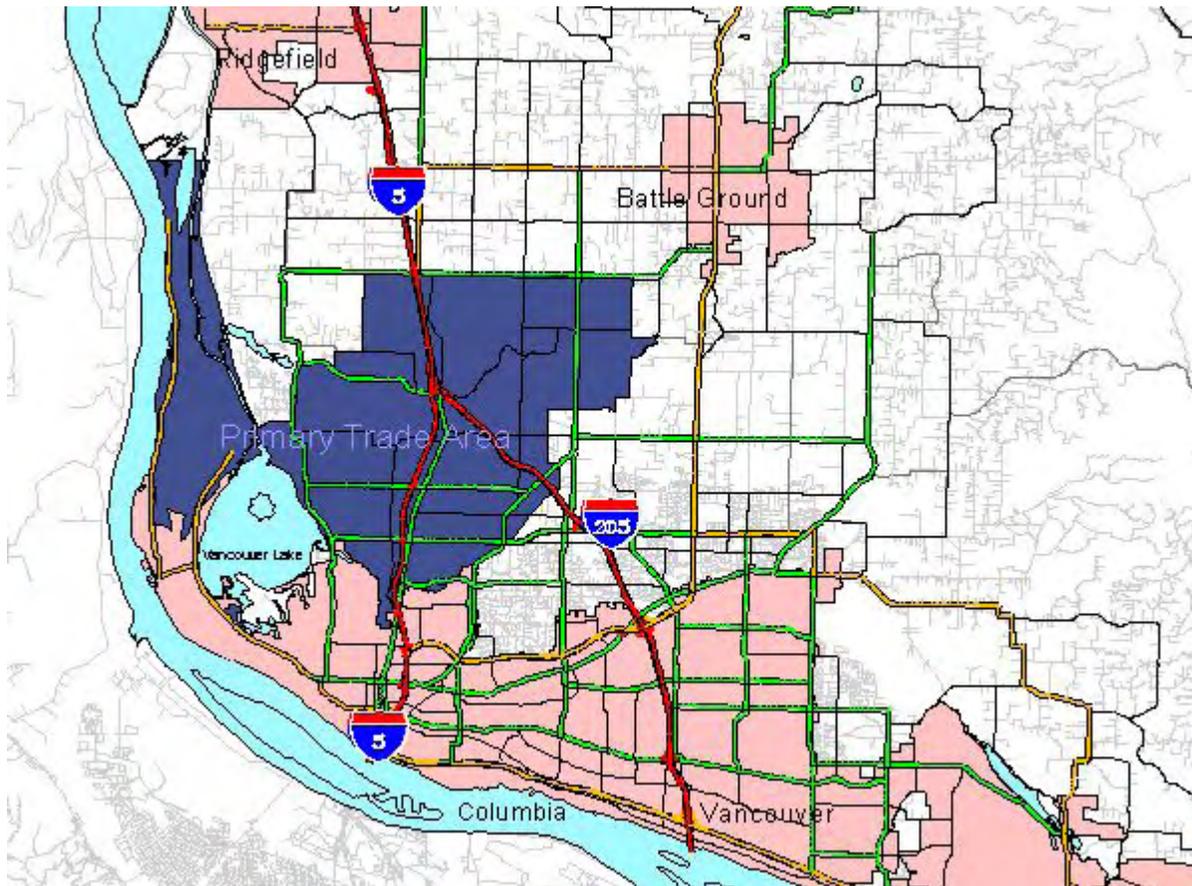
HIGHWAY 99 PRIMARY TRADE AREA

The analysis focuses on the Highway 99 Primary Trade Area. This can be viewed as the primary market geography from which customers most likely to shop the Highway 99 sub-area will be drawn. The Highway 99 sub-area is part of the larger trade area.

It is noted that customers for some retailers will be drawn from outside this trade area as well, including Central Vancouver to the south and the I-5 corridor extending north toward La Center, especially for stores types that are unique to the I-5 corridor portion of Clark County. This larger geography can be viewed as a secondary trade area, less pivotal to future retail growth in the Highway 99 sub-area.

Primary Trade Area Geography. The Highway 99 Primary Trade Area as defined by Clark County is composed of census tracts encompassing Hazel Dell and Salmon Creek neighborhoods as well as land to the north, west, east and south. The trade area is depicted in Figure 3 below.

Figure 3 | Highway 99 Primary Trade Area



Source: Clark County Community Planning

POPULATION AND DEMOGRAPHIC CHANGE

Population is a key indicator of growth in nearly every sector of a community. When population increases, demand for residential, office, and retail development can all be expected to increase as well. Total disposable income grows both because the number of people and workers is growing, and because the average incomes of existing households are growing. Aggregate disposable income in an area is the best single measure of demand for retail goods (and, thus, for retail development); disposable income is highly correlated with consumer spending.

If Clark County's population and employment opportunities increase, demand for housing and businesses in the study area are likely to increase as well. Other factors that influence employment growth include the demographic makeup of expected population growth, type of new employment, cost and availability of land, and land use regulations. This section summarizes population, employment, and income for Clark County as they relate to growth and development in the area.

In 2006, Clark County Department of Assessment and GIS reports that the Highway 99 Sub-Area (study area) had 13,567 residents, which is 3.4% of the population in Clark County. Table 1 shows population in the study area, Highway 99 Primary Trade Area, Clark County, and the State of Washington between 1980 and 2006. The average rate of population growth in the study area, Highway 99 Primary Trade Area and Clark County was higher than the State in 1980, 1990, and 2000. For further information on the age composition for the study area, please refer to Technical Report 1, Highway 99 Land Use and Demographics.

Table 1 | Population in Clark County, Highway 99 Primary Trade Area, Highway 99 Sub-Area, and Washington, 1980-2006

Area	Year				AAGR by Decade		
	1980	1990	2000	2006	1980s	1990s	2000s
Washington	4,132,353	4,866,663	5,894,143	6,375,600	1.6%	1.9%	1.3%
Clark County	192,227	238,053	345,238	403,500	2.2%	3.8%	2.6%
Highway 99 Primary Trade Area	26,685	38,238	54,870	65,692	3.7%	3.7%	3.0%
Highway 99 Sub-Area	5,450	9,168	11,664	13,567	5.3%	2.4%	2.6%

Source: State of Washington, Office of Financial Management.

Population for the Highway 99 Primary Trade Area and Highway 99 Sub-Area estimated by Clark County Department of Assessment and GIS. Estimates are based on housing records in the Assessor's database and persons per household by block from Census 2000. Year built information is used to determine historic households and population. Average Annual Growth Rate (AAGR) calculated by Clark County Community Planning.

Table 2 shows that between 2006-2024 Clark County will add 180,810 residents and the Highway 99 Primary Trade Area will add 25,295 residents based on the Clark County 20-Year Comprehensive Growth Management Plan. If the study area continues to grow at an average annual growth rate of 1.77 percent, it will add 5,054 people. This percentage is based on 7,162 housing units in 2024 occupied at 2.59 persons per household.

Table 2 | Population projections for Clark County, Highway 99 Primary Trade Area, and Highway 99 Sub-Area, 2006-2024

Population Projections			AAGR
Area	2006	2024	2006-2024
Clark County	403,500	584,310	2.08%
Highway 99 Primary Trade Area	65,692	90,987	1.83%
Highway 99 Sub-Area	13,567	18,621	1.7%

Source: Clark County Department of Assessment and GIS. Average Annual Growth Rate (AAGR) is calculated by Clark County Community Planning.

Table 3 shows the increase in housing units between 1990, 2000, and 2006 in Clark County, Highway 99 Primary Trade Area, and the Highway 99 Sub-Area. The percent change in housing units from 2000 to 2006 for Clark County was 19.3%; Highway 99 Primary Trade Area was 19.5%, and Highway 99 Sub-Area was 17.6%.

Table 3 | Housing units in Clark County, Highway 99 Primary Trade Area, and Highway 99 Sub-Area, 1990, 2000 and 2006

Area	Year			Percent Change
	1990	2000	2006	2000 - 2006
Clark County	92,849	134,030	159,907	19.3%
Highway 99 Primary Trade Area	15,079	21,284	24,427	19.5%
Highway 99 Sub-Area	3,634	4,572	5,378	17.6%

Source: U.S. Bureau of the Census. *Clark County Department of Assessment and GIS.

Table 4 shows the persons per household (pph) for Clark County, Highway 99 Primary Trade Area, and Highway 99 Sub-Area. Nationally, the pph is decreasing. However, the pph in Clark County increasing and the Highway 99 Sub-Area is remaining constant at 2.52 pph.

Table 4 | Persons per household for Clark County, Highway 99 Primary Trade Area, Highway 99 Sub-Area, and the Nation, 1990, 2000, and 2006

Persons per household			
Area	1990	2000	2006
Clark County	2.66	2.69	2.76
Highway 99 Primary Trade Area	2.65	2.66	2.65
Highway 99 Sub-Area	2.52	2.55	2.52

Source: U.S. Bureau of the Census. *Clark County Department of Assessment and GIS.

Table 5 shows the number and distribution of households by annual income in Highway 99 Sub-Area, Highway 99 Primary Trade Area, and Clark County in 2006. Table 5 also shows the distribution of households by income in Washington for comparison. About 17 percent of

household incomes in the study area are under \$25,000, which is a smaller share compared to Highway 99 Primary Trade Area, Clark County and Washington. The study area also has 17 percent of the household incomes between \$100,000 and \$149,999, which is higher than the other geographic areas.

Highway 99 Primary Trade Area has a slightly larger share of households with an income less than \$50,000 than in Highway 99 Sub-Area or the County. The study area also has a larger share of households with an income between \$75,000 and \$199,999 than the Highway 99 Primary Trade Area, County, or State.

Table 5 | Households by annual income in Highway 99 Sub-Area, Highway 99 Primary Trade Area, Clark County, and Washington, 2006

Annual Household Income	Highway 99 Sub-Area		Highway 99 Primary Trade Area		Clark County		Washington
	HHS	%	HHS	%	HHS	%	%
<\$25,000	927	17.2%	5,177	20.4%	26,100	17.9%	21.0%
\$25,000 to \$49,999	1,319	24.5%	7,071	27.8%	38,067	26.1%	27.0%
\$50,000 to \$74,999	1,135	21.1%	5,642	22.2%	33,660	23.1%	21.0%
\$75,000 to \$99,999	731	13.6%	3,628	14.3%	19,556	13.4%	13.0%
\$100,000 to \$149,999	914	17.0%	2,777	10.9%	19,745	13.5%	12.0%
\$150,000 to \$199,999	215	4.0%	659	2.6%	4,668	3.2%	3.0%
\$200,000+	137	2.5%	473	1.9%	4,202	2.9%	3.0%
Total	5,378		25,427		145,998		

Source: Clark County Department of Assessment and GIS. U.S. Census Bureau, American Community Survey

In summary, (1) population in the Highway 99 Sub-Area has consistently grown and is expected to grow; (2) household incomes in the Highway 99 Sub-Area are generally higher than the Highway 99 Primary Trade Area, Clark County, and Washington, which means that there is more disposable income in the study area compared to the other jurisdictions. Together, these facts suggest that Highway 99 Sub-Area is an attractive location for redevelopment – ranging from employment and retail uses to residential and mixed use.

TRAFFIC

Table 6 shows traffic volumes along Highway 99 and on the major streets within the sub-area are projected to increase dramatically over the next 20 years, particularly north of NE 99th Street. The volume projections on NE 134th Street west of Highway 99 are projected to be lower because of the proposed 139th Street overpass and other Salmon Creek Interchange improvements. Current traffic volumes on Highway 99 also appear to be highest toward the north end of the corridor, from NE 117th Street to NE 134th Street. (For a broader discussion on transportation and streetscape, see Technical Report 3, Transportation.)

Table 6 | Current, Past & Projected Volumes

ROAD SEGMENT	2006 DAILY TRIPS	2000 PM	2030 PM
Highway 99			
Ross Road to NE 63 rd Street	19,500	1,570	2,330
NE 63 rd Street to NE 78 th Street	19,800	2,400	2,310
NE 78 th Street to NE 88 th Street	19,500	1,750	1,900
NE 88 th Street to NE 99 th Street	17,400	1,480	1,715
NE 99 th Street to NE 117 th Street	16,200	1,235	2,020
NE 117 th Street to NE 134 th Street	21,900	1,560	2,140
NE 63rd Street			
NE 63 rd Street – East of Highway 99	13,500	1,280	1,680
NE 63 rd Street – West of Highway 99	8,400	820	950
NE 78th Street			
NE 78 th Street – East of Highway 99	25,200	1,580	2,690
NE 78 th Street – West of Highway 99	33,100	2,340	3,850
NE 78 th Street at NE 25 th Avenue	22,000	1,580	2690
NE 99th Street			
NE 99 th Street – East of Highway 99	13,750	1,320	1,540
NE 99 th Street – West of Highway 99	25,100	1,365	2,240
NE 99 th Street at NE 50 th Avenue	8,950	1,320	1,540
NE 117th Street			
NE 117 th Street – East of Highway 99	5,700	720	1,660
NE 117 th Street – West of Highway 99	6,300	520	950
NE 134th Street			
NE 134 th Street – East of Highway 99	25,800	750	1,120
NE 134 th Street – West of Highway 99	31,500	2,570	1,550

Source: Southwest Washington Regional Transportation Council

SITE ADVANTAGES AND DISADVANTAGES

The Highway 99 study area has many site advantages and disadvantages for commercial developments. Site advantages for the Highway 99 study area include four access points to Interstate 5. The area is severed by the 78th Street/Padden Parkway corridor providing the ability to accommodate an increasing flow of east-west traffic for twenty years. It also has a rich cultural history, and vacant/underutilized commercial land. Disadvantages for the study area include no identifiable or “real” sense of place, unsafe pedestrian crossings, lack of continuous sidewalks, types of signage, and an overabundance of commercial land. The Highway 99 Sub-Area plan intends to address these disadvantages to make it a more pedestrian friendly environment with a strong sense of place.

COMPETING DEVELOPMENT

A redeveloped Highway 99 Study area would have to compete with commercial areas in other parts of Clark County (refer to Figures 3 & 4):

The Hazel Dell developments just west of I-5 compete most directly with retail in the sub-area, because of much closer proximity and ability to serve much or most of the same local trade area.

Hazel Dell Towne Center: Located west of the study area is a new retail center. Tenants include Target, Kohl's Department Store, Best Buy, Bed Bath & Beyond, Office Depot, and Party City. The site is located adjacent to Hazel Dell Avenue and has excellent visibility from Interstate-5. The center is less than one mile from the study area. Full build out is unknown; however, the preliminary site plan approval deadline is October 2009.

Hazel Dell Square: Also west of the study area located at the intersection of Hazel Dell Avenue and NE 78th Street, Vancouver. The square is less than one mile from the study area. Major tenants include LA Fitness, Hollywood Video, and Hallmark Cards. It will contain two sit-down restaurants. According to preliminary site plan approval, the developer has five years to submit for a final site plan approval. Full build out is unknown; however, the preliminary site plan approval deadline is January 2011.

The projects listed on below could be considered as secondary competition – more for comparison than for convenience (day-to-day) shopping:

Westfield Vancouver Mall: It is located southeast of the study area, near the intersection of NE Thurston Way and State Route 500. Anchor tenants are JC Penney, Macy's, Nordstrom and Sears (their only store in Clark County). It is an enclosed mall with more than 100 other stores. Plans have been proposed by Westfield to significantly renovate the center, but no definite announcement has been made.

Columbia Crossing: A 240,000 square foot development with a variety of national and regional retailers located on SE 164th Avenue and Mill Plain. It includes Pier 1, Best Buy, Kohl's and Bed Bath and Beyond. The site is located southeast of the study area about 10 miles away. It contains similar tenants as seen in the greater Hazel Dell area, and therefore might not be competitive to planned retail for the sub-area.

Orchards Market Center: The Orchards center has replaced the former Home Base building with new construction bringing Sportsman's Warehouse and a second Office Depot to Clark County. It is located adjacent to SR-500 and Fourth Plain Boulevard, and is approximately seven miles east of the study area (not directly competitive).

Southwest Barberton Area: At the intersection of NE 88th and NE Andresen Rd intersection is the Barberton commercial area. Anchor tenants include Home Depot and Costco. Other tenants include Krispy Kreme, Burger King, Panda Express, Wendy's, Wienerschnitzel, and Starbucks. Approved development includes two more commercial buildings of 7,200 square foot each and seven industrial buildings totaling 139,000 square foot. This site is three miles east of the study area; it has good transportation

access from the north-south and east-west with plenty of parking. This is more competitive due to proximity and stores that draw widely in the county.

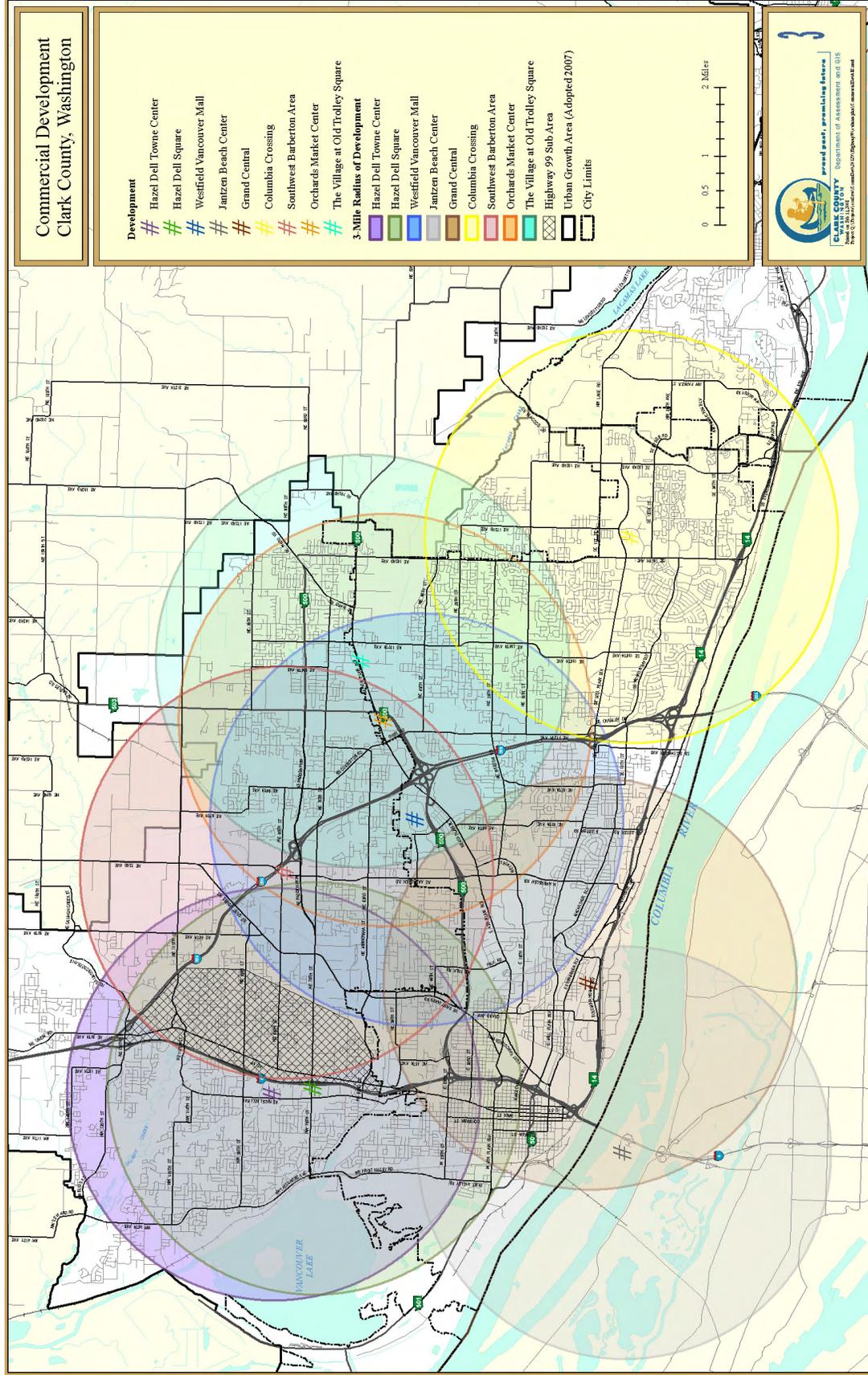
Grand Central: Grand Central is a new planned development that will include 196,000 square foot of retail space. The anchor tenant is Fred Meyer; it will not be competitive for grocery. This area is located at the southeast corner of Pearson Airfield, about four miles from the study area, on the former Jantzen Swimwear factory site. The site will include an active outside courtyard area, and will feature building design that reflects the history of the area. The developer anticipates an opening in early spring 2008.

The Village at Old Trolley Square: Located at the corner of NE 131st Avenue and NE Fourth Plain Boulevard, the Village at Old Trolley Square is a four-phased, mixed-use development that will construct 15 buildings totaling 353,360 square foot. The site, approximately 13.86-acres, will include commercial retail businesses, a church and related church facilities, residential condominiums and apartments, and parking structures. Construction has not begun for this project, although according to preliminary site plan approval the developer has five years to construct the first building. This project is about five miles east of the study area. If successful, this relatively aggressive and yet untested development concept could serve as a prototype for the type of mixed use in the Highway 99 Sub-Area.

Jantzen Beach Center: Jantzen Beach Super Center is a diverse retail center, which includes a 350,000 square foot enclosed mall surrounded by national big box tenants, such as Home Depot, Target and Circuit City. Jantzen Beach Super Center attracts Clark County residents with Oregon's tax-free shopping. It is located on Hayden Island, adjacent to Interstate-5, at the Oregon/ Washington border about six miles south of the study area, and may compete for some Clark County clientele north along I-5. According to E.D. Hovee, Jantzen Beach is most competitive for persons working in Portland, and those looking to save on sales tax especially for durable goods or "big-ticket" (non-grocery) purchases.

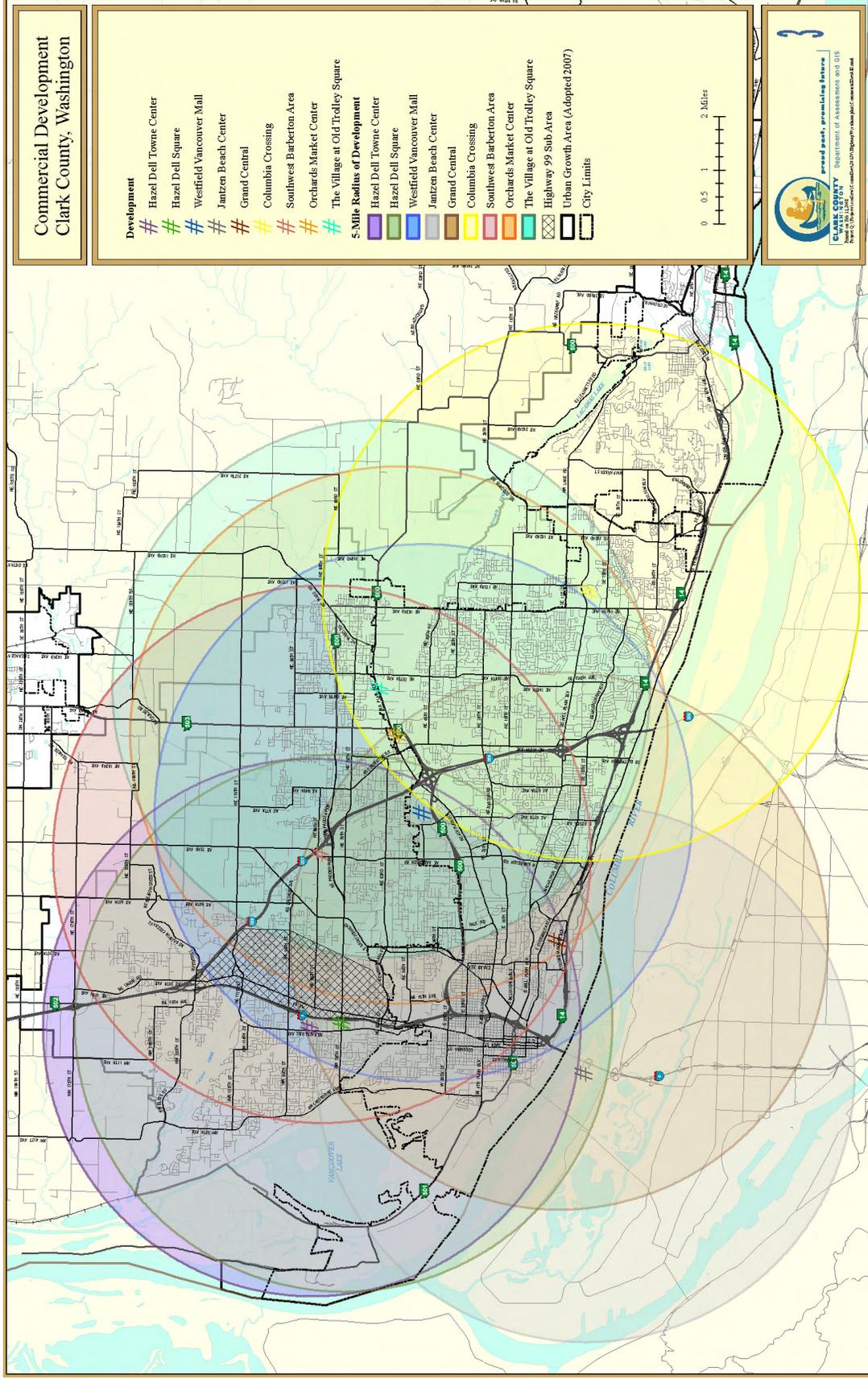
Figures 4 and 5 show three- and five-mile trade areas around the existing and planned (Grand Central and The Village at Old Trolley Square) shopping centers. The figures indicate that the Highway 99 study area is already well served by large retail centers and it would be an unlikely place for developers to add additional large big box retail. However, the area has the potential to serve mid-size retail, convenience shopping and sit-down restaurants.

Figure 4 | . 3-mile trade area for existing and planned shopping centers



Source: Clark County Department of Assessment & GIS

Figure 5 | 5-mile trade area for existing and planned shopping centers



Source: Clark County Department of Assessment & GIS

This level of competition and the accessibility of that competition lead to the conclusion that Highway 99 Study area will have trouble growing as a “big box” (or retail greater than 100,000 square feet) shopping destination. The study area should not be expected to serve a regional or super-regional role in the retail hierarchy. However, small box retail such as Circuit City and Toys R Us may relocate in the study area if I-5 congestion continues to increase and/or disruption of the I-5 bridge replacement occurs. If retail in the study area continues to grow, competitors will have to access whether proposed sites are suitably sized and priced, and identify the advantages and disadvantages of developing further north on the I-5 corridor as at 179th St.

RETAIL MARKET POTENTIAL

E. D. Hovee & Company, LLC conducted a preliminary review of retail sales potential for the Highway 99 Primary Trade Area.

Trade Area Retail Potential

This analysis of potential for added retail space for the Highway 99 sub-area begins with an assessment of retail demand associated with the purchasing power of Highway 99 Primary trade area residents compared with the supply of retail sales actually experienced in the trade area. When retail demand exceeds supply, the difference is often referred to as “sales leakage,” as residents leave the trade area to shop elsewhere for desired retail goods and services.

Potential demand for added retail space can then be calculated based on a) opportunity to recapture some or all of the sales leakage currently experienced, combined with b) added retail demand from future anticipated population growth. For this analysis, estimates of retail demand and supply come from the nationally recognized demographic and economic data firm ESRI Business Information Solutions (ESRI) together with typical sales per square foot performance figures from the Urban Land Institute. Population estimates and projections for the primary trade area are provided by Clark County GIS.

Current Retail Demand & Supply. As of 2006/07, the nearly 65,700 residents of the Highway 99 Primary Trade Area generated retail demand (or purchasing power) estimated at \$885 million. The supply (or actual sales) realized by retailers operating throughout the trade area (including the Highway 99 sub-area) is estimated at \$630 million. Retail sales leakage (or net outflow of local purchasing power) is therefore estimated at \$255 million (or 29% of locally generated demand).

Net sales leakage is indicated for retail categories covering auto oriented uses such as motor vehicle/parts dealers and gasoline stations. Sales leakage is also indicated for day-to-day convenience and comparison shopping goods including grocery, apparel, dining, furniture and home furnishings, electronics, building materials and garden supply, and health and personal care.

For a few of the store types identified in the Highway 99 Primary trade area, the existing supply of retail services exceeds locally generated demand. Store types experiencing the strongest levels of net market penetration (beyond the trade area) are general merchandise retailers (including discount stores), sporting goods and hobby, and some miscellaneous

(especially office supply) retailers.² For these store types, Highway 99 retailers are effectively drawing customers from beyond the local trade area (as from elsewhere along the I-5 corridor of Clark County).

Future Projected Demand. Clark County projects that Highway 99 Primary Trade Area population growth may increase at an average rate of 1.8% per year over the next 18 years – resulting in approximately 91,000 residents by 2024. The additional 25,400 residents can be expected to increase total trade area demand to over \$1 billion – a gain of 39% over current conditions.

Commercial Retail Space Supported. Retail sales potential can be converted into building space requirements by applying typical figures of sales per square foot performance for measures to estimate square footage by type of retail. With this analysis, the focus is on non-auto oriented retail categories.

Auto oriented uses such as auto dealers and service stations are not a primary objective for sub-area revitalization. Their building space needs are also more difficult to reliably project; sizeable land area may be needed but often with a relatively small building footprint required.

As much as 1.26 million square feet of non-auto commercial retail space could be supported over the next 18 years in the Highway 99 Primary Trade Area – if 100% of current sales leakage were to be recaptured and to support the projected 18-year growth in trade area population:

- Of this amount, as much as 525,000 square feet of commercial retail space need would be accounted for by 100% *recapture of existing retail sales leakage*. More than 77% of this recapture potential is represented by grocery, apparel and dining.
- *Eighteen-year population growth* represents retail demand potential of up to another 734,000 square feet for the entire primary trade area. The greatest future retail space demand associated with anticipated growth is in general merchandise, followed by dining and grocery.

Trade Area Land Requirement. At an average floor-to-area ratio (or FAR) of 0.25, this demand of up to 1.26 million square feet would equate to site area need for up to an added 116 acres of land over the next 18 years – including 48 acres to fully recapture existing sales leakage and 67 acres to meet anticipated population growth.³ This equates to an average of 6.4 acres per year for the entire Highway 99 Primary Trade Area assuming that leakage recapture and future growth were accommodated in equal annual intervals.

Highway 99 Sub-Area Land Requirement. The Highway 99 sub-area can be expected to capture some, but not all, of the leakage and growth related demand from the Highway 99 Primary Trade Area. Market capture can vary based on factors including location of competitive retail, convenience and (in some cases) consumer brand or store name preferences. For the Highway 99 sub-area, market capture reasonably could be expected to

² It is noted that general merchandise market penetration may actually be above what is indicated by ESRI estimates, as recently completed retail stores in the Hazel Dell Towne Center (e.g. Kohl's opening in October 2007) are not accounted for in the available sales estimates.

³ Floor to Area ratio describes the relationship between the square footage of built space to the entire square footage of land. FARs typically associated with suburban retail range from 0.20-0.25. The higher end of the range is used for planning purposes assuming less auto-oriented uses and more opportunity for shared parking with emphasis on mixed use development opportunities.

be in the range of 30% of trade area generated retail potential based on a run of the Clark County Vacant and Buildable Lands Model (VBLM) for the Highway 99 Primary Trade Area and Highway 99 sub-area.

At a 30% capture level, just over 1.9 acres of land need per year could be expected for the Highway 99 sub-area. This equates to 35 acres if extrapolated over 18 years (from 2006-2024).

Expansion of Retail to Include other Commercial Service & Office Uses. To these figures can be added employment generated demand from other commercial service and office uses for the Highway 99 Primary Trade Area. This includes approximately 0.55 acres per year of arts, entertainment and recreation demand (including the accommodation portion of the accommodation and food services sector) plus 0.92 acres of annual office demand.⁴

LAND DEVELOPMENT IN THE STUDY AREA

This section is divided into two parts:

1. **Commercial development** discusses the issues that affect supply and demand for office and retail space in the study area
2. **Housing development** discusses supply and demand for residential development in the study area.

COMMERCIAL DEVELOPMENT

Commercial development broadly means development that is for retail and office use. That would exclude, primarily, development types that are aimed at industrial and warehousing uses.

Real estate trends and existing commercial space

Tables 7 and 8 show the results of a survey of retail and office space. For the purposes of this analysis, Vancouver UGA Total includes the City of Vancouver and the Highway 99 Sub-Area. Norris, Beggs & Simpson between 1999 and 2006, conducted the survey. They utilized “state-of-the-art information systems to monitor commercial real estate in the office and retail sectors. Their reports are gathered by an unparalleled combination of research staff, and data services, who constantly update our databases, all of which are scrubbed and verified by in-market brokers⁵.” The tables show the characteristics of retail and office space for the Highway 99 Sub-Area. While *surveyed* retail and office space is not equal to *total* retail and office space, the survey shows some broad trends that probably apply to all space:

⁴ Unfortunately, the new NAICS industry classification system combines accommodation (e.g. hotels/motels) with food services. The prior SIC system and most conventional retail analyses include food services as a part of total retail demand.

⁵ <http://www.nai-nbs.com/Pages/marketresearch.html> accessed on December 6, 2007.

Table 7 | Survey of Highway 99 Sub-Area retail space in Vancouver's UGA, 1999-2006

Year	Number of Buildings	Net Useable Sqft	Vacant Sqft	Percent Vacant	Average Rental Rate
Highway 99 Sub-Area					
1999	8	390,656	19,800	5.1%	\$13.60
2000	-	-	-	-	-
2001	8	400,248	26,202	6.5%	\$15.47
2002	8	400,248	11,256	2.8%	\$15.45
2003	8	400,323	36,665	9.2%	\$18.64
2004	9	459,548	32,424	7.1%	\$16.49
2005	9	459,548	16,195	3.5%	\$14.41
2006	9	459,548	16,982	3.7%	\$14.08
Vancouver UGA Total*					
1999	52	4,780,483	138,633	2.9%	\$14.15
2000	-	-	-	-	-
2001	51	5,475,431	350,892	6.4%	\$16.46
2002	51	5,475,431	292,700	5.3%	\$16.26
2003	53	5,662,804	247,917	4.4%	\$18.01
2004	63	5,958,094	153,952	2.6%	\$16.14
2005	65	6,209,687	275,293	4.4%	\$17.54
2006	68	7,116,479	346,685	4.9%	\$17.42
Highway 99 Sub-Area % of Vancouver UGA Total					
1999	15%	8%	14%		96%
2000	-	-	-		
2001	16%	7%	7%		94%
2002	16%	7%	4%		95%
2003	15%	7%	15%		104%
2004	14%	8%	21%		102%
2005	14%	7%	6%		82%
2006	13%	6%	5%		81%

Source: Norris, Beggs & Simpson Retail Market Survey – Vancouver 4th Quarter Survey 1999 – 2006.

Note: Average rental rate for Unincorporated Vancouver calculated by Clark County Community Planning using the average for each building added together divided by the total number of buildings per year. Rental rates in dollars/sq.ft./year and converted to 2006 dollars. *Refers to current adopted Vancouver UGA that includes the City of Vancouver and its unincorporated area.

- Vacancies.** Highway 99 Sub-Area currently has 6.0% of net useable retail square footage in Vancouver's UGA Total and 5.0% of the vacant square footage. In 2006, Highway 99 Sub-Area shows a 3.7% vacancy rate, and Vancouver indicates a 5.0% vacancy rate. Generally, a 5.0% vacancy rate is normal. Rates below 5.0% indicate a market potential to build providing rents are adequate to cover building costs. With the lifting of the development moratorium on new projects in Salmon Creek and Hazel Dell combined with a low vacancy rate in the study area, new businesses now have the potential to build along I-5 and in the Highway 99 study area.
- Rents.** Current retail space in the Highway 99 Sub-Area rents for an average \$14.08 per square foot, which is 23.7% lower than space in the Vancouver UGA Total. As a rule,

property owners in the unincorporated areas see a market potential to build when the development and finance costs are low enough to make a profit when triple net⁶ lease rents reach \$20.00/ sqft. The Highway 99 Sub-Area rents are not close to this mark. In effect, new developments will need to attract retail tenants who either step up to more attractive and functional space or are recruited from outside the area and able to support increased rents.

Table 8 | Survey of Highway 99 Sub-Area office space in Vancouver's UGA, 1999-2006

Year	Number of Buildings	Net Useable Sqft	Vacant Sqft	Percent Vacant	Average Rental Rate
Highway 99 Sub-Area					
1999	-	-	-	-	-
2000	-	-	-	-	-
2001	1	35,900	35,900	100.0%	\$24.26
2002	2	46,196	40,181	87.0%	\$22.98
2003	2	46,196	1,150	2.5%	\$23.21
2004	5	76,900	13,150	17.1%	\$23.61
2005	6	87,196	12,750	14.6%	\$22.52
2006	7	117,900	24,088	20.4%	\$22.25
Vancouver UGA Total*					
1999	28	1,376,522	84,804	6.2%	\$19.89
2000	31	1,575,468	232,840	14.8%	\$20.27
2001	35	1,740,224	348,186	20.0%	\$20.77
2002	43	1,949,628	349,691	17.9%	\$21.96
2003	45	1,974,858	286,092	14.5%	\$20.56
2004	79	3,050,538	580,437	19.0%	\$19.38
2005	84	3,196,442	472,774	14.8%	\$19.51
2006	108	3,543,246	677,342	19.1%	\$19.62
Highway 99 Sub-Area % of Vancouver UGA Total					
1999	0	0	0		0
2000	0	0	0		0
2001	3%	2%	10%		117%
2002	5%	2%	11%		105%
2003	4%	2%	0%		113%
2004	6%	3%	2%		122%
2005	7%	3%	3%		115%
2006	6%	3%	4%		113%

Source: Norris, Beggs & Simpson Suburban Office Report • Portland Metro Area Vancouver Vacancy Survey 4th Quarter 1999 – 2006. Note: Average rental rate for Unincorporated Vancouver calculated by Clark County Community Planning using the average for each building added together divided by the total number of buildings per year. Rental rates in dollars/sq.ft./year and converted to 2006 dollars. *Refers to current adopted Vancouver UGA that includes the City of Vancouver and its unincorporated area.

⁶ A lease in which the lessee pays rent to the lessor, as well as all taxes, insurance, and maintenance expenses that arise from the use of the property.

- **Vacancies.** Highway 99 Sub-Area currently has 3% of net useable square footage and 4% of vacant office space. In 2006, Highway 99 Sub-Area had a vacancy rate of 20.4%, which is 1.3% higher than the Vancouver UGA Total. Generally, a vacancy rate in the range of 5-10% is viewed as normal and supportive of new construction. Current market conditions do not indicate a potential to build office space in the Highway 99 Sub-Area. However, older areas with less functional office space might be ready for redevelopment even when higher vacancy rates exist.
- **Rents.** Office space rents are higher in Highway 99 Sub-Area compared to Vancouver's UGA Total. In 2006, the rents for Highway 99 Sub-Area were an average \$22.25, which is 13.4% higher than Vancouver UGA Total.

According to Mortgage Bankers Association, vacancies and rents are the two key indicators of the strength of a real estate market. Now the retail market vacancies are at 3.7%, which is below the 5.0% vacancy rate. It is low enough to indicate a strong potential for building additional retail space. Current rents however suggest a weak potential for new retail space in certain locations. However, areas closer to Highway 99 and 134 Street have rents that are between \$18.00 and \$20.00 per square feet⁷. Thus, a strong retail market exists in areas near Salmon Creek in Highway 99 Sub-Area. Current office vacancy rates at 20.4% do not indicate a market potential to build new office space at this time.

Projected demand for Accommodation, Arts, Entertainment and Recreation, and Office space in the Study area

Commercial space in the study area includes accommodations, arts, entertainment and recreation, and office space.

This analysis of demand for office space has two parts that answer three questions:

1. What is the demand for accommodations, arts, entertainment and recreation space in the Highway 99 Primary Trade Area?
2. What is the demand for office space in the Highway 99 Primary Trade Area?
3. How can demand for accommodations, arts, entertainment and recreation, and office space in the Highway 99 Primary Trade Area be allocated to the study area?

To answer these questions information was collected by a consultant for Community Planning, Community Attributes, which created a technical report done in May 2007 for a Commercial Land Demand Assessment of Clark County, Washington⁸ was used.

Community Attributes used current employment patterns to analyze point-level employment data. These data are derived from the Washington State Employment Security Department's (ESD) ES-202 series, which lists individual businesses and the number of "covered" employees. Covered employees include all employees covered by the Washington Unemployment Insurance Act and thus do not include self-employed workers, proprietors, business owners, and other non-insured workers. These data represent those who work in Clark County, including workers that commute into Clark County from other counties. The data does not account for those who live in Clark County but commute to other counties for work.

⁷Phone conversation with Jim Justin, Coldwell Banker on September 26, 2007.

⁸For access to the complete technical report, please contact Community Planning.

Employment by Industry

Industry Groups

Community Attributes analysis used five broad industry groups, based on common land-use patterns by industry. This report shows two out of the five industry groups, since these are the groups of interest to this analysis. The industry groups are based on work environments and the land use implications of the industries they contain. The twenty-four industry sectors present in Clark County based on the North American Industry Classification System (NAICS) are categorized into two broader industry groups.⁹ These categories include:

- **Accommodation and Entertainment.** This group includes businesses directed towards the public and includes the industrial categories Accommodation and Food Services (72), and Arts, Entertainment and Recreation (71).
- **Office.** This group includes businesses that may require access by the public or business clients, and is largely office-based. The industrial codes included in this category are Information (51), Finance and Insurance (52), Real Estate and Rental Leasing (53), Professional, Scientific and Technical Services (54), Management of Companies and Enterprises (55), Administrative, Support, Waste Management (56), Government (92), and Utilities (22).

For the employment-based projections, Community Attributes used the distribution of employment on Clark County commercial land in 2005 to allocate the expected increase in number of jobs from the OFM projections from 2004 to 2024. The allocated job growth is translated into the net marginal demand for commercial acres by first estimating the required building space to accommodate new employees, and then determining the acres of land required to accommodate the increase in built space.

For example, Community Attributes projects 1,747 new information jobs (based on OFM 2014 jobs projections) between 2004 and 2024. The percentage of information jobs in the Highway 99 Primary Trade Area for 2000, 2004 and 2005 averaged 2.23%. Job growth is 1,747 multiplied by 0.223, which equals 39 jobs. Square feet of land per job is 1,000 that results in 39,000 square feet of demand for land from 2004 – 2024.

Community Attribute's projections are based on estimates. They use estimates of square feet of building space per new employee and floor to area ratios to estimate the land use demands associated with the long-term employment projections. Their estimates are based on a combination of standards used elsewhere, including common estimates by the Urban Land Institute as well as the Institute of Traffic Engineers and density assumptions used in Clark County's Comprehensive Plan.

The health industry will more than likely require office space as employment grows, although it is not included in this study. However, a future potential sub-area plan study will address the health industry that focuses around the Legacy Salmon Creek Medical Center area.

Now that the methods of collecting employment data have been discussed, the answer to the original question can be addressed:

⁹ For more information on the NAICS codes, please go to <http://www.census.gov/epcd/www/naics.html>

What is the demand for accommodation, arts, entertainment and recreation space in the Highway 99 Primary Trade Area?

Table 9 below shows the average job distribution for commercial land based on 2000, 2004 and 2005 employment data discussed in Community Attributes Commercial Lands Demand Assessment, May 2007, Exhibits 11, 26, and 31-33. It shows the retail and office demand for space in the Highway 99 Primary Trade Area. The Retail and Entertainment codes are omitted in the Retail Market Potential discussed above, and therefore are included.

Based on the market conditions and average demonstrated employment job growth the trade area is expected to generate accommodation, arts, entertainment and recreation trade demand for an additional 9.85 acres, with an annual demand of 0.55 acres or 23,847 square feet per year.

What is the demand for office space in the Highway 99 Primary Trade Area?

Based on the market conditions and average demonstrated employment job growth the Highway 99 Primary Trade Area is expected to generate office trade demand for an additional 16.5 acres, with an annual demand of 0.92 acres or 39,883 square feet per year.

Table 9 | Highway 99 Primary Office Employee Demand for Land, 2006-2024

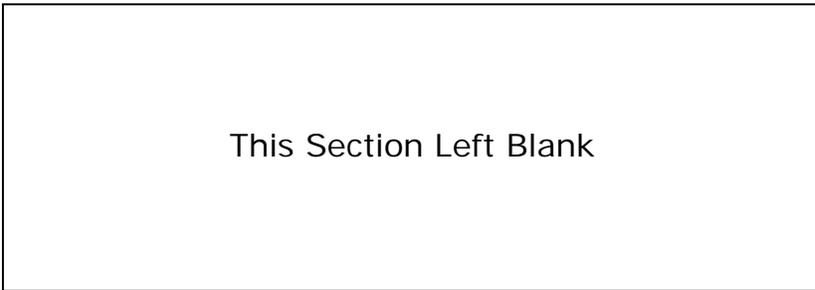
	NAICS Codes	Number of Employee Growth, 2004 to 2024	S.F of Land per Job	S.F of Demand for Land, 2006 to 2024	Annual Demand, 2006 to 2024	Annual Acres of Demand, 2006 to 2024
Accommodations and Entertainment		358	1,333	429,253	23,847	0.55
Accommodation*	72	122	1,333	146,123	8,118	0.19
Arts, Entertainment and Recreation	71	236	1,333	283,201	15,733	0.36
Office		798	1,000	717,900	39,883	0.92
Information	51	39	1,000	35,100	1,950	0.04
Finance and Insurance	52	238	1,000	214,500	11,917	0.27
Real Estate and Rental Leasing	53	66	1,000	59,700	3,317	0.08
Professional, Scientific and Technical Services	54	240	1,000	216,000	12,000	0.28
Management of Companies and Enterprises	55	-	-	-	-	-
Administrative, Support, and Waste Management	56	199	1,000	179,100	9,950	0.23
Government	92	15	1,000	13,800	767	0.02
Utilities	22	-	-	-	-	-

Source: Clark County, Washington Commercial Land Demand Assessment, Technical Report prepared by Community Attributes. Note: Sqft of Land per Job for retail and office are from Community Attributes Exhibit 29; office is 300 sqft per new employee divided by a floor-to-area ratio assumption of 0.30. *Modified to reflect only accommodations in the NAICS Code 72 that contains accommodation and food services employee growth of 435 employees and is multiplied by 0.28.

How can expected demand for retail, accommodation, arts, entertainment and recreation (retail and entertainment), and office space be allocated for the Highway 99 Sub-Area?

The Highway 99 Primary Trade Area has an estimated demand of 142.3¹⁰ acres for retail and entertainment and office space over an eighteen-year time period. This report assumes that expected demand for retail/entertainment space and office employment demand in the Highway 99 Sub-Area is 30% of trade area. Thus, a retail and entertainment demand of 37.96 acres or 2.1 acres annually over eighteen years, and office demand of 4.94 acres or 0.274 acres annually from 2006 to 2024 can be expected in the Highway 99 Sub-Area.

Taken together, total commercial demand for the Highway 99 sub-area is estimated to be 42.9 acres over an eighteen-year period. This equates to an average demand of 2.38 acres per year.



¹⁰ Retail and entertainment equals 116 acres from the Retail Market Potential Analysis and 9.85 acres from the accommodation, arts, entertainment and recreation employment demand, and 16.48 acres from office employment demand.

Capacity of Highway 99 Primary Trade Area for commercial development

Table 10 shows the land use capacity for the Highway 99 Primary Trade Area. The largest land use is urban low density residential, 71% of the overall total land use. And the smallest land use is Industrial land use, 4% of the overall total land use. Commercial land use is 8% of the overall total.

Table 10 | Capacity of Highway 99 Primary Trade Area for commercial development

Land Use	Residential VBLM Description	Acres	Percent of Total	Overall Total
Urban Low Density Residential	Built	4,414.19	49%	
	Parks and OpenSpace	330.11	4%	
	Roads and Easements	1,535.28	17%	
	Vacant and Underutilized	2,688.79	30%	
	Urban Low Density Residential Total	8,968.36		71%
Urban Medium/High Density Residential	Built	607.22	46%	
	Parks and OpenSpace	48.56	4%	
	Roads and Easements	202.67	15%	
	Vacant and Underutilized	462.81	35%	
	Urban Medium/High Density Residential Total	1,321.26		10%
Commercial	Built	534.29	51%	
	Roads and Easements	295.70	28%	
	Vacant and Underutilized	215.68	21%	
	Commercial Total	1,045.68		8%
Mixed Use	Built	131.93	37%	
	Roads and Easements	54.30	15%	
	Vacant and Underutilized	170.35	48%	
	Mixed Use Total	356.58		3%
Employment Center	Built	37.56	9%	
	Roads and Easements	41.79		
	Vacant and Underutilized	339.38	81%	
	Employment Center Total	418.73		3%
Industrial	Built	258.44	48%	
	Roads and Easements	65.28		
	Vacant and Underutilized	218.33	40%	
	Industrial Total	542.05		4%
Highway 99 Primary Trade Area Total Acres		12,652.66		

Source: VLM 2007V

Capacity of Highway 99 Sub-Area for commercial development

The previous section looks at the demand for commercial development in the Sub-Area. The question is: how much capacity does the Sub-Area have to support commercial development? Table 11 below shows the capacity of the Sub-Area¹¹. The sub-area's largest and smallest land uses are the same as Highway 99 Primary Trade Area VBLM, but the overall total for each land use is different. Urban low density residential land represents 53% and Industrial land accounts for 1% of the overall total. Commercial land is 23% of the overall total land use.

Table 11 | VBLM by landuse for Highway 99 Sub-area Plan

Land Use	Residential VBLM Description	Acres	Percent of Total	Overall Total
Urban Low Density Residential	Built	685.99	61%	
	Parks and OpenSpace	38.87	3%	
	Roads and Easements	207.60	18%	
	Vacant and Underutilized	194.38	17%	
	Urban Low Density Residential Total	1,126.85		53%
Urban Medium/High Density Residential	Built	172.28	47%	
	Parks and OpenSpace	12.84	4%	
	Roads and Easements	42.85	12%	
	Vacant and Underutilized	136.22	37%	
	Urban Medium/High Density Residential Total	364.19		17%
Commercial	Built	311.79	64%	
	Roads and Easements	113.01	23%	
	Vacant and Underutilized	62.01	13%	
	Commercial Total	486.81		23%
Mixed Use	Built	44.55	39%	
	Roads and Easements	19.88	17%	
	Vacant and Underutilized	50.99	44%	
	Mixed Use Total	115.42		5%
Industrial	Built	20.82	70%	
	Parks and OpenSpace	4.43	15%	
	Roads and Easements	4.64	16%	
	Vacant and Underutilized	29.88		1%
Highway 99 Sub-Area Plan Total Acres		2,123.15		

Source: VLM 2007V

Figure 6 shows the locations of the vacant and underutilized commercial inventory in the Highway 99 Sub-Area. Almost two thirds or 64% of commercial land is built, and 13% is vacant and underutilized. Most importantly, the figure shows two intersections (NE 99th and NE 78th) have vacant land.

¹¹ Technical Report 1 (Highway 99 Land Use and Demographics)

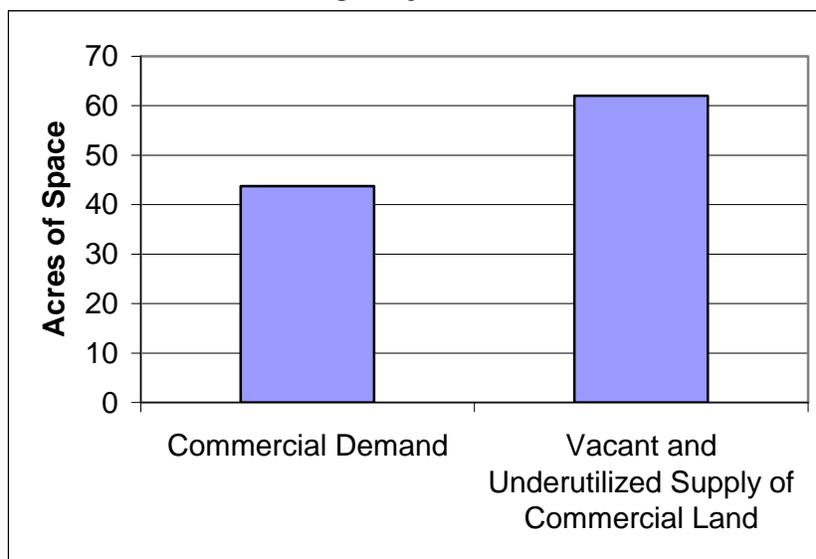
Implications for commercial development on the Study area

This analysis of the supply and demand for commercial space on the Highway 99 Sub- Area leads to the following conclusions that show a short-fall of future commercial demand based on current zoning and market conditions:

- Estimated demand for commercial space on the Highway 99 Sub-Area will average about 2.38 acres per year for the remaining 20-year period: demand for retail and entertainment space will make up 2.1 acres annually, and demand for office space will make up 0.274 acres annually.
- The existing supply of vacant and underutilized commercial land in the Highway 99 Sub-Area is 62.02 acres. If the entire Sub-Area were built to the amount of commercial land available, then the area could increase the supply of built land from 311.79 to 373.81 acres. Developing the entire Sub-Area at this density would mean generating 3.6 acres per year to the supply of commercial built land for the remaining 20-year period (17 years). Current zoning would add 62.02 available acres to the existing built total.

Figure 7 below indicates the vacant and underutilized supply and commercial demand of land in the Highway 99 Sub-Area. Commercial demand does not include mixed-use acres. The vacant and underutilized supply is 62.01 acres, and the commercial demand is 42.9 acres. This figure shows that the supply of vacant and underutilized commercial land exceeds the projected demand for commercial land.

Figure 7 | Vacant and underutilized supply and demand for commercial land, Highway 99 Sub-Area, 2004-2024.



Source: Clark County Community Planning and Clark County Commercial Lands Demand Assessment, Technical Report, May 2007 prepared by Community Attributes.

From an economic perspective, maintaining the entire Sub-Area as a viable retail area is probably not feasible in its current configuration. Public policy could encourage redevelopment of parts of the Sub-Area into commercially viable areas:

- **Commercial development.** A redevelopment plan could focus the new commercial space into smaller areas of higher density commercial development. Because there is so much commercial space available for redevelopment, public policy will need to provide

direction about how and where to create commercial nodes within the Sub-Area, and provide some type of incentives or public investment to encourage redevelopment of that specific area. Reducing retail entitlements on the Sub-Area could create places where other uses could have value too.

- **Design standards.** New commercial nodes would be required to use design standards that provide the community with a mix of mutually supporting retail, service, office and residential uses. They would provide incentives to develop at a higher-density with an active urban environment similar to the Mixed-Use Design Standards.

HOUSING DEVELOPMENT

The type of housing units demanded is driven by several factors such as price, income and wealth. Demographics such as population, household size, age distribution of household, marital status, and whether or not children are in the household also play an important role in housing demand.

This section considers the demographic characteristics in the Highway 99 Sub-Area and local and national trends in housing to forecast demand for housing types in the study area. The objective with this analysis is not to develop a firm estimate for the amount of demand for housing in the Sub-Area, but rather to illustrate some of the larger trends that are influencing the market for housing in the Highway 99 Primary Trade Area. This analysis of commercial development concluded that there is no shortage of supply of commercial land. Thus, re-zoning some commercial properties to mixed-use is a possibility. The focus of this section answers the question: Is there a demand for housing in the Sub-Area, and if so, for what type of housing?

Both nationally and locally, changes in demographics and markets suggest increased demand for smaller housing units and greater convenience to access work, shopping, and recreational activities. The key trends include:

- There is a long trend (50 years) in the U.S. and the Northwest of decreasing household size and increasing home size. However, household size has increased county-wide in recent years. Continued rapid immigration could continue this trend.
- According to Eric Hovee of E.D. Hovee & Company, LLC, there are signs that the trend toward increased home size will not continue unabated. This is particularly the case with higher density urban housing products, where consumers choose fewer square feet with a higher value per square foot.
- An aging population will create more “empty nest” and single-person households, increasing relative demand for smaller housing units and multi-family housing that do not require tenants to perform yard and building maintenance.
- A larger share of children and middle-aged adults (Technical Report 1: Land Use & Demographics) will create demand for housing that is near schools, grocery stores, medical services, and pedestrian friendly environments. Table 4 above shows that the number of people per household is increasing for Clark County, and is slightly lower in the Highway 99 Primary Trade Area and Highway 99 Sub-Area.
- Increased income inequality will increase relative demand at the high and low end of the market, increasing relative demand for large single-family housing and affordable multi-family units. At the Community Design Forum held on October 10, 2007 citizens report a desire for affordable housing and higher density housing.

- Increasing real housing cost will force buyers to economize on land and built space, and increase demand for more affordable housing.

As mentioned in the Technical Report 1: Land Use & Demographics, the planning area has approximately 5,378 housing units, of which 3,675 (or 68.3 percent) are owner occupied, and 1,703 or 31.6 percent are renter occupied. County-wide owner occupied households are averaging approximately 67 percent and 33 percent renter occupied. The Department of Assessment and GIS also indicates that twenty eight percent of the study area’s housing units are multi-family.

Building permits in table 12 show development patterns in the Highway 99 Primary Trade Area. Single- and multi-family residential permits have been declining since 2004. This decline is a reflection of recent national housing development trends.

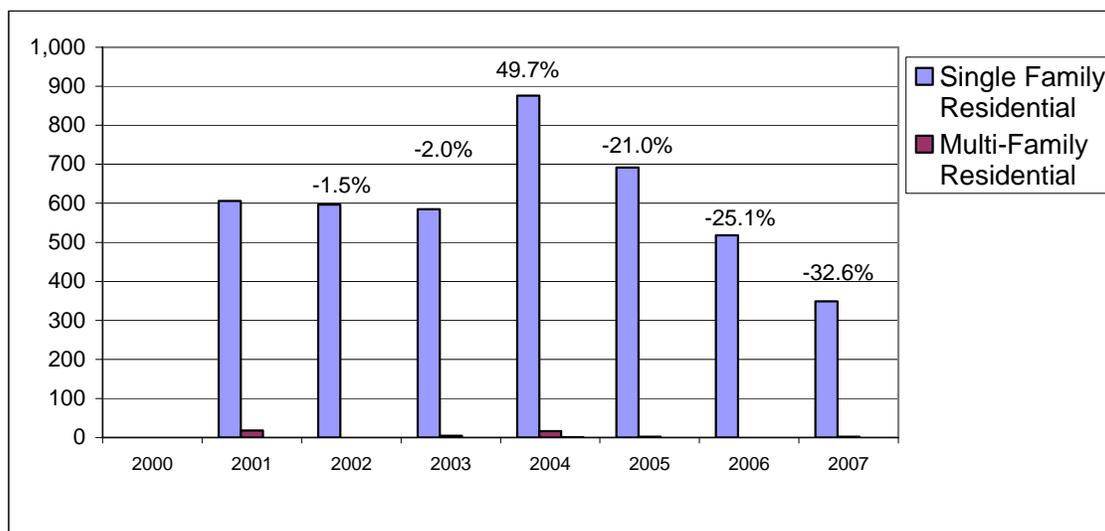
Table 12 | Highway 99 Primary Trade Area Single-Family and Multi-Family Residential Permits, 2001-2007.

	2001	2002	2003	2004	2005	2006	2007
SFR	606	597	585	876	692	518	349
MFR	18	0	4	16	2	0	2
SFR percent increase		-1.5%	-2.0%	49.7%	-21.0%	-25.1%	-32.6%

Source: CLARK COUNTY DEPARTMENT OF ASSESSMENT & GIS

Figure 8 below shows the fluctuations in new single-family and multi-family residential building permits from 2001 to 2007. The percentage change from previous years is shown on top of the single-family residential permits. Single-family residential permits trend reflect a bell curve with the height of permits issued in 2004, which is an increase from 2003 of 49.7%.

Figure 8 | Highway 99 Primary Trade Area Single-Family and Multi-Family residential permits, 2001 – 2007



Source: CLARK COUNTY DEPARTMENT OF ASSESSMENT & GIS

Recent trends in the single-family and multi-family residential markets show different signs. On one hand, the single-family market has seen a slow housing market. In fact, “a total of 507 homes were sold last month, the slowest November in 12 years¹².” According to RMLS multiple-listing service in Portland, Clark County has an 11 month supply of housing. On the other hand, according to Norris, Beggs & Simpson Multi-family Report for the Portland Metro Area, Third Quarter 2007, vacancy rates are dropping, rental rates are increasing, permits and construction are on the rise. Overall, the current market conditions indicate multi-family residential demand is increasing.

Currently, the Highway 99 Sub-Area area appears ready for redevelopment. Almost all of the land facing Highway 99 is a 1970’s strip commercial area. Adjacent to the commercial strip are scattered multi-family developments, and a few mobile home parks located in high-density zoned land. To the east of the strip is low-density residential land, which is about 50% of the total land supply in the study area.

Outlook for housing in the Highway 99 study area

What type of residential development is likely?

The market for urban-style residential products (e.g., townhouses and mid-rise stacked flats) is driven by demand for urban amenity and lifestyle. Urban housing opportunities are usually connected to amenities such as retail, entertainment, or recreation opportunities. While the downtown Vancouver core is beginning to offer such urban amenities, the study area itself does not offer similar attractions. If the market for added multi-family housing continues or increases in the Highway 99 Primary Trade Area, there undoubtedly can be a market in the study area under conditions yet to be specified.

Based on the increasing difficulty for first time homebuyers to purchase a home, declining vacancy rates for apartments in the Portland Metro Area, and the continued desire for home ownership, there is growing evidence a market for multi-family development in mixed-use projects exist in Clark County. Whether that type of residential development could occur in the study area depends on how the study area transforms itself.

Currently, the study area offers no urban amenities to attract people to the existing supply of multifamily housing. If the number of desirable amenities, including retail and recreational opportunities, were to increase, other residential product types might be possible. The current vacant lands model indicates that Highway 99 Sub-Area can accommodate an additional 1,323 multifamily housing units through 2024. Important features of further planning to attract multifamily development on Highway 99 could involve consideration of income and tenure mix, configuration of pure and mixed-use residential prototypes suitable for key opportunity sites, and incentives that may be required to start initial developments.

Participants at the Community Design Forum held in October 2007 believed that creating neighborhood amenities would be critical to developing a market for mixed-use or multi-family housing. Such amenities would include streetscape and traffic-calming improvements, parks, and restaurants. Stakeholders believed that commercial nodes would

¹² [Clark County home sales remain weak](#) by Julia Anderson, Columbian staff writer. The Columbian, Thursday December 20, 2007.

be more attractive, but new commercial by itself is not attractive enough to draw residential projects. More amenities would be necessary. If various types of amenities developed in the study area, nearby lower-density residential neighborhoods would provide the density needed to support these projects. This expanded market could help to justify the costs of increased residential density in the study area.

Multi-family redevelopment is more feasible on the arterial streets near Highway 99. The community development corporation, Affordable Community Environments (ACE), indicates that the correct mix of multi-family siting criteria is essential to the success of a project. ACE looks at development criteria such as close proximity to schools, grocery stores, hospitals, bus routes, and pedestrian circulation. The Highway 99 corridor meets this criterion and it could serve as an excellent place for multi-family developments.

Getting any substantial concentration of urban-type housing products is not likely to happen unless the study area transforms itself from its strip-commercial development pattern. The transformation is not likely to happen without public/private participation in the creation of urban amenities, and concentrated, rather than dispersed, investment. All that points to the importance of creating commercial nodes as a catalyst for mixed-use urban development that would include some housing if there were to be much chance of getting new housing products along the Highway 99 strip on the study area. Input from the Community Design Forum in October 2007 shows that citizens are supportive of mixed-use developments.

Appendix.

This Appendix provides Supplemental Statistical Tables for the Retail Market Potential in the Highway 99 Primary Trade Area.

Table A-9. Highway 99 Primary Trade Area Retail Sales Leakage (2006/07)

Retail Categories	Demand (Retail Potential)	Supply (Retail Sales)	Leakage (Demand- Supply)
Motor Vehicle & Parts Dealers	\$201,557,792	\$112,327,983	\$89,229,809
Furniture & Home Furnishings Stores	\$21,646,825	\$8,092,478	\$13,554,347
Electronics & Appliance Stores	\$15,162,079	\$5,368,773	\$9,793,306
Bldg Materials, Garden Equip. & Supply Stores	\$27,315,851	\$23,165,963	\$4,149,888
Food & Beverage Stores	\$115,503,114	\$74,540,648	\$40,962,466
Health & Personal Care Stores	\$19,254,648	\$16,752,467	\$2,502,181
Gasoline Stations	\$77,403,561	\$35,485,990	\$41,917,571
Clothing and Clothing Accessories Stores	\$26,543,566	\$5,121,860	\$21,421,706
Sporting Goods, Hobby, Book, & Music Stores	\$5,109,766	\$8,512,390	-\$3,402,624
General Merchandise Stores	\$192,689,665	\$247,759,088	-\$55,069,423
Miscellaneous Store Retailers	\$8,155,661	\$9,559,351	-\$1,403,690
Nonstore Retailers	\$56,383,655	\$14,777,133	\$41,606,522
Food Services & Drinking Places	\$118,263,605	\$68,561,689	\$49,701,916
Total Retail Trade and Food & Drink	\$884,989,788	\$630,025,813	\$254,963,975

Source: ESRI, E. D. Hovee & Company, LLC.

Table A-2. Retail Building Space Need (2006/07-2024)

NAICS	Retail Categories	Retail Sales/SF	Building Space Demand (sf)		
			Leakage Recapture	Future Growth	Leakage + Growth
441	Motor Vehicle & Parts Dealers	NA	-	-	-
442	Furniture & Home Furnishings Stores	\$225	60,000	37,000	97,000
443	Electronics & Appliance Stores	\$275	36,000	21,000	57,000
444	Bldg Materials, Garden Equip. & Supply Stores	\$250	17,000	42,000	59,000
445	Food & Beverage Stores	\$350	117,000	127,000	244,000
446	Health & Personal Care Stores	\$375	7,000	20,000	27,000
447	Gasoline Stations	NA	-	-	-
448	Clothing and Clothing Accessories Stores	\$200	107,000	51,000	158,000
451	Sporting Goods, Hobby, Book, & Music Stores	\$190	-	10,000	10,000
452	General Merchandise Stores	\$300	-	247,000	247,000
453	Miscellaneous Store Retailers	\$250	-	13,000	13,000
454	Nonstore Retailers	NA	-	-	-
722	Food Services & Drinking Places	\$275	181,000	166,000	347,000
44-45, 72	Total Retail Trade and Food & Drink		525,000	734,000	1,259,000
	Land Acreage Required (at 0.25 FAR)		48.2	67.4	115.6

Note: Excluded from building space and land area estimates are auto oriented uses of motor vehicle/parts and gasoline stations and non-store retailers (such as mail order or web-based retail distributors).

Source: E. D. Hovee & Company from information provided by Clark County, ESRI and Urban Land Institute.